Hindustan Unilever Limited,
Unilever House,
B D Sawant Marg, Chakala,
Andheri East, Mumbai 400 099

Tel: +91 (22) 50433000 | Web: www.hul.co.in | CIN: L15140MH1933PLC002030

Hindustan Unilever Limited

5th June, 2020

*Stock Code: BSE-500696*
*NSE- HINDUNILVR*
*ISIN: INE030A01027*

BSE Limited
Corporate Relationship Department,
2nd Floor, New Trading Wing,
Rotunda Building, P.J. Towers,
Dalal Street,
Mumbai – 400 001

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra – Kurla Complex,
Bandra (E),
Mumbai – 400 051

Dear Sir,

**Sub.: Annual Report for the financial year ended 31st March, 2020**

This is further to our letter dated 27th May, 2020 wherein the Company had informed that the Annual General Meeting of the Company is scheduled to be held on Tuesday, 30th June, 2020 through Video Conference / Other Audio-Visual Means, in accordance, with the relevant circulars issued by Ministry of Corporate Affairs and Securities and Exchange Board of India (SEBI).

In terms of the requirements of Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are submitting herewith the Annual Report of the Company including the Business Responsibility Report and the Notice of AGM for the financial year 2019-20, which is also being sent through electronic mode to the Members.

The Annual Report containing the Notice of Annual General Meeting is also uploaded on the Company's website at https://www.hul.co.in/investor-relations/annual-reports/.

You are requested to kindly take the above information on record.

Thanking You,

Yours faithfully,
**For Hindustan Unilever Limited**

DEVOPAM BAJPAI
Digitally signed by DEVOPAM BAJPAI
Date: 2020.06.05 18:51:39 +05'30'

**Dev Bajpai**
**Executive Director, Legal & Corporate Affairs and Company Secretary**
**DIN : 00050516 / FCS : F3354**
Encl. as above


# Purpose-led, future-fit

## Hindustan Unilever Limited
## Integrated Annual Report 2019-20

Hindustan Unilever Limited

# Basis of Preparation and Presentation

## Summary

The terms 'HUL', 'the Company', 'your Company','we', 'our' and 'us' refer to Hindustan Unilever Limited. Our Integrated Annual Report encompassing the Statutory Reports, (page nos. 2 to 96), contains information about us, how we create value for our stakeholders and how we run our business. It includes our strategy, business model, market outlook and key performance indicators. The Report of Board of Directors and the Management Discussion and Analysis include details of our performance as well as our approach to sustainability and risk management. Our Corporate Governance Report, which forms a part of the Report of Board of Directors, (page nos. 71 to 96), contains an analysis of steps taken in the area of Corporate Governance including information as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations). Our Financial Statements and Notes are on (page nos. 99 to 215). The Integrated Report, Statutory Reports and Financial Statements have been approved by the Board of Directors.

## Standards & Frameworks

The Integrated Report is prepared in accordance with the guiding principles of the Integrated Reporting <IR> Framework recommended by the International Integrated Reporting Council (IIRC). Statutory Reports, including the Report of Board of Directors, the Management Discussion and Analysis (MD&A) and the Corporate Governance Report, are as per the regulatory requirements mandated by the Companies Act, 2013, Listing Regulations and the Secretarial Standards.

## Reporting Scope

The Annual Report including the Integrated Report, Statutory Reports and Audited Financial Statements provides information with respect to the Company's operations for the Financial Year 2019-20 (unless specifically mentioned otherwise).

## Accountability Statement

The Company's Board of Directors confirm that the HUL Annual Report, taken as a whole, is fair, balanced and provides fair and necessary information to shareholders on the Company's performance, business model and strategy, together with a description of the material risks and opportunities.

## Cautionary Statement

Statements in this Annual Report, particularly those that relate to the Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations, may constitute 'forward-looking statements' within the meaning of applicable laws and regulations. Although the expectations are based on reasonable assumptions, the actual results might differ.

## Assurance by Independent Auditor

The enclosed standalone and consolidated Financial Statements of your Company have been audited by Independent Auditors M/s. B S R & Co. LLP, Chartered Accountants.

Your Company's USLP performance is a subset of the Unilever PLC's reported USLP performance. Independent assurance has been provided by PricewaterhouseCoopers LLP over the Unilever PLC aggregated USLP and Environmental and Occupational Safety performance indicators for 2019, details of which are provided online at https://www.unilever.com/investor-relations/annual-report-and-accounts/#Downloads.

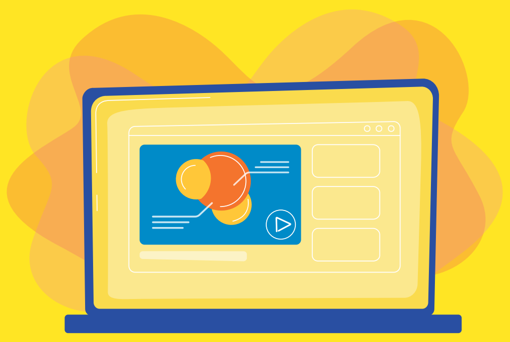
The Company has obtained Certificate from M/s. B S R Co. & LLP, Statutory Auditors confirming the compliance of conditions of Corporate Governance as stipulated under Listing Regulations and Certificate from M/s. S. N. Ananthasubramanian & Co., Company Secretaries confirming compliance with the Companies Act, 2013 (the Act), applicable Rules made under the Act, Listing Regulations issued by Securities and Exchange Board of India (SEBI). The Certificates form part of this Report.

## Materiality Determination

This Report provides fair and balanced information about the relevant matters that substantively affect your Company's ability to create value both positively and negatively, including risks and opportunities and favourable and unfavourable performance or prospects. To identify material information or matters, we have taken a holistic perspective by regularly engaging with the various key stakeholders.

## Read more online

- You can find more information about HUL at: **www.hul.co.in/**
- Unilever Sustainable Living Plan (USLP) at: **www.hul.co.in/sustainable-living/**
- Annual Report along with other related documents can be downloaded at: **www.hul.co.in/investor-relations/annual-reports/hul-annual-report-related-documents.html**



## Kind Attention Members:

### Instructions for joining the AGM

**For detailed instructions to join the AGM through Video Conference (VC)/ Other Audio Visual Means (OAVM) and the procedure to raise questions / seek clarifications with respect to the Annual Report refer (page nos. 219 to 222) of this Report.**

INTEGRATED ANNUAL REPORT 2019-20

# Contents

# About Us

## AT A GLANCE

Hindustan Unilever Limited (HUL) is India's largest fast-moving consumer goods Company with a heritage of over 80 years. More than nine out of ten Indian households use one or more of our brands to feel good, look good and get more out of life, giving us a unique opportunity to build a brighter future.

Each of our divisions – Home Care, Beauty & Personal Care, Foods and Refreshment – include a portfolio of brands that serve consumers across the length and breadth of India. With more than 44 brands across 14 distinct categories including Fabric Solutions, Home and Hygiene, Life Essentials, Skin Cleansing, Skin Care, Hair Care, Colour Cosmetics, Oral Care, Deodorants, Tea, Coffee, Ice Cream & Frozen Desserts, Foods, Health Food Drinks (HFD), the Company is part of the daily life of millions of consumers.

Our portfolio includes leading brands such as Surf excel, Rin, Wheel, Sunlight, Vim, Pureit, Lux, Lifebuoy, Dove, Fair & Lovely, Pond's, Vaseline, Clinic Plus, Sunsilk, Indulekha, Lakmé, Pepsodent, Closeup, Axe, Brooke Bond, Lipton, BRU, Kwality Wall's, Knorr and Kissan. Effective 1st April, 2020, your Company, after the merger of the business of GlaxoSmithKline Consumer Healthcare Limited (GSK CH), has also acquired iconic brands like Horlicks and Boost, amongst others. Our products are available in over eight million outlets across India.

**44+**
**Brands across 14 distinct categories**

**8million+**
**Outlets across India**




**21,000**
**Employees**

Following the merger of GSK CH into your Company effective 1st April, 2020, we now have around 21,000 employees working across 31 company-owned factories and 15 offices. More than 1,150 suppliers work with the Company's supply chain spanning own factories and several others that manufacture on the Company's behalf. The products are stocked in warehouses dotted across the country and delivered to over 4,500 distributors. Your Company also creates employment opportunities for several thousand more across its value chain – from smallholder farmers who provide raw materials, to the distribution partners who take our products to customers and consumers.

Your Company has a clear and compelling strategy (the Compass) that is driven by purpose and focuses on achieving consistent, competitive, profitable and responsible growth. A belief that sustainable business drives superior performance lies at the heart of our Compass–our strategy to create long-term value for our stakeholders. This is underpinned by the Unilever Sustainable Living Plan (USLP) that sets our vision to increase the size of the business, whilst reducing the environmental footprint and increasing our positive social impact.

In a volatile and uncertain world, where rapid digitisation is reshaping established business models, your Company is re-imagining itself to stay ahead. We are embedding technology across all our processes to build a business that is future-fit. We are constantly innovating across the portfolio to meet evolving consumer needs. We are focusing on building our capabilities in channels of the future that are growing fast and driving profitability for the business.

At the same time, transformation programmes such as 'Winning in many Indias' and Connected 4 Growth (C4G) are helping in faster decision-making, localised and swifter innovation delivery and increased speed-to-market, which is driving business performance.

We are committed to protecting our reputation by fostering Business Integrity, which is non-negotiable for all employees and business partners. 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.

### PURPOSE-DRIVEN PERFORMANCE

More than nine out of ten Indian households use our brands. With this reach comes responsibility and opportunity. That is why we have made it our purpose to make sustainable living commonplace. To help people live well within the limits of the planet. This is not just something we say – it steers our decisions and shapes our actions, at every level of the business.

Our focus on purpose goes back to the days of one of our founders, William Lever, well over 100 years ago. It is part of our history, and is integral to our future. Therefore, we want all our brands to take a stand, and act, on the big social and environmental issues facing the world. We believe we will be a better and more successful business by following this path.

In our quest to make sustainable living commonplace, we are purpose-led and aim to be fit for the future by anticipating the significant changes shaping our industry and taking necessary actions. This includes bringing digital technology across our value chain, lowering our cost base, acting faster and becoming more agile. We also use our scale and influence to create positive change. We continue to attract the best talent and have created a culture which is diverse and inclusive.

**Purpose-led, future-fit**

# Chairman's Statement

**Mr. Sanjiv Mehta**
Chairman and Managing Director

“We delivered EBITDA of ₹ 9,600 crores, our EBITDA margins are at its highest ever at 25.1% and our profit crossed the ₹ 6,700 mark for the first time.”

## Dear Shareholders,

I am pleased to share with you an update on your Company's performance for 2019-20. The year saw a challenging business environment with lower GDP growth and slowdown in consumption. This resulted into a weakening consumer sentiment and lower demand for the categories in which we operate. The novel coronavirus has affected not just human health but severely impacted businesses and the society at large. Against this backdrop, your Company has delivered competitive, profitable and responsible growth. Our growth fundamentals are in a good shape with gains in penetration and distribution. Most of our brands have gained in terms of mind measures and this augurs well for the future.

For the nine months, ended December 2019, Domestic Consumer Growth was at 6%, reflective of our strong performance delivery. Given the disruptions to supply chain arising from COVID-19 in March 2020, for the full year 2019-20, Domestic Consumer Growth was 2% with Underlying Volume Growth of 2%. Our EBITDA margin improved by 100 bps on comparable basis, PAT (bei)*, grew by 11% to ₹ 6,743 crores and PAT at ₹ 6,738 crores was up by 12%. We sustained our track record of strong cash generation. The Board of Directors have proposed a final dividend of ₹ 14 per share, subject to the approval of the shareholders at the AGM. Together with the interim dividend of ₹ 11 per share, the total dividend for the financial year ending 31st March 2020 amounts to ₹ 25 per share; an increase of 14%.

The FMCG market saw disparate trends across divisions. There was a significant shift in discretionary spends and this impacted the Beauty & Personal Care division. Despite the challenges, categories such as Skin, Hair and Oral Care delivered good growth. With on-trend innovations such as Matte revolution and 3D makeup, Lakmé continued to be India's No. 1 Cosmetics brand. In Skin Cleansing, brands such as Dove and Pears led the premiumisation agenda. During the year, we also launched, a purpose-driven brand from the Unilever stable, 'Love, Beauty and Planet' - made from sustainably sourced ingredients and packaged in recycled plastic.

*before exceptional items

Your Company's Home Care division sustained its robust volume-driven and profitable growth during the year. The Fabric Solutions business delivered a strong performance with a focus on premiumisation with Surf excel and Rin liquids. To strengthen our premium portfolio further, we launched 'Love & Care', an expert Fabric Solutions brand. We drove market development across our Home and Hygiene business with Vim and Domex. While Vim continued to upgrade existing bar consumers to liquid and drive adoption of bars in rural India, Domex launched a powder format in select geographies to address the need for affordable and efficacious sanitation solution. This year, we also launched Pureit Copper+, an innovation inspired by the age-old tradition of storing water in copper vessels, which adds goodness of copper to RO purified water.

The Foods & Refreshment division witnessed competitive and profitable growth across categories. The Jams and Ketchup business continued to deliver good growth and in Spreads, we launched the iconic Hellmann's Mayonnaise in Kolkata this year. With on-trend, superior product offering, Tea continued to deliver robust, volume-led growth. The Ice Cream and Frozen Desserts business delivered strong growth on the back of innovations that catered to both global and local palates. For instance, we launched the Cornetto Brownie Silk, Magnum Hazelnut, a Sundae Cup alongside flavours crafted to address local tastes such as Aamras, Dryfruit Rabri Kulfi and Tender Coconut tub.

We successfully completed the integration of the GlaxoSmithKline Consumer Healthcare Limited (GSK CH) business into HUL. The merger, one of the biggest in the Indian FMCG space was completed virtually while the entire nation was under lockdown. This just goes to demonstrate the resolve and resilience of our people. The merger brings to HUL household brands such as Horlicks and Boost that are deeply in sync with our beliefs on purpose and just like our Water, Sanitation and Hygiene (WASH) agenda, in clear alignment with both the Sustainable Development Goals and the Government's thrust on 'Poshan Abhiyan' alongside 'Swachh Bharat'. The merger between the two companies presents us with an opportunity to combine our respective strengths and work towards further strengthening our position in Foods, Nutrition and Refreshments.

Your Company's supply chain continued its focus on consumers and customers. Our on-shelf availability was at an all-time high with the Customer Case Fill on Time (CCFOT) at over 95%. At the same time, we improved our on-shelf quality by 30% over the previous year. Our cost saving programmes delivered a 7% of turnover as gross savings last year. The e-Commerce channel continued its strong growth trajectory on the back of thought leadership and exemplary execution. We continue to drive organisation wide digital transformation agenda under the umbrella of 'Reimagining HUL' to make your Company future-fit.

Our brands continued to live our purpose of making sustainable living commonplace directly and through partnerships. Our WASH initiatives driven by brands such as Lifebuoy and Domex, together with Hindustan Unilever Foundation, reached millions of people across India. Our brands such as Surf excel, Brooke Bond Red Label and Hamam continued to drive positive social change through their purpose-driven and impactful advertising. In line with the Government of India's Swachh Bharat Abhiyan, our 'Swachh Aadat, Swachh Bharat' programme, continued to promote good health and hygiene practices.

Your Company continued to drive 'Project Shakti', an initiative aimed at enhancing livelihoods and building opportunities for small scale entrepreneurs in rural India. Your Company now has nearly 1.2 lakhs Shakti Entrepreneurs (Shakti Ammas) across India.

We remain committed to reducing our environmental footprint. During the year, we took significant steps to further reduce waste, water consumption, energy usage and $CO_2$ emissions in our factories and offices. We increased the renewable energy share in our manufacturing to 71%; out of which, the grid electricity used was 100% renewable. All our factories and warehouses continue to maintain 'zero non-hazardous waste to landfill sites' status. To address the challenges of depleting water resources, Hindustan Unilever Foundation, along with its partners, has created a cumulative water conservation potential of over 1,200 billion litres* till financial year 2019-20. In 2019, your Company has disposed more than 39,000 tonnes of post-consumer use plastic waste in an environment-friendly way. This has been done with the help of collection and disposal partners in more than 50 cities across India.

**~1.2 lakhs**
**Shakti entrepreneurs empowered**

**39,000 tonnes**
**of post-consumer use plastic waste disposed in environment-friendly way**

*pending independent assurance

I would like to take this opportunity to reiterate that your Company stands united with the nation during this challenging phase of COVID-19. To support the nation in tackling the crisis, we were one of the first companies to commit ₹ 100 crores. Since then, in partnership with the Government, civic bodies, corporates, social organisations and hospitals, we have undertaken several initiatives such as donating sanitation and hygiene products to medical institutions and underserved sections of the society, upgrading health care facilities in Government hospitals & testing centres, setting up isolation centres and creating large scale awareness campaigns.

I would like to thank each and every employee as well as those working with our partners across our value chain for their commitment and service to HUL in these challenging times. Most importantly, I would like to thank you, our shareholders, for your overwhelming trust, support and confidence in Hindustan Unilever Limited.

Warm regards,

**Sanjiv Mehta**
Chairman and Managing Director

# Board of Directors

**Mr. Sanjiv Mehta**
Chairman and Managing Director

**Mr. Srinivas Phatak**
Executive Director, Finance & IT and Chief Financial Officer

**Mr. Dev Bajpai**
Executive Director, Legal & Corporate Affairs and Company Secretary

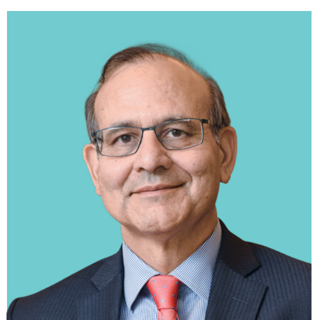
**Mr. Wilhelmus Uijen**
Executive Director, Supply Chain

**Mr. Aditya Narayan**
Independent Director

**Mr. O. P. Bhatt**
Independent Director

**Dr. Sanjiv Misra**
Independent Director

**Ms. Kalpana Morparia**
Independent Director



**Mr. Leo Puri**
Independent Director

**Dr. Ashish Gupta**
Independent Director

For detailed Profile of Directors, refer (page nos. 226 to 229) of this Report.

# Management Committee

**Mr. Sanjiv Mehta**
Chairman and Managing Director

**Mr. Srinivas Phatak**
Executive Director, Finance & IT and Chief Financial Officer

**Mr. Dev Bajpai**
Executive Director, Legal & Corporate Affairs and Company Secretary

**Mr. Wilhelmus Uijen**
Executive Director, Supply Chain

**Ms. Priya Nair**
Executive Director, Beauty & Personal Care

**Mr. Sudhir Sitapati**
Executive Director, Foods & Refreshment

**Mr. Srinandan Sundaram**
Executive Director, Sales and Customer Development

**Ms. Anuradha Razdan**
Executive Director, Human Resources

**Dr. Vibhav Sanzgiri**
Executive Director, Research & Development

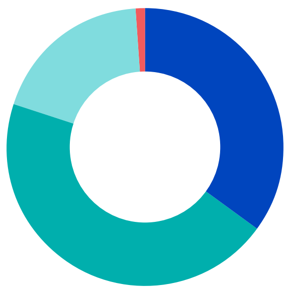
**Ms. Prabha Narasimhan**
Executive Director, Home Care

# Our Performance

The benefits that our vision and strategy deliver, translate into growth-oriented performance for shareholders and the society at large.

## Segmental performance in 2019-20

### SEGMENTAL REVENUE (%)




### SEGMENTAL RESULTS (%)


## Financial performance in 2019-20

**NET REVENUE**

**₹ 38,785 crores**

**Comparable Domestic consumer business grew by 2%, underlying volume growth 2%**

**EBITDA**

**₹ 9,600 crores**

**Comparable Earning Before Interest Tax Depreciation and Amortisation (EBITDA) improved by 100 bps**

**EPS (BASIC)**

**₹ 31.13**

**Last year's basic EPS: ₹ 27.89 per share**

**CASH FROM OPERATIONS**

**₹ 9,500+ crores**

**Cash from operations was up ₹ 1,357 crores over the previous year**

## Non - Financial performance*

**MANUFACTURING**

**2019: 85%**

2018: 59%

**Reduction in $CO_2$ emissions (kg/tonne of production) in our manufacturing operations compared to 2008 baseline**

**2019: 58%**

2018: 55%

**Reduction in water consumption ($m^3$/tonne of production) in our manufacturing operations compared to 2008 baseline**

**2019: 63%**

2018: 58%

**Reduction in total waste (kg/tonne of production) generated from factories compared to 2008 baseline**

**BETTER LIVELIHOODS**

**2019-20 : ~1,20,000**

2018-19: 1,09,100

**Shakti entrepreneurs empowered**

**SUSTAINABLE SOURCING**

**2019: 78%**

2018: 65%

**Tea sourced from sustainable sources for Unilever brands**

**HEALTH AND WELL-BEING**

**2019: >152 million**

2018: >150 million

**People reached through our Water, Sanitation and Hygiene (WASH) initiatives**

*Our non-financial performance given above is up to December 2019 (except when mentioned otherwise)



# Financial Performance

## Standalone

(₹ crores)

| Statement of Profit & Loss Account | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|
| Gross Sales | 34,619 | 37,660 | 38,273 |
| Other Income (includes other operating income) | 1,168 | 1,228 | 1,245 |
| Finance Cost | (20) | (28) | (106) |
| Profit Before Taxation@ | 7,347 | 8,749 | 9,289 |
| Profit After Taxation@ | 5,135 | 6,080 | 6,743 |
| Earnings Per Share of ₹ 1 | 24.20 | 27.89 | 31.13 |
| Dividend Per Share of ₹ 1 | 20.00 | 22.00 | 25.00 |

@ Before Exceptional items

| Balance Sheet | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|
| Property, Plant and Equipment and Intangible Assets | 4,572 | 4,716 | 5,569 |
| Investments | 3,111 | 2,949 | 1,500 |
| Cash and Other Bank Balances | 3,373 | 3,688 | 5,017 |
| Net Assets (Current and Non – Current) | (3,981) | (3,694) | (4,055) |
| | **7,075** | **7,659** | **8,031** |
| Share Capital | 216 | 216 | 216 |
| Other Equity | 6,859 | 7,443 | 7,815 |
| | **7,075** | **7,659** | **8,031** |

| Key Ratios and EVA | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|
| EBITDA (% of Gross Sales) | 21.0 | 22.9 | 25.1 |
| Fixed Asset Turnover (No. of times) | 7.6 | 8.0 | 6.9 |
| PAT@ / Gross Sales (%) | 14.8 | 16.1 | 17.6 |
| Return on Capital Employed (%) | 118.9 | 131.2 | 128.5 |
| Return on Net Worth (%) | 84.5 | 90.5 | 92.0 |
| Economic Value Added (EVA) (₹ crores) | 4,258 | 5,291 | 6,085 |

@ Before Exceptional items

| Others | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|
| HUL Share Price on BSE (Per share of ₹ 1)* | 1,336 | 1,708 | 2,298 |
| Market Capitalisation (₹ crores)* | 2,89,159 | 3,69,688 | 4,97,514 |

*Based on year-end closing prices quoted on BSE Limited

Information on 10 years record of Financial Performance is available at www.hul.co.in/investor-relations/annual-reports/hul-annual-report-related-documents.html.

# Unilever Sustainable Living Plan (USLP)

Target | Performance

## IMPROVING HEALTH AND WELL-BEING

By 2020, Unilever will help more than a billion people take action to improve their health and well-being.

### 1. HEALTH AND HYGIENE

By 2020, Unilever will help more than a billion people globally to improve their health and hygiene. This will help reduce the incidence of life-threatening diseases like diarrhoea.

**In India, over 152 million people have been reached through our WASH (Water, Sanitation and Hygiene) initiatives.**

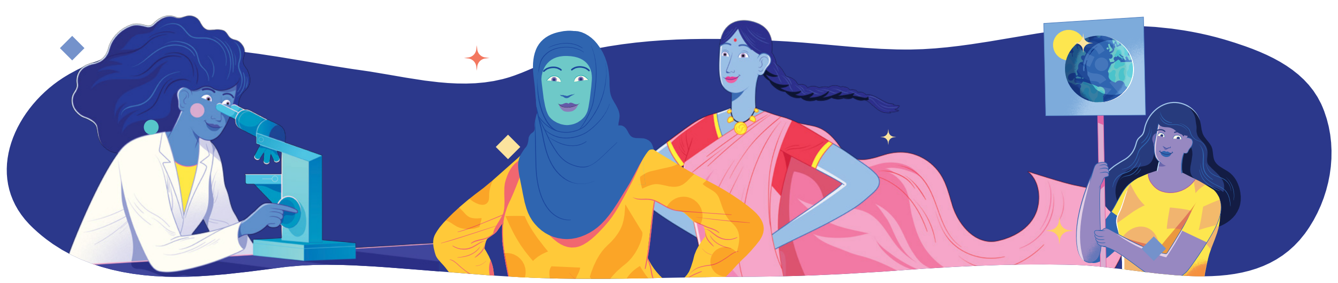
### 2. NUTRITION

By 2020, Unilever will double the proportion of its portfolio across the globe, 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.

**50%**
**of HUL's Foods and Refreshment portfolio met the highest nutritional standards in 2019, based on globally recognised dietary guidelines.**

## ENHANCING LIVELIHOODS

By 2020, Unilever will enhance the livelihoods of millions of people as it grows its business.



### 1. FAIRNESS IN THE WORKPLACE

By 2020, Unilever will advance human rights across global operations and extended supply chain.

**HUL continued to embed human rights with a focus on eight salient human rights issues identified by Unilever globally.**

### 2. OPPORTUNITIES FOR WOMEN

By 2020, Unilever will empower five million women.

**~1,20,000**
**Shakti Entrepreneurs empowered through the Shakti programme by March 2020**

### 3. INCLUSIVE BUSINESS

By 2020, Unilever will enhance the livelihoods of millions of people.

**4.5 million+**
**people positively impacted through Project Prabhat across manufacturing locations. The initiatives focus on enhancing livelihoods, water conservation, nutrition and health & hygiene.**

## REDUCING ENVIRONMENTAL IMPACT

By 2030, Unilever's goal is to halve the environmental footprint of the making and use of its products as it grows its business.

### 1. GREENHOUSE GASES

Halve the greenhouse gas impact of Unilever's products across the lifecycle by 2030.

**85% reduction**
**in $CO_2$ emissions (kg / tonne of production) in HUL's manufacturing operations over 2008 baseline**

### 2. WATER

By 2020, water abstraction by Unilever's global factory network will be at or below 2008 baseline despite significantly higher volumes.

**58% reduction**
**in water consumption (in $m^3$ / tonne of production) in HUL's manufacturing operations over 2008 baseline**

### 3. WASTE

By 2020, total waste sent for disposal globally, will be at or below 2008 baseline despite significantly higher volumes.

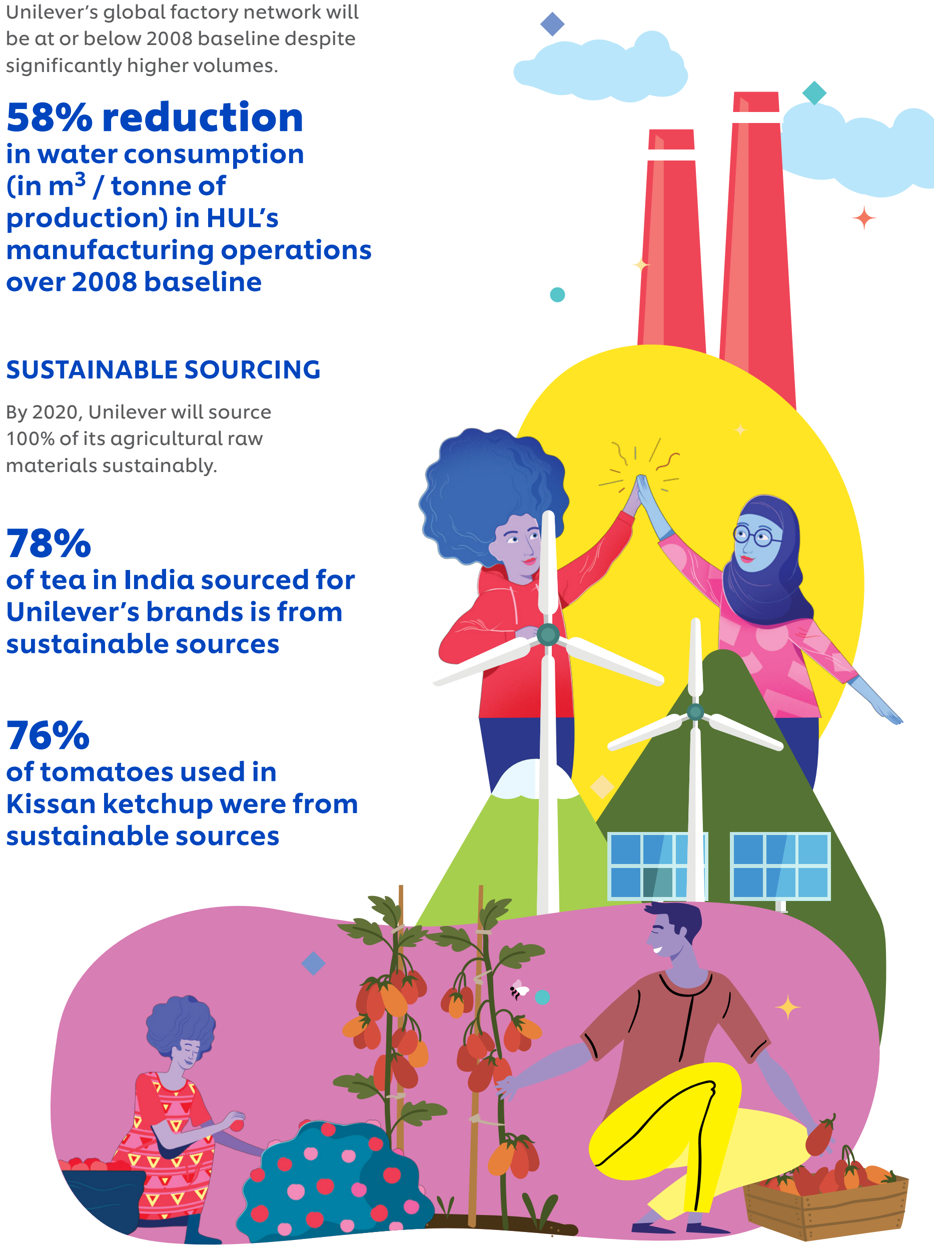
**63% reduction**
**in the total waste generated (kg / tonne of production) from HUL's factories over 2008 baseline**

### 4. SUSTAINABLE SOURCING

By 2020, Unilever will source 100% of its agricultural raw materials sustainably.

**78%**
**of tea in India sourced for Unilever's brands is from sustainable sources**

**76%**
**of tomatoes used in Kissan ketchup were from sustainable sources**



*Our USLP performance given above is upto December 2019 (except when mentioned otherwise). For details of the definitions and reporting periods used in the preparation of these commitments and targets, see our Sustainable Living Section at www.hul.co.in/sustainable-living.

# Our Fast-changing World

We operate in a complex and volatile world. Our strategy is constantly evolving to adapt to the trends and forces shaping our markets and impacting our stakeholders.

## OVERVIEW OF OUR INDUSTRY

Hindustan Unilever Limited operates in the Fast-Moving Consumer Goods (FMCG) industry which continues to be one of the biggest structural opportunities that our country offers. Despite being one of the fastest growing markets globally for FMCG products, the per capita FMCG consumption in India is still amongst the lowest in the world, giving the industry a long runway for growth. The complexity and volatility continue to rise. In the last quarter of financial year 2019-20, we have seen an unprecedented global breakout of the COVID-19 pandemic leading to a humanitarian crisis, lockdown across many countries and a significant economic fallout. Around the world, growth has decelerated markedly. In India, the economic impact of COVID-19 is trickling in on the backdrop of an already challenging macro-economic environment. In 2019, we also witnessed some weather disruptions in the form of late onset of monsoon in parts of the country, post-monsoon heavy showers and a delayed winter. Global trade dynamics, volatile commodity cycles and climate concerns continue to increase the uncertainty further. Conditions like these create challenges for companies and categories across the spectrum. On the other hand, new technologies are changing the landscape of the consumer goods market, bringing opportunities for brands and consumers alike. Consumers are shopping through more diverse channels and smaller local brands as well as digital-first brands are increasingly entering the market.

In these times, as the economy, consumer and channel landscape rapidly evolve, we continue to be agile and responsive to leverage market opportunities and navigate through the challenges. By staying close to consumers and their needs, we ensure that our business continues to grow, while having a positive impact on people and the planet. Our strategy is constantly evolving to adapt to the trends and forces shaping our markets and impacting our multi stakeholders.

### The key trends affecting our stakeholders and our market are outlined below:

A) Economic Environment:

In this year, before the breakout of COVID-19, the macro-economic environment had been challenging with lower GDP growth rates, liquidity crunch, and peaking unemployment rate. This is reflected in sluggish demand and weakening consumer sentiment. FMCG markets witnessed deceleration from the highs of 2018 with rural markets seeing sharper rate of consumption slowdown than urban markets. Overall, market also saw disparate trends across divisions with discretionary categories like Beauty & Personal Care seeing the biggest adverse impact of slow down, while Home Care and Foods and Refreshment categories being relatively more insulated due to their essential nature.

Government has initiated various measures to boost the economy including direct benefit transfer, increased allocations to key sectors like infrastructure, agriculture, MSMEs etc. Reserve Bank of India has cut repo rate by 185 bps on a cumulative basis this year to support the aggregate demand and private investment as well as ease liquidity given the COVID-19 situation. The reduction in corporate tax rate is a big boost to the industry; it makes India much more competitive globally and should accelerate investments in the economy. The slew of policy measures and announcements are welcome and signal the Government's strong commitment to arrest and reverse the slowdown.

**What HUL is doing:**

We manage our business with agility and resilience to deliver consistent, competitive, profitable and responsible growth. We continue to focus on strengthening the core, accelerating premiumisation and driving market development. Your Company has a large portfolio of strong brands that straddles the price-benefit pyramid. Notwithstanding the macro-economic environment, your Company continues to invest behind its brands and drive innovation. We also keep harnessing our execution capabilities by sharper in-market activations, differentiated consumer insights and improved operational efficiencies.

During the year, your Company, in line with its commitment to participate in the 'Make in India' initiative of the Government of India, decided to form a new 100% Subsidiary to leverage the growth opportunities in a fast-changing business environment and this will help your Company in becoming more agile and customer-focused.

B) Digital and Technological Revolution:

Technology continues to change the fabric of life and business. Enhanced Artificial Intelligence (AI), robotics and the Internet of Things (IoT) are reshaping how people live, work and Interact with the world and with brands. Intelligent technologies are optimising manufacturing and agriculture, connecting businesses inside and out, and changing how people shop. Digital channels bring opportunities for more precision marketing, deeper engagement and stronger connections between brands and consumers all over the world. Yet, with access to richer data and more intelligent analytics come risks and concerns around data security and privacy. Therefore, businesses need to collect and use data in responsible ways.

**What HUL is doing:**

With our agenda of 'Reimagining HUL', we are well poised to unlock the opportunities created by the digital and technological revolution. Under this digital transformation programme, we are embedding technology across our end-to-end value chain to build a business that is 'Future-fit'. We are looking at data and technology to help us make a paradigm shift in serving our customers and consumers. We are picking up consumer signals real-time through the People Data Centre, which analyses consumer sentiments and conversations about our brands and categories. We are driving precision marketing to identify consumer needs and direct targeted content. Our Connected Stores Programme is coming of age where we are creating a complete ecosystem across shoppers and retailers covering demand generation, demand capture and demand fulfilment. To drive this programme, we have a cross-functional digital council consisting of people who are committed to bringing a digital and technological revolution in HUL.

C) Social Developments:

Societies are becoming more diverse and fragmented. We are seeing, for example, growing splits between generations, rising affluence in the middle-income tier, growing young and working population and changing family structures. As people increasingly interact with each other and with businesses online, consumers are making more decisions based on their values. Digitally connected shoppers are over-indexed on consumption across all categories and especially in niche categories. They are also using both online and offline channels to find better, more personalised products and services more easily and quickly. In this landscape, brands have to be more visible, convenient and part of the conversation – taking a stand and action on the issues people care about. The fragmentation of consumer expectations and retail channels creates both challenges and opportunities for companies like ours.

**What HUL is doing:**

We are cognizant of the non-linear consumer journey today that traverses across different channels as consumers go through the lifecycle of awareness-consideration-purchase-experience-repeat-loyalty. Hence, we are focused on creating an end-to-end solution for a seamless experience and route-to-market disruption. We continue to stay close to our consumers. We continue to put unequivocal focus on building brands with purpose that take a stance and make a positive difference to the society and environment. Underpinned by our Compass belief that brands with purpose grow, our brands are on a journey of becoming purposeful such as Lifebuoy preventing life-threatening diseases, Domex improving sanitation, Red Label promoting inclusivity and togetherness and Wheel empowering women. This enables our brands to connect with consumers at a deeper emotional level.

D) Environmental Backdrop:

Extreme changes in weather conditions along with water crisis and environmental damage due to plastics are impacting consumer sentiments, livelihoods and safety. Both younger and older generations are calling for businesses and politicians to do more. People are becoming more conscious of the impact of their actions on the environment. Consumers are increasingly making sustainable choices. We are seeing growing movements for change around the world, as well as a real desire for businesses and brands to limit their use of plastic and take bold systematic actions to protect our planet. The cost of inaction far outweighs the cost of action.

**What HUL is doing:**

We continue to have undeterred belief in the business case for sustainability and our 'Purpose-led and Future-fit' compass integrates sustainability with strategy. Our strategy is calibrated by a sense of purpose. Recently, Unilever announced two new and even more ambitious plastics commitments. Unilever has committed that by the year 2025, it will halve the amount of virgin plastic used in packaging and an absolute reduction of more than 100,000 tonnes in plastic use. It shall help collect and process more plastic packaging than it sells, ensuring that 100% of the plastic packaging is designed to be fully reusable, recyclable or compostable. Increasing the use of post-consumer recycled plastic material in packaging to at least 25%. In this area, your Company is making good progress. We have switched to post-consumer recycled plastic usage in Vim, Sunsilk and TRESemmé bottles. All our soap cartons are now 100% plastic free. We are working with various partners across several cities for collection and disposal. We have also launched a curriculum on waste segregation and benefits of plastic recycling to drive behaviour change in ~2000 schools reaching ~1 lakh students in select districts in Maharashtra. Through Hindustan Unilever Foundation (HUF), a not-for-profit subsidiary, we are driving water management related community development initiatives. We have created water conservation potential for over 980 billion litres cumulatively in over 4,300 villages. In financial year 2019-20, HUF's water conservation capacity stood at 1,200 billion litres* cumulatively.

For further details, refer to the USLP section on (page nos. 54 to 59).

E) COVID-19

The beginning of 2020 has witnessed the global spread of COVID-19, i.e. coronavirus. Global threat from COVID-19 is continuing to grow, and at a rapidly accelerating rate. Governments in many countries announced lockdowns and asked people to stay indoors. Around the world, these coronavirus lockdowns have driven professional and social life out of the physical world and into the virtual realm. The economic fallouts of this is still difficult to assess as the situation is still evolving.

**What HUL is doing:**

In these unprecedented times, we are falling back on the fundamentals to drive agility and responsiveness across our value chain. We have structured our response around five key imperatives, drawing strength from our values and guiding our strategic framework. The five workstreams that are serving as a foundation of our business and serving our multiple stakeholders during this crisis are – People, Supply, Demand, Community and Cost & Cash.

*pending independent assurance

# Our Fast-changing World (continued)

- **People:**
The human impact of this crisis takes precedence for us. At HUL, our utmost priority has been health, safety and well-being of the people. We have been proactive and swift in ensuring safe working conditions, strict standards of social distancing, necessary infrastructure and equipment across all our operations. We are equally focused on protecting the lives and livelihoods of all our partners and their employees.

- **Supply:**
Various containment measures and the nationwide lockdown from 25th March, 2020 caused disruptions across our value chain. We continue to work closely with the Government at different levels, prioritise key SKUs, make planning cycles more agile and create flexible alternatives. This is helping us reboot our supply lines to a large extent. We are enhancing the capacities of home and hygiene products, which are extremely critical for our consumers in these times.

- **Demand:**
The impact on consumer behaviour and demand patterns are manifesting in different ways for different categories. Health and hygiene essentials have seen an upswing with household stocking and increased awareness. Consumption trend in other essentials such as Fabric Solutions, Coffee, Oral Care is fairly neutral. We are re-purposing our core brands and tailoring communication in the light of the current environment. The Out-of-Home channel is closed, resulting in near cessation of consumption in food services, Ice Creams and Life Essentials. The impact on discretionary categories is more accentuated as it comes on the backdrop of a slowing market growth. We are staying close to our consumers to adapt to the emerging demand patterns in the short term and prepare for any lasting changes in consumer behaviour. Many of our categories and brands have moved quickly to re-plan their innovations, adjust to consumers buying in different channels, and re-work brand communication to make sure that it remains consumer relevant.

- **Community:**
It is our purpose to go beyond the business and ensure that we have a sustainable community. This crisis has highlighted the importance of our commitment to leverage our scale and brands as a force for good in society, throughout the pandemic and beyond. As a responsible Company, we stand united with the nation and have amplified our efforts right from donating Lifebuoy soaps to the needy, to strengthening health care infrastructure and spreading awareness through our nationwide campaign in partnership with UNICEF.

- **Cash & Cost:**
Against this challenging backdrop, we are focusing on the long-term health of the business, keeping our savings ambition unchanged. We are driving cost agility, judiciously reviewing cash flows and reallocating spends with rigorous discipline.



# Our Strategy

A belief that sustainable business drives superior performance lies at the heart of the Unilever Compass – our strategy to create long-term value for our stakeholders.

## Our vision

is to be a leader in sustainable business. We will demonstrate how our purpose-led, future-fit model drives superior performance delivering consistent, competitive, profitable and responsible growth.

**Improve people's health, confidence and well-being**
With brands that combine superior experiences, bold innovation and a strong sustainable living purpose

**Improve the health of the planet**
With brands that regenerate nature, fight climate change, and conserve resources for future generations

**Contribute to a fairer and more socially inclusive world**
With brands that champion human rights, stand up for equality and distribute value fairly


**Deliver long-term, superior value**
By reshaping our portfolio, and being a fast, low cost and fully digitised Company

**Serve people everywhere**
Through data-driven relationships and channel availability

**Use our scale for good**
By building trust through transparency and new purpose-led business models

**Create capability through lifelong learning**
By inspiring and enabling people to never stop growing and take charge of their well-being

**Unlock capacity for growth**
By being truly agile, always simplifying and leading for an inclusive future of work

**Deepen our culture of pioneering**
By driving performance through leadership and innovation in all we do

## Underpinned by our values

**Integrity**
We do the right thing in every decision we make, supporting Unilever's long-term success

**Respect**
We treat people with dignity, honesty and fairness, and celebrate the diversity of people

**Responsibility**
We take care of the people, we serve and the world in which we operate

**Pioneering**
We have a passion for leading our industry, winning in the market, and intelligent risk-taking

## For the benefit of our stakeholders

Consumers | Our people | Society | Planet | Customers | Shareholders

# Our Value Creation Model

Our business model describes how we operate to create sustained value for our stakeholders.

## What we depend on...

### RELATIONSHIPS

**Purposeful people**
Our 21,000 talented people invest their skills and time in our offices, factories, R&D Centres and are increasingly working in more flexible and agile ways. Page nos. 18 and 25

**Trusted suppliers**
Around 1,150 supplier partners source materials and provide critical services for us. Page nos. 19, 26 and 66

**Committed partners**
Our relationships with Governments, customers, NGOs and other organisations help us to increase our impact beyond what we could achieve on our own. Page nos. 19 and 26

### RESOURCES

**Input materials**
We use thousands of tonnes of agricultural raw materials, packaging materials and chemicals for our products. Page nos. 132 and 139

**Financial resources**
Capital from our financial stakeholders allows us to invest for the long-term. Page nos. 133 to 135

**Intangible assets**
The strength of our culture and 44+ brands, as well as our R&D capabilities and intellectual property such as patents and trademarks, set us apart. Page no. 126

**Tangible assets**
We occupy over 31 factories, 15 offices and logistics warehouses spread all over the Country. Page nos. 124 and 125

## What we do...

**1. CONSUMER INSIGHTS**
We track changing consumer sentiment through our People Data Centre, combining social listening with traditional consumer research.

**2. INNOVATION**
Our marketing and R&D teams use these insights plus the best ideas and thinking from specialists outside your Company to develop our brands and products.

**3. SOURCING**
Each year, we buy large quantities of raw materials and packaging materials to make our products and services to help our business run.

**4. MANUFACTURING**
Our 31 factories and a good number of third-party manufacturers turn materials into products which are sold every year.

**5. LOGISTICS**
A countrywide network of logistics warehouses ultimately deliver 60 billion units of our products to millions of retail sales outlets.

**6. MARKETING**
We are one of the largest advertisers in the country based on media spend. We create an increasing amount of tailored digital content ourselves to connect with consumers and make it easy for them to choose our brand.

**7. SALES**
We use many channels to make our brands available to consumers wherever and whenever they shop. Our products are available in more than 8 million retail sales outlets.

**8. CONSUMER USE**
More than 9 out of 10 Indian households use our products to feel good, look good and get more out of life.

All our activities are underpinned by the management of our risks (page nos. 32 to 37)

## The value we create for...

**CONSUMERS**
We provide products to meet the needs of consumers. Page nos. 18 and 21 to 24

**OUR PEOPLE**
We aim to reward people fairly for the work they do, and help them find their personal purpose so they become the best they can be at your Company. Page nos. 18 and 25

**SOCIETY**
We are helping millions of people improve their health and well-being, and are enhancing livelihoods in the communities where we make and sell our products. Page nos. 19 and 26

**PLANET**
We are working with others to make the big changes needed to tackle issues like climate change and plastic waste, while reducing our environmental impact. Page nos. 19 and 27 to 28

**CUSTOMERS**
We partner with large and small retailers to grow our business and theirs through selling our brands. Page nos. 20 and 29

**SHAREHOLDERS**
We aim to deliver competitive, profitable and responsible growth. Page nos. 20 and 30 to 31

# Report of Board of Directors
## and Management Discussion and Analysis

Against the backdrop of the external environment discussed earlier, our value creation model and our strategy, your Board of Directors is pleased to share with you the Business Performance along with the Audited Financial Statements for the financial year ended 31st March, 2020.

### A. STAKEHOLDER REVIEW

Stakeholders are at the heart of our strategy and business model. Engaging with them helps us to understand their evolving needs and informs our strategic decision-making.

### Our multi-stakeholder model

We have identified six stakeholder groups critical to our future success: consumers, our people, society (including suppliers), the planet, customers and shareholders. This stakeholder review provides an overview of how we have created value for our stakeholders and some of the benefits we have gained as a business by nurturing these vital relationships.

In light of our purpose and our strategy to create long-term value as set out on page no. 15, we take steps to understand the needs and priorities of each stakeholder group through a number of mediums, including by direct engagement or via their delegated committees and forums. Here, we provide a high-level summary of the concerns of our stakeholders and how we engaged with them and had regard to their interests when setting our strategy and taking decisions concerning the business in the last year.

#### Consumers

A good understanding of people's needs is critical to our long-term success.

**Interest and concerns**

As the ultimate user of our products, consumers look for quality products that are convenient and offer good value – and increasingly want more natural ingredients and less packaging and waste. We also know that brands that demonstrate a meaningful purpose create conversations and accrue brand loyalty, particularly among younger generations.

**How we engaged in FY 2019-20**

Through our Consumer Carelines, we had many interactions with consumers via calls, emails, letters and social media. We continue to collaborate with research agencies and household panels to conduct regular consumer surveys and understand on-ground consumer behaviour patterns, their interests and concerns. Senior Management spoke directly to consumers when visiting markets, and our leadership received regular updates and recommendations based on consumer insights.

**Considerations and outcomes**

Our Board and Management Committee members are regularly informed of consumer needs, preferences and concerns and consider these when making decisions. The agenda for our leadership forum was shaped by the Fundamentals of Growth, based entirely on consumer insights. The findings from consumer surveys help us define and refine the unique purpose of our brands.

🗋 For more on consumers see page nos. 21 to 24.

#### Our people

Without talented and committed employees, we could never deliver on our ambitions.

**Interest and concerns**

Our employee surveys tell us that our people tend to have a sense of personal purpose and believe they can live their purpose at work – helping them to go the extra mile. Our employees are proud to work for Hindustan Unilever Limited. While most employees think that we have the right strategy in place to win, they also want to see faster action and decision-making across the business.

**How we engaged in FY 2019-20**

Our annual UniVoice survey gives employees at all levels the chance to share views with line managers, colleagues and leadership. In 2019, we had an 88% response rate. We also run smaller pulse surveys to collect real-time insights on key issues.

**Considerations and outcomes**

We examine the UniVoice results very carefully every year. This year across all dimensions of UniVoice survey, we have received very positive feedback from our employees across the business. These results show that our constant endeavour to make the organisation faster, innovate better, leverage global scale and create the right culture is moving in the positive direction.

🗋 For more on people see page no. 25.

#### Society

We depend on people and communities all over to help source, make and sell our products.

**Interest and concerns**

Equality and inclusion, human rights within our operations and supply chain, and health and well-being are important issues for our stakeholders. Water scarcity and climate change are also challenges for many people in our market – reflecting the interconnectivity between the environment and society.

**How we engaged in FY 2019-20**

Our leadership engages with NGOs and policymakers to drive system change. Our leadership played an active role in driving advocacy around key issues such as WASH, plastic packaging and livelihoods with partners such as UNICEF, UNDP and UN Women. Our Chairman and Managing Director, Mr. Sanjiv Mehta was conferred with the UN Women HeForShe pin at the Bloomberg Gender Equality Summit. He became one of the first five business leaders in the country to take the HeForShe pledge, in solidarity with the cause and commitment to advance women's lives.

**Considerations and outcomes**

Sustainability Governing Council: The top leadership from respective business verticals and functions constitutes the Sustainability Governing Council. The Company has a governance mechanism and scorecard to monitor the progress on USLP commitments on sustainability which are of strategic importance. The Council reports the progress to the Chairman and Managing Director and Management Committee on a quarterly basis.

🗋 For more on society see page no. 26.

#### Planet

We rely on nature for many ingredients and raw materials.

**Interest and concerns**

Awareness of the environmental impact of human activity on the planet is growing. Top concerns include plastic waste, climate change and water scarcity. Loss of biodiversity is also becoming an area of concern. We are seeing real desire for businesses to limit their use of plastic and take bold action on climate.

**How we engaged in FY 2019-20**

As a Company, we have a responsibility for key environmental issues. We have partnered with trade associations like FICCI-India Sanitation Coalition on WASH, international organisations like Xynteo and UNDP to work together on managing plastic waste effectively by piloting end-to-end plastic waste management projects in Maharashtra and other areas. Your Company, through its not-for-profit subsidiary, Hindustan Unilever Foundation (HUF), has delivered innovative and scalable water security solutions across the country. In 2019, HUF initiated strategic partnerships with key state Governments, focused on ground water improvement in severely water scarce regions of India and partnered with innovative social entrepreneurs to help farmers, communities and Governments in water management more effectively.

HUF has demonstrated thought leadership and a collaborative spirit by sharing insights and successful interventions from NGO partnerships with other corporate funders and civil societies.

**Considerations and outcomes**

Environmental issues form part of our Board / Corporate Social Responsibility Committee discussions along with leadership discussions and decision-making. Unilever's new goals around 'Rethinking plastics' are a good example of our leadership overseeing the delivery of these goals, both across our business and through our partnerships. During the year, there were a number of discussions around the execution of our Compass strategy.

🗋 For more on the planet see page nos. 27 and 28.

# Report of Board of Directors (continued)

## Customers

We depend on many types of retail partners to sell our products.

### Interest and concerns

Our traditional trade partners are increasingly exploring opportunities as consumer and channel landscapes rapidly evolve. They are focused on leveraging technology through opportunities of e-Commerce and app-based ordering, in order to compete with the new channels. On the other hand, our modern trade and e-Commerce partners are looking to become more competitive by offering convenience, differentiated portfolio and value to consumers.

### How we engaged in FY 2019-20

Traditional trade channel continues to be relevant and important for us. We actively manage our relationships with traditional trade customers and millions of retailers through our Customer Development team. In this channel, we continue to focus on modernising the trade through data and technology and in turn, improving the profitability of retailer with better assortment and optimised capital. Through our B2B ordering app, we receive direct feedback from the smaller local stores to help improve our service to them. We also engage with our modern trade and e-Commerce partners to discuss the appropriate portfolio for each channel, servicing of orders and providing value to consumers.

### Considerations and outcomes

Our Board and Management Committee were involved in approving the strategy to digitise small stores and related investments. We have introduced smartphone apps so that retailers can place product orders directly – and we are refining these based on user needs. We are also designing products appropriate for each channel, which will help our customers differentiate themselves.

For more on customers see page no. 29.

## Shareholders

As owners of our Company and providers of capital, shareholders are instrumental to our growth.

### Interest and concerns

As an ongoing interest in our performance and growth, we have been having conversations with shareholders around our strategic building blocks, acquisitions and disposals strategy, and our use of plastic– reflecting a growing interest in sustainability issues.

### How we engaged in FY 2019-20

We speak directly to shareholders through investor events, meetings and calls with shareholders, quarterly results broadcasts and investor conference presentations. Our Management Committee members attend the annual investor meet, and our Chairman and Managing Director and Chief Financial Officer speak directly to shareholders at investor meetings on a broad range of strategic imperatives of the business.

### Considerations and outcomes

Shareholder feedback – around our strategy, product portfolio, merger and acquisitions strategy and sustainability – forms a part of boardroom conversations. After each quarterly market update, our Chairman and Managing Director shares feedback with the Board. A quarterly update is shared with the Management Committee on the investors' questions and feedback.

For more on shareholders see page nos. 30 and 31.

## CONSUMERS

We know that people value price, quality, convenience – and increasingly sustainability – when it comes to things they buy.

Consumer preferences are constantly changing. To make sure we are ahead of the curve, we listen for signals that predict the next 'big thing' using data and advanced analytics. In our People Data Centre, we analyse millions of enquiries our Consumer Carelines receive each year and the conversations about our brands online. The insights we get drive the innovation and marketing of our brands – and, above all, help us give consumers the products they want. We know that people want healthier and more natural products for themselves and their families, with fewer chemicals. At the same time, concerns around plastic, water and climate change are growing – consumers are looking for eco-friendly products that are easy to buy and use, yet still effective. People are increasingly shopping through multiple channels and, in pursuit of convenience, buying more online. So, we are continuing to make our products healthier, more sustainable and more accessible, as we have done for years. This means innovating existing brands, harnessing global repertoire, developing new brands and expanding our portfolio through acquisitions.

Here we explain how each of our three Divisions worked to meet consumer needs in 2019. Our strategy in each of the divisions, as explained below, is based on 4 pillars:

1) **Growth segments:** We continue to focus on strengthening core brands, accelerating premiumisation of the portfolio, driving market development at scale and building a strong innovation pipeline.
2) **Growth channels:** We continue to bolster our position by playing the strength of our portfolio in each channel.
3) **Growth engines:** Each division is leveraging new opportunities to keep the growth engine running by exploring new marketing models, de-averaging opportunities using Winning in Many Indias (WiMi), building future formats and benefits and leveraging M&A to expand portfolio.
4) **Purpose-led brands:** We continue to put unequivocal focus on building brands with purpose that take a stand and make a positive difference to the society and environment.

### Beauty & Personal Care

We believe in beauty that cares for people, society and our planet.

In the Beauty & Personal Care (BPC) division, we have a wide-spread portfolio of more than 900 Stock Keeping Units (SKUs) spread across one or more of the categories with many products tailored for the 14 consumer clusters that we have identified in India. We are ensuring that each product portfolio straddles the price-benefit pyramid so that the brands are accessible and aspirational across the length and breadth of the country. The penetration and consumption of the categories in which we operate, have a healthy headroom to grow, indicating the long-term potential in the BPC market.

The BPC category being discretionary in nature is more affected on account of the challenging macro-economic environment and weather disruptions. Within the category, Personal Products have delivered good growth this year. We are working on our Skin Cleansing portfolio to strengthen the competitiveness by taking decisive interventions in the areas of product, proposition, pricing and communication. Our Skin Cleansing brands command a strong consumer salience and we are confident that our ongoing and planned interventions will spur growth in this segment.

#### Strengthening growth Segments:

We continue to focus on key areas – strengthening core brands, accelerating premiumisation of the portfolio and driving market development at scale. We continued to strengthen the core by driving penetration of Fair & Lovely, Pond's, Sunsilk, Dove and Close Up to name a few. In the Hair Care category, Dove remains India's No. 1 Hair Care brand. We launched new variants in Dove and Sunsilk in line with our continued focus on naturals trend in this category. In Skin Care, Fair & Lovely continues to deliver healthy growth. In 2019, Fair & Lovely combined the new facial glow trends along with enhanced technology to arrive at a "High Definition (HD) Glow" product line meeting consumer needs. We also launched Fair & Lovely soap during the year and the initial response has been good. We continue to leverage data analytics to reach the right places with right messaging and to customise media mix to each cluster for recruiting more users. Each of our big brands is also ensuring availability in access/recruiter packs in the right channels to continue to grow penetration and increase usage.

We continue to work on making our core brands more aspirational and driving premiumisation by impactful innovations, understanding the needs of consumers and scaling the new benefit spaces. Our Skin Care growth was led by premiumisation across the portfolio. In Skin Cleansing, Dove, Pears and liquid portfolio led the premiumisation journey. On Pears, a new transparent bar range inspired from natural ingredients was launched through use of proprietary 'ultra-low TFM (total fatty matter)' technology. This range is environmentally more sustainable, gentler with '0% paraben' and packaged in 100% recyclable cartons. In Hair Care, Dove and Indulekha led the charge on premiumisation. We launched TRESemmé sachet to drive more users into the category and accelerate premiumisation. Lakmé has been at the forefront of bringing on-trend innovations in the Cosmetics and Skin Care segments. Lakmé remains India's No. 1 cosmetics brand. Some of the consumer-focused innovations we launched this year include the Matte revolution – a bold and beautiful premium range of makeup which drove growth in the category and a 3D makeup range. Lakmé Fashion Week, the most digitally followed fashion event in the world, which has been a marquee event for the brand, continued to gain in size and scale and helped enhance brand equity with consumers. We also launched Love, Beauty & Planet, a premium brand across segments in Beauty & Personal Care. The brand stands for our belief that beauty and its environmental impact are inseparable and while we make you feel more beautiful, we give a little love to our planet. It is made of sustainably sourced ingredients, is vegan, has no parabens & colourants and has a packaging made of recyclable plastic.

# Report of Board of Directors (continued)

We are energised with the opportunity of leading market development across categories through access packs and targeted communication. We led the charge in face cleansing through Pond's, Fair & Lovely and Lakmé. Rexona, our leading anti-perspirant brand continues to drive market development. We are also leveraging the powerhouse of our brands such as Fair & Lovely, Pond's, Brylcreem and Axe to capture the opportunities in the male grooming segment. In Skin Care, advanced moisturising and skin refreshing ranges were launched by Lakmé to meet evolving consumer needs.

We further strengthened our 'naturals' strategy through the three-pronged approach. The master brand LEVER Ayush continued its momentum in the focused market - South India. Ayush further strengthened the portfolio by launching LEVER Ayush Bhringaraj hair oil. We continue to build specialist brands like Indulekha and Hamam. Indulekha has delivered robust performance, with a unique product formulation and distinctive packaging and launch of new variant – Neemraj Oil in the year. The third leg of our naturals strategy involves various natural variants within our existing portfolio of products like Lifebuoy neem and turmeric, Dove and Sunsilk naturals in Hair Care, and Aloe vera range in Vaseline.

### Winning in growth channels:

We continue to focus on the key growth channels of Modern Trade, e-Commerce and Health & Beauty. Our premiumisation journey is accelerated through the touch and feel benefits of Modern Trade. This channel also helps us in educating consumers on the premium benefit proposition through assisted selling and counters. We are also leveraging the fastest growing channel of e-Commerce by making all our brands available across platforms and playing a differentiated portfolio strategy curated for this channel. The Health & Beauty channel continues to grow ahead of the market and we have strengthened our position in this channel with sharply differentiated portfolio, differential distribution models and future-fit capabilities.

### Fuelling the growth engine with new marketing models:

With new channels, new benefit segments and new brands, we are also focusing on the new models of marketing to take our innovations and activations to consumers. We continue to develop our execution capabilities through sharper in-market activations and data-driven marketing. Our Winning In Many Indias (WiMi) cluster de-averaging strategy enables us to derive differentiated consumer insights, which are then used to do precision targeting through multi-media mix. We also continue to strengthen the content creation with initiatives such as building a Wikipedia-like platform called 'Be Beautiful' for educating consumers on their beauty and personal care needs. This platform is one of the leading Beauty & Personal Care sites today with content created from contextual lens of educating consumers on emerging trends as well as from the lens of answering their queries.

### Building purpose-led brands:

We continue to ensure that our brands mean more to consumers and also, walk the talk by making the purpose tangible and more relatable for the consumer. We launched Clinic Plus #MeriBetiStrong campaign on this Daughters' Day with a purpose of raising a generation of strong daughters in sync with the proposition of the brand.

Lifebuoy continued its behaviour change initiatives that promote the benefits of handwashing with soap. With the world combating the COVID-19 pandemic, making handwashing with soap a lifelong habit is more important than ever. Living true to its purpose, Lifebuoy is spreading awareness about hygiene habits and urging consumers to use any soap that is available to them and not just Lifebuoy. Our Fair & Lovely (FAL) Career Foundation is a mobile platform running from 2017 to help women create an identity for themselves. This platform addresses multiple educational barriers that girls and women in India face and provides access to skill-based courses, career guidance and job opportunities. From its launch till 31st December, 2019, a total of 7,30,000 women have registered on the FAL platform. Rexona has also been guiding young college girls who are at the cusp of transitioning to the professional world on how to prepare for their first job interview through the Rexona Confidence Academy. In 2019, we engaged with over 9 lakhs college students across India through this platform. Closeup has always stood for confidence to get close, superior freshness and white teeth for the past 50 years. The brand has always upheld good oral hygiene that helps in building confidence in the youth. Our campaign #freetolove seeks to celebrate this confidence and reflects our belief in the freedom to choose the person whom you want to be with. This stems from the brand's commitment to celebrate diversity and inclusiveness.

## Home Care

### We want to make people's homes a better world, and to make our world a better home.

Our Home Care business sustained its robust volume-driven and profitable growth during the year in both Fabric Solutions and Home and Hygiene. The consistency and resilience of our performance in Home Care, in what has been a challenging market, reflects the discipline and rigour with which we are managing our business and executing our strategy.

### Strengthening growth segments:

The premiumisation opportunity in our core categories remains extremely strong in the country. We are well-placed to lead this trend with a strong portfolio of brands including Surf excel, Rin, Comfort and Vim liquid. On the back of continuing premiumisation with Surf excel and Rin, our Fabric Solutions business has delivered a strong performance this year. We are driving access to our premium brands with introduction of low unit price packs. In line with this strategy, we launched Love & Care, a premium expert care solution tailor made for special fabrics like fine cottons, silk and woollens. In the Life Essentials segment, as well, we have sharpened the focus on premium portfolio in line with the evolving needs of consumers. Pureit continues its thrust on winning consumers through value added innovations and channel differentiating products. This year, we launched Pureit Copper+, an innovation inspired by the age-old tradition of storing water in Copper vessels, which adds goodness of copper to RO purified water.

At the same time, our focus on the mass and popular segment also remains unchanged and we continue to benefit from a large portfolio that straddles the economic pyramid with strong presence of brands across the mass, popular and premium segments. We have sustained competitive growth in the mass segment led by Wheel. The year also saw the strategic relaunch of Rin Matic powders to create affordable solutions for the mid-tier machine segment. We continue to build strong brand equity with impactful communications and purpose-led engagements.

Our thrust on building categories of the future with scale continues with even greater momentum. Several actions were taken in detergent liquids and fabric conditioners to make them more accessible to the consumers and drive penetration. New low price and flexible packs were introduced in these categories to make the formats more affordable for the consumers. As a result, we have seen strong growth trajectory in Surf excel matic liquid and Comfort fabric conditioner. In Home and Hygiene, Vim is leading market development for dishwash segment by driving adoption of Vim bars in rural India and upgrading existing bar consumers to the liquid format in urban India. Vim liquid and Domex powder continued to perform well by driving trials. Domex toilet cleaner was relaunched with a superior product and long-lasting freshness proposition. We also delivered significant value improvement on Comfort by landing a unique Biodegradable Active mix.

### Winning in growth channels:

We continue our journey of growth in Modern Trade and e-Commerce, the channels of the future. We are using e-Commerce channel to drive the new benefit segments and new formats. We are focusing on building online shelves on the e-Commerce platforms with winning point of sale communication. We have also created an online platform 'Cleanipedia' to help consumers with housekeeping and cleaning tips built from the years of experience of our household favourite brands such as Comfort, Surf excel, Rin, Active Wheel, Magic, Vim, Domex, Sunlight and Cif.

### Fuelling the growth engine with future formats and benefits:

Our focus is to build a portfolio of liquid detergents that is spread across the price-benefit map. Surf excel started this journey with the first detergent liquid launch of Matic designed for washing machines and in 2019, we launched Surf excel Easy Wash liquid into the handwashing segment. This year, we also launched Sunlight liquid detergent in select geographies and a premium expert care solution range under our new detergents brand, Love & Care. With this liquid portfolio, we are not only driving the future formats but also creating a modernised image of our brands in the minds of new-age consumers and thereby, keeping our brands relevant over time. We also continue to drive the growth of adjacencies i.e. the fabric conditioner category through market development activities and relevant communication to break the barriers of entry into this new category. We continue the emphasis on building this category of future with launch of Comfort Perfume Deluxe range in select geographies offering longer lasting benefits on fragrances. We also introduced a unique ancillary product, 'Magic' Rinse Powder sachet, which eases the rinsing process by reducing the foam and thereby, requiring less water. This is specially designed to battle the water crisis in areas of Tamil Nadu where people are facing unparalleled challenges. Rin bar was also relaunched in South India, with visual cues. In Home and Hygiene, Vim entered in Dish Wash applicator space, through the launch of Vim scrubber. We are building the reach of Vim liquids using digital media and precision marketing to deliver multiple messages to surpass the barriers that consumers may have in adopting this new category. We are also adopting a differentiated strategy in toilet cleaners by launching Domex powder in select geographies, which is a unique solution for Indian squat toilets.

### Building purpose-led brands:

Our iconic brands continue their journey of building relevance by putting purpose at the heart of every brand action and communication. Surf excel continued to bring alive its philosophy of 'Daag Acche Hain' or 'Dirt is Good' over the past decade through its various campaigns, by showing kids getting dirty while demonstrating good values. This year's Holi campaign celebrated the spirit of Holi by bringing families together and rising above the conflicts in relationships. Wheel launched a campaign advancing its purpose of 'Think Fresh' by giving women a platform to get upskilled. Wheel has always valued the husband-wife relationship and has been acknowledging the evolution of this relationship towards a more progressive outlook, given that today's woman performs multiple responsibilities and is the anchor of the family. Domex furthered its 'Pick up the brush' campaign to remove the stigma associated with cleaning a toilet. This is how our brands walk the talk by making purpose tangible and relatable for the consumer. This is a key differentiator for our brands to stand apart.

## Foods & Refreshment

### We have a responsibility to make brands that not only taste and feel good, but that are a force for good.

The Foods & Refreshment division delivered yet another year of healthy competitive and profitable growth across categories. The business displayed resilience in the wake of macro-economic headwinds and continued its growth momentum driven by the strategy built on the following four pillars.

### Strengthening growth segments:

We continue to focus on strengthening the core portfolio through improved innovation, increased penetration and our Winning in Many Indias (WiMi) strategy. In Foods category, the core portfolio of Jams and Ketchup delivered good growth this year. Kissan Ketchup continued its focus on sharper activations basis our differentiated consumer insights and further cemented its market leadership in the segment. Our deep understanding of consumers and cluster-wise patterns help us to customise our portfolio offering to different consumer tastes and preferences. Kissan range of international sauces which was launched last year saw good traction in the market and is now available nationally. This year also marked the launch of globally loved brand, Hellmann's Mayonnaise, in Kolkata. In Tea, all our brands continued to focus on serving consumers with superior products at the right price. New advertisements across the brands continued to strengthen their franchise. Taaza continued to upgrade consumers along the quality pyramid by offering superior value at low price points. Fundamental consumer understanding in rural, right price points and targeted communication have been instrumental in the strong growth curve seen by Taaza. We launched a new communication on Taj Mahal tea to bring alive the brand's purpose of promoting Indian classical music. In Coffee, we introduced an improved instant coffee product by leveraging state-of-the-art roasting and extraction

# Report of Board of Directors (continued)

technologies. Staying true to the strategy of Winning in Many Indias, BRU Green Label Nice was launched in South Karnataka which was specifically tailored to the needs of conventional coffee consumers in the region. In the Ice Cream and Frozen Desserts business, our focus on geographic expansion and building a strong innovation funnel continued with even greater momentum. We rolled out a number of innovations at the top end as well as at the bottom of the pyramid – Cornetto Brownie Silk, Magnum Hazelnut, Sundae Cup, Aamras, Dry fruit Rabri Kulfi, and a new range of tubs in Choco Fudge, Tender Coconut flavours. The newly launched Watermelon stick generated a lot of buzz among kids.

Market development continues to be key for the Foods category. We continue to invest behind our brands and drive penetration in nascent categories like Jams and Soups. The success of our Ketchup business has been led by the communication aimed at market development, for example, the iconic advertisement on 'Kissan roll' - ketchup making the tiffin box interesting. Even in the highly penetrated category like Tea, we continued our efforts of developing nascent segments of Green Tea and Naturals propositions in Tea category. Red Label and 3 Roses Natural Care Tea, with its differentiated immunity benefit from ayurvedic ingredients, continue to delight consumers. Persuasive communication with strong claims and consistent market development has been leading the charge for growth of these products.

### Winning in growth channels:

We are curating innovations to specifically cater to the retail and e-Commerce channel. This year, we launched Lipton Matcha Green Tea on e-Commerce to capture the growing health & wellness trend amongst millennials and urban population that are over-indexed on such e-Commerce platforms. Kwality Wall's formed a tie-up with India's fastest growing intelligent trip navigator and food delivery platform, 'RailYatri' which is providing us access to travellers who use trains and buses, thereby strengthening our reach and presence. The Unilever Food Solutions Professional business is also an interesting channel opportunity for us. It caters to institutional buyers like hotels and has a huge headroom to grow. Our consistent market development focus in this channel is delivering high growth and augmenting the front-of-house presence of Kissan and Knorr.

### Fuelling the growth engine with mergers and acquisitions:

The conundrum our F&R business has been facing is that we have a strong existing business; but we play in relatively slower growing and highly penetrated categories. This has been a driver for our foray into leveraging mergers and acquisitions to expand our portfolio. In this aspect, the last year has been significant with two key transactions: Integration of Adityaa Milk and merger of Nutrition Business of GSK CH. We successfully integrated the business of Adityaa Milk Ice creams, which has strengthened our geographical presence in the South of India, unlocked physical availability through cabinets expansion in key markets and enhanced our bottom-of-pyramid offerings.

### Building purpose-led brands:

Brands are the moats that we build, and at HUL, we do this with a purpose that is relevant to the consumers. Brooke Bond has done a great job in leading purposeful communications and we are delighted to share that it has topped the Business World leader board of purpose-led brands. Our market leadership in Tea category is led by the purpose-led communications on topics of social relevance. Lipton Green Tea accelerated its journey of making India fitter, through communicating its proposition of how exercise, when supplemented with green tea can work wonders for weight loss.

## OUR PEOPLE

As the world of work changes, we are determined to be a Company where talented people with purpose can grow both themselves and our business.

### People with Purpose Thrive

Our brands and our people have always been our biggest assets. Over the years, we have built a sustainable and profitable business based on a high-performance culture where employees are empowered and encouraged to bring their best selves to work. Our three beliefs: brands with purpose grow, companies with purpose last and people with purpose thrive are at the heart of our purpose-led, future-fit strategy.

### Unlocking Capacity for Growth

People integration has been one of the key aspects of the integration of GSK CH business with your Company. Through a journey of over 15 months, we developed a comprehensive integration and change management plan focusing on 1) harmonisation of talent and reward practices, 2) real-time employee communication and 3) building a culture that retains the best of Nutrition and amalgamates with the best of Unilever. Finally, in April 2020, your Company welcomed the iconic brands Horlicks and Boost along with 3600 employees into the family and did it completely virtually.

### Building capabilities for the future

We continue to build organisation capabilities to make our people future-fit and purpose-led.

To prepare our end-to-end value chain for technology-led consumption models, we are investing significantly in our digital transformation programme – 'Reimagining HUL'. A Digital Council comprising cross functional leaders is the Steering Committee for this initiative. Building niche digital skills of our leaders and upgrading digital skills of our employees are central to this transformation agenda. We are moving from Mass to Precision learning plans for our leaders and teams who are leading and scaling up digital experiments across various parts of our business.

We are building leaders of the future with a growth mindset who are equipped and empowered to thrive in this dynamic environment. We have created bespoke interventions under the platform of 'Leading the Unilever Way' and have individual development plans for our leaders with the right mix of immersions, on-the-job learning and coaching.

We continue to explore newer channels of learning with platforms like Degreed, Udemy and LinkedIn learning. We have seen a shift in consumption of learning which is now byte-sized modules consumed on the go.

### Growth Culture

Our endeavour is to shape a Growth Culture based on three tenets: Human, Purposeful and Accountable.

We remain committed to listening to our employees and build these insights into actions. Our annual employee survey, UniVoice garnered a participation from 94% of our workforce this year, reaching around 15,000+ employees. The survey showed improvements across all dimensions. Overall Engagement stood at 90%, 94% of our employees believe we have the right strategy to win and 90% of employees believe we care about their well-being. The employee voice through these encouraging scores is testimony to our actions and how our employees experience your Company every day.

### Diverse & Inclusive Organisation

We strive continually to be a diverse and inclusive organisation, thereby enabling our people to bring their real selves to work. Apart from enabling infrastructure and work practices such as parental support programme, flexible work arrangements, there is an increased focus on hosting conversations to sensitise employees on unconscious biases and helping them break limiting stereotypes. We are committed to be gender balanced in the next few years and have expanded our focus beyond gender to include Persons with Disability and LGBTQ+ in our organisation and ecosystem.

Purpose is integral to the way your Company does business. Our journey of helping all our employees to discover their purpose continues and over 12,000 employees have discovered their purpose and are bringing it to life at work.

By empowering our employees to deliver growth with speed and flexibility, we have introduced changes to how we manage performance. We have moved to a flexible performance management cycle, encouraging employees to set flexible goals, nurturing a culture of 'always on' direct and compassionate feedback and a simplified performance reward system.

### A Winning Employer Brand

Your Company continues its title of 'No. 1 Employer of Choice' in the FMCG industry for the past 11 years. We continue to have meaningful and deep engagements with campus students to build our brand amongst them and attract the best talent for the Company.

Driven by the 'leaders build leaders' philosophy, we have created an environment where people get big responsibilities early on in their career and are also able to constantly experiment. Your Company's flagship management trainee programme, the Unilever Future Leaders Programme (UFLP), has been the training ground for many inspiring leaders across your Company and Unilever, and provides extensive cross-functional experience through live projects and assignments.

# Report of Board of Directors (continued)

## SOCIETY

Businesses that serve society today will be those that thrive in the future. Our scale gives us an opportunity to create a better world and a stronger business.

### Better health and well-being

One of Unilever's big global goals is to help more than one billion people improve their health and well-being by 2020. Many of our brands do this directly, while others do it through partnerships, working to make it easier for people to live healthy lives.

### Improving hygiene and sanitation

Around 9,00,000 children under the age of five die due to diarrhoeal and respiratory diseases in India. Handwashing with soap has been cited as one of the most cost-effective solutions to improve health & hygiene and reduce infant mortality. From 2010 till date, we have reached out to over 72 million people in India through the handwashing behaviour change initiatives.

Our 'Swachh Aadat, Swachh Bharat' (SASB) programme is in line with the Government of India's Swachh Bharat Abhiyan (Clean India Mission) to promote good health and hygiene practices. In 2019, the programme continued to promote good health and hygiene practices by stressing the need to adopt three clean habits ('Swachh Aadat') of washing hands five times a day, using a toilet for defecation and adopting safe drinking water practices.

A part of SASB, Swachhata Doot (Messenger of Cleanliness) is a volunteering programme that enables any person to become a change agent in his / her community. More than 4,000 of our employees across our 25 factories in India have embraced this role of being a Swachhata Doot to educate and motivate their communities to adopt better WASH habits. Since its inception in 2015, the Programme has reached out to 21 million people.

The Community Hygiene Centre – Suvidha is another important project by our Company that contributes to SASB. 'Suvidha' is a first-of-its-kind urban water, hygiene and sanitation community centre, that was first set up at Chiragnagar, Ghatkopar, one of the largest slums in Mumbai. This year, we opened two more Suvidha centres in partnership with HSBC to give people access to clean water, sanitation and laundry facilities bringing the total to three, with two more under development.

### Enhancing livelihoods

Our activities touch the lives of millions, both directly and indirectly. We have a responsibility to protect their rights and help them live well.

'Prabhat' is your Company's USLP-linked programme which contributes to the development of local communities around key sites including our manufacturing locations. Prabhat is building on the local community needs at grassroot level through targeted pillars of enhancing livelihoods, water conservation and 'health and well-being' awareness.

Project Prabhat is present in 26 locations across the country. It has directly benefited over 4.5 million people across 12 states and 2 union territories in India through partnerships with over 20 NGOs and more than 5,000 HUL employee volunteers participated in the volunteering activities under Project Prabhat in the last seven years.

With 19 Livelihood Centres across the Country, Prabhat provided enrollment to 75,754 people, certified 65,970 people and created jobs for over 41,841 people.

Project Shakti aims to provide a livelihood enhancing opportunity to women micro-entrepreneurs in rural India. Shakti Entrepreneurs (SEs) are given training for familiarisation with HUL's products and basic tenets of distribution management. HUL has a team of Rural Sales Promoters (RSPs) who coach and help SEs in managing their business. As of 2019, Project Shakti has nearly 120,000 Shakti Ammas across 18 states in India.

Rin Shine Academy (formerly, Rin Career Academy), aims to provide career readiness skills to youth in India. It focuses on three simple but valuable skills which are English Speaking, Office Dressing and Interview Training. Keeping up with the times, the delivery platform has now changed from IVRS and Website to a Mobile App. So far, over 5,57,000 people have been benefitted from this programme.

Fair & Lovely Career Foundation is a mobile platform designed to help women create an identity for themselves by providing them career guidance, skill-based courses and training for job opportunities. Over one million users have registered on the platform. The platform has facilitated over 4,30,000 course enrollments and supported over 3,60,000 users in accessing relevant Career Guidance.

We have also been associated with a number of Smallholder Farmers (SHF) through our supplier partners, training them on good agricultural practices like drip irrigation, nutrient management, pest and disease management to improve their agricultural yield.

Trustea, the Indian tea industry collaboration on sustainability, has successfully verified about 26% of India's tea SHFs (55,670). Enrollment to the trustea programme ensures SHFs have more access to formal training opportunities on sustainable practices focused on the environment, safety and livelihoods. The SHFs are being trained on the practical and cost-efficient solutions regarding judicious use of agro chemicals and nutrition management based on soil analysis. They are trained to keep records and maintain documentation through farm diaries for better management and control. Trustea certified SHFs are trained on Tea Board of India's Plant Protection Code (PPC) and use of Personal Protective Equipment (PPE) and have benefitted in terms of health and compliance. SHFs are trained to comply with safe disposal of empty chemical containers and fertiliser bags.

### More inclusive business

In 2019, Prabhat launched a first-of-its-kind centre in Kolkata wherein PwDs (Persons with Disability) are trained to become e-Commerce professionals. By linking artisans to the digital world of e-Commerce through our trained Prabhat beneficiaries, the centre in Kolkata will help enhance livelihoods. Another milestone was set in the Chhindwara Livelihood Centre, where Prabhat is promoting community collectives and value chain interventions to enhance employability and income of local communities, especially women.

Additionally, our Kwality Wall's mobile vending initiative, 'I am Wall's', has provided entrepreneurship opportunities to 15,285 people and 153 differently abled persons across India.



## PLANET

We are living in a climate emergency. As the planet continues to heat up, we need to protect the natural resources we depend on to grow our business.

### Business needs a healthy world

To create the change needed to counter the rapid warming and degradation of the environment, we have to radically overhaul entire system. Our activities impact the environment, mainly through the use of water, energy and land as well as the production of waste and greenhouse gas emissions. Taking action on these issues is not only the right thing to do – it also helps our business as consumers choose brands which align with their values and concerns.

Our environmental targets take into account the wider value chain, including consumer use. Unilever has launched new goals for plastics in October 2019, and is in the process of setting new sustainability goals for beyond 2020. These will both challenge us and, we hope, encourage others to act faster.

### Reducing carbon emissions

In 2019, we successfully reduced $CO_2$ emissions per tonne of our production by 85% compared to 2008 baseline. This significant reduction has been achieved through **IREC purchase for Grid electricity, solar capacity enhancement in our factories (Nashik & Chiplun) and reduction in the total energy footprint across factories. We have installed various capital-intensive projects across our factories to save energy. Some of them include installation of energy efficient pumps, installation of VVVFDs (variable voltage, variable frequency drives), installation of condensate recoveries in plants, usage of air compressor heat recovery systems and steam expanders.

Additionally, usage of biofuel in Amli, modification of thermic fluid heater in Bhuj, increase in usage of biomass briquettes, and addition of solar power in Nashik and Chiplun have increased our share of renewable energy at our sites to 71% in 2019. Unilever made a commitment to purchase all electricity from renewable sources by 2020. In India, currently, 100% of grid electricity is sourced from renewable sources.

We have continued our drive to roll out environment-friendly freezer cabinets that use hydrocarbon (HC) refrigerants instead of Hydroflurocarbon refrigerants. There are currently 112,826 freezers with HC technology in our fleet in India.

Some of the energy reduction initiatives in our offices include installation of energy efficient AC units and air handling units, use of motion sensor lighting, and installation of LED lights in offices. A major share of energy in all our offices is sourced from renewable sources like wind and solar power. These initiatives have helped reduce electricity costs and made our offices environment friendly.

### Water conservation

Water usage (cubic metre per tonne of production) in our manufacturing operations has reduced by 58% compared to the 2008 baseline. Initiatives like reduction in freshwater abstraction, implementation of captive rainwater harvesting and its use in processes and utilities make-up, increase in condensate recoveries, and maximising use of RO plants have contributed substantially to the reduction of water usage in our manufacturing processes.

We continue to guide farmers with the Unilever Sustainable Agriculture Code to enable them to reduce water usage in agriculture. In tomatoes and chicory cultivation, trials are underway to use 'mulching' to significantly reduce water usage.

Hindustan Unilever Foundation (HUF) is a not-for-profit Company that anchors water management related community development and sustainability initiatives of Hindustan Unilever Limited. Through HUF's water conservation and farm-based livelihood initiatives, cumulatively we have created water saving potential of over 980 billion litres, generating over 960,000 tonnes of additional agriculture production and over 10 million person days of employment till (as assured till end of March 2019). In the financial year 2019-20, HUF's water conservation capacity stood at 1,200 billion litres* cumulatively. To underscore the importance of the water potential created by HUF, one billion litres of water can meet the drinking water needs of over eight lakhs adults for an entire year.

### Rethinking plastics

While plastic does have a role to play in the economy, it does not belong in the environment. Its impact has rightly become a huge concern. With consumer expectations and legislation changing fast, we have to rethink both the design of our products and our business model to build a circular economy – one where we not only use less plastic, but where the plastic we do use can be reused, recycled or composted.

In October 2019, Unilever announced a new ambition to halve the use of virgin plastic in packaging by 2025 and to collect and process more plastic packaging than it sells by 2025. This will mean exploring new product designs that use more refills, recycled materials, or no plastic at all. And it will mean continuing to invest in infrastructure – expanding our partnerships with waste management companies and NGOs.

We have collected and safely disposed more than 59,000 tonnes of post- consumer use plastic waste in aggregate since 2018, through collection and disposal partners in more than 50 cities across India. In 2019, we arranged environment friendly disposal of over 39,000 tonnes.

We are also working closely with the local Government and other partners such as United Nations Development Programme (UNDP) for end-to-end pilot projects for plastic waste management. So far, the project has reached out to 32,616 households, collected 2,262 tonnes of plastic waste and onboarded 385 Safai Saathis (sanitation workers) in the project.

**IREC certificates are issued by Issuers who generate electricity from renewable sources such as solar, wind, hydro.

*Pending Independent assurance

# Report of Board of Directors (continued)

To identify, advocate and create awareness in the area of waste management among school children and in housing societies, we have partnered with Xynteo India Private Limited and developed a curriculum called 'Plastic Safari'. The programme has reached out to more than 80,000 students and 2,000 households. In partnership with SBI and Municipal Corporation of Greater Mumbai, we have initiated and operationalised a Dry Waste Collection and Segregation Centre (DWS&CC) in Mumbai. The centre is collecting an average of 700-900 kg of dry waste per day, with a target to increase to 5 MT.

We have reduced our plastic use mainly through sachet resizing across hair and home care products, and a configuration change in our home care SKUs. For Vaseline, we moved from a PET bottle to a pouch, used mono-material wrappers and plastic-free stiffener for skin cleansing products, implemented bottle optimisation for Pond's Cream, optimised aluminium foil thickness for oral care and reduced can material thickness for our deodorants.

In continuation of a programme we began in 2017, material usage optimisation has led to the saving of 2700 tonnes of paper and board, and 102 tonnes of aluminium in 2019.

We are using r-PET (80% recycled PET) for the blister packs of our personal care brands. Post-Consumer Recycled (PCR) polymer is now being used in our bottles. TRESemmé, Sunsilk Black and Surf excel liquid bottles are made using 25% r-HDPE while Vim bottles are made with 50% r-PET. By the end of 2019, we have used 1.5KT of PCR in our packaging.

## Protecting nature through sustainable sourcing

We use many different raw materials to make our products. Sustainable sourcing and sustainable agriculture are vital to maintaining the supply of these natural resources.

Unilever Sustainable Agriculture Code lays out standards for the suppliers of our biggest commodities as well as crops to farm in ways that sustain the soil, use less water and fertiliser, protect biodiversity and improve people's livelihoods. In 2019, 76% of tomatoes used in Kissan ketchup continued to be sourced sustainably. In 2019 over 78% of tea in India procured for Unilever brands was sourced from sustainable sources.

🗋 For further details on the steps taken by your Company on conservation of energy, water and reduction of waste, please refer the Business Responsibility Report at page no. 67 of this Report.

## CUSTOMERS

With our many customers, from e-Commerce marketplaces to family-owned stores, we are pioneering new ways of selling to grow both our business and theirs.

The Customer Development eco-system of your Company encompasses capturing demand, fulfilment of demand and generation of demand. On demand capture, our focus had been on driving high quality direct coverage and increasing the assortment sold in each store using technology and a data-centric analytical approach. Your Company continued to be a thought leader and deployed cutting-edge technology in the front end to drive performance and execution. On demand fulfilment, we introduced various processes and technology interventions to enable our customers to serve the trade effectively. Our endeavour was to drive both visibility and efficiency of how our distributors service the trade. On demand-generation, the strategy of your Company encompassed winning in traditional trade in both open and closed formats, winning in 'route to market' as well as winning in emerging channels like Modern Trade and e-Commerce.

In traditional trade, the focus had been on optimal servicing with appropriate beat lengths, improving in-store visibility and competitiveness. In 'route to market', your Company sustained its distribution of the market development portfolio through differentiated investments. We continued to derive the benefits of tailor-made consumer and customer plans across categories as part of the 'Winning in Many Indias' strategy through a strong understanding of the interconnected ecosystem of customers, consumers and shoppers. This will continue to be our source of competitive advantage.

The foundation of your Company's success in Modern Trade is underpinned by strong collaboration with key customers across all aspects of the business. Your Company continued to invest in 'assisted selling' and 'visibility' in modern trade whilst improving execution. Building 'brands in store' remained a key thrust in this channel and yielded good results across the portfolio.

Continuing its journey of Segmentation, your Company delivered Customer-Case-Filled-on-Time (CCFOT) upwards of 95%. The key thrust area in customer service continues to be ensuring enhanced availability to retailers from our customers with shorter lead times which will help improve On-Shelf-Availability.

The e-Commerce channel continued on its exponential growth trajectory on the back of strong thought leadership and exemplary execution. A dedicated expert team is working closely with all key e-Commerce partners to create competitive advantage for the business and scaling up at a rapid pace in line with the overall channel growth.

Your Company continued to focus and drive 'Project Shakti', the initiative aimed at enhancing livelihoods and building opportunities for small scale entrepreneurs in rural India. Your Company now has nearly 1.2 lakhs Shakti Entrepreneurs (Shakti Ammas) across India. Through this initiative, your Company has supported in providing a regular income stream for the Shakti entrepreneurs and their families.

In a rapidly changing world, leveraging technology and data led decision making continue to be a big thrust for your Company. Your Company continued to invest and experiment in this dynamic space to retain its competitive edge in the marketplace. Your Company believes such investments ahead of the curve will be a source of competitive advantage in the days to come.

Your Company's Supply Chain continues to stay ahead of competition and remains a pioneer in the field of both manufacturing and distributing FMCG goods. Both technologies that help automate our processes like packing of cartons, palletisation of products etc. as well as new age digital technologies like machine learning, artificial intelligence, uberisation of trucks etc. have been deployed across the business to deliver cost savings as well as better customer service for your Company.

Your Company continues to improve the on-shelf quality of its products to enhance consumer experience. Our belief remains firmly embedded in 'Delighting consumers Everyday'. During the year, on-shelf quality was improved by 30% over the previous year. Your Company continued its journey of delivering cost savings by using 'Zero Based Budgeting' and 'World Class Manufacturing' (WCM) principles and applying it to every element of cost in the end-to-end supply chain. Cash flows were improved through rigorous use of IT tools which enabled optimising stocks throughout the value chain. Your Company has brought down inventory by an additional one day.

The introduction of GST has led to flexibility in shaping the Supply Chain network. Your Company is focused on unlocking value in this area by redesigning the supply chain to create a demand focused network. We continue our journey of consolidating distribution centres spread across the country and building an agile and efficient manufacturing footprint which is closer to demand clusters.

# Report of Board of Directors (continued)

## SHAREHOLDERS

We are working to create sustainable long-term value for our shareholders by evolving our portfolio to higher growth segments and transforming our business.

### Our performance in FY 2019-20

Financial Year 2019-20 has been a challenging year with weakening macro-economic conditions, slowing market growths in FMCG sector and finally, COVID-19 outbreak and containment measures towards the end of the year. Against this challenging backdrop, we have delivered competitive and profitable growth. Our financial year 2019-20 performance was steady at 2% Domestic Consumer Growth supported by 2% Underlying Volume Growth. This resilient performance is a reflection of the strength of our brands, execution prowess and rigour and discipline in implementing a consistent strategy. We have grown competitively overall in the segments in which we operate, in financial year 2019-20.

Our underlying sales growth was driven by an overall resilient performance in the first three quarters; wherein despite the decelerating market growth, we delivered healthy and consistent volume growth going from strength to strength. In the March quarter, our performance at an aggregate level continued to be competitive with steady growth before the outbreak of COVID-19 in India. The second half of March saw an exacerbated slowdown due to the virus outbreak, resultant containment measures by various states and finally, a nation-wide lockdown. This had an adverse impact on our operations with breakage in supply lines, shortage of manpower and disruptions in procurement/transport, offsetting the resilient growth levels achieved hitherto.

In our divisions, Home Care continued to deliver strong growth with 6% underlying sales growth backed by resilient volume growth. This category is a good example of how our focus on core and premiumisation yields results even in an environment of slowing growth. Beauty & Personal Care registered a decline of 2% in sales due to more accentuated impact of slowdown in discretionary consumption, weather disruptions and Skin Cleansing delivery below expectations. Foods and Refreshment delivered 5% underlying sales growth, in a year that saw significant market slowdown.

Our bottom-line performance was good with a healthy 100 bps EBITDA margin expansion on a comparable basis. Our profit after tax and before exceptional items (PAT bei) grew at 11%. The margin expansion is a result of our strong savings agenda, scale efficiencies achieved on the back of healthy volume growth, mix impact given our strong portfolio of premium brands and market development cells.

### Purpose-led performance

As well as expecting consistent financial returns, shareholders today are increasingly interested in the Environmental, Social and Governance (ESG) aspects of business that are so essential to delivering value. Our long-term commitment to ESG is encapsulated in the Unilever Sustainable Living Plan.

We are more determined than ever to show that our purposeful approach to business fuels strong performance. We are working to ensure that each of our brands have a clear purpose. Not only our brands taking a stand on issues, we are setting bold goals and taking action on the many environmental and social challenges faced by society, such as plastic and women empowerment.

### Accelerating our growth

As we strengthen our foundation to deliver long-term superior value, accelerating growth is our top priority. We are doing this by evolving our portfolio of brands to higher growth segments. This means renovating our existing brands to meet emerging trends, bringing new brands into market (such as Love & Care, Love Beauty and Planet), and making acquisitions in fast-growing segments like Health Food Drinks (HFD) and Intimate Hygiene category. We recently entered into an agreement to acquire the intimate hygiene brand VWash from Glenmark Pharmaceuticals. We have also successfully completed the merger of GSK CH with the Company. Our recent acquisitions are performing well, including Indulekha and Adityaa Milk.

We are also capitalising on market potential. The key to winning is strength of our brands, execution prowess and rigour and discipline in implementing a consistent strategy. We continue to focus on strengthening the core by investing behind brands through stepped up innovations and sharper in-market execution leveraging WiMi. Our thrust on accelerating premiumisation and building categories of future continues with even greater momentum. This enables us to unlock new opportunities across the price-benefit pyramid with agility and scale up quickly as the markets turnaround. We are determined to stay the course on our strategy and continue innovating for the future by bringing relevant global brands into India, creating local jewels as well as exploring new business and channel models which are future fit. We are digitising our route to market and having a strong presence in the growth channels such as Modern Trade and e-Commerce. Sustainable growth is fuelled by our savings initiatives. We have an everyday commitment to running the business efficiently, using savings to invest in growth areas of the future and in better products and brands. This, in turn, increases our margins. Our three main savings programmes – ZBB, 5S and Change Programme – have delivered over 7% of sales as gross savings last year.

### Transforming for success

We continue to build an agile and responsive organisation under our digital transformation programme 'Re-imagining HUL' to dynamically navigate the short-term challenges and also, tap the long-term structural opportunity. To help us shape a faster, more responsive business, we have a cross-functional digital council consisting of people who are passionate about bringing in a digital and technological revolution in HUL. Our leadership is actively invested in driving the organisation-wide agenda of digital transformation. These actions are all part of building a culture of growth at HUL: becoming a more agile organisation that makes smarter decisions faster, with focus on consumers and customers. The transformation is underpinned by technology, which is making a difference at every stage of our operations. It is helping to improve our sourcing of raw materials and it is creating new efficiencies in our manufacturing operations. We are also building digital relationships with our customers and creating better, more cost-effective models of service. We are getting even closer to consumers by using advanced analytics to understand trends on social channels and through our Consumer Carelines. The insights we gain are enabling us to be in the right places at the right times with the right products. Digital activities like these make our investments more effective, help us develop more powerful innovation capabilities and ensure we are more responsive to consumer trends.

In summary, we are focused on accelerating growth while continuously transforming our organisation to be future-fit. Our purpose-led and future-fit business model remains key to delivering superior long-term value.

### Technology Absorption

Your Company continues to derive sustainable benefit from the strong foundation and long tradition of R&D at Unilever, which differentiates it from others. New products, processes and benefits flow from work done in various Unilever R&D centres across the globe, including in India. The Unilever R&D labs in Mumbai and Bengaluru work closely with the business to create exciting innovations that help us win with our consumers. With world-class facilities, and a superior science and technology culture, Unilever attracts the best talent to provide a significant technology differentiation to its products and processes. Effective 1st April, 2020, your Company added a new R&D facility for the Nutrition business based at Gurgaon, consequent to the merger of GSK CH with the Company.

The R&D programmes, undertaken by Unilever globally, are focused on the development of breakthrough and proprietary technologies with innovative consumer propositions. The global R&D team comprises highly qualified scientists and technologists working in the areas of Home Care, Beauty & Personal Care, Foods & Refreshment and Water Purification and critical functional capability teams in the areas of Regulatory, Clinicals, Digital R&D, Product & Environment Safety and Open Innovation.

Your Company has an existing Technical Collaboration Agreement (TCA) and a Trade Mark License Agreement (TMLA) with Unilever which were entered into in 2013. Your Company is enjoying the benefits of an increasing stream of new products and innovations, backed by technology and know-how from Unilever. The pace of innovations and the scope of services have expanded over the years. Unilever's global resources are providing greater expertise and superior innovations. This has helped in bringing to the Indian consumers bigger, better and faster innovations.

The TCA provides for payment of royalty on net sales of specific products manufactured by your Company, with technical know-how provided by Unilever. The TMLA provides for the payment of trademark royalty as a percentage of net sales on specific brands where Unilever owns the trademark in India including use of 'Unilever Corporate logo'.

Your Company maintains strong and healthy interactions with Unilever through a well-coordinated management exchange programme, which includes setting out governing guidelines pertaining to identifying areas of research, agreeing timelines, resource requirements, scientific research based on hypothesis testing and experimentation. This leads to new, improved and alternative technologies, supporting the development of launch-ready product formulations based on research, and introducing them to markets. Your Company continuously imports technology from Unilever under the TCA, which is fully absorbed.

Your Company also receives continuous support and guidance from Unilever to drive functional excellence in marketing, supply management, media buying and IT, among others, which help your Company build capabilities, remain competitive and further step-up its overall business performance. Unilever is committed to ensuring that the support in terms of new products, innovations, technologies and services is commensurate with the needs of your Company and enables it to win in the marketplace.

# Report of Board of Directors (continued)

## B. OUR RISKS

### Our Risk Appetite and Approach to Risk Management

Risk management is integral to your Company's strategy and to the achievement of HUL's long-term goals. Our success as an organisation depends on our ability to identify and leverage the opportunities that India offers us. In doing this, we take an embedded approach to risk management which puts risk and opportunity assessment at the core of the Board's agenda, which is where we believe it should be.

HUL's appetite for risk is driven by the following:

- Our growth should be consistent, competitive, profitable and responsible.
- Our actions on issues such as plastic and climate change must reflect their urgency, and not be constrained by the uncertainty of potential impacts.
- Our behaviours must be in line with our Code of Business Principles and Code Policies.
- Our ambition should be to continuously improve our operational efficiency and effectiveness.

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 HUL's senior management including, where appropriate, the Chairman and Managing Director and Chief Financial Officer, the Audit Committee and the Board.

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. Our assessment of risk considers both short and long-term risks, including how these risks are changing, together with emerging risk areas. These are reviewed on an ongoing basis, and formally signed off by the Risk Management Committee and the Board at least once a year.

### Processes

HUL 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.

### Risk and Internal Adequacy

The Board, advised by the Risk Management Committee, where appropriate, regularly reviews the significant risks and decisions that could have a material impact on HUL. These reviews consider the level of risk that HUL 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 Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. These are routinely tested and certified by Statutory as well as Internal Auditors and cover all offices, factories and key business areas. Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews adequacy and effectiveness of the Company's internal controls environment and monitors the implementation of audit recommendations, including those relating to strengthening of the Company's risk management policies and systems.

### Principal Risks

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 HUL's business and performance at this time. There may be other risks that could emerge in the future.

The most significant emerging risk is the ongoing outbreak of the novel coronavirus (COVID-19). These are challenging times for the world at large. The outbreak of COVID-19 and its rapid acceleration across the globe are concerning.

While the human impact of the virus takes precedence for all of us, we continue to monitor the developments closely and are wary of the adverse impact on our business.

The manifold disruptions in terms of Government announced lockdowns, challenges in running production, managing supply and distribution network and fall in consumer spending pose risks that are multi-dimensional and rapidly evolving.

The dynamics of this situation make it difficult to fully assess the risk impact. However, we are doing all we can to ensure business continuity and working tirelessly to mitigate the risks. We are monitoring the evolving situation carefully to understand the potential impact on our people and our business.

Our other principal risks have not fundamentally changed this year except for the addition of –

1. **Climate change risk –** In recognition of the growing significance and our increasing understanding of the impacts of climate change on our business, we have included it amongst our principal risks, recognising the need for urgency in actions to mitigate the same.
2. **Macro-Economic Instability risk –** Macro Economic instability on account of the fallout of COVID-19, global political and trade tensions and Government actions in the aftermath have created an extremely volatile macro-economic environment which is a key risk impacting our business in the current scenario.

We identify the most relevant risks for our business, but also reflect on whether we think the level of risk associated with each of our principal risks is increasing or decreasing. The corresponding increase / decrease has been called out for each of the below listed risks.

| Nature of risk | Management of risk |
|---|---|
| **Brand Preference**<br>**Risk change since last year:** No change<br>**Our success depends on the value and relevance of our brands and products to our consumers and on our ability to innovate and remain competitive.**<br>Consumer tastes, preferences and behaviours are changing more rapidly than ever before. Under indexation of product portfolio in segments, where a substantial section of the market is moving, will lead to loss of market share and long-term competitive disadvantage. Our ability to create innovative products that continue meeting the needs of customers and deploy the right communication, both in terms of messaging content and medium, is critical to the continued strength of our brands. | Your Company monitors external market trends and collates consumer, customer and shopper insights in order to develop category and brand strategies. We invest in markets and segments where we have built, or are confident that we can build, competitive advantage. Our Research and Development function actively searches for ways in which to translate the trends in consumer preference and taste into new technologies for incorporation into future products. Our innovation management process converts category strategies into projects which deliver new products to market. We develop product ideas both in house and with selected partners to enable us to respond to rapidly changing consumer trends with speed. Our brand communication strategies are designed to optimise digital communication opportunities. We develop and customise brand messaging content specifically for each of our chosen communication channels (both traditional and digital) to ensure that our brand messages reach our target consumers. |
| **Supply Chain**<br>**Risk change since last year: Increase** (In View of COVID-19)<br>**Our business depends on purchasing materials, efficient manufacturing and the timely distribution of products to our customers.**<br>Our Supply Chain network is exposed to potentially adverse events such as physical disruptions, environmental and industrial disruptions, labour unrest, transportation strikes or disruptions at a key supplier, which could impact our ability to deliver orders to our customers.<br>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 may negatively impact business especially if such movements are not effectively managed. | We have contingency plans designed to enable us to secure alternative key material supplies at short notice, to transfer or share production between manufacturing sites and to use substitute materials in our product formulations and recipes. We have policies and procedures designed to ensure the health and safety of our employees and the products in our facilities, and to deal with major incidents including business continuity and disaster recovery. Commodity price risk is actively managed through forward buying of traded commodities and other hedging mechanisms. Trends are monitored and modelled regularly and integrated into our forecasting process.<br>As COVID-19 virus spreads across the nation, our Supply Chain teams have risen to the challenge. We are working tirelessly to keep our production and distribution ongoing so that our consumers and communities have uninterrupted access to our products which help them meet their basic needs of health, hygiene and nutrition. We are working closely with the Government to provide necessary hygiene solutions, we are prioritising key SKUs and are continuously making our planning cycles more agile while unlocking flexible alternatives. This has helped us reboot our supply lines to a large extent. Your Company has enhanced its production capacities of home and hygiene products in keeping with consumer needs in these times. |

# Report of Board of Directors (continued)

| Nature of risk | Management of risk |
|---|---|

## Business Transformation

**Risk change since last year: Increase** (In View of GSK CH Integration)

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

HUL 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.

We have an extensive programme of transformation projects. 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.

All acquisitions, disposals and transformation projects have steering groups in place led by senior leadership teams. Sound project discipline is followed in all transformation projects and these projects are resourced by dedicated and appropriately qualified personnel. All such projects are monitored through strong governance and reviewed by the Board of the Company for delivery of maximum synergies.

In order to ensure we seamlessly integrate the Nutrition portfolio of GSK CH into our business, we have put in place a dedicated team resourced with senior leadership. There is a detailed plan on the key aspects of integration with clear and measurable milestones. This is continuously monitored through strong governance and review by the management for overall business integration, process harmonisation and delivery of synergies. For instance, from a customer development lens, your Company's Go-To-Market capabilities are being leveraged to drive front-end integration. In supply chain, your Company is focusing on the integration of sales and operations planning, manufacturing technology excellence and quality amongst other capabilities. Throughout the integration, Nutrition business specific capabilities are being preserved and protected to be harnessed for generating long-term business benefits.

## Plastic Packaging

**Risk change since last year:** No change

**We use a significant amount of plastic to package our products. A reduction in the amount of single use plastic we use, the use of recycled plastic and an increase in the recyclability of our packaging are critical to our future success.**

Consumer and customer responses to environmental impact of plastic waste and emerging regulation by Governments to tax or ban the use of certain plastics require 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. Not only is there a risk around finding appropriate replacement materials, due to high demand, but also the cost of recycled plastic or other alternative packaging materials could significantly increase in the foreseeable future and this could impact our profitability. 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.

We are working on three different streams to address the risk.

**Advocacy:** We are working with Government and Industry bodies on packing substitutes, central regulation for all States, definition of single use plastics and framing of EPR regulation framework.

**Collection and Recovery:** We are driving waste management pilots through tie ups with various companies / NGOs deploying mass collection, processing and disposal models.

**Design and development of alternative packing:** We are working on innovative solutions such as accelerated development of multi-unit pack, modular packaging and wider use of refills.

| Nature of risk | Management of risk |
|---|---|

## Legal & Regulatory

**Risk change since last year:** No change

**Compliance with laws and regulations is an essential part of HUL's business operations.**

Proliferation or instability in regulatory policies related to levy of direct/indirect taxes, imports, data privacy, the environment, corporate governance, listing and disclosure may lead to adverse impact on growth and profitability and increased exposure 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.

HUL is committed to complying with the laws and regulations of the country. In specialist areas, the relevant teams are responsible for setting detailed standards and ensuring that all employees are aware of and comply with regulations and laws specific and relevant to their roles. Our legal and regulatory specialists are heavily involved in monitoring and reviewing our practices to provide reasonable assurance that we remain aware of and are in line with all relevant laws and legal obligations.

## Systems & Information

**Risk change since last year: Increase** (On account of COVID-19)

**HUL'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.

To reduce the impact of external cyber-attacks impacting our business, we have firewalls and threat monitoring systems in place, complete with immediate response capabilities to mitigate identified threats. We also maintain a robust system for the control and reporting of access to our critical IT systems. This is supported by an annual programme of testing of access controls. We have policies covering the protection of both business and personal information, as well as the use of IT systems and applications by our employees. Our employees are trained to understand these requirements. We also have a set of IT security standards and closely monitor their operation to protect our systems and information. Hardware that runs and manages core operating data is fully backed up with separate contingency systems to provide real-time backup operations, should they ever be required. We have standardised ways of hosting information on our public websites and have systems in place to monitor compliance with appropriate privacy laws and regulations, and with our own policies.

## Quality and Safety

**Risk change since last year:** No change

**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 in the supply chain or that other product defects occur due to human error, equipment failure or other factors cannot be excluded. Labelling errors can have potentially serious consequences for both consumer safety and brand reputation. Therefore on-pack labelling needs to provide clear and accurate ingredient information so that consumers can make informed decisions regarding the products they buy.

Our product quality processes and controls are comprehensive, from product design to customer shelf. Our internal safety and quality norms are constantly reviewed to ensure that our products meet the most stringent norms. HUL has a robust quality inspection process in all manufacturing and warehousing locations to avoid and detect quality and safety issues. Our key suppliers are externally certified, and the quality of material received is regularly monitored to ensure that it meets the rigorous quality standards that our products require. We have processes in place to ensure that the data used to generate on- pack labelling is compliant with applicable regulations and HUL labelling policies in order to provide the clarity and transparency needed for consumers.

# Report of Board of Directors (continued)

**Nature of risk** | **Management of risk**

## Talent

**Risk change since last year:** No change

**A skilled workforce in keeping with the transformational business environment driven by digital technologies and new age business models, is essential for the continued success of our business.**

With the rapidly changing nature of work and skills, there is a risk that our workforce is not equipped with the skills required for the new environment. Our ability to attract, develop and retain a diverse range of skilled people is critical if we are to compete and grow effectively. 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.

Over the years, we have developed a good equity to attract top talent from the markets. We have an integrated management development process which includes regular performance reviews underpinned by a common set of leadership behaviours, skills and competencies. We have development plans to upskill and reskill employees for future roles and will bring in flexible talent to access new skills. We have targeted programmes to attract and retain top talent and we actively monitor our performance in retaining a diverse talent pool within HUL.

## Ethics

**Risk change since last year:** No change

**HUL'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.**

Acting in an ethical manner, consistent with the expectations of customers, consumers and other stakeholders, is essential for the protection of the reputation of your Company and its brands. Any significant breach to our Code of Business Principles by employees or extended enterprises would lead to damage to HUL's corporate reputation and business results.

Our Code of Business Principles and Code Policies govern the behaviour of our employees, suppliers, distributors and other third parties who work with us. Our processes for identifying and resolving breaches of our Code of Business Principles and Code Policies are clearly defined and regularly communicated throughout HUL. Data relating to such breaches is reviewed by the Company Management Committee and by relevant Board Committees that helps to determine the allocation of resources for future policy development, process improvement, training and awareness initiatives. Our Responsible Sourcing Policy and Responsible Business Partner Policy help us improve the lives of the people in our supply chains by ensuring human rights are protected and make healthy and safe workplace a mandatory requirement for our suppliers.

## Macro-Economic Instability

**Risk change since last year:** New Risk

**Global and local macro-economic factors may result in a reduction in disposable income of consumers and a slowdown in FMCG Markets. This may impact our growth and profitability adversely.**

HUL's flexible business model allows us to adapt our portfolio and respond quickly to develop new offerings that suit consumers' and customers' changing needs during economic downturns. We regularly update our forecast of business results and cash flows and, where necessary, rebalance investment priorities. We believe that many years of exposure to challenging markets have given us experience of operating and developing our business successfully during periods of macro-economic volatility.



**Nature of risk** | **Management of risk**

## Climate Change

**Risk change since last year:** New Risk

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

Climate change may impact our business in various ways leading to reduced growth and profitability. It could lead to water shortages which would reduce demand for those of our products that require a significant amount of water during consumer use or decrease in sales on account of reduced product efficacy due to water shortage. Uncertainty in timing and severity of summer, winter and monsoon may impact the seasonal swings that we get on our mixes.

We have ongoing plans to de-seasonalise our product portfolios. Water saving formulations are being made available for seasonal deployment across portfolio. We monitor trends in raw material availability and pricing due to short-term weather impacts, and proactively reformulate our products where appropriate to ensure continued availability of input materials. We monitor Governmental developments around actions to combat climate change and take proactive action to minimise the impact on our operations.

**Opportunities** | **What we are doing to respond to opportunities**

## Growing in Channels of the Future

With advent of technology enabled distribution models, there has been a hyper fragmentation of channels. Accelerated growth of e-Commerce and Modern Trade has brought about a huge opportunity to tap into these channels and drive business growth.

While HUL continues to drive growth in the traditional trade and route to market, it is also critical to increase its footprint in emerging channels such as e-Commerce and Modern Trade. Several new initiatives have been piloted to strengthen our capability in channels of the future. HUL continues to collaborate with key players in e-Commerce to drive strategic priorities.

## Premiumisation and Market Development

HUL's strategic investment choices in keeping with changing consumer demographics, aspirations and spending power will bring about an opportunity for growth and improved margins. There is a huge headroom to grow through building our product portfolio in high growth super premium segments.

Our strategy and our business plans are designed to ensure that resources are prioritised towards high growth segments. HUL is focused on making the core brands aspirational and driving premiumisation across the breadth of the product portfolio with investments in robust pipeline of innovations designed to meet the premiumisation trend. HUL has significantly enhanced brand propositions and marketing investments to increase adoption in under-penetrated categories

## Digital Transformation

Opportunities arising from rapidly emerging digital technologies, analytics and big data present a chance to make meaningful interventions and develop capabilities across the value chain redefining the way we do business.

HUL has been a leader in using big data and analytics as a tool to drive sustainable growth. We continue to drive organisation wide digital transformation agenda under the umbrella of 'Reimagining HUL' to capture the digital opportunity. Pre-empting the imminent disruption, we have established a sharp digital innovation portfolio in each Function and continue investments in Innovation. These innovations include those around our core ERP platform using Cloud, Artificial Intelligence and other digital technologies. Each day, we build new capabilities in Systems, Workforce and Business Models.

## Improving Digital Skill Footprint

The pace of change in technology is affecting how we work. Business is increasingly becoming more digital and automated. As new roles and ways of working emerge, people increasingly need different skills. This could be a huge disruption but it is also a huge opportunity. With automation and digital transformation, employees have the opportunity to reinvent themselves and learn new skills. As an organisation, we can make strides towards becoming more agile and tech savvy.

HUL's vision of 'Reimagining HUL' incorporates a thrust on building the firm of the future with talent equipped and empowered to ride the digital transformation wave. Ongoing learning is critically important for the required enablement. We use digital platforms to give people control of their own learning. The Digi-Council further supports development of niche digital skills and capabilities. The leadership of HUL is invested to make sure that it's talent is digitally enabled and future fit.

# Report of Board of Directors (continued)

## C. FINANCIAL REVIEW (STANDALONE)

### Results

(₹ crores)

| | For the year ended 31st March, 2020 | For the year ended 31st March, 2019 |
|---|---|---|
| Sales | 38,273 | 37,660 |
| EBITDA | 9,600 | 8,637 |
| Profit before exceptional items and tax | 9,289 | 8,749 |
| Profit for the year | 6,738 | 6,036 |

### Division Wise Turnover

(₹ crores)

| | For the year ended 31st March, 2020 | | For the year ended 31st March, 2019 | |
|---|---|---|---|---|
| | Sales | Others* | Sales | Others* |
| Home Care | 13,559 | 83 | 12,763 | 113 |
| Beauty & Personal Care | 17,019 | 326 | 17,323 | 332 |
| Foods and Refreshment | 7,395 | 55 | 7,068 | 65 |
| Others (including Exports, Infant and Feminine Care) | 300 | 48 | 506 | 54 |
| **Total** | **38,273** | **512** | **37,660** | **564** |

* Others include service income from operations, relevant to the respective businesses.

### Summarised Profit and Loss Account

(₹ crores)

| | For the year ended 31st March, 2020 | For the year ended 31st March, 2019 |
|---|---|---|
| **Sale of products** | 38,273 | 37,660 |
| Other operational income | 512 | 564 |
| **Total Revenue** | **38,785** | **38,224** |
| Operating Costs | 29,185 | 29,587 |
| **Profit Before Depreciation, Interest, Tax (PBDIT)** | **9,600** | **8,637** |
| Depreciation | 938 | 524 |
| **Profit Before Interest & Tax (PBIT)** | **8,662** | **8,113** |
| Other Income (net) | 627 | 636 |
| **Profit before exceptional items** | **9,289** | **8,749** |
| Exceptional items | (197) | (227) |
| **Profit Before Tax (PBT)** | **9,092** | **8,522** |
| Taxation | 2,354 | 2,486 |
| **Profit for the year** | **6,738** | **6,036** |
| **Basic EPS (₹)** | **31.13** | **27.89** |

### Key Financial Ratios:

| Particulars | 2019-20 | 2018-19 | 2017-18 |
|---|---|---|---|
| Return on Net Worth (%) | 92.0 | 90.5 | 84.5 |
| Return on Capital Employed (%) | 128.5 | 131.2 | 118.9 |
| Basic EPS (after exceptional items) (₹) | 31.1 | 27.9 | 24.2 |
| Debtors turnover | 28.2 | 26.7 | 33.4 |
| Inventory turnover | 15.1 | 15.8 | 14.7 |
| Interest coverage ratio* | 81.7 | 289.8 | 340.9 |
| Current ratio | 1.3 | 1.4 | 1.3 |
| Debt equity ratio | 1.4 | 1.3 | 1.4 |
| Operating profit margin (%) | 22.6 | 21.5 | 19.6 |
| Net profit margin (%) | 17.6 | 16.0 | 15.1 |

*Interest coverage ratio has dropped because of accounting impact of Ind AS 116.

There is no significant change (i.e. change of 25% or more as compared to the immediately previous financial year) in the key financial ratios except Interest coverage ratio.



### Detailed explanation of ratios

(i) Return on Net Worth

Return on Net Worth (RONW) is a measure of profitability of a Company expressed in percentage. It is calculated by dividing total comprehensive income for the year by average capital employed during the year.

(ii) Return on Capital Employed

Return on Capital Employed (ROCE) is a financial ratio that measures a Company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a Company is generating profits from its capital. It is calculated by dividing profit before exceptional items and tax by average capital employed during the year.

(iii) Basic EPS

Earnings Per Share (EPS) is the portion of a Company's profit allocated to each share. It serves as an indicator of a Company's profitability. It is calculated by dividing Profit for the year by Weighted average number of shares outstanding during the year.

(iv) Debtors Turnover

The above ratio is used to quantify a Company's effectiveness in collecting its receivables or money owed by customers. The ratio shows how well a Company uses and manages the credit it extends to customers and how quickly that short-term debt is collected or is paid. It is calculated by dividing turnover by average trade receivables.

(v) Inventory Turnover

Inventory Turnover is the number of times a Company sells and replaces its inventory during a period. It is calculated by dividing turnover by average inventory.

(vi) Interest Coverage Ratio

The Interest Coverage Ratio measures how many times a Company can cover its current interest payment with its available earnings. It is calculated by dividing PBIT by finance cost.

(vii) Current Ratio

The Current Ratio is a liquidity ratio that measures a Company's ability to pay short-term obligations or those due within one year. It is calculated by dividing the current assets by current liabilities.

(viii) Debt Equity Ratio

The ratio is used to evaluate a Company's financial leverage. It is a measure of the degree to which a Company is financing its operations through debt versus wholly owned funds. It is calculated by dividing a Company's total liabilities by its shareholder's equity.

(ix) Operating Profit Margin (%)

Operating Profit Margin is a profitability or performance ratio used to calculate the percentage of profit a Company produces from its operations. It is calculated by dividing the EBIT by turnover.

(x) Net Profit Margin (%)

The net profit margin is equal to how much net income or profit is generated as a percentage of revenue. It is calculated by dividing the profit for the year by turnover.

### Other Financial Disclosures

There has been a material change and commitment affecting the financial position of the Company which occurred between the end of the financial year to which this financial statement relates and the date of this Report. The Board at its meeting held on 1st April, 2020, declared the Scheme of Amalgamation between GSK CH and the Company and their respective shareholders and creditors under Sections 230 to 232 of the Companies Act, 2013 ('Scheme') effective.

During the financial year, there was no amount proposed to be transferred to the Reserves.

Capital Expenditure during the year was at ₹ 765 crores (₹ 728 crores in the previous year).

During the year, your Company did not accept any public deposits under Chapter V of the Companies Act, 2013.

Your Company manages cash and cash flow processes assiduously, involving all parts of the business. There was a net cash surplus of ₹ 5,017 crores (FY 2018-19: ₹ 3,688 crores), as on 31st March, 2020. The Company's low debt equity ratio provides ample scope for gearing the Balance Sheet, should the need arise. Foreign Exchange transactions are fully covered with strict limits placed on the amount of uncovered exposure, if any, at any point in time. There are no materially significant uncovered exchange rate risks in the context of Company's imports and exports. The Company accounts for mark-to-market gains or losses every quarter end, are in line with the requirements of Ind AS 21. The details of foreign exchange earnings and outgo as required under Section 134 of the Companies Act, 2013 and Rule 8(3) of Companies (Accounts) Rules, 2014 are mentioned below:

(₹ crores)

| | For the year ended 31st March, 2020 | For the year ended 31st March, 2019 |
|---|---|---|
| Foreign Exchange earnings | 283 | 324 |
| Foreign Exchange outgo | 1,565 | 1,382 |

# Report of Board of Directors (continued)

## Performance of Subsidiaries

The summary of performance of the Subsidiaries of your Company is provided as below:

### Unilever India Exports Limited

Unilever India Exports Limited (UIEL) is a 100% subsidiary of your Company and is engaged in FMCG exports business. The focus of the FMCG exports operation is two-fold: to develop overseas markets by driving distribution of brands, such as Vaseline, Dove, Pears, BRU, Red Label, Lakmé and to effectively provide cross-border sourcing of FMCG products to other Unilever companies across the world. This was a challenging year for UIEL in view of localisation in some of the markets, which led to drop in export demand.

### Lakme Lever Private Limited

Lakme Lever Private Limited (LLPL) is a 100% subsidiary of your Company. LLPL is engaged in Salons business and also operates a manufacturing unit at Gandhidham which carries out job work operations for your Company manufacturing toilet soaps, bathing bars and detergent bars.

LLPL has over 485 owned / managed and franchisee salons. LLPL has continued to expand its salons business across markets with 102 new salons in the year. The 'Lakmé Salon Blockbuster Brides collection' inspired by Bollywood brides and the 'Garam Masala Hair' colour collection inspired by rich Indian spices were launched at Lakmé Fashion Week in collaboration with leading designers. The 'Runway Rewards' customer club re-launch with new attractive benefits was received well. Compelling thematic campaigns like Good Hair Day, Happy New You and BFF - Best Face Forward helped drive growth. Dermalogica the world's leading professional skincare brand was launched in over 100 salons. Some of the customer delight metrics such as Net Promoter Score and Magic Moments during the year. LLPL continues to derive support from your Company to drive growth in this attractive market opportunity.

### Hindustan Unilever Foundation

Hindustan Unilever Foundation (HUF) is a not-for-profit Company that anchors water management related community development and sustainability initiatives of your Company.

HUF operates the 'Water for Public Good' programme, with a specific focus on water conservation, building local community institutions to govern water resources and enhancing farm-based livelihoods through adoption of judicious water practices. HUF's programmes reached out to over 4,300 villages cumulatively in 53 districts, 10 states and 2 union territories across India in partnership through 23 NGO partners and multiple co-funders. HUF also supports several knowledge initiatives in water conservation and governance.

By the end of 2019, the cumulative and collective achievements through partnered programmes HUL (independently assured up to financial year 2018-19) include:

**Water Conservation:** Over 980 billion litres of water saving potential created through improved supply and demand management of water resources. Till financial year 2019-20, HUF's water conservation estimate stood at 1,200 billion litres* cumulatively.

**Crop Yield:** Additional agriculture production of over 0.95 million tonnes has been generated.

**Livelihoods:** Over 10 million person days of employment have been created though water conservation and increased agriculture production.

### Unilever Nepal Limited

Unilever Nepal Limited (UNL), a subsidiary of your Company and is engaged in manufacturing, marketing and sale of detergents, foods and refreshment products, toilet soaps, personal products and laundry soaps in Nepal.

During the year, UNL enhanced its growth trajectory which was broad based across all categories. UNL has maintained its bottom-line performance, driven by mix, judicious price management and by leveraging the current manufacturing capability. Transformation programmes such as Distributor Management System with Central Bill Monitoring System (CBMS) capability, SAP migration and leveraging 3 tier model to standardised processes are helping in faster decision-making, localised and swifter innovation delivery and increased speed-to market, which has helped in driving business performance.

### Other Subsidiaries

**Pond's Exports Limited** is a subsidiary of your Company which was engaged in leather business and has currently discontinued operations.

**Bhavishya Alliance Child Nutrition Initiatives** is a subsidiary of your Company which is not-for-profit subsidiary of your Company and had launched a hand washing behaviour change programme in the state of Bihar that aims to reduce diarrhoea and pneumonia in children under the age of five years. It discontinued operations & a similar handwashing programme is now being driven by your Company directly.

**Daverashola Estates Private Limited** is a subsidiary of your Company which has been exploring opportunities to enter into appropriate business activities.

**Jamnagar Properties Private Limited** is a subsidiary of your Company. The litigation over the land of the Company is now over and accordingly the land has been surrendered to the Government and a Deed of Surrender was signed to this effect.

**Levers Associated Trust Limited, Levindra Trust Limited and Hindlever Trust Limited,** subsidiaries of your Company, act as trustees of the employee benefits trusts of your Company.

Your Company has not made any downstream investments in subsidiaries.

## D. OTHERS

## Cost Audit

In terms of the Section 148 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, the cost audit is applicable for following businesses such as Coffee, Drugs and Pharmaceuticals, Insecticides, Milk Powder, Organic Chemicals, Other Machinery, Petroleum Products and Tea. The accounts and records for the above applicable businesses are made and maintained by the Company as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013.

## Employee Stock Option Plan (ESOP)

Details of the shares issued under Employee Stock Option Plan (ESOP), as also the disclosures in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014, are uploaded on the website of the Company https://www.hul.co.in/investor-relations/annual-reports/hul-annual-report-related-documents.html. No employee has been issued share options during the year equal to or exceeding one per cent of the issued capital of the Company at the time of grant.

Pursuant to the approval of the Members at the Annual General Meeting held on July 23, 2012, the Company adopted the '2012 HUL Performance Share Scheme'. In accordance with, the terms of the Performance Share Plan, employees are eligible for award of conditional rights to receive equity shares of the Company at the face value of ₹ 1/- each. These awards will vest only on the achievement of certain performance criteria measured over a period of three years. The Company confirms that the 2012 HUL Performance Share Scheme complies with the provisions of SEBI (Share Based Employee Benefits) Regulations, 2014.

No shares were awarded to employees under the '2012 HUL Performance Share Scheme' in the financial year 2019-20.

The employees of the Company are eligible for Unilever PLC (the 'Holding Company') share awards namely, the Management Co-Investment Plan (MCIP) and the SHARES Plan. The MCIP scheme has two sets of eligibilities – for Managers, it allows eligible employees to invest up to 20% of their annual bonus and for eligible senior leaders to invest up to 100% of their annual bonus in the shares of the Holding Company and to receive a corresponding award of performance related shares. The awards under the MCIP plan vests after 4 years between 0-200% of grant level, depending on the satisfaction of the performance metrics. Under the SHARES Plan, eligible employees can invest in the shares of the Holding Company upto a specified amount and after three years, one share is granted to the employees for every three shares invested, subject to the fulfilment of conditions of the scheme. The Holding Company charges the Company for the grant of shares to the Company's employees based on the market value of the shares on the exercise date.

Disclosures with respect to the remuneration of Directors and employees as required under Section 197 of the Companies Act, 2013 and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ('Rules') have been appended as Annexure to this Report. Details of employee remuneration as required under provisions of Section 197 of the Companies Act, 2013 and Rule 5(2) and 5(3) of the Rules are available to any shareholder for inspection on request. Such details are also available on your Company's website at https://www.hul.co.in/investor-relations/annual-reports/hul-annual-report-related-documents.html.

## Unilever Sustainable Living Plan (USLP)

Your Company's vision is to accelerate growth in the business, while reducing environmental footprint and increasing positive social impact. This vision has been codified in the USLP launched in 2010, which is your Company's blueprint for achieving sustainable growth. By spurring innovation, strengthening the supply chain, lowering costs, reducing risks and building trust, sustainability is creating value for your Company as well as the society.

Your Company has made good progress on the three USLP big goals to be achieved globally: to help more than a billion people improve their health and well-being, to halve the environmental footprint of our products and to source 100% of our agricultural raw materials sustainably and enhance the livelihoods of people across our value chain.

Detailed information on the progress of your Company's USLP initiatives and CSR activities are available in the Annual Report on CSR and Business Responsibility Report which is appended as an Annexure to this Report.

## Dividend

Your Directors are pleased to recommend a Final Dividend of ₹ 14/- per equity share of face value of ₹ 1/- each for the year ended 31st March, 2020. The Interim Dividend of ₹ 11/- per equity share was paid on Tuesday, 5th November, 2019.

The Final Dividend, subject to the approval of Members at the Annual General Meeting on Tuesday, 30th June, 2020, will be paid on or after Friday, 3rd July, 2020, to the Members whose names appear in the Register of Members, as on the Book Closure date, i.e. from Thursday, 23rd June, 2020, to Tuesday 30th June, 2020, (both days inclusive). The total dividend for the financial year, including the proposed Final Dividend, amounts to ₹ 25/- per equity share and will absorb ₹ 6,141 crores (including Dividend Distribution Tax of ₹ 470 crores on Interim Dividend). In view of the changes made under the Income-tax Act, 1961, by the Finance Act, 2020, dividends paid or distributed by the Company shall be taxable in the hands of the Shareholders. Your Company shall, accordingly, make the payment of the Final Dividend after deduction of tax at source.

## Unpaid / Unclaimed Dividend

In terms of the provisions of Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 / Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, ₹ 13.83 crores of unpaid / unclaimed dividends were transferred during the year to the Investor Education and Protection Fund.

## Mergers and Acquisitions

Your Company completed the merger of GSK CH on 1st April, 2020. The merger is in line with Company's strategy to build a sustainable and profitable Foods and Refreshment (F&R) business in India by leveraging the megatrend of health and wellness. GSK CH is the undisputed leader in the Health Food Drinks category, with iconic brands such as Horlicks and Boost, and a product portfolio supported by strong nutritional claims. This merger will bolster your Company's focus to build a profitable and sustainable Nutrition business in India. This is one of the largest deals in the FMCG sector in recent times and will lead to significant value creation for all stakeholders.

The approval of the Scheme of amalgamation of GSK CH with your Company was announced on 3rd December, 2018 which was

*pending independent assurance

# Report of Board of Directors (continued)

subject to obtaining necessary statutory approval and sanction of the Scheme by the Mumbai and the Chandigarh benches of the National Company Law Tribunal (NCLT). The Scheme was approved by Members and Creditors of the Company with an overwhelming majority in June, 2019. The Scheme was approved by the Mumbai bench of the NCLT in September, 2019 and by the Chandigarh bench of the NCLT on 26th February, 2020. With the competition of the requisite statutory filings and completion of conditions precedent under the Scheme, the Board of Directors of your Company declared the Scheme effective from 1st April, 2020.

The Board of Directors of your Company at its meeting held on 1st April, 2020 approved the proposal for acquiring Horlicks Brand for India from GlaxoSmithKline (GSK) exercising the option available in the original agreement made between Unilever and GSK. This will enable your Company to utilise cash on its balance sheet and create value for shareholders. In addition, it will enable your Company to drive better salience in a local context. The other brands which were under the ownership of GSK CH like Boost, Maltova and Viva come to your Company's brand portfolio by virtue of the merger.

In accordance with the Scheme, your Company has issued and allotted 18,46,23,812 Equity Shares of ₹ 1/- each to the eligible shareholders of the now amalgamated GSK CH who were holding shares of GSK CH as on the Record Date i.e. 17th April, 2020 in the ratio of 4.39 shares of the Company for every one share held in GSK CH. Consequent to the Scheme, the Authorised Share Capital of your Company stood increased to 2,85,00,00,000 equity shares of ₹ 1/- each.

In order to ensure seamless integration of the acquired GSK CH business, your Company had constituted a dedicated Integration team with cross functional representation under the direct supervision of the Chairman and Managing Director and members of the Management Committee. The Integration team was responsible for a seamless transition with minimal disruption to the existing business, focusing on growth and value creation. The integration team was also responsible for seamless onboarding of the incoming employees and leverage their capabilities. These principles of integration shall help your Company in creating value for the organisation, allowing all the stakeholders to be part of the growth story of this merger.

Your Company will be partnering with GSK (via a consignment selling arrangement) to distribute brands of the GSK family in India. This partnership, with world- class brands from GSK (like Eno, Crocin, Sensodyne etc.) and your Company's distribution strength, will help build further the Company's go-to-market capabilities.

## Acquisition of female intimate hygiene wash brand 'VWash'

During the year, your Company entered into an agreement with Glenmark Pharmaceuticals Limited to acquire its intimate hygiene brand VWash. The deal involved acquisition of intellectual property rights including trademarks, design and know-how related to VWash brand. The proposed acquisition is in line with the Company's strategic intent to enter fast-growing segments of the future in the premium Beauty & Personal Care Category.

## Particulars of Loan, Guarantee or Investments

Details of loans, guarantee or investments made by your Company under Section 186 of the Companies Act, 2013, during financial year 2019-20 are appended as an Annexure to this Report.

## Governance, Compliance and Business Integrity

The Legal function of the Company continues to be a valued business partner that provides solutions to protect your Company and enable it to win in the volatile, uncertain, complex and ambiguous environment. Through its focus on creating 'value with values', the function provides strategic business partnership in the areas including product claims, mergers and acquisitions, legislative changes, combatting unfair competition, business integrity and governance.

As the markets continue to be disrupted with newer technologies and ever-evolving consumer preferences, the need to have a framework around data security and privacy is paramount. Your Company continues to ensure it has an appropriate framework and safeguards for data privacy of its stakeholders with enhanced legal and security standards. The legal function of your Company continues to embrace newer technologies to the make the function future ready to support the growth agenda of the business.

Your Company is of the view that the menace of counterfeits can be effectively addressed if enforcement actions are supplemented with building awareness amongst the consumers of tomorrow. Your Company continued to engage with various stakeholders including e-Commerce Channel Partners, Industry Bodies and Regulators to curb the menace of counterfeiting on the e-Commerce platforms.

One of the key activities undertaken by your Company in this direction is propagating intellectual property awareness, particularly among school students. Your Company believes it is important to educate students on intellectual property and build awareness and understanding of the subject so that students start respecting intellectual property rights from a young age.

The Legal function of your Company works with leading industry associations, national and regional regulators and key opinion formers to develop a progressive regulatory environment in the best interest of all stakeholders.

## 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 with Integrity governance framework includes clear processes for dealing Code breaches.

During the financial year, we closed 222 incidents across all areas of our Code and Code Policies, with 119 confirmed breaches. During the year, we terminated the employment of 15 employees as a consequence of such breaches. 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 approach to such practices. The Code of Business Principles is periodically refreshed and updated so that it provides a current reflection of the way we do business at Unilever. Our Code and associated policies were re-visited recently to align them with the changes in the internal and the external environment. Without changing the substance, the Code of Business Principles have been refreshed.

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.

## Corporate Governance

Maintaining high standards of Corporate Governance has been fundamental to the business of your Company since its inception. A separate report on Corporate Governance is provided together with a Certificate from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Listing Regulations. A Certificate of the CEO and CFO of the Company in terms of Listing Regulations, *inter-alia*, confirming the correctness of the financial statements and cash flow statements, adequacy of the internal control measures and reporting of matters to the Audit Committee, is also annexed.

The extract of annual return in Form MGT-9 as required under Section 92(3) of the Companies Act and Rule 12 of the Companies (Management and Administration) Rules, 2014 is appended as an Annexure to this Report and also available on the Company's website at https://www.hul.co.in/investor-relations/annual-reports/hul-annual-report-related-documents.html.

## Prevention of Sexual Harassment at Workplace

As per the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 ('POSH Act') and Rules made thereunder, your Company has constituted Internal Committees (IC). While maintaining the highest governance norms, the Company have appointed external independent persons who worked in this area and have the requisite experience in handling such matters, as Chairpersons of each of the Committees. During the year, 3 complaints with allegations of sexual harassment were received by the Company and they were investigated and resolved as per the provisions of the POSH Act. To build awareness in this area, the Company has been conducting induction / refresher programmes in the organisation on a continuous basis. Your Company has also engaged with Government Authority and made suggestions to make POSH Act more enabling and easier to administer so that matters under this Act can be dealt with more efficiently.

## Update on Kodaikanal Soil Remediation

Your Company had informed the Members that soil remediation trials had been concluded. Pursuant to which the authorities permitted the Company to commence full scale soil remediation work on the premises of the former factory of your Company as per the approved up-scaling plan. In the meantime, the permission granted for soil remediation and the Site-Specific Target Level specified by the authorities was challenged before the National Green Tribunal. The National Green Tribunal after hearing the petition that was filed and ordered that the remediation be carried out as per the approval granted by the authorities. The decision of the National Green Tribunal was challenged before the Supreme Court of India; the Supreme Court of India dismissed the petition and has allowed the soil remediation to go ahead. The Company is taking steps to commence full-scale soil remediation at the factory site at the earliest.

## Related Party Transactions

In line with the requirements of the Companies Act, 2013 and amendment to the Listing Regulations, your Company has formulated a revised Policy on Related Party Transactions which is also available on the Company's website at https://www.hul.co.in/Images/policy-on-materiality-of-rpt-and-dealing-with-rpt_tcm1255-547442_1_en.pdf. The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties.

All Related Party Transactions are placed before the Audit Committee for review and approval. Prior omnibus approval is obtained for Related Party Transactions on a quarterly basis for transactions which are of repetitive nature and / or entered in the Ordinary Course of Business and are at Arm's Length. All Related Party Transactions are subjected to independent review by a reputed accounting firm to establish compliance with the requirements of Related Party Transactions under the Companies Act, 2013, and Listing Regulations.

All Related Party Transactions entered during the year were in Ordinary Course of the Business and at Arm's Length basis. No Material Related Party Transactions, i.e. transactions exceeding 10% of the annual consolidated turnover as per the last audited financial statement, were entered during the year by your Company. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013, in Form AOC-2 is not applicable.

## Board of Directors and Key Managerial Personnel

During the year, Mr. Pradeep Banerjee, Whole-time Director designated as an Executive Director, Supply Chain stepped down from the Board as his contract of service came to an end on 31st December, 2019. The Board places on record its deep sense of gratitude and appreciation for Mr. Banerjee's immense contribution, strategic guidance provided during his tenure as a Whole-time Director of the Company.

During the year, on the recommendation of Nomination and Remuneration Committee, the Board appointed Mr. Wilhelmus Uijen as a Whole-time Director of the Company, designated as an Executive Director, Supply Chain for a period of 5 (five) years with effect from 1st January, 2020, liable to retire by rotation and the appointment of Mr. Uijen has been approved by the Shareholders of the Company by approving the ordinary resolution conducted through Postal Ballot dated 18th March, 2020. As the appointment of Mr. Uijen requires the approval of the Central Government, the Company has made application to the Central Government in this regard.

During the year, based on the recommendation of Nomination and Remuneration Committee, the Board of Directors appointed Dr. Ashish Gupta as an Additional Director with effect from 31st January, 2020, to hold office up to the date of the forthcoming Annual General Meeting. The Board considered the

# Report of Board of Directors (continued)

domain knowledge and experiences of Dr. Gupta in the areas of future-facing technology and digital ecosystems, while approving his appointment as Independent Director on the Board of the Company. The Board is of the opinion that Dr. Gupta, Independent Director possesses requisite qualification, experience, expertise and holds high standards of integrity. Being eligible, Dr. Gupta has offered himself to be appointed as the Independent Director of your Company.

Further, Mr. Aditya Narayan, Independent Director of the Company, who was re-appointed by the Shareholders as an Independent Director for his second term at the last Annual General Meeting ceases to be the Independent Director of the Company effective 29th June, 2020 after serving 19 years on the Board of the Company. The Board places on record its deep sense of gratitude and appreciation for Mr. Narayan immense contribution, strategic guidance provided during his tenure as an Independent Director and as the Chairperson of the Audit Committee of the Company.

As per the provisions of the Companies Act, 2013, the Independent Directors not liable to retire by rotation. The Independent Directors of your Company have given the certificate of independence to your Company stating that they meet the criteria of independence as mentioned under Section 149(6) of the Companies Act, 2013 and the Listing Regulations. All other Directors, except the Managing Director, will retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-election.

The details of training and familiarisation programme and Annual Board Evaluation process for Directors have been provided under the Corporate Governance Report. The policy on Director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of Director, and also remuneration for key managerial personnel and other employees, forms part of the Corporate Governance Report of this Annual Report.

During the year, six meetings of the Board of Directors were held. The details of meetings held and attended by each Director are detailed in the Corporate Governance Report, which forms part of this Annual Report.

## Management Committee

The day-to-day management of the Company is vested with the Management Committee, which is subjected to the overall superintendence and control of the Board. The Management Committee is headed by the Chairman and Managing Director and has Functional / Business Heads as its members.

During the year, Mr. Wilhelmus Uijen was appointed as an Executive Director, Supply Chain and member of Management Committee of the Company in succession to Mr. Pradeep Banerjee. During the year, Mr. Sandeep Kohli, Executive Director, Beauty & Personal Care was appointed as Vice President, Beauty & Personal Care for the Unilever Business in North Africa, Middle East, Turkey and Russia markets. Ms. Priya Nair, Executive Director, Home Care took over the role of Executive Director, Beauty & Personal Care in succession to Mr. Sandeep Kohli. Ms. Prabha Narasimhan was appointed as an Executive Director, Home Care and Member of Management Committee in place of Ms. Priya Nair. The Board places on record its appreciation for the contribution made by Mr. Sandeep Kohli during his tenure as Executive Director, Beauty & Personal Care.

## Auditors

M/s. B S R & Co. LLP, Chartered Accountants were re-appointed as Statutory Auditors of your Company at the Annual General Meeting held on 29th June, 2019, for the second term of five consecutive years. The Auditors have confirmed that they are not disqualified from being re-appointed as Auditors of the Company.

The Report given by the Auditors on the financial statement of the Company is part of this Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report. During the year under review, the Auditors had not reported any matter under Section 143 (12) of the Companies Act, 2013.

M/s. R A & Co., Cost Accountants carried out the cost audit for applicable businesses during the year. The Board of Directors have appointed M/s. R A & Co., Cost Accountants as Cost Auditors for the financial year 2019-20.

The Board of Directors had appointed M/s. S.N. Ananthasubramanian & Co., Company Secretaries to conduct Secretarial Audit for the financial year 2019-20. The Secretarial Audit Report forms part of this Annual Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

## Disclosure

The details in relation to the composition of Audit Committee, establishment of Vigil Mechanism for directors and employees, Internal Financial Controls and Director's Remuneration Policy of the Company have been given in the Corporate Governance Report forming part of this Annual Report.

No significant or material orders were passed by the Regulators or Courts or Tribunals which impacts the going concern status and Company's operations in future.

## Compliance With Secretarial Standards

The Company has complied with all the applicable provisions of Secretarial Standard – 1 and Secretarial Standard – 2 relating to 'Meetings of the Board of Directors' and 'General Meetings', respectively issued by Institute of Company Secretaries of India.

## Stakeholder Engagement

Our multi-stakeholder model aims to respect the interests of and be responsive towards all stakeholders.

Stakeholder engagement and partnership is essential to grow your Company's business and to reach the ambitious targets set out in the USLP. The CoBP, which is the statement of values and represents the standard of conduct for everyone associated with your Company, and the Code Policies guide how we interact with the partners, suppliers, customers, employees, shareholders, Government, Non-Governmental Organisations (NGOs), trade associations and industry bodies. Through the underlined standards set in CoBP and Code policies, your Company is committed to transparency, honesty, integrity and openness in all its engagements with the various stakeholders.

## Outlook

2019-20 has been a challenging year with weakening consumer sentiment given the macro-economic conditions and finally, the COVID-19 outbreak and its terrible impact on lives and livelihoods. The human impact of the virus and the containment efforts have resulted in supply and demand disruptions, resulting in a sharper growth deceleration. The situation remains volatile with the trajectory of the virus undetermined, evolving hot spot geographies, the success of containment measures uncertain, the severity and duration of resulting economic crisis and the extent of structural damage unknown. There are many unknowns today and hence, the near-term outlook is extremely uncertain. We stand united with the nation in the fight against COVID-19 as we navigate our way through these dynamic uncertain times together. Our focus remains on safety of our people, protecting supply lines, serving demand, contributing to the society and optimising cost and cash.

Despite the near-term ambiguity, we remain confident of the medium to long-term growth prospects of the FMCG sector. We are working closely with Governments and our partners to ensure that we overcome this global health crisis together. We have a strong portfolio of trusted brands and capable teams with a resilient mindset. We are built to survive times like these. We have naturally seen strong as well as challenging conditions over the decades and your Company has manoeuvred through all of these and come out stronger. Although the current situation is much more uncertain than normal, we are confident about our ability to manage the immediate crisis and come out of it in a strengthened competitive position. We remain focused on delivering consistent, competitive, profitable and responsible growth through our fundamentals of growth and sustainable business model.

## Responsibility Statement

The Directors confirm that:

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- They have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;
- They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- They have prepared the annual accounts on a going concern basis;
- They have laid down internal financial controls for the Company and such internal financial controls are adequate and operating effectively; and
- They have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively

## Appreciations and Acknowledgments

Your Directors place on record their deep appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain an industry leader.

Your Directors would also like to acknowledge the excellent contribution by Unilever to your Company in providing the latest innovations, technological improvements and marketing inputs across almost all categories in which it operates. This has enabled the Company to provide higher levels of consumer delight through continuous improvement in existing products, and introduction of new products.

The Board places on record its appreciation for the support and co-operation your Company has been receiving from its suppliers, distributors, retailers, business partners and others associated with it as its trading partners. Your Company looks upon them as partners in its progress and has shared with them the rewards of growth. It will be your Company's endeavour to build and nurture strong links with the trade based on mutuality of benefits, respect for and co-operation with each other, consistent with consumer interests.

Your Directors also take this opportunity to thank all Shareholders, Clients, Vendors, Banks, Government and Regulatory Authorities and Stock Exchanges, for their continued support.

On behalf of the Board

**Sanjiv Mehta**
Chairman and Managing Director
(DIN : 06699923)

Mumbai, 30th April, 2020

# Annexure to the Report of Board of Directors

## Statement of Disclosure of Remuneration under Section 197 of the Companies Act, 2013 and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

i. Ratio of the remuneration of each Executive Director to the median remuneration of the Employees of the Company for the financial year 2019-20, the percentage increase in remuneration of Chief Executive Officer, Chief Financial Officer and other Executive Director(s) and Company Secretary during the financial year 2019-20.

| Sr. No. | Name of Director(s)/KMP | Designation | Ratio of remuneration of each Director to median remuneration of Employees | Percentage increase in Remuneration |
|---|---|---|---|---|
| 1 | Sanjiv Mehta | Chairman and Managing Director | 151.22 | Refer Note iv. |
| 2 | Srinivas Phatak | Executive Director, Finance & IT and CFO | 39.65 | |
| 3 | Pradeep Banerjee# | Executive Director, Supply Chain | 44.30 | |
| 4 | Dev Bajpai | Executive Director, Legal & Corporate Affairs and Company Secretary | 43.02 | |
| 5 | Wilhelmus Uijen# | Executive Director, Supply Chain | 55.62 | |

# Mr. Pradeep Banerjee ceased to be a Whole-time Director of the Company w.e.f. 31st December, 2019 and Mr. Wilhelmus Uijen was appointed as a Whole-time Director of the Company w.e.f. 1st January, 2020. Point (iv) given below with respect to salary increase is not applicable for Mr. Wilhelmus Uijen.

ii. The percentage increase in the median remuneration of Employees for the financial year was 4.26%.

iii. The Company has 7,082 permanent Employees on the rolls of Company as on 31st March, 2020.

iv. Average increase made in the salaries of Employees other than the managerial personnel in the financial year was 5.04%. The average increases every year is an outcome of Company's market competitiveness as against its peer group companies. In keeping with our reward philosophy and benchmarking results, the increases this year reflect the market practice. Your Company follows a rigorous practice of assessing the value of every role in the Company and benchmark the same to the market. With respect to Management Committee members, the Company has, after seeking the approval of Nomination and Remuneration Committee of the Board, introduced a new grade for the members of the Management Committee, considering the responsibilities and complexity of the roles involved. Accordingly, salary increase in the range of 20% -25% was given for certain Management Committee Members, effective 1st February, 2020.

v. It is hereby affirmed that the remuneration paid during the year is as per the Remuneration Policy of the Company.

Notes:

a) The Non-Executive Directors of the Company are entitled for sitting fee and commission as per the statutory provisions and within the limits approved by the Members. The details of remuneration of Non-Executive Directors are provided in the Corporate Governance Report and is governed by the Differential Remuneration Policy, as detailed in the said Report. The ratio of remuneration and percentage increase for Non-Executive Directors Remuneration is therefore not considered for the purpose above.

b) Percentage increase in remuneration indicates annual target total compensation increases, as approved by the Nomination and Remuneration Committee of the Company during the financial year 2019-20.

c) Employees for the purpose above includes all employees excluding employees governed under collective bargaining.

## Particulars of Loans, Guarantees or Investments

Amount outstanding as at 31st March, 2020

(₹ crores)

| Particulars | Amount |
|---|---|
| Loans given | 226 |
| Guarantee given | 8 |
| Investments made | 1,500 |

Loan, Guarantee and Investments made during the financial year 2019-20

| Name of Entity | Relation | Amount (In crores) | Particulars of loan, guarantee and investments | Purpose for which the guarantee and investments are proposed to be utilised |
|---|---|---|---|---|
| Lakme Lever Private Limited | Subsidiary | 55 | Loan | Business purpose |
| Unilever India Exports Limited | Subsidiary | 237 | Loan | Business purpose |
| Mutual Funds# | - | (565) | Investments | Cash Management |

#For details refer to Note (6) of Notes to the financial statements

On behalf of the Board

**Sanjiv Mehta**
Chairman and Managing Director
(DIN : 06699923)

Mumbai, 30th April, 2020



# Annexure to the Report of Board of Directors

## Extract of Annual Return

**FORM NO. MGT-9**

(As on the Financial Year ended on 31st March, 2020)
[Pursuant to Section 92(3) of the Companies Act, 2013 and
Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

### I. REGISTRATION AND OTHER DETAILS

| | | | |
|---|---|---|---|
| i) | CIN | : | L15140MH1933PLC002030 |
| ii) | Registration Date | : | 17th October, 1933 |
| iii) | Name of the Company | : | Hindustan Unilever Limited |
| iv) | Category / Sub-Category of the Company | : | Public Company / Subsidiary of Foreign Company limited by shares |
| v) | Address of the Registered Office and contact details | : | Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai - 400 099.<br>Tel : 022 50432791 / 50432792<br>E-mail : levercare.shareholder@unilever.com<br>Website : www. hul.co.in |
| vi) | Whether listed Company | : | Yes |
| vii) | Name, Address and contact details of Registrar and Transfer Agent, if any | : | M/s. KFin Technologies Private Limited, (Formerly known as Karvy Fintech Private Limited), Unit : Hindustan Unilever Limited, Selenium Tower B, Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad - 500 032<br>Phone : +91 - 40 - 67161500, 67162222<br>Fax : +91 - 40 - 23420814<br>Toll Free no.: 1800-345-4001<br>E-mail : einward.ris@kfintech.com<br>Website : www.kfintech.com |

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (Activities contributing 10% or more of the turnover)

| Sr. No. | Name and Description of Products | NIC Code of the Product | % to total turnover of the Company |
|---|---|---|---|
| 1 | Soaps | 20231 | 27.00% |
| 2 | Detergents | 20233 | 22.50% |
| 3 | Cosmetics & Toiletries | 20237 | 16.90% |

# Annexure to the Report of Board of Directors (Continued)

## III. PARTICULARS OF HOLDING, SUBSIDIARY COMPANIES

| Sr. No. | Name and address of the Company | CIN / GLN | % of shares held |
|---|---|---|---|
| **Holding Company [Section 2(46)]** | | | |
| 1 | Unilever PLC<br>Port Sunlight, Wirral, Merseyside CH624ZD | N.A. | 51.48 |
| 2 | Brooke Bond Group Limited# | N.A. | 4.93 |
| 3 | Unilever Overseas Holdings AG<br>Hinterbergstrasse 28, Postfach 5364, 6330 Cham 2, Switzerland | N.A. | 3.18 |
| 4 | Unilever UK & CN Holdings Limited# | N.A. | 2.78 |
| 5 | Brooke Bond South India Estates Limited# | N.A. | 2.44 |
| 6 | Brooke Bond Assam Estates Limited# | N.A. | 1.52 |
| 7 | Unilever Overseas Holdings B. V.# | N.A. | 0.87 |
| **Subsidiary Companies [Section 2(87)(ii)]** | | | |
| 1 | Unilever India Exports Limited* | U51900MH1963PLC012667 | 100 |
| 2 | Pond's Exports Limited* | U24246MH1981PLC261125 | 90 |
| 3 | Lakme Lever Private Limited* | U24247MH2008PTC188539 | 100 |
| 4 | Unilever Nepal Limited<br>Basamadi V.D.C. – 5, P. O. Box-11, Hetauda, District Makwanpur, Nepal | N.A. | 80 |
| 5 | Daverashola Estates Private Limited* | U15200MH2004PTC149035 | 100 |
| 6 | Jamnagar Properties Private Limited* | U70101MH2006PTC165144 | 100 |
| 7 | Levers Associated Trust Limited* | U74999MH1946PLC005403 | 100 |
| 8 | Levindra Trust Limited* | U67120MH1946PLC005402 | 100 |
| 9 | Hindlever Trust Limited* | U65990MH1958PLC011060 | 100 |
| 10 | Hindustan Unilever Foundation* | U93090MH2010NPL201468 | 76 |
| 11 | Bhavishya Alliance Child Nutrition Initiatives* | U93090MH2010NPL208544 | 100 |

# Registered Office at Unilever House, 100 Victoria, Embankment, London EC4Y0DY

* Registered Office at Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai - 400 099

## IV. SHARE HOLDING PATTERN (Equity Share capital breakup as percentage of total equity)

### i) Category-wise Shareholding

| | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Category of Shareholders | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | % Change during the year |
| **A. Promoters** | | | | | | | | | |
| 1. Indian | - | - | - | - | - | - | - | - | - |
| 2. Foreign | | | | | | | | | |
| - Bodies Corporates | 1,45,44,12,858 | - | 1,45,44,12,858 | 67.19 | 1,45,44,12,858 | - | 1,45,44,12,858 | 67.18 | (0.01) |
| **Total Promoter Shareholding (A)** | **1,45,44,12,858** | **-** | **1,45,44,12,858** | **67.19** | **1,45,44,12,858** | **-** | **1,45,44,12,858** | **67.18** | **(0.01)** |
| **B. Public Shareholding** | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| – Mutual Funds | 4,62,00,855 | 38,744 | 4,62,39,599 | 2.14 | 6,19,85,369 | 38,744 | 6,20,24,113 | 2.87 | 0.73 |
| – Alternate Investment Funds | 7,46,444 | - | 7,46,444 | 0.03 | 11,11,658 | - | 11,11,658 | 0.05 | 0.02 |
| – Banks / Financial Institutions | 1,19,46,627 | 1,29,110 | 1,20,75,737 | 0.56 | 78,01,118 | 1,27,600 | 79,28,718 | 0.36 | (0.20) |
| – State Government | - | 20 | 20 | - | - | 20 | 20 | - | - |
| – Insurance Companies | 9,31,76,602 | 9,500 | 9,31,86,102 | 4.30 | 7,32,99,749 | 9,500 | 7,33,09,249 | 3.39 | (0.91) |
| – Foreign Institutional Investors | 25,60,42,230 | 27,340 | 25,60,69,570 | 11.83 | 26,19,11,568 | 27,340 | 26,19,38,908 | 12.10 | 0.27 |
| **Sub-total (B)(1):-** | **40,81,12,758** | **2,04,714** | **40,83,17,472** | **18.86** | **40,61,09,462** | **2,03,204** | **40,63,12,666** | **18.77** | **(0.09)** |
| 2. Non-Institutions | | | | | | | | | |
| – Bodies Corporates | | | | | | | | | |
| i) Indian | 3,75,15,690 | 2,89,020 | 3,78,04,710 | 1.75 | 1,17,38,882 | 2,43,780 | 1,19,82,662 | 0.55 | (1.20) |
| ii) Overseas | 500 | - | 500 | - | - | - | - | - | - |
| – Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto ₹ 1 lakh | 20,58,78,659 | 3,28,98,424 | 23,87,77,083 | 11.03 | 20,59,09,288 | 2,68,76,238 | 23,27,85,526 | 10.75 | (0.28) |
| ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh | 34,96,284 | 7,10,350 | 42,06,634 | 0.18 | 38,93,303 | 7,10,350 | 46,03,653 | 0.21 | 0.03 |
| – Others | | | | | | | | | |
| i) Trust | 59,95,013 | - | 59,95,013 | 0.28 | 80,40,996 | - | 80,40,996 | 0.37 | 0.09 |
| ii) Non Resident Indians | 97,78,534 | 3,61,170 | 1,01,39,704 | 0.47 | 1,06,18,817 | 3,35,900 | 1,09,54,717 | 0.51 | 0.04 |
| iii) Foreign Nationals | 12,259 | 120 | 12,379 | - | 12,019 | 120 | 12,139 | - | - |
| iv) Foreign Banks | 6,220 | - | 6,220 | - | 6,220 | - | 6,220 | - | - |
| v) Directors & their Relatives | 1,11,547 | - | 1,11,547 | 0.01 | 59,397 | - | 59,397 | - | (0.01) |
| vi) Clearing Members | 14,20,306 | - | 14,20,306 | 0.07 | 13,79,238 | | 13,79,238 | 0.06 | (0.01) |
| vii) Qualified Foreign Investors | 24,391 | - | 24,391 | - | - | - | - | - | - |
| viii) IEPF | 34,75,588 | - | 34,75,588 | 0.16 | 43,47,592 | - | 43,47,592 | 0.20 | 0.04 |
| vix) Qualified Institutional Buyer | - | - | - | - | 2,99,46,523 | | 2,99,46,523 | 1.38 | 1.38 |
| **Sub-total (B)(2):-** | **26,77,14,991** | **3,42,59,084** | **30,19,74,075** | **13.95** | **27,59,52,275** | **2,81,66,388** | **30,41,18,663** | **14.05** | **0.10** |
| **Total Public Shareholding (B)=(B)(1)+(B)(2)** | **66,88,52,346** | **4,12,63,573** | **71,01,15,919** | **32.81** | **68,20,61,737** | **2,83,69,592** | **71,04,31,329** | **32.82** | **0.01** |
| **C. Shares held by Custodian for GDRs & ADRs** | - | - | - | - | - | - | - | - | - |
| **Grand Total (A+B+C)** | **2,13,02,40,607** | **3,44,63,798** | **2,16,47,04,405** | **100.00** | **2,13,64,74,595** | **2,83,69,592** | **2,16,48,44,187** | **100.00** | **-** |

# Annexure to the Report of Board of Directors (Continued)

## ii) Shareholding of Promoters

| Sr. No. | Shareholder's Name | Shareholding at the beginning of the year: No. of Shares | % of total Shares of the Company | % of Shares Pledged/ Encumbered to total Shares | Shareholding at the end of the year: No. of Shares | % of total Shares of the Company | % of Shares Pledged/ Encumbered to total Shares | % change in the shareholding during the year |
|---|---|---|---|---|---|---|---|---|
| 1 | Unilever PLC | 1,11,43,70,148 | 51.48 | - | 1,11,43,70,148 | 51.48 | - | - |
| 2 | Brooke Bond Group Limited | 10,67,39,460 | 4.93 | - | 10,67,39,460 | 4.93 | - | - |
| 3 | Unilever Overseas Holdings AG | 6,87,84,320 | 3.18 | - | 6,87,84,320 | 3.18 | - | - |
| 4 | Unilever UK & CN Holdings Limited | 6,00,86,250 | 2.78 | - | 6,00,86,250 | 2.78 | - | - |
| 5 | Brooke Bond South India Estates Limited | 5,27,47,200 | 2.44 | - | 5,27,47,200 | 2.44 | - | - |
| 6 | Brooke Bond Assam Estates Limited | 3,28,20,480 | 1.52 | - | 3,28,20,480 | 1.52 | - | - |
| 7 | Unilever Overseas Holdings B. V. | 1,88,65,000 | 0.87 | - | 1,88,65,000 | 0.87 | - | - |
| | **Total** | **1,45,44,12,858** | **67.19*** | **-** | **1,45,44,12,858** | **67.18*** | **-** | **-** |

*Percentage rounded off

## iii) Change in Promoters' Shareholding

There are no changes in the Promoter's shareholding during the financial year 2019 -20.

## iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) as on 31st March, 2020

| Sr. No. | Name of Shareholders | Shareholding: No. of Shares | % of total Shares of the Company | Cumulative Shareholding during the year: No. of Shares | % of total Shares of the Company |
|---|---|---|---|---|---|
| 1 | **Life Insurance Corporation of India** | | | | |
| | At the beginning of the year | 7,02,07,020 | 3.24 | 7,02,07,020 | 3.24 |
| | Bought during the year | - | - | 7,02,07,020 | 3.24 |
| | Sold during the year | 1,41,87,679 | 0.65 | 5,60,19,341 | 2.59 |
| | At the end of the year | 5,60,19,341 | 2.59 | 5,60,19,341 | 2.59 |
| 2 | **Vanguard Total International Stock Index Fund** | | | | |
| | At the beginning of the year | 1,10,32,659 | 0.51 | 1,10,32,659 | 0.51 |
| | Bought during the year | 18,61,924 | 0.08 | 1,28,94,583 | 0.59 |
| | Sold during the year | 5,04,020 | 0.02 | 1,23,90,563 | 0.57 |
| | At the end of the year | 1,23,90,563 | 0.57 | 1,23,90,563 | 0.57 |
| 3 | **ICICI Prudential Life Insurance Company Limited** | | | | |
| | At the beginning of the year | 79,61,971 | 0.37 | 79,61,971 | 0.37 |
| | Bought during the year | 63,09,502 | 0.29 | 1,42,71,473 | 0.66 |
| | Sold during the year | 36,80,194 | 0.17 | 1,05,91,279 | 0.49 |
| | At the end of the year | 1,05,91,279 | 0.49 | 1,05,91,279 | 0.49 |
| 4 | **SBI-ETF NIFTY 50** | | | | |
| | At the beginning of the year | 78,45,230 | 0.36 | 78,45,230 | 0.36 |
| | Bought during the year | 27,55,184 | 0.13 | 1,06,00,414 | 0.49 |
| | Sold during the year | 48,030 | - | 1,05,52,384 | 0.49 |
| | At the end of the year | 1,05,52,384 | 0.49 | 1,05,52,384 | 0.49 |
| 5 | **Vanguard Emerging Markets Stock Index Fund, A Series** | | | | |
| | At the beginning of the year | 1,11,16,432 | 0.51 | 1,11,16,432 | 0.51 |
| | Bought during the year | 1,55,222 | 0.01 | 1,12,71,654 | 0.52 |
| | Sold during the year | 8,79,549 | 0.04 | 1,03,92,105 | 0.48 |
| | At the end of the year | 1,03,92,105 | 0.48 | 1,03,92,105 | 0.48 |
| 6 | **Government of Singapore** | | | | |
| | At the beginning of the year | 68,90,086 | 0.32 | 68,90,086 | 0.32 |
| | Bought during the year | 48,05,262 | 0.22 | 1,16,95,348 | 0.54 |
| | Sold during the year | 20,01,037 | 0.09 | 96,94,311 | 0.45 |
| | At the end of the year | 96,94,311 | 0.45 | 96,94,311 | 0.45 |
| 7 | **General Insurance Corporation of India** | | | | |
| | At the beginning of the year | 83,95,698 | 0.39 | 83,95,698 | 0.39 |
| | Bought during the year | 1,29,242 | 0.01 | 85,24,940 | 0.40 |
| | Sold during the year | 9,80,961 | 0.05 | 75,43,979 | 0.35 |
| | At the end of the year | 75,43,979 | 0.35 | 75,43,979 | 0.35 |
| 8 | **The New India Assurance Company Limited** | | | | |
| | At the beginning of the year | 98,00,673 | 0.45 | 98,00,673 | 0.45 |
| | Bought during the year | 1,00,000 | 0.01 | 99,00,673 | 0.46 |
| | Sold during the year | 25,23,780 | 0.12 | 73,76,893 | 0.34 |
| | At the end of the year | 73,76,893 | 0.34 | 73,76,893 | 0.34 |
| 9 | **Government Pension Fund Global** | | | | |
| | At the beginning of the year | 55,71,104 | 0.26 | 55,71,104 | 0.26 |
| | Bought during the year | 22,05,050 | 0.10 | 77,76,154 | 0.36 |
| | Sold during the year | 5,86,031 | 0.03 | 71,90,123 | 0.33 |
| | At the end of the year | 71,90,123 | 0.33 | 71,90,123 | 0.33 |
| 10 | **People's Bank of China** | | | | |
| | At the beginning of the year | 56,00,381 | 0.26 | 56,00,381 | 0.26 |
| | Bought during the year | 18,48,177 | 0.08 | 74,48,558 | 0.34 |
| | Sold during the year | 2,99,096 | 0.01 | 71,49,462 | 0.33 |
| | At the end of the year | 71,49,462 | 0.33 | 71,49,462 | 0.33 |

Notes:

- The above information is based on the weekly beneficiary position received from Depositories.
- The date wise increase or decrease in shareholding of the top ten shareholders is available on the website of the Company at https://www.hul.co.in/investor-relations/annual-reports/hul-annual-report-related-documents.html

## v) Shareholding of Directors and Key Managerial Personnel (KMP)

| Sr. No. | Name of Directors / KMP | Shareholding at the beginning of the year: No. of shares | % of total Shares of the Company | Cumulative Shareholding during the year: No. of shares | % of total Shares of the Company |
|---|---|---|---|---|---|
| 1 | **Mr. Sanjiv Mehta** | | | | |
| | At the beginning of the year | 10 | - | 10 | - |
| | Bought during the year | - | - | 10 | - |
| | Sold during the year | - | - | 10 | - |
| | At the end of the year | 10 | - | 10 | - |
| 2 | **Mr. Srinivas Phatak** | | | | |
| | At the beginning of the year | 10,208 | - | 10,208 | - |
| | Bought during the year | - | - | 10,208 | - |
| | Sold during the year | - | - | 10,208 | - |
| | At the end of the year | 10,208 | - | 10,208 | - |

# Annexure to the Report of Board of Directors (Continued)

| Sr. No. | Name of Directors / KMP | Shareholding at the beginning of the year: No. of shares | Shareholding at the beginning of the year: % of total Shares of the Company | Cumulative Shareholding during the year: No. of shares | Cumulative Shareholding during the year: % of total Shares of the Company |
|---|---|---|---|---|---|
| 3 | **Mr. Dev Bajpai** | | | | |
| | At the beginning of the year | 45,817 | - | 45,817 | - |
| | Bought during the year | 3,362* | - | 49,179 | - |
| | Sold during the year | - | - | 49,179 | - |
| | At the end of the year | 49,179 | - | 49,179 | - |

* Shares allotted under ESOP.

**Note:**

1. Mr. Aditya Narayan, Mr. O. P. Bhatt, Dr. Sanjiv Misra, Ms. Kalpana Morparia. Mr. Leo Puri, Mr. Wilhelmus Uijen (appointed as a Whole-time Director of the Company w.e.f. 1st January, 2020) and Dr. Ashish Gupta (appointed as an Independent Director of the Company w.e.f. 31st January, 2020) did not hold any shares of the Company during the financial year 2019-20.
2. Mr. Pradeep Banerjee ceased to be a Whole-time Director of the Company w.e.f. 31st December, 2019 and his shareholding as on 1st April, 2019 was 55,477 shares and as on cessation date it was 57,899 shares. The difference between the shares held by Mr. Pradeep Banerjee is due to the shares alloted under ESOP.
3. Mr. S. Ramadorai ceased to be an Independent Director of the Company w.e.f. 29th June, 2019 and his shareholding as on 1st April, 2019 and as on cessation date was 35 shares.

## V. INDEBTEDNESS

The Company had no indebtedness with respect to Secured or Unsecured Loans or Deposits during the financial year 2019-20.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director (MD), Whole-time Directors (WTD) and Key Managerial Personnel (KMPs)

(₹ lakhs)

| Sr. No. | Particulars of Remuneration | NAME OF THE MD / WTD / KMP: Sanjiv Mehta (Chairman and Managing Director) | Srinivas Phatak (Executive Director, Finance and IT & Chief Financial Officer) | Pradeep Banerjee* (Executive Director, Supply Chain) | Dev Bajpai (Executive Director, Legal and Corporate Affairs & Company Secretary) | Wilhelmus Uijen* (Executive Director, Supply Chain) | Total Amount |
|---|---|---|---|---|---|---|---|
| 1 | **Gross salary** | | | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 1,246 | 244 | - | 246 | 130 | 1,866 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | - | 1 | - | 1 | 18 | 20 |
| | (c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961 | 331 | 141 | - | 130 | 20 | 622 |
| 2 | Stock Option | 320 | 77 | - | 128 | 3 | 528 |
| 3 | Sweat Equity | - | - | - | - | - | - |
| 4 | Commission | - | - | | - | - | - |
| | Others (Contribution to PF & Superannuation and Consultancy fees) | 45 | 45 | 569# | 46 | 8 | 713 |
| | **Total (A)** | **1,942** | **508** | **569** | **551** | **179** | **3,749** |
| | Ceiling as per the Companies Act, 2013 | ₹ 90,664 lakhs (being 10% of Net Profits of the Company has calculated as per Section 198 of the Companies Act, 2013) | | | | | |

*Mr. Pradeep Banerjee ceased to be a Whole-time Director of the Company w.e.f. 31st December, 2019 and Mr. Wilhelmus Uijen was appointed as a Whole-time Director of the Company w.e.f. 1st January, 2020.

#Consultancy fees paid to Pradeep Banerjee Associates LLP.

### B. Remuneration to other Directors:

(₹ lakhs)

| Particulars of Remuneration | Name of other Directors – Independent Directors: Aditya Narayan | S. Ramadorai* | O. P. Bhatt | Sanjiv Misra | Kalpana Morparia | Leo Puri | Ashish Gupta** | Total Amount: Total |
|---|---|---|---|---|---|---|---|---|
| – Fee for attending Board /Committee meetings | 5.40 | 0.60 | 6.30 | 5.70 | 2.40 | 5.10 | 0.30 | 25.80 |
| – Commission# | 23.74 | 6.50## | 26.00 | 23.50 | 21.00 | 22.00 | 7.50## | 130.24 |
| **Total (B)** | **29.14** | **7.10** | **32.30** | **29.20** | **23.40** | **27.10** | **7.80** | **156.04** |
| Ceiling as per the Companies Act, 2013 | ₹ 9,066 lakhs (being 1% of Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013) | | | | | | | |
| **Total Managerial Remuneration = (A+B)** | | | | | | | | |
| Overall Ceiling as per the Companies Act, 2013 | ₹ 99,730 lakhs (being 11% of Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013) | | | | | | | |

* Mr. S. Ramadorai, ceased to be a Non-Executive Independent Director of the Company w.e.f. 29th June, 2019.

**Dr. Ashish Gupta was appointed as an Independent Director of the Company w.e.f. 31st January, 2020.

# The commission for the financial year ended 31st March, 2020 will be paid after adoption of accounts by the shareholders at the AGM to be held on 30th June, 2020.

## Pro-rata annual commission

## VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no penalties / punishment / compounding of offences for breach of any Section of the Companies Act against the Company or its Directors or other officers in default, if any, during the year.

On behalf of the Board

**Sanjiv Mehta**
Chairman and Managing Director
(DIN : 06699923)

Mumbai, 30th April, 2020

# Annexure to the Report of Board of Directors

## Annual Report on Corporate Social Responsibility

(Pursuant to Companies (Corporate Social Responsibility Policy) Rules, 2014)

## 1. BRIEF OUTLINE OF THE COMPANY'S CSR POLICY, INCLUDING OVERVIEW OF PROJECTS / PROGRAMMES UNDERTAKEN:

Your Company has a clear purpose – to make sustainable living commonplace. Your Company believes this is the best way to deliver long-term sustainable growth, while reducing its environmental footprint and increasing its positive social impact.

That is why Unilever Sustainable Living Plan (USLP) (http://www.hul.co.in/sustainable-living) is at the heart of your Company's business model. The USLP has three global goals, namely:

(i) help more than a billion people take action to improve their health and well-being;

(ii) halve the environmental footprint in the making and use of products; and

(iii) enhance the livelihoods of millions of people while growing the business.

These goals contribute to and are covered by activities listed in the Schedule VII of Section 135 of the Companies Act, 2013. USLP commits to a value chain approach which is integrated across your Company's brands and operations. Your Company also contributes to achieving United Nation's Sustainable Development Goals through its initiatives.

The Corporate Social Responsibility (CSR) Policy of the Company, as approved by the Board of Directors, is available on the Company's website at https://www.hul.co.in/investor-relations/corporate-governance/hul-policies/corporate-social-responsibility-policy/.

A brief overview of your Company's projects is given below. This report is divided into two parts – Section A provides details of the initiatives that are covered under activities listed in the Schedule VII of the Companies Act, 2013 and are considered for the purpose of computing prescribed CSR spends. Section B of this Report deals with USLP and other initiatives for societal good but are not included for the purposes of computing CSR spends.

### SECTION A

### i. Water Conservation Project(s)

Hindustan Unilever Foundation (HUF) is a not-for-profit Company that anchors water management related community development and sustainability initiatives of Hindustan Unilever Limited. The Foundation supports reputed NGOs in the country to scale up solutions that can help address India's water challenges – specifically for rural communities that intersect with agriculture.

HUF operates the 'Water for Public Good' programme, with specific focus on empowering local community institutions to govern water resources and enhancing farm-based livelihoods through adoption of judicious water management practices.

Through HUF's initiatives, we have created a water saving potential of over 980 billion litres, generating over 9,60,000 tonnes of additional agriculture and biomass production and over 10 million person days of employment (as assured till end of March 2019). In financial year 2019-20, HUF's water conservation capacity stood at 1,200 billion litres* cumulatively. To underscore the importance of the water potential created by HUF; one billion litres of water can meet the drinking water needs of over 8 lakhs adults for an entire year.

Some of the key projects initiated in 2019-20 were in partnership with Foundation for Ecological Security (FES) in Odisha, People's Action for National Integration (PANI) in Eastern UP, PRADAN in West Bengal and Development Support Centre (DSC) in Gujarat.

By 2024, HUF aims to create an additional water potential of 1 trillion litres of water for India.

### ii. Swachh Aadat Swachh Bharat

'Swachh Aadat, Swachh Bharat' (SASB) programme is in line with the Government of India's Swachh Bharat Abhiyan (Clean India Mission) to promote good health and hygiene practices. In 2019, the programme continued to promote good health and hygiene practices by stressing the need to adopt three clean habits ('Swachh Aadat') of washing hands five times a day, using a toilet for defecation and adopting safe drinking water practices.

A part of SASB, Swachhata Doot (Messenger of Cleanliness) is a volunteering programme that enables any person to become a change agent in his / her community. More than 4,000 of the Company's employees across our 25 factories in India have embraced a new role as agents of change (Swachhata Doot). They educate and motivate their communities to adopt better Water, Sanitation & Hygiene (WASH) habits. Since its inception in 2015, the Programme has reached out to 21 million people.

Your Company also contributes to the Chief Minister of Maharashtra's Village Social Transformation Mission (VSTM). In this regard, it has also created Swachhata Curriculum that teaches students the importance of adopting three clean habits – washing hands with soap, safe drinking water practices and using clean toilets over a 21-day period.

The Community Hygiene Centre – 'Suvidha' is another important project by our Company that contributes to SASB. 'Suvidha' is a first-of-its-kind urban water, hygiene and sanitation community centre, that was first set up at Chiragnagar, Ghatkopar, one of the largest slums in Mumbai. This year, we opened two more Suvidha centres in Mumbai in partnership with HSBC to give people access to clean water, sanitation and laundry facilities bringing the total to three, with two more under development.

*pending independent assurance

In December 2018, your Company launched the campaign, 'Start a little good' to urge consumers to take small actions in the areas of water conservation, plastic waste management, and teaching good hygiene habits. The campaign has reached out to around 149 million households by end of March, 2020.

### iii. Project Shakti

Project Shakti is your Company's initiative that aims to financially empower and provide livelihood opportunities to women in rural India. The Shakti Entrepreneurs are given training for familiarisation with your Company's products and basic tenets of distribution management. Your Company has a team of Rural Sales Promoters (RSPs) who coach and help Shakti Entrepreneurs in managing their business. Across 18 States, Project Shakti has nearly 1,20,000 Shakti Entrepreneurs whom we call 'Shakti Ammas'. This programme has helped Shakti Entrepreneurs gain selling skills, become self-confident, improve their self-esteem and learn communication skills. Most importantly, our interventions have helped in building and fostering entrepreneurial mindset amongst Shakti Entrepreneurs.

### iv. Handwashing Behaviour Change Programme

Around 0.9 million children under the age of five die due to diarrhoeal and respiratory diseases in India*. Handwashing with soap has been cited as one of the most cost-effective solutions to improve health & hygiene and reduce infant mortality. A review of several studies shows that the simple act of handwashing with soap reduces the incidence of diarrhoeal diseases by an average of 30%**. Your Company's Lifebuoy handwashing behaviour change initiative helps in promoting the benefits of handwashing with soap at key times during the day and encouraging people to adopt and sustain good handwashing behaviour. From 2010 to 31st March, 2020, your Company has reached out to over 72 million people in India through the handwashing behaviour change initiatives. Your Company has been driving handwashing behaviour change programmes in partnership with Global Alliance for Vaccine Initiative (GAVI) Plan, World Association of Girl Guides & Girl Scouts (WAGGGS), Naman Seva Samiti, NGOs in Uttar Pradesh, Jharkhand, Orissa, Madhya Pradesh and Maharashtra. Through the programmes, the practice of using soap at critical occasions every day is spread across communities, thereby protecting people from infections.

* https://data.unicef.org/country/ind/

** https://www.unicef.org/india/stories

### v. Plastic Waste Management

Your Company has made clear commitments to make 100% of its plastic packaging reusable, recyclable or compostable by 2025. Further, 25% of all the plastic we use is expected to come from recycled sources by 2025. Unilever has committed to halve the use of virgin plastic, by reducing their absolute use of plastic packaging by more than 1,00,000 tonnes and accelerate the use of recycled plastic. Unilever will also help collect and process more plastic packaging than it sells.

Your Company has done significant work in this area. Your Company has collected and safely disposed more than 59,000 tonnes of post- consumer use plastic laminates waste in aggregate since 2018, through collection and disposal partners in more than 50 cities across India. In 2019, your Company arranged environment friendly disposal of over 39,000 tonnes.

Your Company is also working closely with the Government and other partners such as United Nations Development Programme (UNDP) for end-to-end pilot projects for plastic waste management. So far, the project has reached out to 32,616 households, collected 2,262 tonnes of plastic waste and onboarded 385 Safai Saathis (sanitation workers) in the project.

To, advocate and create awareness in the area of waste management, your Company has partnered with Xynteo India Private Limited. Your Company has developed a curriculum called 'Plastic Safari' to create awareness and drive behaviour change on waste segregation and recycling among school children and people in housing societies. The programme has reached out to more than 80,000 students and 2,000 households. Your Company in partnership with State Bank of India (SBI) and Municipal Corporation of Greater Mumbai, initiated and operationalised a Dry Waste Collection and Segregation Centre in D ward, Mumbai. The centre is collecting an average of 700-900 kg of dry waste per day, with a target to increase to 5 MT by 2020.

### vi. Project Prabhat

'Prabhat' is your Company's USLP-linked programme which contributes to the development of local communities around key sites including our manufacturing locations. Prabhat is building on the local community needs at grassroot level through targeted pillars of enhancing livelihoods, water conservation and 'health and well-being' awareness. Project Prabhat is live in over 26 locations across the country. It has directly benefited over 4.5 million people across 12 states and two union territories in India through partnerships with over 20 NGOs. More than 5,000 HUL employee volunteers participated in the volunteering activities under Project Prabhat in the last seven years.

# Annexure to the Report of Board of Directors (Continued)

In 2019, Prabhat launched a first-of-its kind centre in Kolkata wherein PwDs (Persons with Disability) will be trained to become e-Commerce professionals. By linking artisans to the digital world of e-Commerce through our trained Prabhat beneficiaries, the centre in Kolkata will help enhance livelihoods. In our Chhindwara Livelihood Centre, we are promoting community collectives and value chain interventions to enhance employability and income of local communities, especially women. Prabhat also aligns with the National Nutrition Mission through the newly launched Poshan Saathis programme, where young girls and women reach out to people around the HUL factories, demystifying nutrition for women, especially pregnant and lactating.

To encourage sustainable waste management, Prabhat is enabling waste segregation at household level and create community bio-gas plant for powering streetlights in Haridwar.

### vii. Domex Toilet Academy

Domex Toilet Academy (DTA), launched by the Company in 2014, is a unique market-based entrepreneurial model to support Government of India's Swachh Bharat Mission and improve sanitation coverage across the country by achieving the goal of open-defecation free (ODF) India. Since then, DTA programme has trained 600 micro-entrepreneurs and masons to help build and maintain toilets; provide access to micro-financing and create demand for toilets in low-income households impacting over one million people.

In 2017, DTA moved focus from 'Access' to 'Usage' through a science-based behaviour change model. DTA has partnered with PSI India to reach out to more than 0.7 million people in 300 villages in Chittoor, Andhra Pradesh with strategic interventions and communications. This behaviour change model has shown early encouraging results with a sharp increase in toilet usage and cleaning across age groups and gender.

In 2019, we partnered with the Swachh Bharat Mission – Grameen team from the Jal Shakti Ministry (erstwhile Ministry of Drinking Water and Sanitation) to create awareness driving campaigns for Swachh Survekshan Grameen and furthering the agenda on sustaining Open defecation free status.

### viii. Asha Daan

Asha Daan is a home in Mumbai for abandoned and differently-abled children, HIV-positive patients and destitute people. Since the inception of Asha Daan in 1976, your Company has been looking after the maintenance and upkeep of the premises. At any time, there are about over 400 inmates at Asha Daan. During the year, the project for re-development of Asha Daan was initiated and the re-development work is expected to commence as soon as the statutory approvals are obtained for construction.

### ix. Sanjeevani

Your Company runs a free mobile medical service camp 'Sanjeevani' for the local community near Doom Dooma factory in Assam. There are two mobile vans dedicated to the project. Each vehicle has one male and one female doctor, two nurses, a medical attendant and a driver. The vans are equipped with basic kits such as diagnostic kit, blood pressure measuring unit, medicines and a mobile stretcher. More than 3,42,000 patients have been treated in these service camps since its inception in 2003. In 2019 alone, nearly 12,000 patients were treated through this programme.

### x. Ankur

Ankur was set up in 1993 as a centre for special education for children with disabilities at Doom Dooma in Assam. Ankur has provided educational and vocational training to 359 children with disabilities.

### xi. COVID-19 Relief Work

Your Company was one of the first corporates to commit ₹ 100 crores towards societal work to complement Government's work on dealing with COVID-19. During the challenging phase of COVID-19, your Company stands united with the Nation.

As a responsible Company, we have amplified our efforts to ensure that we tackle this global health crisis. Some of the steps initiated are as follows:

We are supporting hospitals in Maharashtra, West Bengal and Tamil Nadu and several other areas by donating soaps, handwash, sanitisers, floor and bathroom cleaners. We are also distributing health kits, including health and hygiene products and food items for patients, health officials and low-income families. To ensure that our products reach low-income families, we are working with social organisations like the United Way and the United Nations Development Programme.

We are supporting hospitals in Maharashtra, West Bengal, Tamil Nadu, Uttar Pradesh, Assam and several other areas by donating Lifebuoy soaps, handwash, sanitisers, Domex floor and bathroom cleaners. We have also donated Lifebuoy sanitisers to the local administration including the police in cities such as Delhi, Mumbai, Kolkata, Lucknow, Chennai, Indore and Bangalore.

In partnership with United Nations Development Programme we are distributing sanitation and hygiene products to Sanitation Workers across 15 cities in India including Mumbai.

The Company is supporting Government hospitals to upgrade medical infrastructures in hospital by providing them with medical equipments and Personal Protection Equipment (PPE), in collaboration with public health authorities, near our factories and offices in Uttar Pradesh, Madhya Pradesh, Maharashtra, Tamil Nadu, Karnataka, Dadra & Nagar Haveli. In Maharashtra, we are supporting the hospitals with medical equipments and PPE worth of ₹ 5 crores in consultation with public health officials.

Your Company has tied up with Apollo Hospitals, State Bank of India, OYO, Lemon Tree and others to create isolation facilities in metros that are equipped with medical supervision. This will help reduce the burden on hospitals while providing acute care for the patients in need.

Together with the local administration in Haridwar, Uttarakhand, the Company has helped setup a 30-bed isolation facility in record time of three days to help fight curb the spread of COVID-19.

Through Project Prabhat, our sustainable community development initiative, we are supporting 1,00,000 migrant labour families by donating food kits and essential hygiene products. We are also distributing soaps to 5,00,000 families in communities around our factory sites.

The Company has donated Horlicks biscuits and sachets to 5 lakhs vulnerable children in the age group of 3 years to 10 years in New Delhi worth ₹ 1 crore. These are being distributed through 10 Government centres and shared as part of ration to less privileged families.

Your Company is implementing mass communication to drive the message of social distancing and the importance of personal hygiene among citizens. The Company has partnered with Municipal Corporation of Greater Mumbai (MCGM) to create public awareness campaign on COVID-19.

Your Company has also partnered with UNICEF to create a large scale awareness campaign on social distancing and handwashing to prevent spread of COVID-19. The mass media campaign, titled '#BreakTheChain' / '#VirusKiKadiTodo' has simple yet powerful five and 15-second informative assets to empower the general public with prevention strategies.

### xii. New Areas of CSR activity

Your Company during the year expanded its CSR policy to include contribution in the area of maintenance and development of road central medians and protection of flora and fauna of the public areas near the Company's Head Office, its Regional Offices and Factory locations along with contribution to Non Academic Technopark Technology Business Incubator (TBI) not located within an academic Institution but approved and supported by Department of Science and Technology, Government of India.

### xiii. Nutrition Business

The CSR committee in its meeting held on 30th April, 2020, consequent to the amalgamation of the GSK CH business with your Company effective from 1st April, 2020, approved inclusion of projects pertaining to nutrition business in the Company's CSR policy which inter- alia included support in COVID-19 relief response, distribution of meals and ration kits to COVID-19 effected people, addressing nutrition needs of migrant communities and initiatives around Company's manufacturing facilities.

## SECTION B

### Improving Health and Well-being:

i. Well-Being and Nutrition Initiatives

Your Company continuously works to improve the taste and nutritional quality of its products using globally recognised dietary standards, which are also compliant with applicable Indian regulations. As per USLP commitment, by 2020, we will double the proportion of our portfolio that meets the highest nutritional standards, based on globally recognised dietary guidelines. In 2019, in India 50% of your Company's total food and refreshment portfolio met the highest nutritional standards.

ii. Dove Self-Esteem programme

In India, 6 in 10 girls say they do not have high body esteem*. Dove's mission is to ensure that the next generation grows up enjoying a positive relationship with the way they look and helping young people raise their self-esteem and realise their full potential.

Your Company is working with partners such as Fountainhead and World Association of Girl Guides & Girl Scouts (WAGGGS) to reach out to two million girls by 2020 and work towards enhancing their self-esteem.

### Reducing Environmental Impact:

i. Reducing GHG, Waste, Water in Manufacturing

In 2019, $CO_2$ emissions per tonne of our production reduced by 85%**. Water usage (cubic meter per tonne of production) in manufacturing operations reduced by 58%**. Total waste generated from the factories reduced by 63%**. Your Company maintained the status of 'zero non-hazardous waste to landfill' in all its factories and offices. 100% of the non-hazardous waste generated at our factories was recycled in environment friendly ways.

ii. Sustainable Sourcing

In 2019, 76% of tomatoes used in Kissan ketchup continued to be sourced sustainably. In 2019 over 78% of tea in India procured for Unilever brands was sourced from sustainable sources. By the end of 2019, 100% of the chicory was sourced sustainably as all the Unilever chicory farmers in India were covered under the Unilever Sustainable Agriculture Code providing farmers knowledge and expertise in sustainable agriculture practices

### Enhancing Livelihoods:

i. Fair & Lovely Career Foundation

Fair & Lovely Career Foundation is a mobile platform designed to help women create an identity for themselves

* The 2017 Dove Global Girls Beauty and Confidence Report

** compared to 2008 baseline

# Annexure to the Report of Board of Directors (Continued)

by providing them career guidance, skill-based courses and training for job opportunities. The platform addresses multiple educational barriers that girls and women in India face including limited access to transportation, lack of parental permission, high cost of courses and very few local institutes. The Foundation is powered by a range of high quality education and career guidance partners including established edtech companies like NIIT, edX, English Edge and start-ups such as www.testbook.com and www.idreamcareer.com. Over 1 million users have registered on the platform. The platform has facilitated over 4,30,000 course enrollments and supported over 3,60,000 users in accessing relevant Career Guidance.

ii. Rin Shine Academy

Rin Shine Academy (erstwhile Rin Career Ready Academy), aims to provide career readiness skills to the youth in India. It focuses on three simple but valuable skills which are English Speaking, Office Dressing and Interview Training. Keeping up with the times, the delivery platform has now changed from IVRS & Website to a Mobile App. So far, over 5,57,000 people have benefitted from this programme.

iii. Kwality Wall's Vending Operations

Our Kwality Wall's mobile vending initiative, 'I am Wall's', has provided entrepreneurship opportunities to 15,285 people and 153 differently abled persons across India. This programme has helped vendors become self-sufficient micro-entrepreneurs selling ice creams on the move helping us reach more consumers on the street. It equips people with skills such as sales, customer service and problem-solving and provides many young people with work experience as they step into the job market.

Your Company's work over the last several years has touched large number of people in India. To scale up your Company's initiatives, partnerships are crucial. Your Company is working in partnership with Governments, NGOs, suppliers and others to help forge alliances and address big societal challenges.

The above is a brief overview of the Corporate Social Responsibility projects undertaken by your Company and the work your Company does under the USLP.

Your Company has shared further progress on the sustainability initiatives and partnerships in the Business Responsibility Report in line with the key principles enunciated in the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' framed by the Ministry of Corporate Affairs. The Business Responsibility Report forms a part of this Annual Report.

## 2. COMPOSITION OF THE CSR COMMITTEE:

Please refer to the Corporate Governance Report for the composition of the CSR Committee.

## 3. DETAILS OF CSR SPEND

(₹ lakhs)

| | | |
|---|---|---|
| 1 | **Average Net Profit of the Company for last 3 financial years:** | 7,10,988 |
| 2 | **Prescribed CSR Expenditure** | 14,220 |
| 3 | **Details of CSR spends during the FY 2019-20:** | |
| | a. Total amount to be spent for the financial year (2% of Average Net Profit for the last 3 financial years) | 14,220 |
| | b. Total amount spent during the financial year | 14,374 |
| | c. Amount unspent, if any | - |

d. Manner in which the amount was spent during the financial year is detailed below:

(₹ lakhs)

| Sr. No. | CSR project / activity identified | Relevant Section of Schedule VII in which the project is covered (Note 1) | Projects/ Programmes Coverage | Amount outlay (budget) project | Amount spent on the project/programme: Direct expenditure | Amount spent on the project/programme: Overheads | Cumulative expenditure up to 31st March, 2020 | Amount spent: Direct / through implementing agency |
|---|---|---|---|---|---|---|---|---|
| 1 | Project Shakti | (ii) | PAN India | 5,340 | 5,340 | - | 5,340 | Direct |
| 2 | Swachh Aadat Swachh Bharat | (i) | PAN India | 4,134 | 4,134 | - | 4,134 | Direct |
| 3 | Water Conservation Project | (iv) | PAN India | 2,980 | 2,620 | 360 | 2,980 | Implementing Agencies (Multiple NGOs) (Note 2 [i]) |
| 4 | Asha Daan | (iii) | Mumbai | 720 | 720 | - | 720 | Implementing Agencies (Missionaries of Charity) |
| 5 | Project Prabhat | (x) | PAN India | 724 | 707 | 17 | 724 | Implementing Agencies (Note 2 [ii]) |
| 6 | Sanjeevani | (i) | Assam | 66 | 66 | - | 66 | Direct |
| 7 | Ankur | (iii) | Assam | 37 | 37 | - | 37 | Direct |
| 8 | Fani Cyclone Relief | (xii) | Orissa | 250 | 250 | - | 250 | Direct |
| 9 | Development and Maintenance of public areas | (iv) | Mumbai | 92 | 92 | - | 92 | Direct |
| 10 | Contribution to Technology Business Incubator | (ix) | PAN India | 15 | 15 | - | 15 | Direct |
| 11 | Relief activities towards COVID-19 | (xii) | PAN India | 16 | 16 | - | 16 | Direct |
| | **TOTAL** | | | **14,374** | **13,997** | **377** | **14,374** | |

**Note 1:**

(i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation, including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.

(ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

(iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

(iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water, including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.

(ix) contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Biotechnology (DBT), Department of Science and Technology (DST), Ministry of Electronics and Information Technology engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).

(x) rural development projects

(xii) disaster management, including relief, rehabilitation and reconstruction activities.

**Note 2:**

(i) **List of HUF's Implementing Agencies**

People's Action for National Integration (PANI), Center for International Projects Trust (CIPT), Vikram Sarabai Centre for Development Interaction (an activity of Nehru Foundation for Development), Self-Reliant Initiatives through Joint Action (Srijan), BAIF Development Research Foundation, Parmarth Samaj Sevi Sansthan, Mysore Resettlement and Development Agency (MYRADA), Advanced Center for Water Resources Development and Management (ACWADAM), VILLGRO, DHAN FOUNDATION, Professional Assistance for Development Action (PRADAN), Samaj Pragati Sahayog, SAMUHA, Foundation for Ecological Security, Development Support Centre India, Aga Khan Rural Support Programme (India) – AKRSP, Watershed Organisation Trust (WOTR), Sahjeevan.

(ii) **Project Prabhat Implementing Agencies**

Labour Net Services India Private Limited, Mann Deshi Foundation, Development Alternatives, Yusuf Meherally Centre (YMC), Uday (AVTEG Pvt. Ltd.) & ConnectED Technologies.

**Note 3:**

During the year, the Company has spent an amount of ₹ 1,488 lakhs on Fair & Lovely Foundation and ₹ 60 lakhs on Rin Shine Academy. However, these spends have not been considered for the purpose of computing prescribed CSR spend of two percent of the Average Profits.

## 4. RESPONSIBILITY STATEMENT

This is to confirm that the implementation and monitoring of the CSR Policy, is in compliance with CSR Objectives and CSR Policy of the Company.

On behalf of the CSR Committee

| | | |
|---|---|---|
| | **Sanjiv Mehta** | **O. P. Bhatt** |
| | Chairman and Managing Director | Chairman, CSR Committee |
| Mumbai, 30th April, 2020 | (DIN : 06699923) | (DIN : 00548091) |

# Annexure to the Report of Board of Directors

## Business Responsibility Report

### SECTION A – GENERAL INFORMATION ABOUT THE COMPANY

| | | |
|---|---|---|
| 1. | Corporate Identity Number (CIN) of the Company | L15140MH1933PLC002030 |
| 2. | Name of the Company | Hindustan Unilever Limited |
| 3. | Registered address | Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai - 400 099 |
| 4. | Website | www.hul.co.in |
| 5. | E-mail id | levercare.shareholder@unilever.com |
| 6. | Financial Year reported | 1st April, 2019 to 31st March, 2020 |
| 7. | Sector(s) that the Company is engaged in (industrial activity code-wise) | • 20231 Soaps<br>• 20233 Detergents<br>• 20236 Shampoos<br>• 20235 Toothpastes<br>• 20234 Deodorants<br>• 20237 Cosmetics<br>• 10791 Tea<br>• 10792 Coffee<br>• 10750 Packaged Foods (Including Frozen Desserts)<br>• 27501 Water Purifiers<br>• 28195 Air Purifiers |
| 8. | List three key products / services that the Company manufactures / provides (as in balance sheet) | • Home Care (Fabric Solutions, Home and hygiene and Life Essentials)<br>• Beauty & Personal Care (Skin Cleansing, Skin Care, Hair Care, Oral Care, Colour Cosmetics and Deodorants)<br>• Foods & Refreshment (Culinary products, Foods, Tea, Coffee, Ice cream and Frozen Desserts) |
| 9. | Total number of locations where business activity is undertaken by the Company | |
| | i. Number of International Locations | None |
| | ii. Number of National Locations | • **Registered Office:**<br>Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai - 400 099<br>• **Research Centre:**<br>64, Main Road, Whitefield P O, Bangalore - 560 066<br>9th floor, Prestige Shantiniketan, the Business Precinct, Tower - A, Whitefield Main Road, Bangalore – 560 048<br>• **Regional Office (East):**<br>Brooke House, 9 Shakespeare Sarani, Kolkata - 700 071<br>Unit 208, 2nd floor, Ecospace Campus B (3B), Rajarhat, North 24 Parganas, Kolkata 700 156<br>• **Regional Office (West):**<br>Uttara, Plot No. 2, Sector No. 11, CBD Belapur, Navi Mumbai - 400 614<br>6th floor, Part A, Westin building, Oberoi Commerz Garden City, Off Western Express Highway, Goregaon E, Mumbai – 400 068<br>• **Regional Office (North):**<br>Block No. A, Plot No. B, South City I, Delhi - Jaipur Highway, Gurgaon - 122 001<br>24 floor, One horizon Center, Golf Course Road, DLF Phase 5, Gurgaon - 122 002<br>Research & Development Centre, Plot No. 67, Sector-32, Gurgaon-122 001, Haryana<br>Training Centre, EG-1/32, Garden estate, Gurgaon<br>• **Regional Office (South):**<br>101, Santhome High Road, Chennai - 600 028<br>6th floor, KRM Towers, No. 1, Harrington Road, Chetpet, Chennai - 600 031<br>• **Regional Office (Central):**<br>Office Space Number 101, 102, 103, 108 and 109,<br>Shalimar Titanium, Vibhuti Khand, Gomti Nagar, Lucknow, Uttar Pradesh – 226 010<br>Unit No. 511 To 514, 5th floor, Princes' Business Skypark, Block No. 22,23,24, Sch No. 54, Pu-3 Commercial, Opposite Orbit, A. B. Road, Indore - 452 001, Madhya Pradesh<br>Details of manufacturing locations is provided at page no. 217 of this Report. |
| 10. | Markets served by the Company | India |

### SECTION B – FINANCIAL DETAILS OF THE COMPANY

| | | (₹ lakhs) |
|---|---|---|
| 1. | Paid up Capital: | 21,648 |
| 2. | Total Turnover: | 38,27,313 |
| 3. | Total profit after taxes: | 6,73,799 |
| 4. | Total Spending on Corporate Social Responsibility (CSR) as percentage of average Net profit of the Company for last 3 Financial Years: | 2.02% (₹ 14,374 lakhs) |

5. List of activities in which expenditure in 4 above has been incurred: Please refer to CSR Annual Report from page nos. 54 to 59 of this Report.

### SECTION C – OTHER DETAILS

| | | |
|---|---|---|
| 1. | Does the Company have any Subsidiary Company / Companies? | As on 31st March, 2020, the Company has 11 Subsidiary Companies. Hindustan Unilever Foundation and Bhavishya Alliance Child Nutrition Initiatives - both are not-for-profit Companies incorporated to promote and implement the Corporate Social Responsibility agenda. Both the Companies work in the areas of social, economic and environmental concerns and contribute to the sustainability initiatives of the Company. In addition, Unilever India Exports Limited and Lakme Lever Private Limited also contribute to the sustainability initiatives of the Company. |
| 2. | Do the Subsidiary Company / Companies participate in the Business Responsibility (BR) initiatives of the parent Company? If yes, then indicate the number of such subsidiary Company(ies)? | |
| 3. | Do any other entity / entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity / entities? [Less than 30%, 30-60%, More than 60%] | Your Company works with stakeholders in its extended value chain through its business responsibility initiatives.<br>Your Company also requires its third-party business partners to adhere to business principles set out in Responsible Sourcing Policy (RSP) and Responsible Business Partner Policy (RBPP), which underpin the third-party compliance programme. |

### SECTION D – BUSINESS RESPONSIBILITY (BR) INFORMATION

#### Details of Director / Directors Responsible for BR

The details of members of Corporate Social Responsibility (CSR) Committee and their roles and responsibilities are elaborated in CSR Annual Report and Corporate Governance Report forming part of the Annual Report.

The DIN details of the CSR Committee members are as follows:

| Name | Designation | DIN |
|---|---|---|
| Mr. O. P. Bhatt* | Independent Director | 00548091 |
| Mr. Aditya Narayan | Independent Director | 00012084 |
| Dr. Sanjiv Misra | Independent Director | 03075797 |
| Ms. Kalpana Morparia | Independent Director | 00046081 |
| Mr. Sanjiv Mehta | Chairman and Managing Director | 06699923 |
| Mr. Srinivas Phatak | Executive Director, Finance & IT and Chief Financial Officer | 02743340 |

*Chairman of the Committee

#### Details of BR Head:

The Company has a governance mechanism and scorecard to monitor the progress on USLP commitments. The Council reports the progress to the Chairman and Managing Director and Management Committee on a quarterly basis.

| Particulars | Details |
|---|---|
| DIN Number | 06699923 |
| Name | Sanjiv Mehta |
| Designation | Chairman and Managing Director |

### PRINCIPLE-WISE (AS PER NVGs) BR POLICY / POLICIES (REPLY IN Y/N)

Respect and Integrity for its people, environment and other businesses have always been at the heart of your Company's Corporate Responsibility. Your Company's Corporate Purpose is to make Sustainable Living Commonplace and it believes that this is the best way to deliver long-term sustainable growth.

# Annexure to the Report of Board of Directors (Continued)

This purpose is supported by the Code of Business Principles (CoBP), which describes the standards that everyone at HUL follow. Unilever Sustainable Living Plan (USLP) is the Company's blueprint for achieving sustainable growth.

CoBP and the USLP framework supplement the requirements under the National Voluntary Guidelines and cover principles beyond those enunciated under the National Voluntary Guidelines.

The National Voluntary Guidelines provide the following nine principles.

| | |
|---|---|
| Principle 1: Ethics, Transparency and Accountability [P1] | Principle 6: Environment [P6] |
| Principle 2: Products Lifecycle Sustainability [P2] | Principle 7: Policy Advocacy [P7] |
| Principle 3: Employees' Well-being [P3] | Principle 8: Inclusive Growth [P8] |
| Principle 4: Stakeholder Engagement [P4] | Principle 9: Customer Value [P9] |
| Principle 5: Human Rights [P5] | |

(a) Details of compliance (Reply in Y/N)

| Sr. No. | Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Do you have policy / policies for... | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 2 | Has the policy been formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 3 | Does the policy conform to any national / international standards? If yes, specify? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| | | The CoBP of the Company confirms to the United Nations Global Compact (UNGC) guidelines and International Labour Organisation (ILO) principles. The USLP Progress Report conforms to Global Reporting Initiative (GRI) indicators. | | | | | | | | |
| 4 | Has the policy been approved by the Board. If yes, has it been signed by MD / owner / CEO / appropriate Board Director? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| | | The CoBP and the USLP are frameworks adopted by Unilever globally and have been adopted by the Company. | | | | | | | | |
| 5 | Does the Company have a specified Committee of the Board / Director / Official to oversee the implementation of the policy? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| | | The CoBP is administered under the overall supervision of the Management Committee of the Company, headed by the Chairman and Managing Director. The Audit Committee of the Board reviews the implementation of CoBP. The CSR Committee of the Board reviews the implementation of the USLP besides the scope that has been laid out for this Committee under the Companies Act 2013. | | | | | | | | |
| 6 | Indicate the link for the policy to be viewed online | USLP: https://www.hul.co.in/sustainable-living/ CoBP: https://www.hul.co.in/Images/4297-cobp-summary-doc_tcm1255-409220_en.pdf Supplier Code: https://www.hul.co.in/about/who-we-are/purpose-and-principles/Business-Partner-Code/ | | | | | | | | |
| 7 | Has the policy been formally communicated to all relevant internal and external stakeholders'? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 8 | Does the Company have in-house structure to implement the policy / policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 9 | Does the Company have a grievance redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies? | Y | - | Y | Y | Y | Y | - | - | Y |
| 10 | Has the Company carried out independent audit / evaluation of the working of this policy by an internal or external agency? | Y | Y | Y | Y | Y | Y | Y | Y | Y |

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: **Not Applicable**



## GOVERNANCE RELATED TO BR

The Management Committee of the Company reviews complaints, issues and concerns received under the CoBP framework as well as the implementation of the CoBP on a monthly basis. The Audit Committee of the Company reviews the implementation of the CoBP on a quarterly basis. The CSR Committee of the Company comprising a majority of Independent Directors is responsible for formulating, implementing and monitoring the CSR Policy of the Company. The Committee meets at least twice a year to review progress on various sustainability initiatives, including progress under the USLP.

Reporting progress to stakeholders on USLP targets forms an important part of the governance procedures of your Company. Your Company publishes an update on progress in India under USLP every year. The USLP India Progress Report can be accessed at https://www.hul.co.in/Images/unilever-sustainable-living-plan---hul-summary-of-progress-2019_tcm1255-551089_1_en.pdf. In line with the requirements of the Companies Act, 2013, your Company has also published the CSR Annual Report which forms part of this Report. The CSR Annual Report and this Business Responsibility Report can also be accessed at https://www.hul.co.in/investor-relations/annual-reports/hul-annual-report-related-documents.html.

## PRINCIPLE 1: ETHICS, TRANSPARENCY AND ACCOUNTABILITY

### BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

The standards on ethics, transparency and accountability are stated under the CoBP and Code policies of your Company. CoBP is the statement of values and represents the standard of conduct which everyone associated with your Company is expected to observe in all business endeavours. Your Company also has a Whistle Blower Policy which allows employees to bring to the attention of the Management, promptly and directly, any unethical behaviour, suspected fraud or irregularity in the Company practices which is not in line with the CoBP. The CoBP and Whistle Blower Policy and their implementation are explained in detail under the Report of Board of Directors and the Corporate Governance Report.

## PRINCIPLE 2: PRODUCTS LIFECYCLE SUSTAINABILITY

### BUSINESSES SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE

Consumers increasingly prefer responsible brands and responsible businesses. Your Company's brands have integrated responsibility and sustainability into both their purpose and products. For example, your Company's brands such as Pureit (Water), Domex (Sanitation) and Lifebuoy (Hygiene) have driven the water, sanitation and hygiene (WASH) agenda in India. Your Company has reached over 152 million people by end of 2019 through its initiatives in the area of health and well-being and has also contributed to an important national agenda through its Swachh Aadat, Swachh Bharat programme.

Understanding and managing the environmental impact of your Company's products is crucial to achieving the USLP goals.

Life Cycle Analysis (LCA) is one of several techniques your Company uses. It enables the Company to understand the impact of its products across each stage of their life cycle – from the sourcing of raw materials to product manufacture, distribution, consumer use and disposal. We use LCA in three main ways:

1. **New Product Design:** LCA is used to compare the environmental performance of new vs. existing products - helping to guide the choices product developers make. It is also used to communicate the environmental performance of our products to consumers.
2. **Existing products:** LCA helps the Company identify opportunities to improve the environmental impact of existing products. It can also improve the quality and availability of data used by us and others e.g. it is used when working with suppliers to reduce the environmental impact of our ingredients.
3. **Science and Methodology:** Your Company engages with partners to develop and promote the science used for LCA, aiming to improve both the robustness and scope of life cycle-based approaches and assessment. Your Company has contributed to the science of LCA assessment methods in a number of areas including land use, biodiversity and water-related impacts and the challenges of applying a planetary boundary-based approach.

### Sustainable purpose, sustainable products

These purpose-driven brands are not limited to being socially relevant, but are also environmentally sustainable. Many of your Company's food products are made from sustainably sourced agricultural raw materials. For example, 76% of tomatoes used in your Company's Kissan ketchup are from sustainable sources. This sustainable sourcing is enabled through partnerships with various private and Government bodies. 78% of the tea sourced from India for Unilever brands was from sustainable sources. In 2019, we continued our process of buying RSPO (Roundtable on Sustainable Palm Oil) certified palm oil to achieve the ambition of reaching 100% sustainable sourcing. 100% of paper and board used by your Company in packaging are sourced from mills that are certified sustainable by Forest Stewardship Council (FSC). Your Company is also working through its supplier partners with 15,000 smallholder farmers for sustainable farming of gherkins, that are exported to multiple countries for Unilever. This is a part of the innovative Responsible Farming Programme that aims to increase productivity, develop best practices and improve livelihoods.

Your Company has taken an environment friendly target of eliminating coal usage in its operations by 2020. All coal using boilers will be modified to use Biomass briquettes and other renewable fuels. This will result in substantial reduction in our fossil fuel usage and corresponding reduction in carbon footprint. The same will be extended to the sites acquired upon the merger of GSK CH with your Company by 2021. Further, your Company shall source 100% of its energy across its operations from renewable sources by 2030.

# Annexure to the Report of Board of Directors (Continued)

## Product safety

Being responsible also means ensuring that your Company's products are of high quality and completely safe for use by its consumers. Unilever has a Safety & Environmental Assurance Centre (SEAC) which assures the safety and environmental sustainability of the products as well as the processes used to manufacture them. Your Company works closely on all safety and environmental assurance aspects with SEAC and releases any new product to market only after clearance from SEAC.

Your Company also prescribes processes and protocols to ensure that consumers get promised quality of product and its safety is assured during the life cycle of product distribution and usage.

In case consumers face any issues with the products, they can reach the Company through Levercare - an initiative of the Company that allows consumers to register complaints and obtain information regarding the Company's products.

## PRINCIPLE 3: EMPLOYEES' WELL-BEING

### BUSINESSES SHOULD PROMOTE THE WELL-BEING OF ALL EMPLOYEES

Your Company's well-being strategy aims to create a working environment that is supportive of employees' personal lives, while meeting your Company's business needs.

### Safety Vision – An incident-free organisation

Your Company is committed to become a safe and injury-free organisation. We have been able to consistently reduce workplace injury rates or Total Recordable Frequency Rate (TRFR) year on year. During 2019, WCM (World Class Manufacturing) Safety approach was deployed across all factory sites so that the low TRFR can be sustained and injury severity can be reduced further. Company Safety performance is regularly reviewed by Central Safety, Health and Environment Committee, which consists of all Members of Management Committee and is led by the Chairman and Managing Director.

### Holistic well-being

Your Company's focus is on physical, mental and emotional well-being:

- Physical Health: In India, as part of Lamplighter Program, the Company measures the Personal Vitality of individual employees by calculation of the Vitality Index*.
- Your Company uses ekincare as a well-being resource. This is a technology enabled holistic tool that offers Medical digitisation. It also offers a variety of other services that support self-care and goal-setting, challenges and competitions over a wide range of resources for improving health and well-being.
- Mental Health: Your Company's aim is to build a World Class Mental Health Support system. Your Company launched the Employee Assistance Programme - ReachOut for its employees in 2016. On World Mental Health Day 2019, your Company touched 6,433 employees across locations promoting mental health awareness through floor-walks, webinars and focused mental health sessions led by experts and industry speakers.

*comprising of 4 health parameters i. e. Blood Pressure, Body Mass Index, Blood Cholesterol Levels & Blood Glucose Levels

### Capability building

Apart from physical, mental and emotional well-being your Company focuses on continuous learning and building organisational capabilities of its people:

- Your Company has helped over 3,800 white collar employees and over 8,000 blue collar workers to be part of a customised 'Discover your Purpose' workshop. This is a unique format for sharing life stories to help employees discover their 'true north' to be their best selves and unlock & realise their potential.
- **Sparkle:** It is a technology tool designed for capability management of shop-floor Blue collar employees. Your Company has invested in 2,63,508 training man hours in Blue Collar employee training across units. These have primarily been across the areas of safety & First-aid, electrical & emergency response, knowledge for effective machine & system orientation, World Class Manufacturing, Process Safety and Risk Analysis, among others.
- **70:20:10 Capability Building:** Your Company follows the 70:20:10 capability building approach with 70% capability built on the job through live assignments, short-term projects and exposures 20% through coaching and 10% through classroom, virtual and e-learning.
- Over 1,50,000 training hours were invested in white collar employee trainings. Over 30% of this investment was via online learning that is a key enabler to moving towards a connected and sustained learning model as we scale our business. These trainings were conducted across functions, upskilling on specific skills that include quality, manufacturing process, sales and marketing process, new ages skills including digital and data analytics as well leadership sessions in line with Unilever Standards of Leadership.
- **Unilever Future Leaders Programme (UFLP):** Your Company identifies talent early and invests in building capability through its flagship UFLP programme.
- **People Planning Processes:** Leaders at each level review and assess talent on both, the 'What' and the 'How' of performance through an objective process. Capability building and career plans for talent form an integral part of this process.
- **Growth through Diversity of Experience:** Job rotation and diversity of experiences are integrated at all stages of the individual's career.

### Diversity and inclusion

Your Company continues to place significant importance on diversity and inclusion (D&I) in the workplace. Active steps have been taken over the years to improve gender balance, with a focus on managerial and senior leadership levels. The Company achieved 41.43% gender balance at the managerial level (WL2+) in March 2020 vs 39.94% in March 2019. The Gender Balance for senior leadership positions (WL4+) improved from 19.05% in March 2019 to 33.33% in March 2020. The progress continues on account of enablers such as focusing on hiring top women talent across work levels, providing career development and mentorship opportunities, agile working and parental support.

In March 2020, your Company launched the #HULStandsforWomenSafety initiative in partnership with Son Rise and UN Women to encourage each employee to take the HeforShe Pledge. Your Company is committed to cover 1 lakh+ women through an awareness programme on safety in 2020 and pay it forward by encouraging other like minded organisations to join the movement.

In 2019, your Company launched a host of enablers to improve gender inclusion in the workplace. In addition to the head office, the Company this year rolled out at various offices of the Company state of the art day care facilities and also rolled out site crèches in 15 of its factory sites this year.

Your Company continues to provide agile / flexible working arrangements, a formal career break policy and parental support to employees of all genders and orientations. Career by Choice continues to be your Company's flagship 'back to work' programme for women returning from a career break by giving them a platform to transition back to mainstream work.

- **Inclusion of Persons with Disability (PwD):** We are committed to including persons with disability into our employment ecosystem and workforce. Additionally, we are building an accessible workplace for persons with disability with over 17 of our sites already audited and work underway to convert them. In 2019, the Company launched Voluntary Self Disclosure and Reasonable Accommodation Policy to enable employees to discreetly disclose their disability and avail support.
- **LGBTQ+ Inclusion:** The Company conducted its first PRIDE celebration in 2019 to create awareness about diversity of genders and orientations and build a culture of allyship through theatre based inclusion workshops, screening of India's first internationally acclaimed LGBTQ+ movie Sisak and celebration of game changers from the community. Your Company has ensured provision of 22 all Gender Inclusive Restrooms across its main offices in 2019.

### Affirmative action and prevention from sexual harassment

Your Company believes in providing Equal Opportunity / Affirmative Action. It has a Policy on Affirmative Action and a Policy on Prevention of Sexual Harassment at Workplace (POSH Policy) to provide a work environment that ensures every person at the workplace is treated with dignity, respect and afforded equal treatment. Sexual harassment cases are dealt with as per the Company's POSH Policy, the CoBP and applicable laws. Communication is sent to all employees on a regular basis on various aspects of Prevention of Sexual Harassment at Workplace through e-articles and other means of communication. During the financial year 2019-20, three complaints with allegation of sexual harassment were filed with the Company and the same have been handled as per the provisions of the Prevention of Sexual Harassment Act. More than 1500 people were trained on Prevention of Sexual Harassment at Workplace and related topics. Trainings included:

- Induction sessions for New Joiners / Trainees / Interns / Third-party business partners on the subject of Prevention of Sexual Harassment of Women at Workplace.
- Employees across locations were taken through refresher cascades on Appropriate Workplace Behaviours, Gender Sensitisation and Prevention of Sexual Harassment at Workplace.
- Inside offices, women employees are discouraged from working beyond 8.30 p.m. Any instances of late working are detected by the attendance card reader and sent to the employee's Line Manager automatically. In circumstances where late working becomes unavoidable, women employees are required to (i) Take a drop home from a Company approved car vendor only; (ii) Be escorted by a male colleague back home; (iii) Inform their Line Managers upon reaching home that they have reached safely.

### Fair labour practices

Your Company drives fairness in the workplace by advancing human rights across its operations and extended supply chain. Your Company has an excellent record on industrial relations. Since 2015, it has maintained a record of near-zero loss of man-days due to industrial unrest. Your Company currently has over 7,159 employees (excluding workmen) and has over 5,000 people employed on contractual / temporary basis as on 31st March, 2020.

### Freedom of association, participation and collective bargaining

All workers are free to exercise their right to form and / or join trade unions or to refrain from doing so and to bargain collectively. There are 90+ employee associations across your Company.

More than 10,000 permanent employees are members of these associations. There are over 95 female shop-floor Blue collar employees and over 16 permanent shop-floor Blue collar employees with disabilities in your Company's factories.

During the last year, your Company entered into long-term settlements with around 725 employees across India.

### Managing grievances

Your Company's grievance redressal mechanisms ensure that all employees and third parties can raise issues and concerns. The CoBP and Whistle Blower Policy provide for reporting in confidence of issues like child labour, sexual harassment etc. The Company has established a vigil mechanism for Directors and employees to report their genuine concerns, details of which have been given in the Corporate Governance Report. During the financial year, there have been no complaints alleging child labour, forced labour, involuntary labour and discriminatory employment.

# Annexure to the Report of Board of Directors (Continued)

## PRINCIPLE 4: STAKEHOLDER ENGAGEMENT

BUSINESSES SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS', ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALISED.

Your Company actively engages with stakeholders in its own operations and beyond to bring transformational change.

Internal and external stakeholder engagement and partnership is essential to grow your Company's business and to reach the ambitious targets set out in the USLP. The CoBP and Code Policies guide how your Company interacts with the partners – among other suppliers, customers, Governments, Non-Governmental Organisations (NGOs) and trade associations. Only authorised and appropriately trained employees or representatives can engage with these groups. All engagement must be conducted in a transparent manner with honesty, integrity and openness; in compliance with local and international laws and in accordance with Unilever's values. The Company engages in multiple ways with specific important stakeholders:

### Suppliers

Every day, we work with thousands of suppliers who are helping us achieve success in the market. Our suppliers help us innovate, create value, build capacity and capability, deliver quality and service and drive market transformation. We invest in long-term mutually beneficial relationships with our key suppliers through our Partner to Win programme, so we can share capabilities and co-innovate for shared growth.

### Consumers and customers

Your Company constantly seeks to understand the needs of the consumers and brings in technology to ensure that the consumers are kept informed and engaged on your Company's products and services.

- **Winning In Many Indias:** Your Company consolidated the ambitious transformation agenda of 'Winning In Many Indias' (WiMi) in 2016. Since then, it has been a journey strengthening the WiMi thinking across markets, end-to-end planning and ways of working. This has helped the Company to differentially deploy local media outreach and tailored models of demand fulfilment to deal with complexity across different geographies. By also leveraging macro-economic data and insights of local fairs and festivals, your Company has been able to improve physical and mental reach measures across categories and population strata.
- **Dial Up The Big Q:** Your Company has been a pioneer in the area of big data and analytics to generate insights leading to execution improvement and intelligent shopper targeting. Using billions of transactions of sales billing and shopper transactions data, your Company has built a strong Data Lake that marries information across the entire journey of demand generation, capture and fulfilment - leading to sharper, timelier and more precise actionables. These have been deployed with greater visibility on-the-go and have in turn driven up on-shelf availability of packs in stores. Your Company will continue to invest in the power of knowledge and big data to enhance the impact and effectiveness of execution.
- **Building Brands In Store:** Investments made by your Company in building brands in stores in the Modern Trade channel has delivered good results. Your Company saw strong growth across all key modern trade retail partners, driven by technological interventions leading to increased focus on in-store execution. Your Company's position in FMCG as market leader coupled with the early investments in the e-Commerce channel has helped your Company take the lead in developing this channel with key online and offline retailers.
- **Levercare:** Your Company has Levercare, a toll-free number, e-mail and a postal address where consumers can reach the Company directly. Levercare gives consumers the promise of better service and helps the Company to connect with consumers and understand their needs, expectations and aspirations. It helps consumers voice their queries, grievances and offer suggestions / ideas. Levercare has leveraged technology to deliver personalised service that helps build one-on-one relationships with consumers and customers to delight them. Detailed description of more such initiatives is given in Principle 9 (Customer Value).

### Shareholders and investors

Your Company regularly interacts with its shareholders and investors through results announcements, annual report, Company's microsite on digital performance highlights, media releases, Company's website and subject-specific communications. The Annual General Meeting gives the shareholders an opportunity to come in direct communication with the Board of Directors and the Management. During this meeting, the Board engages with shareholders and answers their queries on varied subjects.

Your Company has a designated e-mail address for shareholders. The Investor Service Department regularly engages with the shareholders to resolve queries, grievances, if any, and provides guidance to shareholders for any Company-related matters. The Investor Relations team also interacts regularly with investors and analysts, through quarterly results calls, one-on-one and group meetings, participation at investor conferences and the annual investors meet.

### Government

Your Company co-operates and engages with Governments, regulators and legislators, both directly and through trade associations, in the development of proposed legislation and regulation which may affect your business interests.

### NGOs

Your Company is building transformational partnerships in collaboration with NGOs and other stakeholders who share the Company's vision for a sustainable future. These partnerships are instrumental in improving the quality of people's lives, achieving the Company's USLP targets and driving the business growth. Your Company's wholly-owned subsidiary, Hindustan Unilever Foundation, partners with several NGOs for undertaking water conservation programme. The Company has also partnered with NGOs for implementing the Swachh Aadat curriculum and conducted pilot projects for waste collection and segregation.

### Media

Your Company engages with media to update about the developments in the Company. Regular interactions with print, television and online media take place through press releases, media events and quarterly results announcements. Your Company also ensures timely and appropriate responses to media for any information requests within the stipulated disclosure norms.

### Employee engagement

Your Company has several communication processes instituted to ensure a two-way communication channel with its employees. These include:

- **Quarterly Report Back:** Quarterly performance update delivered by the Management Committee to all employees.
- **Annual Review:** All employees are invited to the Annual Review by the Chairman and Managing Director which is webcast from the Head Office across all HUL locations and sites.
- **Others:** The Company has other in-house communication channels both digital and offline that help employees to connect, bond, inspire, express and celebrate their achievements.

## PRINCIPLE 5: HUMAN RIGHTS

BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

Your Company seeks to uphold and promote human rights in its operations, in relationships with business and partners; and by working through external initiatives such as the United Nations Global Compact. Unilever has identified eight human rights issues as priority and is committed to addressing them across its operations globally. The eight priority issues are: discrimination, fair wages, forced labour, freedom of association, harassment, health and safety, land rights and working hours. Unilever's approach to managing these critical human rights issues globally is elaborated on the Unilever website.

The report on human rights released by Unilever in 2015 outlines Unilever's goals not only to respect human rights but to actively advance them across all areas of the business.

In India, your Company fully adheres to Unilever's approach to human rights. In addition to this, your Company's CoBP upholds the principles of human rights and fair treatment. The Code also conforms to the International Labour Organisation (ILO) principles.

The principles of human rights are followed in the same spirit within as well as outside the organisation when engaging with business partners. Your Company's Responsible Sourcing Policy for suppliers reinforces the principles of human rights and labour rights for all suppliers of your Company and is available on Unilever's website. No complaints were received regarding human rights violation during the year.

## PRINCIPLE 6: ENVIRONMENT

BUSINESSES SHOULD RESPECT, PROTECT AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

In line with USLP commitment, your Company's vision is to grow the business whilst decoupling the environmental footprint from growth and increasing the positive social impact.

Your Company has been implementing environmental best practices adopted from Unilever operations across the globe in manufacturing operations and has achieved significant reduction of waste (kg / tonne of production), water usage ($m^3$ / tonne of production) and greenhouse gas ($CO_2$) emission (kg / tonne of production).

The reductions for financial year 2019-20 based on 2008 baseline are:

- $CO_2$ emissions (kg / tonne of production) reduced by 85%.
- Water consumption ($m^3$ / tonne of production) reduced by 58%.
- Total waste (kg / tonne of production) generated from the factories reduced by 63%.

Your Company also segregates and disposes the waste generated in manufacturing operations in an environmentally friendly manner. All our manufacturing sites have not sent any non-hazardous waste to landfills since 2014. The Company has also progressing Unilever's global target of ensuring that all of its plastic packaging is fully reusable, recyclable or compostable by 2025.

Your Company has undertaken multiple sustainability initiatives, which are elaborated as under:

- **Water -** Major contributors to water usage reduction were rainwater harvesting projects in Chhindwara & Khamgaon, direct rainwater use in processes and utilities, increase in steam condensate reuse, improving recovery efficiency and maximising use of RO plants, reduction of cooling tower drift losses and boiler blowdown optimisation.
- **Waste -** Factories have identified creative reuse opportunities for various waste streams. For example, Nashik factory developed an innovative cleaning and handling arrangement in collaboration with supplier and are now able to reuse RM drums and buckets multiple times. This scheme is being replicated across sites. All factories have provided segregation at source facilities to improve recyclability.
- **Energy -** Reduction in total energy footprint through upgradation of equipment is an ongoing activity. During the year, installation of energy efficient pumps and motors was carried out in Haridwar, Barotiwala & Rajpura besides installation of VVVFDs (advanced digital drives for motors). A boiler efficiency improvement project was also undertaken in Rajpura with excellent results.
- **$CO_2$ –** Purchase of IREC for Grid Electricity, Coal elimination in Khamgaon factory, Modification in Thermic Fluid Heater (TFH) in Bhuj to use residue in TFH and use of biomass briquette in FBC boiler, Solar initiatives in Chiplun & Nashik aided in

# Annexure to the Report of Board of Directors (Continued)

$CO_2$ reduction. This is in addition to the ongoing coal usage elimination projects as described above.

- The contribution of renewable energy in total energy has increased to 71%.
- **Plastic -** In partnership with a waste to electricity installation we have been able to process ~12000 tonnes of plastic waste and convert it into electricity which is fed to the Grid. In addition to this ~27000 tonnes of plastic waste was collected with the help of NGOs and EPR partners and sent for energy recovery via co-processing in cement kilns in 2019.

## Monitoring procedures

The progress on sustainability is monitored at different levels as mentioned below:

- **Sustainability Governing Council:** The top leadership from respective business verticals and functions constitute the Sustainability Governing Council. The Company has a governance mechanism and scorecard to monitor the progress on USLP commitments. The Council reports the progress to the Chairman and Managing Director and Management Committee on a quarterly basis.
- **Global Environmental Performance Monitoring Portal:** A global level database is maintained for all Unilever sites. Environmental performance data is uploaded monthly on the portal by all sites. The 'Group Manufacturing Environment Team' monitors the performance against set targets and provides feedback as well as management updates. Audits are conducted at sites randomly selected by above team through reputed external auditors (e.g. PwC).
- **Environment Sub-Committee:** The Environment Sub-committee consists of team members from various functions such as Supply Chain, Engineering, Finance, Research and Development, Legal and Corporate SHE. It is led by the Executive Director, Supply Chain and convenes periodically to assess EPR (Extended Procure Responsibility) plan execution, Environmental performance in sites (e.g. reduction in water consumption, reduction in waste generation, improved methods for waste disposal, reduction in electricity usage and $CO_2$ emission etc.) and initiatives like Rain Water use in operations etc.

## Risk Assessment

All the emissions / waste generated by your Company are generally within the permissible limits given by respective state Pollution Control Boards (PCBs).

Your Company had informed the Members that soil remediation trials had been concluded. Pursuant to which the authorities permitted the Company to commence full scale soil remediation work on the premises of the former factory of your Company as per the approved up-scaling plan. In the meantime, the permission granted for soil remediation and the Site-Specific Target Level specified by the authorities was challenged before the National Green Tribunal. The National Green Tribunal after hearing the petition that was filed and ordered that the remediation be carried out as per the approval granted by the authorities. The decision of the National Green Tribunal was challenged before the Supreme Court of India; the Supreme Court of India dismissed the petition and has allowed the soil remediation to go ahead. The Company is taking steps to commence full-scale soil remediation at the factory site at the earliest.

## PRINCIPLE 7: POLICY ADVOCACY

### BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER

Your Company's approach to advocacy is guided by the CoBP. The Code provides that any contact by the Company or its business associates with Government, legislators, regulators or NGOs must be done with honesty, integrity, openness and in compliance with applicable laws. Only authorised and appropriately trained individuals can interact with these organisations. Prior internal approval is required for initiating any contact between the Company, its representatives and officials, aimed at influencing regulation or legislation.

The Company is represented in key industry and business associations which include Confederation of Indian Industry (CII), Federation of Indian Chamber of Commerce and Industry (FICCI), Associated Chamber of Commerce and Industry of India (ASSOCHAM), Bombay Chamber of Commerce and Industry (BCCI) and Advertising Standards Council of India (ASCI).

Many of the Board and senior leadership team members are associated with several global bodies like the World Economic Forum (WEF), United Nations Global Compact (UNGC), apart from the leading business Chambers in India.

Your Company participates in multi-stakeholder engagements and, when relevant, responds to public consultations. Some of the key issues on which your Company engaged with the Government in 2019-20 include:

- Effective plastic waste management.
- Engagement with Government on 'Ease of Doing Business' initiatives.
- Recommending changes on upcoming e-Commerce policy to mitigate the issue of counterfeits and fakes sold online.
- Recommending changes to Consumer Protection law.
- Engagement with Government on fiscal issues including Goods and Services Tax (GST).
- IPR: Right Holders recommending changes in policy framework and adoption of practices to mitigate the menace of counterfeits; seeking action against parallel imports of goods in the country.
- Effective changes to the Prevention of Sexual Harassment at Workplace.
- Recommending changes and suggestions under the Labour Codes.
- Engagement with the Government on changes in the Legal Metrology Act and Packaged Commodity Rules.
- Recommending changes to the proposed law on Drugs and Magic Remedies.
- Engagement with the Government to drive changes in the Drugs and Cosmetics Act and Rules.
- Engaging with the Government on the proposed Data Privacy law.
- Engagement with the Government on Company Law issues ranging from National Company Law Tribunal Merger approvals to requirement of obtaining the Central Government's approval under the Section 196 of the Companies Act.

## PRINCIPLE 8: INCLUSIVE GROWTH

### BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

Your Company's inclusive growth approach focuses on improving the livelihoods of smallholder farmers, supporting small-scale retailers and helping young entrepreneurs. Some of the important initiatives are mentioned below:

## Improving livelihoods of smallholder farmers

Your Company has been associated with a number of smallholder farmers through its supplier partners, training them on good agricultural practices like drip irrigation, nutrient management, pest and disease management to improve their livelihood. Through these programs, smallholder farmers have benefitted by a higher yield, more certain demand and higher incomes.

In Tea, Unilever worked with partners like IDH to start the Trustea Programme in 2012, which was aligned with USLP. The Programme has now expanded into a much larger scale in the industry. Through the programme, 620k plantation workers (56% of them women workers) and 55.6k SHFs have been positively impacted. 78% of tea in India procured for Unilever brands is from sustainable sources.

Over 15,000 smallholder gherkin farmers have benefitted from Unilever's innovative Responsible Farming Programme. The aim of this programme is to increase productivity, develop best practices and improve livelihoods of farmers. The gherkins grown in India are exported globally to other Unilever businesses.

Your Company has worked with its suppliers to partner with smallholder farmers for cultivation of tomatoes. These farmers have also benefitted from similar training initiatives. Till date, your Company has reached out to over 8,000 smallholder farmers who cultivated tomatoes on more than 11,000 acres of land.

Your Company has expanded the sustainable sourcing programme to Chicory farming, where 1,300 smallholder farmers benefit from the programme.

## Empowering women micro-entrepreneurs

Project Shakti is your Company's initiative to provide livelihood enhancing opportunities to women micro entrepreneurs in rural India. The Shakti Ammas are given training for familiarisation with your Company's products and basic tenets of distribution management. Currently, there are nearly 1,20,000 micro-entrepreneurs as part of Project Shakti.

## Empowering communities through Prabhat

Project Prabhat is a community development initiative of your Company, that is linked to Unilever Sustainable Living Plan (USLP). It builds on local community needs at a grassroot level, in line with India's development agenda. By doing so, it's contributing to a fairer and more socially and environmentally inclusive world, while using HUL's scale for good. It ultimately aims to create sustainable communities in and around HUL sites through focused interventions on Livelihood, Water Conservation, Nutrition and Health & Hygiene.

Project Prabhat has reached out to over 4.5 million people across 12 states and 2 union territories. More than 5,000 employee volunteers of the Company participated in the volunteering activities under Project Prabhat in the last six years.

## Rin Shine Academy

Rin Shine Academy (erstwhile Rin Career Ready Academy) aims to inspire, educate and equip the youth from modest backgrounds by helping them develop soft-skills to progress in their careers. Three popular skills on the platform are English Speaking, Interview Training & Office Dressing. So far, over 5.57 lakhs people have benefitted from this programme.

## PRINCIPLE 9: CUSTOMER VALUE

### BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER

Your Company's strong distribution network comprises millions of outlets serviced by 4,500 distributors and associates who help deliver Company's products. Your Company has undertaken some important initiatives to become more customer-centric and win in the marketplace. These initiatives include:

- **Beyond call centres:** Apart from the call centres set up for retailers, the Company also has a direct outreach through or eB2B app which have helped many of your Company's traditional trade customers reach out directly to the Company and improve demand capture of orders. The feedback received from retail outlets provide useful into the demand and purchasing patterns of these retailers and enable your Company to serve them better with targeted promotions and attractive offers.
- **Partner of choice:** Your Company registered strong growth across all key modern trade retail partners, driven by strong joint business plans. Your Company made significant investment in capability building in e-Commerce. An efficient team with diverse talent combined with the best global practices is a competitive advantage for your Company in area of e-Commerce.

## Responsible marketing and communication

Your Company has four clearly defined principles that guide its communications with consumers:

# Annexure to the Report of Board of Directors (Continued)

- Your Company is committed to building trust through responsible practices and through transparent communication – both directly to consumers and indirectly through other key stakeholders.
- It is your Company's responsibility to ensure that its products are safe and that the Company provides clear information on their use and any risks that are associated with their use.
- Your Company fully supports a consumer's right to know what is in the products and is transparent in terms of ingredients, nutrition values and the health and beauty properties of its products.
- Your Company uses a combination of channels, which includes product labels, websites, careline phone numbers and leaflets to communicate openly with its consumers.
- Your Company also supports industry self-regulation and the development of self-regulatory codes for all its marketing and advertising activities and applies these codes across its businesses. Your Company is one of the founder members of Advertising Standards Council of India (ASCI), a self-regulatory body which has developed principles and codes in the area of advertising and marketing. During the year, 60 complaints were filed with ASCI against advertisements made by your Company.
- Your Company has certain legal cases, including those relating to consumer / customer disputes. At the end of the year, there were 62 consumer cases pending.

## Labels and Pack Information

All Company products comply with the applicable regulations such as the Drugs and Cosmetics Act, Legal Metrology Act, Bureau of Indian Standards Specifications, Trademark Act and Copyright Act, Food Safety and Standards Act, Tea Act, Tea Board Regulations for Labels and Pack Information. The food and beverage products also carry a nutritional information table on the back of pack in compliance with local legislation.

As part of Guideline Daily Amounts (GDA) labelling, 100% of your food and beverage products included energy per portion information on the front of the pack and percentage GDA for five nutrients on the back of the pack*. In addition to national laws and self-regulatory codes in India, your Company also applies Unilever's principles to the marketing and advertising of all its food and beverage products directed at children (below 12 years). These principles require that marketing practices:

- Do not convey misleading messages
- Do not undermine parental influence. Advertisements always show parents as gatekeepers to the product being consumed
- Do not encourage 'pester power'
- Do not suggest time / sense of urgency or price minimisation pressure
- Do not encourage unhealthy dietary habits
- Do not use broadcast or print media personalities in a way that obscures the distinction between programme or editorial content or commercial promotion

All Marketing Communications directed to children between six (6) and twelve (12) years of age meets Unilever's Highest Nutritional Standards and / or where applicable, nutrition criteria agreed as signatories to India Pledge or any binding criteria set by public authorities.

Your Company is also a signatory of the India Policy on Marketing Communications to Children. In accordance, your Company pledges to advertise products to children under the age of 12 that meet common 'Food & Beverage Alliance of India' nutrition criteria and / or Unilever Highest Nutrition Standards. Where differences in criteria exist, Unilever will apply the strictest criteria across all Marketing Communications directed to children.

On behalf of the Board

**Sanjiv Mehta**
Chairman and Managing Director
(DIN : 06699923)

Mumbai, 30th April, 2020

*Where applicable and legally permissible in accordance with local or regional industry agreements



# Corporate Governance

"I believe that nothing can be greater than a business, however small it may be, that is governed by conscience; and that nothing can be meaner or more petty than a business, however large, governed without honesty and without brotherhood.

**– William Hesketh Lever**

## COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY

The principles of Corporate Governance are based on transparency, accountability and focus on the sustainable success of the Company over the long-term. At Hindustan Unilever Limited, we feel proud to belong to a Company whose visionary founders laid the foundation stone for good governance long back and made it an integral principle of the business, as demonstrated in the words above.

Responsible corporate conduct is integral to the way we do our business. Our actions are governed by our values and principles, which are reinforced at all levels within the Company. At Hindustan Unilever, we are committed to doing things the right way which means taking business decisions and acting in a way that is ethical and is in compliance with applicable legislation. Our Code of Business Principles ('the Code') is an extension of our values and reflects our continued commitment to ethical business practices across our operations. We acknowledge our individual and collective responsibilities to manage our business activities with integrity. Our Code inspires us to set standards which not only meet applicable legislation but go beyond in many areas of our functioning.

To succeed, we believe, requires highest standards of corporate behaviour towards everyone we work with, the communities we touch and the environment on which we have an impact. This is our road to consistent, competitive, profitable and responsible growth and creating long-term value for our shareholders, our people and our business partners. The above principles have been the guiding force for whatever we do and shall continue to be so in the years to come.

The Board of Directors ('the Board') are responsible for and committed to sound principles of Corporate Governance in the Company. The Board plays a crucial role in overseeing how the management serves the short and long-term interests of shareholders and other stakeholders. This belief is reflected in our governance practices, under which we strive to maintain an effective, informed and independent Board. We keep our governance practices under continuous review and benchmark ourselves to best practices across the globe.

In recognition of its governance practices, your Company was conferred upon a Certificate of Recognition at the ICSI National Awards for Excellence in Corporate Governance for the year 2017 and 2018 by the Institute of Company Secretaries of India. In the year 2011, the Company had been bestowed with the National Award for Excellence in Corporate Governance.

Also, your Company was recognised on Top 10 scores of the S&P BSE Index constituents in the 'Leadership Category' for the Corporate Governance Scorecard which is a joint initiative of the International Finance Corporation (IFC) and the Bombay Stock Exchange Limited.

## THE BOARD OF DIRECTORS

The Board of Directors have ultimate responsibility for the management, general affairs, direction, performance and long-term success of business as a whole. The Board has delegated the operational conduct of the business to the Chairman and Managing Director of the Company. The Management Committee of the Company is headed by the Chairman and Managing Director and has business / functional heads as its members, which look after the management of the day-to-day affairs of the Company.

### Composition

The Board of your Company has a good and diverse mix of Executive and Non-Executive Directors with majority of the Board Members comprising Independent Directors and the same is also in line with the applicable provisions of Companies Act, 2013 ('the Act') and Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'). As on date of this Report, the Board consists of ten Directors comprising one Executive Chairman, six Independent Directors and three Executive Directors. The composition of the Board represents an optimal mix of professionalism, knowledge and experience and enables the Board to discharge its responsibilities and provide effective leadership to the business.

The Board as part of its succession planning exercise periodically reviews its composition to ensure that the same is closely aligned with the strategy and long-term needs of the Company. During the year, Mr. Wilhelmus Uijen was appointed as a Whole-time Director of the Company designated as Executive Director, Supply Chain with effect from 1st January, 2020 and Dr. Ashish Gupta was appointed as an Independent Director with effect from 31st January, 2020. Mr. Sanjiv Mehta, Chairman and Managing Director was appointed as Chairman of the Company with effect from 30th June, 2018. As per the Listing Regulations, top 500 Companies by market capitalisation need to have separate positions for Chairman and Managing Director effective April 2022. The Company shall ensure compliance of this requirement of separation of position of Chairman and Managing Director on or before the due date.

Mr. Pradeep Banerjee, Whole-time Director designated as an Executive Director, Supply Chain stepped down from the Board as his contract of service came to an end on 31st December, 2019. Mr. Banerjee had superannuated and was on a contract of service for a period of one year after 38 years of service with the Company. The Board places on record its deep sense of gratitude and appreciation for Mr. Banerjee's immense contribution, strategic guidance provided during his tenure as a Whole-time Director of the Company.

### Confirmation and Certification

On an annual basis, the Company obtains from each Director, details of the Board and Board Committee positions he / she occupies in other Companies, and changes if any regarding their Directorships. The Company has obtained a certificate from M/s. S. N. Ananthasubramanian & Company, Company Secretaries,

# Corporate Governance (continued)

under Regulation 34(3) and Schedule V Para C Clause (10)(i) of Listing Regulations confirming that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of Company by the SEBI and Ministry of Corporate Affairs or any such authority and the same forms part of this Report.

## Board Independence

Our definition of 'Independence' of Directors is derived from Section 149(6) of the Act and Regulation 16 of Listing Regulations. The Independent Directors provide an annual confirmation that they meet the criteria of independence. Based on the confirmations / disclosures received from the Directors and on evaluation of the relationships disclosed, supported by a certificate from M/s. S. N. Ananthasubramanian & Company, Company Secretaries, as per the requirement of Regulation 25(8) of the Listing Regulations, the Board confirms, that the Independent Directors fulfill the conditions as specified under Schedule V of the Listing Regulations and are independent of the management.

The details of each Member of the Board along with the number of Directorship(s) / Committee Membership(s) / Chairmanship(s), date of joining the Board and their shareholding in the Company are provided herein below:-

## Composition, Directorship(s) / Committee Membership(s) / Chairmanship(s) and Shareholding as on 31st March, 2020:

| Name and Category | Date of joining the Board | Number of shares held in the Company | Directorship(s) in other Companies# | Membership(s) of Committees of other Companies## | Chairmanship(s) of Committees of other Companies## |
|---|---|---|---|---|---|
| **Chairman and Managing Director** | | | | | |
| Sanjiv Mehta | 01.10.2013 | 10 | - | - | - |
| **Executive Director (Finance & IT) and CFO** | | | | | |
| Srinivas Phatak | 01.12.2017 | 10,208 | - | - | - |
| **Executive Directors** | | | | | |
| Dev Bajpai | 23.01.2017 | 49,179 | - | - | - |
| Wilhelmus Uijen | 01.01.2020 | - | 1 | - | - |
| **Independent Directors** | | | | | |
| Aditya Narayan | 29.06.2001 | - | 1 | 1 | - |
| O. P. Bhatt | 20.12.2011 | - | 4 | 2 | 1 |
| Sanjiv Misra | 08.04.2013 | - | - | - | - |
| Kalpana Morparia | 09.10.2014 | - | 1 | - | 1 |
| Leo Puri | 12.10.2018 | - | 3 | 1 | - |
| Ashish Gupta | 31.01.2020 | - | 1 | - | - |

#Excluding Private Limited Companies, Foreign Companies, Section 8 Companies and Alternate Directorships.

##Includes only Audit Committee and Stakeholders' Relationship Committee.

None of the Directors of your Company are related to each other.

The names of the listed entities along with the category of Directorship for all the Directors form part of Profile of Directors from page nos. 226 to 229.

The number of Directorship(s), Committee Membership(s) / Chairmanship(s) of all Directors is within respective limits prescribed under the Act and Listing Regulations as amended from time to time.

## Appointment and Tenure

The Directors of the Company are appointed / re-appointed by the Board on the recommendations of the Nomination and Remuneration Committee and approval of the Members at the General Meetings. In accordance with the Articles of Association of the Company and provisions of the Act, all Directors, except the Managing Director and Independent Directors of the Company, are liable to retire by rotation at the Annual General Meeting (AGM) each year and, if eligible, offer themselves for re-election. The Executive Directors on the Board have been appointed as per the provisions of the Act and serve in accordance with the terms of their contract of employment / contract of service with the Company.

None of the Independent Director(s) of the Company resigned before the expiry of their tenure.

As regards the appointment and tenure of Independent Directors, following is the policy adopted by the Board:

- The Company has adopted the provisions with respect to appointment and tenure of Independent Directors which are consistent with the Act and Listing Regulations.
- The Independent Directors can serve a maximum of two terms of five years each, after the introduction of the Act.
- The Company would not have any upper age limit of retirement of Independent Directors from the Board and their appointment and tenure will be governed by provisions of the Act and the Listing Regulations.
- The Company shall ensure that the appointment of any Non-Executive Director who has attained the age of 75 years is approved by the Members of the Company by way of a Special Resolution.

Any person who becomes Director or Officer, including an employee who is acting in a managerial or supervisory capacity, shall be covered under Directors' and Officers' Liability Insurance Policy. The Policy shall also cover those who serve as a Director, Officer or equivalent of an outside entity at Company's request. The Company has provided insurance cover in respect of legal action against its Directors under the Directors' and Officers' Liability Insurance.

## Board Meetings

The Board meets at regular intervals to discuss and decide on Company / business policy and strategy apart from other Board businesses. The Board / Committee Meetings are pre-scheduled and a tentative annual calendar of the Board and Committee Meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. However, in case of a special and urgent business need, the Board's approval is taken by passing resolutions by circulation, as permitted by law, which are noted and confirmed in the subsequent Board Meeting.

The Board business generally includes consideration of important corporate actions and events including:-

- quarterly and annual results announcements;
- oversight of the performance of the business;
- declaration of dividends;
- development and approval of overall business strategy;
- board succession planning;
- review of the functioning of the Committees; and
- other strategic, transactional and governance matters as required under the Act, Listing Regulations and other applicable legislations.

The notice of Board / Committee Meetings is given well in advance to all the Directors. Usually, Meetings of the Board are held in Mumbai. The Agenda of the Board / Committee Meetings is set by the Company Secretary in consultation with the Chairman and Managing Director of the Company. The Agenda is circulated a week prior to the date of the Meeting. The Board Agenda includes an Action Taken Report comprising of actions emanating from the Board Meetings and status updates thereof. The Agenda for the Board and Committee Meetings cover items set out as per the guidelines in Listing Regulations to the extent it is relevant and applicable. The Agenda for the Board and Committee Meetings include detailed notes on the items to be discussed at the Meeting to enable the Directors to take an informed decision. Video / tele-conferencing facilities are also used to facilitate Directors travelling or located at other locations to participate in the Meetings.

Prior approval from the Board is obtained for circulating the agenda items with shorter notice for matters that form part of the Board and Committee Agenda and are considered to be in the nature of Unpublished Price Sensitive Information.

During the financial year ended 31st March, 2020, six Board Meetings were held on 3rd May, 2019, 29th to 31st May, 2019, 23rd July, 2019, 14th October, 2019, 31st January, 2020 and 24th February, 2020. The maximum interval between any two Meetings was well within the maximum allowed gap of 120 days.

## Board Support

The Company Secretary is responsible for collation, review and distribution of all papers submitted to the Board and Committees thereof for consideration. The Company Secretary is also responsible for preparation of the Agenda and convening of the Board and Committee Meetings. The Company Secretary attends all the Meetings of the Board and its Committees, either in the capacity of Secretary of the Committees or as a Member of the Committee. The Company Secretary advises / assures the Board and its Committees on Compliance and Governance principles and ensures appropriate recording of minutes of the Meetings.

With a view to leverage technology and reducing paper consumption, the Company has adopted a web-based application for transmitting Board / Committee Agenda and Pre-reads. The Directors of the Company receive the Agenda and Pre-reads in electronic form through this application, which can be accessed through Browsers or iPads. The application meets high standards of security and integrity that are required for storage and transmission of Board / Committee Agenda and Pre-reads in electronic form.

## Separate Independent Directors' Meetings

The Independent Directors meet at least once in a quarter, without the presence of Executive Directors or Management representatives. They also have a separate meeting with the Chairman of the Board, to discuss issues and concerns, if any.

The Independent Directors met four times during the financial year ended 31st March, 2020 on 3rd May, 2019, 23rd July, 2019, 14th October, 2019 and 31st January, 2020. The Independent Directors *inter-alia* discuss the issues arising out of Committee Meetings and Board discussion including the quality, quantity and timely flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

In addition to these formal meetings, interactions outside the Board Meetings also take place between the Chairman and Independent Directors.

# Corporate Governance (continued)

## Directors' Induction and Familiarisation

The Board familiarisation Programme comprises of the following:-

- Induction Programme for new Independent Directors;
- Immersion sessions on business and functional issues; and
- Strategy session.

All new Independent Directors are taken through a detailed induction and familiarisation Programme when they join the Board of your Company. The induction programme is an exhaustive one that covers the history and culture of Hindustan Unilever, background of the Company and its growth over the last several decades, various milestones in the Company's existence since its incorporation, the present structure and an overview of the businesses and functions. The programme also covers the Unilever Sustainable Living Plan.

As part of the induction sessions, the Chairman and Managing Director provides an overview of the organisation, its history, culture, values and purpose. The Business and Functional Heads take the Independent Directors through their respective businesses and functions. As a part of induction programme, the Independent Directors also visit the Company's manufacturing locations and undertake market visits to understand the operations of the Company. The Independent Directors are also exposed to the constitution, Board procedures, matters reserved for the Board and major risks facing the business and mitigation programs. The Independent Directors are also made aware of their roles and responsibilities at the time of their appointment and a detailed Letter of Appointment is issued to them.

In the Board Meetings, immersion sessions deal with different parts of the business and bring out all facets of the business besides the shape of the business. These immersion sessions provide a good understanding of the business to the Independent Directors. Similar immersion sessions are also convened for various functions of the Company. These sessions are also an opportunity for the Board to interact with the next level of management. To make these sessions meaningful and insightful, pre-reads are circulated in advance. Deep dive sessions are also organised on specific subjects for better appreciation by the Board of its impact on the business. There are opportunities for Independent Directors to interact amongst themselves every quarter. Many themes for such immersion sessions come through on account of these structured interactions and meetings of Independent Directors.

The process of Board Evaluation also throws up areas where the Board desires deep dive sessions.

Every year, a two day Strategy Board Meeting is organised generally at a location where the Company has an office or an establishment. It provides to the Board an opportunity to understand Company's footprint in that market and also interact with the Company's leadership and business teams in that market. The strategy session focuses on the strategy for the future and covers all parts of the business and functions, the course corrections, if any, required to be undertaken and gives a good perspective of the future opportunities and challenges.

Apart from the above, the Directors are also given an update on the environmental and social impact of the business, corporate governance, regulatory developments and investor relations matters.

The details of training Programme attended by Independent Directors is available on the website at https://www.hul.co.in/investor-relations/corporate-governance/.

## Board Evaluation

In terms of the requirement of the Act and the Listing Regulations, an annual performance evaluation of the Board is undertaken where the Board formally assesses its own performance with the aim to improve the effectiveness of the Board and the Committees. The criteria of performance evaluation of Board, its Committees and Individual Directors forms part of the 'Corporate Governance Code' which is available on the website of the Company. For Independent Directors, evaluation is carried out based on the criteria viz. the considerations which led to the selection of the Director on the Board and the delivery against the same, contribution made to the Board / Committees, attendance at the Board / Committee Meetings, impact on the performance of the Board / Committees, instances of sharing best and next practices, engaging with top management team of the Company, participation in Strategy Board Meetings, etc.

During the year, Board Evaluation cycle was completed by the Company internally which included the Evaluation of the Board as a whole, Board Committees and Peer Evaluation of the Directors. The exercise was led by the Chairman and Managing Director of the Company along with the Chairman of the Nomination and Remuneration Committee of the Company. The Evaluation process focused on various aspects of the functioning of the Board and Committees such as composition of the Board, Board Oversight and effectiveness, performance of Board Committees, Board skills and structure, etc. Separate exercise was carried out to evaluate the performance of individual Directors on parameters such as attendance, contribution and independent judgment.

As an outcome of the above exercise, it was noted that the Board as a whole is functioning as a cohesive body which is well engaged with different perspectives. The Board Members from different backgrounds bring about different complementarities and deliberations in the Board and Committee Meetings are enriched by such diversity and complementarities. It was also noted that the Committees are functioning well and besides the Committee's terms of reference as mandated by law, important issues are brought up and discussed in the Committees.

The Board also noted that given the changing external environment the Company should be prepared for any likely disruption. The Board agreed that the Board was focused in the right direction of creating a 'purpose-driven' organisation. The evaluation exercise also highlighted the need for having better understanding of competitive landscape in a dynamic business environment and importance of being updated in the emerging technology areas relevant for the Company. These areas have been identified for the Board to engage itself with and the same will be acted upon.

## COMMITTEES OF THE BOARD

The Board Committees play a crucial role in the governance structure of the Company and have been constituted to deal with specific areas / activities as mandated by applicable regulation; which concern the Company and need a closer review. The Board Committees are set up under the formal approval of the Board to carry out clearly defined roles which are considered to be performed by Members of the Board, as a part of good governance practice. The Chairman of the respective Committee informs the Board about the summary of the discussions held in the Committee Meetings. The minutes of the meeting of all Committees are placed before the Board for review. The Board Committees can request special invitees to join the meeting, as appropriate.

During the year, all recommendations of the Committees of the Board which were mandatorily required have been accepted by the Board.

The Board has established the following statutory and non-statutory Committees:-

## Audit Committee

The Audit Committee comprises Mr. Aditya Narayan as the Chairman and Mr. O. P. Bhatt, Dr. Sanjiv Misra, Mr. Leo Puri and Dr. Ashish Gupta, Independent Directors as members of the Committee. Mr. S. Ramadorai ceased to be a member of the Committee with effect from 29th June, 2019. Dr. Ashish Gupta was appointed as a member of the Committee with effect from 30th April, 2020. All the members of the Committee have relevant experience in financial matters.

The Audit Committee of the Company is entrusted with the responsibility to supervise the Company's internal controls and financial reporting process and, *inter-alia,* performs the following functions:

- overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- reviewing and examining with management the quarterly and annual financial results and the auditors' report thereon before submission to the Board for approval;
- reviewing management discussion and analysis of financial condition and results of operations;
- reviewing, approving or subsequently modifying any Related Party Transactions in accordance with the Related Party Transaction Policy of the Company;
- recommending the appointment, remuneration and terms of appointment of Statutory Auditors of the Company and approval for payment of any other services;
- reviewing and monitoring the auditor's independence and performance and effectiveness of audit process;
- reviewing management letters / letters of internal control weaknesses issued by the Statutory Auditors;
- reviewing with management, Statutory Auditors and Internal Auditor, the adequacy of internal control systems;
- reviewing the adequacy of internal audit function and discussing with Internal Auditor any significant finding and reviewing the progress of corrective actions on such issues;
- evaluating internal financial controls and risk management systems;
- reviewing the functioning of the Code of the Company and Whistle Blowing Mechanism;
- reviewing the utilisation of loans and / or advances from / investment in the Subsidiary exceeding ₹ 100 crores of 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.

The Committee is governed by the terms of reference which are in line with the regulatory requirements mandated by the Act and Listing Regulations. The detailed terms of reference of the Audit Committee is contained in the 'Corporate Governance Code' which is available on the website of the Company at https://www.hul.co.in/investor-relations/corporate-governance/. The Audit Committee ensures that it has reviewed each area that it is required to review under its terms of reference and under applicable legislation or by way of good practice. This periodic review ensures that all areas within the scope of the Committee are reviewed.

In addition to quarterly meetings for consideration of financial results, special meetings of the Audit Committee are convened. In these meetings, the Audit Committee reviews various businesses / functions, business risk assessment, controls and critical IT applications with implications of security and internal audit and control assurance reports of all the major divisions of the Company.

The meetings of Audit Committee are also attended by the Chief Financial Officer, Statutory Auditors and Internal Auditor as special invitees. The Company Secretary acts as the Secretary to the Committee. The minutes of each Audit Committee meeting are placed in the next meeting of the Board. The Audit Committee also meets the internal and external auditors separately, without the presence of Management representatives.

The Audit Committee met seven times during the financial year ended 31st March, 2020 on 3rd May, 2019, 28th June, 2019, 23rd July, 2019, 14th October, 2019, 19th December, 2019, 31st January, 2020 and 24th February, 2020.

### Internal Controls and Risk Management

The Company has robust systems for Internal Audit and corporate risk assessment and mitigation. The Company has an independent Control Assurance Department (CAD) assisted by outsourced audit teams.

The Internal Audit covers factories, sales offices, warehouses and centrally controlled businesses and functions, as per the annual plan agreed with the Audit Committee. The audit coverage plan of CAD is approved by the Audit Committee at the beginning of every year. Every quarter, the Audit Committee of the Board is presented with summary of key control issues and actions taken on the issues highlighted in previous report.

Business Risk Assessment procedures have been set in place for self-assessment of business risks, operating controls and

# Corporate Governance (continued)

compliance with Corporate Policies. There is an ongoing process to track the evolution of risks and delivery of mitigating action plans.

The Company's internal financial control framework, established in accordance with the Committee of Sponsoring Organisation (COSO) framework, is commensurate with the size and operations of the business and is in line with requirements of the Act. The Company's internal financial controls framework is based on the 'three lines of defense model'. The Company has laid down Standard Operating Procedures and policies to guide the operations of the business.

Unit heads are responsible to ensure compliance with the policies and procedures laid down by the Management. Robust and continuous internal monitoring mechanisms ensure timely identification of risks and issues. The Management, Statutory and Internal Auditors undertake rigorous testing of the control environment of the Company.

The Board of Directors based on the recommendation of the Audit Committee at its meeting held on 24th February, 2020 appointed Mr. Amit Agarwal as Internal Auditor of the Company with effect from 1st April, 2020, succeeding Ms. Subhra Gourisaria.

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises Dr. Sanjiv Misra as the Chairman and Mr. Aditya Narayan, Mr. O. P. Bhatt, Mr. Leo Puri and Mr. Sanjiv Mehta as members of the Committee. Mr. S. Ramadorai ceased to be the Chairman and member of the Committee with effect from 29th June, 2019. Dr. Sanjiv Misra was appointed as Chairman of the Committee with effect from 30th June, 2019.

The Nomination and Remuneration Committee is responsible for evaluating the balance of skills, experience, independence, diversity and knowledge on the Board and for drawing up selection criteria, ongoing succession planning and appointment procedures for both internal and external appointments. The role of Nomination and Remuneration Committee, *inter-alia*, includes:

- Determine / recommend the criteria for appointment of Executive, Non-Executive and Independent Directors to the Board;
- Determine / recommend the criteria for qualifications, positive attributes and independence of Director;
- Review and determine all elements of remuneration package of all the Executive Directors, i.e. salary, benefits, bonuses, stock options, pension etc;
- Formulate criteria and carry out evaluation of each Director's performance and performance of the Board as a whole.
- Recommend to the Board, all remunerations, in whatever form, payable to Senior Management.

The detailed terms of reference of the Nomination and Remuneration Committee is contained in the 'Corporate Governance Code' which is available on the website of the Company at https://www.hul.co.in/investor-relations/corporate-governance/. The Committee also plays the role of Compensation Committee and is responsible for administering the Stock Option Plan and Performance Share Plan of the Company and determining eligibility of employees for stock options.

The Nomination and Remuneration Committee met four times during the financial year ended 31st March, 2020 on 3rd May, 2019, 14th October, 2019, 31st January, 2020 and 24th February, 2020.

### Board Membership Criteria and list of core skills / expertise / competencies identified in the context of the business:

The Board of Directors are collectively responsible for selection of a member on the Board. The Nomination and Remuneration Committee of the Company follows a defined criteria for identifying, screening, recruiting and recommending candidates for election as a Director on the Board. The criteria for appointment to the Board include:

- composition of the Board, which is commensurate with the size of the Company, its portfolio, geographical spread and its status as a listed Company;
- desired age and diversity on the Board;
- size of the Board with optimal balance of skills and experience and balance of Executive and Non-Executive Directors consistent with the requirements of law;
- professional qualifications, expertise and experience in specific area of relevance to the Company;
- balance of skills and expertise in view of the objectives and activities of the Company;
- avoidance of any present or potential conflict of interest;
- availability of time and other commitments for proper performance of duties;
- personal characteristics being in line with the Company's values, such as integrity, honesty, transparency, pioneering mindset.

In terms of requirement of Listing Regulations, the Board has identified the following skills / expertise / competencies of the Directors as given below:

| Skills and its description | Sanjiv Mehta | Srinivas Phatak | Dev Bajpai | Wilhelmus Uijen | Aditya Narayan | O. P. Bhatt | Dr. Sanjiv Misra | Kalpana Morparia | Leo Puri | Dr. Ashish Gupta |
|---|---|---|---|---|---|---|---|---|---|---|
| **Leadership experience of running large enterprise –** Experience in leading well-governed large organisations, with an understanding of organisational systems and processes complex business and regulatory environment, strategic planning and risk management, understanding of emerging local and global trends and management of accountability and performance. | √ | | | | √ | √ | √ | √ | √ | |
| **Experience of crafting Business Strategies –** Experience in developing long-term strategies to grow consumer / FMCG business, consistently, profitably, competitively and in a sustainable manner in diverse business environments and changing economic conditions. | √ | | | | √ | √ | √ | | √ | √ |
| **Understanding of Consumer and Customer Insights in diverse environments and conditions –** Experience of having managed organisations with large consumer / customer interface in diverse business environments and economic conditions which helps in leveraging consumer insights for business benefits. | √ | | | | √ | √ | √ | | √ | √ |
| **Finance and Accounting Experience –** Leadership experience in handling financial management of a large organisation along with an understanding of accounting and financial statements. | | √ | | | √ | √ | √ | √ | √ | |
| **Experience in overseeing large and complex Supply Chain –** Experience in overseeing large and complex supply chain operations, management of innovations, understanding of emerging technologies including digital information technologies and their disruptive impact. | √ | | | √ | | | | | | |
| **Understanding use of Digital / Information Technology across the FMCG value chain –** Understanding the use of digital / Information Technology across the value chain, ability to anticipate technological driven changes & disruption impacting business and appreciation of the need of cyber security and controls across the organisation. | √ | | | | | | | | √ | √ |
| **Experience of large companies and understanding of the changing regulatory landscape –** Experience of having served in large public companies in diverse industries to provide Board oversight to all dimensions of business and Board accountability, high governance standards with an understanding of changing regulatory framework. | √ | | √ | | √ | √ | √ | √ | √ | |

## Reward Policy

The Reward philosophy of the Company is to provide market competitive total reward opportunity that has a strong linkage to and reinforces the performance culture of the Company. This philosophy is set forth into practice by various policies governing the different elements of total reward. The intent of all these policies is to ensure that the principles of Reward philosophy are followed in entirety, thereby facilitating the Company to recruit and retain the best talent. The ultimate objective is to gain competitive advantage by creating a reward proposition that inspires employees to deliver Company's promise to consumers and achieve superior operational results.

The guiding principles for Company's reward policies / practices are as follows:

1. Open, Fair and Consistent: increase transparency and ensure fairness and consistency in reward framework;
2. Insight and Engagement: make reward truly relevant to the employees by using leading edge tools that help the Company 'hear' how employees feel about their reward;

# Corporate Governance (continued)

3. Innovation: continuously improve Company's reward through innovations based on insight, analytics and Unilever's expertise;
4. Simplicity, Speed and Accuracy: simplify reward plans and processes and deliver the information employees need quickly, clearly and efficiently;
5. Business Results: Company's business results are the ultimate test of whether reward solutions are effective and sustainable.

The appointment of Executive Directors, Key Managerial Personnel, Management Committee Members and other employees are by virtue of their employment / contract of service with the Company as management employees and therefore, their terms of employment vis-à-vis salary, variable pay, service contract, notice period and severance fee, if any, are governed by the applicable policies at the relevant point in time. The total reward for Executive Directors, Key Managerial Personnel and Management Committee Members are reviewed and approved by the Nomination and Remuneration Committee annually, taking into account external benchmarks within the context of group and individual performance.

A fair portion of Executive Directors total reward is linked to Company's performance. This creates alignment with the strategy and business priorities to enhance shareholder value. Long-term incentives, in the form of Management Co-Investment Plan, seek to reward Executive Directors, Management Committee Members and other eligible employees by aligning their deliverables to business results.

In line with the Evaluation Policy of the Company, the Nomination and Remuneration Committee considers the outcome of the annual Evaluation before recommending the changes in the remuneration of the Executive Directors and appointment / re-appointment of Directors.

Non-Executive Independent Directors are eligible for sitting fees and commission not exceeding the limits prescribed under the Act. The remuneration payable to Non-Executive Directors is decided by the Board of Directors subject to the approval of Members of the Company.

Independent Directors are currently paid sitting fees of ₹ 30,000/- for attending every meeting of the Board or Committee thereof. In line with the globally accepted governance practices, the Board of Directors adopted a 'Differential Remuneration Policy' for Non-Executive Directors remuneration which is available on the Company's website at https://www.hul.co.in/investor-relations/corporate-governance/. As per the Differential Remuneration Policy, Non-Executive Independent Directors are entitled to fixed commission on profits at the rate of ₹ 15 lakhs for each financial year. In addition, Non-Executive Independent Directors are entitled to a remuneration linked to their attendance at the meetings of the Board or Committees thereof and also on the basis of their position in various Committees of the Board, whether that of a Chairman or a Member of the Committee(s). The remuneration payable to the Independent Directors under the Differential Remuneration Policy is within the overall limit of ₹ 300 lakhs, as approved by the Members at the Annual General Meeting held on 29th June, 2015. The criteria adopted by the Company for Differential Remuneration Policy is as under:

(₹ lakhs)

| Particulars | Commission (p.a.) |
|---|---|
| **Fixed Commission:** | |
| Base Fixed Commission for Independent Directors | 15.00 |
| **Additional Variable Commission:** | |
| Corresponding to the percentage of attendance at all the Board and Committee Meeting(s) | 5.00 |
| In the capacity of Chairperson of the Committee(s)* | 2.00 |
| In the capacity of Member of the Committee(s)* | 1.00 |

*Committee includes Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee and Corporate Social Responsibility Committee.

The Non-Executive Directors, who continuously serve minimum two terms of five years each, are also entitled to one time commission of ₹ 10 lakhs at the time of stepping down from the Board.

During the year, there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors apart from sitting fees and commission. The Company has not granted any stock options to any of its Non-Executive Independent Directors.

The details of remuneration paid, stock options and conditional grants made to Executive Directors and remuneration paid to Non-Executive Directors for the financial year ended 31st March, 2020 are provided hereinafter:

## Details of Remuneration to the Executive Directors

(₹ lakhs)

| Name | Salary and Allowances | Bonus | Perquisites | Contribution to Provident Fund | Pension | Consultancy Fees | Total |
|---|---|---|---|---|---|---|---|
| Sanjiv Mehta | 1,246 | 331 | 320 | 45 | - | - | 1,942 |
| Srinivas Phatak | 244 | 141 | 78 | 28 | 17 | - | 508 |
| Pradeep Banerjee* | - | - | - | - | - | 569# | 569 |
| Dev Bajpai | 246 | 130 | 129 | 28 | 18 | - | 551 |
| Wilhelmus Uijen** | 130 | 20 | 21 | 8 | - | - | 179 |

*Mr. Pradeep Banerjee ceased to be a Whole-time Director w.e.f. 31st December, 2019.

**Mr. Wilhelmus Uijen was appointed as a Whole-time Director w.e.f. 1st January, 2020.

#Consultancy fees paid to Pradeep Banerjee Associates LLP.

## Details of Conditional Grants of Performance Shares made to the Executive Directors

| Name | Performance Shares outstanding as at 31st March, 2019 | Performance Shares exercised during the year | Grant under Performance Share Scheme during the year | Performance Shares balance as at 31st March, 2020 |
|---|---|---|---|---|
| Pradeep Banerjee* | 3,254 | 2,422 | - | 832 |
| Dev Bajpai | 3,838 | 3,362 | - | 476 |

* Mr. Pradeep Banerjee ceased to be a Whole-time Director w.e.f. 31st December, 2019.

## Details of Remuneration to the Non-Executive Independent Directors

(₹ lakhs)

| Name | Sitting Fees* | Commission# | Total |
|---|---|---|---|
| Aditya Narayan | 5.40 | 23.74 | 29.14 |
| O. P. Bhatt | 6.30 | 26.00 | 32.30 |
| S. Ramadorai^ | 0.60 | 6.50 | 7.10 |
| Sanjiv Misra | 5.70 | 23.50 | 29.20 |
| Kalpana Morparia | 2.40 | 21.00 | 23.40 |
| Leo Puri | 5.10 | 22.00 | 27.10 |
| Ashish Gupta$ | 0.30 | 7.50 | 7.80 |

*Includes sitting fees paid for the Board and Committee Meetings.

#The Commission for the financial year ended 31st March, 2020 as per the Differential Remuneration Policy will be paid to Independent Directors, subject to deduction of tax, after adoption of financial statements by the Members at the AGM to be held on Tuesday, 30th June, 2020.

^Mr. S. Ramadorai, ceased to be a Non-Executive Independent Director of the Company w.e.f. 29th June, 2019.

$Dr. Ashish Gupta was appointed as an Independent Director w.e.f. 31st January, 2020.

## Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) Committee comprises Mr. O. P. Bhatt as the Chairman and Mr. Aditya Narayan, Dr. Sanjiv Misra, Ms. Kalpana Morparia, Mr. Sanjiv Mehta and Mr. Srinivas Phatak as the members of the Committee.

The role of CSR Committee includes formulating and recommending to the Board the CSR Policy and activities to be undertaken by the Company, recommending the amount of expenditure to be incurred on CSR activities of the Company, reviewing the performance of Company in the areas of CSR.

The detailed terms of reference of the Corporate Social Responsibility Committee is contained with the 'Corporate Governance Code' which is available on the website of the Company at https://www.hul.co.in/investor-relations/corporate-governance/.

During the financial year ended 31st March, 2020, the Committee had recommended to the Board to approve the amendments to its CSR Policy to include the initiatives as per Schedule VII of the Act.

During the financial year ended 31st March, 2020, the Committee met twice on 3rd May, 2019 and 31st January, 2020. During the year, the Committee also transacted some of the business under its terms of reference by passing resolution by circulation.

## Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee comprises Mr. O. P. Bhatt, Independent Director as the Chairman and Mr. Sanjiv Mehta and Mr. Srinivas Phatak, as Members of the Committee.

The role of Stakeholders' Relationship Committee includes resolving the grievances of shareholders, ensuring expeditious share transfer process in line with the proceedings of the Share Transfer Committee, evaluating performance and service standards of the Registrar and Share Transfer Agent of the Company.

The detailed terms of reference of the Stakeholders' Relationship Committee is contained in the 'Corporate Governance Code' which is available on the website of the Company at https://www.hul.co.in/investor-relations/corporate-governance/.

The Committee has periodic interactions with the representatives of the Registrar and Transfer Agent of the Company. The SEBI, the capital market regulator had issued guidelines and undertook a number of measures for raising Industry standards for Registrar and Transfer Agent to facilitate effective shareholder service. In order to ensure this compliance, the Company had invited the Registrar and Transfer Agent to join the Committee meeting to share the actions taken on the same.

During the financial year ended 31st March, 2020, the Committee met twice on 3rd May, 2019 and 14th October, 2019.

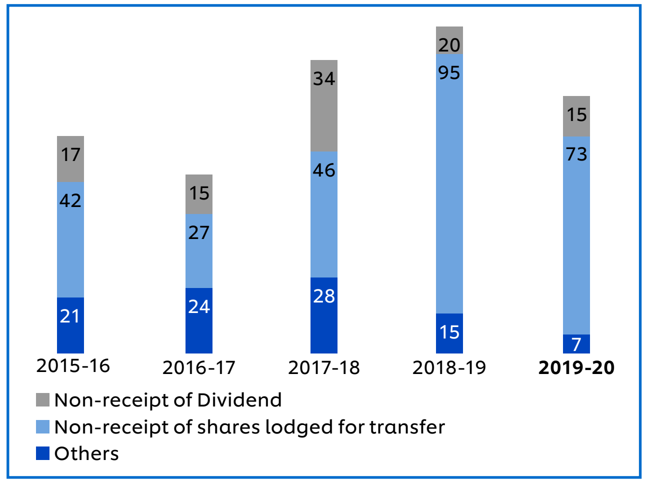
## Details of Shareholders' / Investors' Complaints

Mr. Dev Bajpai, Executive Director, Legal & Corporate Affairs and Company Secretary, is the Compliance Officer for resolution of Shareholders' / Investors' complaints. During the financial year ended 31st March, 2020, 95 complaints were received from the shareholders. All complaints have been redressed to the satisfaction of the shareholders and none of them were pending as on 31st March, 2020.

# Corporate Governance (continued)

| Particulars | Complaints Received | Complaints Redressed |
|---|---|---|
| Non-Receipt of Dividend | 15 | 15 |
| Non-Receipt of Shares lodged for Transfer | 73 | 73 |
| Others (e.g. non-receipt of Annual Report) | 7 | 7 |
| **Total** | **95** | **95** |

Trend of Complaints Received During Last 5 Years:




## Risk Management Committee

The Risk Management Committee of the Company comprises Mr. Sanjiv Mehta as the Chairman and Mr. Srinivas Phatak, Mr. Wilhelmus Uijen, Mr. Dev Bajpai and Ms. Suman Hegde, Group Controller as Members of the Committee. Mr. Wilhelmus Uijen was appointed as a member of the Committee with effect from 1st January, 2020 succeeding Mr. Pradeep Banerjee. Ms. Suman Hegde ceased to be the Member of the Committee with effect from 1st May, 2020 and was succeeded by Mr. Amit Sood as the Group Controller.

The role of Risk Management Committee includes the implementation of Risk Management Systems and Framework, review the Company's financial and risk management policies, assess risk and procedures to minimise the same.

The detailed terms of reference of the Risk Management Committee is contained in the 'Corporate Governance Code' which is available on the website of the Company at https://www.hul.co.in/investor-relations/corporate-governance/.

During the financial year ended 31st March, 2020, the Risk Management Committee met once on 11th December, 2019 for reviewing the Company level risks and mitigation plans and actions.

## Share Transfer / Transmission Committee

The Share Transfer / Transmission Committee has been formed to look into share transfer and related applications received from Shareholders, with a view to accelerate the transfer procedures. The Committee comprises three Executive Directors of the Board. The Committee *inter-alia* considers applications for transfer, transmission, split, consolidation of share certificates and cancellation of any share certificate in compliance with the provisions in this regard. As per Regulation 40 of Listing Regulations, as amended, shares of the Company can be transferred only in dematerialised form with effect from, 1st April, 2019, except in case of request received for transmission or transposition of securities. The Committee is authorised to sign, seal or issue any new share certificate as a result of transfer, consolidation, splitting or in lieu of share certificates lost, defaced or destroyed. The Committee meets generally on a weekly basis to ensure that share transfers, and other related requests are registered and returned within a period of 15 days from the date of receipt, provided the documents are complete in all respects.

### Committee for Allotment of Shares under ESOPs

The Committee for Allotment of Shares under ESOPs has been constituted for approval, issue and allotment of shares under ESOP Schemes. The Committee comprises three Executive Directors of the Board and is constituted to expedite the process of allotment and issue of eligible shares to the employees under the Stock Option Plan of the Company.

## Other Functional Committees

Apart from the above statutory Committees, the Board of Directors has constituted the following Functional Committees to raise the level of governance and also to meet the specific business needs.

### Administrative Matters Committee

The Administrative Matters Committee has been set up to oversee routine operations that arise in the normal course of the business, such as decision on banking relations, delegation of operational powers, appointment of nominees under statutes, etc. The Committee comprises three Executive Directors of the Board. The Committee reports to the Board and the minutes of these meetings are placed before the Board for information.

### Committee for approving Disposal of Surplus Assets

The Committee for approving Disposal of Surplus Assets has been set up and entrusted with the responsibility of identifying the surplus assets of the Company and to authorise sale and disposal of such surplus property. The Committee is fully authorised to take necessary steps to give effect to sale and transfer of the ownership rights, interest and title in the said property, for and on behalf of the Company. The Committee comprises three Executive Directors of the Board. The Committee reports to the Board and minutes of these meetings are placed before the Board for information.

## Attendance of Directors / Members at Board and Committee Meeting(s)

The following table shows attendance of Directors and Members at the Board and Statutory Committee Meeting(s) for the year ended 31st March, 2020. Attendance is presented as number of meeting(s) attended, (including meetings attended through electronic mode) out of the number of meeting(s) required to be attended.

| Name | Board Meeting | Audit Committee Meeting | Nomination and Remuneration Committee Meeting | Stakeholders' Relationship Committee Meeting | Corporate Social Responsibility Committee Meeting | Risk Management Committee Meeting |
|---|---|---|---|---|---|---|
| Sanjiv Mehta | 6 of 6^ | - | 4 of 4 | 2 of 2 | 2 of 2 | 1 of 1^ |
| Srinivas Phatak | 6 of 6 | - | - | 2 of 2 | 2 of 2 | 1 of 1 |
| Pradeep Banerjee* | 4 of 4 | - | - | - | - | 1 of 1 |
| Dev Bajpai | 6 of 6 | - | - | - | - | 1 of 1 |
| Wilhelmus Uijen** | 2 of 2 | - | - | - | - | - |
| Aditya Narayan | 6 of 6 | 6 of 7^ | 4 of 4 | - | 2 of 2 | - |
| S. Ramadorai$ | 1 of 2 | 1 of 2 | 0 of 1 | - | - | - |
| O. P. Bhatt | 6 of 6 | 7 of 7 | 4 of 4 | 2 of 2^ | 2 of 2^ | - |
| Sanjiv Misra | 6 of 6 | 7 of 7 | 4 of 4^ | - | 2 of 2 | - |
| Kalpana Morparia | 6 of 6 | - | - | - | 2 of 2 | - |
| Leo Puri | 6 of 6 | 7 of 7 | 4 of 4 | - | - | - |
| Ashish Gupta## | 1 of 1 | - | - | - | - | - |
| Suman Hegde | - | - | - | - | - | 1 of 1 |

^Chairman

*Mr. Pradeep Banerjee ceased to be a Whole-time Director w.e.f. 31st December, 2019.

$Mr. S. Ramadorai ceased to be an Independent Director w.e.f. 29th June, 2019.

**Mr. Wilhelmus Uijen was appointed as a Whole-time Director w.e.f. 1st January, 2020.

##Dr. Ashish Gupta was appointed as an Independent Director of the Company w.e.f. 31st January, 2020.

The last AGM of the Company held on 29th June, 2019 was attended by all the Members of the Board of Directors except Mr. S. Ramadorai.

## GOVERNANCE OF SUBSIDIARY COMPANIES

The minutes of the Board Meetings of the subsidiary companies along with the details of significant transactions and arrangements entered into by the subsidiary companies are shared with the Board of Directors on a quarterly basis. The financial statements of the subsidiary companies are presented to the Audit Committee. The Company does not have a material subsidiary as on the date of this Report, having a net worth exceeding 10% of the consolidated net worth or income of 10% of the consolidated income of your Company. The information in respect of the loans and advances in the nature of loans to subsidiaries pursuant to Regulation 34 of the Listing Regulations is provided in Notes to the standalone financial statements.

## COMPANY POLICIES

### Code of Business Principles / Whistle Blower Policy

The Code of Business Principles ('the Code') is the Company's statement of values and represents the standard of conduct which all employees are expected to observe in their business endeavours. The Code reflects the Company's commitment to principles of integrity, transparency and fairness. It forms the benchmark against which the world at large is invited to judge the Company's activities. The copy of the Code is available on the website of the Company at https://www.hul.co.in/about/who-we-are/purpose-and-principles/.

The Company has adopted a Whistle Blower Policy, as part of vigil mechanism to provide appropriate avenues to the Directors and employees to bring to the attention of the management any issue which is perceived to be in violation of or in conflict with the Code of the Company.

The Company has provided dedicated e-mail addresses whistleblowing.hul@unilever.com and CoBP.hul@unilever.com for reporting such concerns. Alternatively, employees can also send written communications to the Company. The employees are encouraged to voice their concerns by way of whistle blowing and all the employees have been given access to the Audit Committee. No personnel have been denied access to the Audit Committee pertaining to the Whistle Blower Policy. The Company Secretary is the designated officer for effective implementation of the policy and dealing with the complaints registered under the policy. All cases registered under the Code and the Whistle Blower Policy of the Company, are reported to the Management Committee and are subject to the review of the Audit Committee. The Whistle Blower Policy is available on the website of the Company at https://www.hul.co.in/investor-relations/corporate-governance/.

# Corporate Governance (continued)

Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

The Company is committed to ensuring that all employees work in an environment that not only promotes diversity and equality but also mutual trust, equal opportunity and respect for human rights. The Company is also committed to provide a work environment that ensures every woman employee is treated with dignity, respect and afforded equal treatment.

The Company has formulated a Policy on prevention of Sexual Harassment in accordance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder which is aimed at providing every woman at the workplace a safe, secure and dignified work environment.

Your Company has constituted Internal Committees (IC). While maintaining the highest governance norms, the Company has appointed external independent persons who work in this area and have the requisite experience in handling such matters, as Chairpersons of each of the Committees.

| | |
|---|---|
| Number of Complaints filed during the FY 2019-20 | 3 |
| Number of Complaints disposed off during the FY 2019-20 | 2 |
| Number of Complaints pending as on 31st March, 2020 | 1 |

The Complaints which were pending as on 31st March, 2020 were disposed off at the time of adoption of this Report by Board. The Company endeavours to complete the inquiry process within the stipulated period of 90 days.

## Policy on Avoiding Conflict of Interest

The Board of Directors are responsible for ensuring that rules are in place to avoid conflict of interest by the Board Members and the Management Committee. The Board has adopted the Code of Conduct for the Members of the Board and Senior Management Team. The Code provides that the Directors are required to avoid any interest in contracts entered into by the Company. If such an interest exists, they are required to make adequate disclosure to the Board and to abstain from discussion, voting or otherwise influencing the decision on any matter in which the concerned Director has or may have such interest. The Code also restricts Directors from accepting any gifts or incentives in their capacity as a Director of the Company, except what is duly authorised under the Company's Gift Policy. The Members of the Board and the Management Committee annually confirm the compliance of the Code of Conduct to the Board. The Code of Conduct is in addition to the Code of the Company. A copy of the said Code of Conduct is available on the website of the Company at https://www.hul.co.in/investor-relations/corporate-governance/. In addition, Members of the Board and Management Committee also submit, on an annual basis, the details of individuals to whom they are related and entities in which they hold interest and such disclosures are placed before the Board.

The Members of the Board inform the Company of any change in their Directorship(s), Chairmanship(s) / Membership(s) of the Committees, in accordance with the requirements of the Act and Listing Regulations. Transactions with any of the entities referred above are placed before the Board for approval. Details of all Related Party Transactions are placed before the Audit Committee on quarterly basis.

## Policy on dealing with Related Party Transactions

The Company has not entered into any Material Related Party Transaction during the year. In line with requirements of the Act and Listing Regulations, your Company has formulated a Policy on Related Party Transactions which is available on the website of the Company at https://www.hul.co.in/investor-relations/corporate-governance/.

The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties.

This policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions. All Related Party Transactions are placed before the Audit Committee for review and approval. Prior omnibus approval is obtained for Related Party Transactions on a quarterly basis for transactions which are of repetitive nature and / or entered in the ordinary course of business and are at arm's length. All Related Party Transactions entered during the year were in ordinary course of business and on arm's length basis. No Material Related Party Transactions, i.e. transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements, were entered during the year by your Company.

During the year the Board of Directors had adopted the updated Related Party Transaction Policy.

## Policy on Material Subsidiary

The Company has adopted a Policy on Material Subsidiary in line with the requirements of the Listing Regulations. The objective of this policy is to lay down criteria for identification and dealing with material subsidiaries and to formulate a governance framework for subsidiaries of the Company. The policy on Material Subsidiary is available on the website of the Company at https://www.hul.co.in/investor-relations/corporate-governance/.

## Policy on Dividend Distribution

The Board of Directors have adopted Dividend Distribution Policy in terms of the requirements of Listing Regulations. The Policy is available on the website of the Company at https://www.hul.co.in/investor-relations/corporate-governance/. The Dividend Distribution Policy forms a part of this Report.

## Share Dealing Code

The Company has instituted a mechanism to avoid Insider Trading and abusive self-dealing in the securities of the Company. In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ('SEBI PIT Regulations'), the Company has established systems and procedures to prohibit insider trading activity and has framed a Share Dealing Code. The Share Dealing Code of the Company prohibits the Directors of the Company and other specified employees dealing in the securities of the Company on the basis of any Unpublished Price Sensitive Information (UPSI), available to them by virtue of their position in the Company. The objective of this Share Dealing Code is to prevent misuse of any UPSI and prohibit any insider trading activity, in order to protect the interest of the shareholders at large. The Board of Directors of the Company have adopted the Share Dealing Code and formulated the Code of Practices and Procedures for Fair Disclosure in terms of the requirements of SEBI PIT Regulations. The details of dealing in Company's shares by Specified Employees (which include members of the Management Committee and Directors) are placed before the Board for information on quarterly basis. The Share Dealing Code also prescribes sanction framework and any instance of breach of Share Dealing Code is dealt with in accordance with the same. A copy of the Share Dealing Code of the Company is made available to all employees of the Company and compliance of the same is ensured.

The Share Dealing Code is available on the website of the Company at https://www.hul.co.in/investor-relations/corporate-governance/dealing-in-hul-shares/index.html.

## AFFIRMATION AND DISCLOSURE

All the Members of the Board and the Management Committee have affirmed their compliance with the Code of Conduct as on 31st March, 2020 and a declaration to that effect, signed by the Chairman and Managing Director, is attached and forms part of this Report.

The Members of the Management Committee have made disclosure to the Board of Directors relating to transactions with potential conflict of interest with the Company. There were no material, financial or commercial transaction, between the Company and Members of the Management Committee that may have a potential conflict with the interest of the Company at large.

All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board and the interested Directors neither participate in the discussion nor vote on such matters.

The Company has complied with the requirements specified in Regulations 17 to 27 and clauses (b) to (i) of the Regulation 46(2) of the Listing Regulations.

No funds were raised through preferential allotment or Qualified Institutional Placement as per the Regulation 32(7A) of Listing Regulations.

## Disclosure on Website

Following information has been disseminated on the website of the Company at www.hul.co.in;

1. Details of business of the Company;
2. Terms and conditions of appointment of Independent Directors;
3. Composition of various Committees of Board of Directors;
4. Code of Conduct for Board of Directors and Senior Management Personnel;
5. Details of establishment of vigil mechanism / Whistle Blower policy;
6. Criteria of making payments to Non-Executive Directors;
7. Policy on dealing with Related Party Transactions;
8. Policy for Determining Material Subsidiaries;
9. Details of Familiarisation Programmes imparted to Independent Directors;
10. Policy for Determination of Materiality of Events;
11. Policy for Dividend Distribution.

## Fees paid to Auditors

The total fees for all services paid by your Company and its Subsidiaries to M/s. B S R & Co. LLP, Chartered Accountants, Statutory Auditors and all the entities in the network firm / network entity of which Statutory Auditors is a part during the financial year 2019-20 is ₹ 3.57 crores and estimated fees to be paid for the financial year 2020-21 shall be ₹ 4.89 crores.

## Disclosure of Pending Cases / Instances of Non-Compliance

There were no non-compliances by the Company and no instances of penalties and strictures imposed on the Company by the Stock Exchanges or SEBI or any other Statutory Authority on any matter related to the capital market during the last three years.

The Company has been impleaded in certain legal cases related to disputes over title to shares arising in the ordinary course of share transfer operations. However, none of these cases are material in nature, which may lead to material loss or expenditure to the Company.

## Commodity Price Risk / Foreign Exchange Risk and Hedging Activities

1. Risk Management Policy of the Company with respect to the Commodities and Forex:

   Commodities form a major part of the raw materials required for Company's products portfolio and hence commodity price risk is one of the important market risks for the Company. The commodities are priced using pricing benchmarks and commodity derivatives are priced using exchange-traded pricing benchmarks. Your Company has a robust framework and governance mechanism in place to ensure that the organisation is adequately protected from the market volatility in terms of price and availability.

   The Commodity Risk Management (CRM) team of Unilever, based on intelligence and monitoring, forecasts commodity prices and movements and advises the Procurement team on cover strategy. A robust planning and strategy ensure that Company's interests are protected despite volatility in commodity prices.

   Your Company has managed the foreign exchange risk with appropriate hedging activities in accordance with policies of the Company. The aim of the Company's approach to manage currency risk is to leave the Company with the no material

# Corporate Governance (continued)

residual risk. The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to firm commitment. Foreign exchange transactions are covered with strict limits placed on the amount of uncovered exposure, if any, at any point in time. There are no materially uncovered exchange rate risks in the context of the Company's imports and exports. The Company does not enter into any derivative instruments for trading or speculative purposes. The details of foreign exchange exposures as on 31st March, 2020 are disclosed in Notes to the standalone financial statements.

2. Exposure of the Company to various commodities:

| Commodity Name | Exposure towards the particular commodity (LABSA) ₹ in crores | Exposure in Quantity terms towards the particular commodity | % of such exposure hedged through commodity derivatives | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | UOM | Domestic Market | | International Market | | Total |
| | | | | OTC | Exchange | OTC | Exchange | |
| Brent | 2,362.06 | 20,02,358.00* | Barrels | - | - | 72% | - | 72% |
| Kero Crack | | | | | | | | |
| Kerosene | | | | | | | | |
| Benzene | | 99,672.54 | Metric Tonnes | - | - | 15% | - | 15% |
| Fuel Oil | | 22,923.94 | Metric Tonnes | - | - | 11% | - | 11% |

*Quantity Derived basis Labsa volumes and formulation

## Compliance with the Discretionary Requirements under the Listing Regulations

The Board of Directors periodically reviewed the compliance of all applicable laws and steps taken by the Company to rectify instances of non-compliance, if any. The Company is in compliance with all mandatory requirements of Listing Regulations. In addition, the Company has also adopted the following non-mandatory requirements to the extent mentioned below:

- **Shareholders' rights:** The quarterly results along with the press release are uploaded on the website of the Company at https://www.hul.co.in/investor-relations/quarterly-results/. The soft copy of the quarterly results is also sent to the shareholders who have registered their e-mail addresses.
- **Audit qualifications:** Company's financial statements are unqualified.
- **Reporting of Internal Auditor:** The Internal Auditor of the Company directly reports to the Audit Committee on functional matters.

The Company has submitted quarterly compliance report on Corporate Governance with the Stock Exchanges, in accordance with the requirements of Regulation 27(2)(a) of the Listing Regulations.

## Secretarial Audit Report

The Company has undertaken Secretarial Audit for the financial year 2019-20 which, *inter-alia*, includes audit of compliance with the Act, and the Rules made under the Act, Listing Regulations and applicable Regulations prescribed by the SEBI and Foreign Exchange Management Act, 1999 and Secretarial Standards issued by the Institute of the Company Secretaries of India. The Secretarial Audit Report forms part of this Annual Report.

## Annual Secretarial Compliance Report

The Company has undertaken an audit for the financial year 2019-20 for all applicable compliances as per SEBI Regulations and Circulars / Guidelines issued thereunder.

The Annual Secretarial Compliance Report has been submitted to the stock exchanges within 60 days of the end of the financial year.

## Corporate Governance Code Audit

The Board of Directors has adopted 'Corporate Governance Code' as amended from time-to-time for the Company which is a statement of practices and procedures to be followed by the Company. The Corporate Governance Code is being updated from time-to-time as per the Governance requirements. The updated copy of the Corporate Governance Code is available on Company's website at https://www.hul.co.in/investor-relations/corporate-governance/.

The Company had appointed M/s. S. N. Ananthasubramanian & Co., Company Secretaries as the Auditor for the audit of the practices and procedures followed by the Company under the Code. The Company has received the Corporate Governance Audit Report for the financial year 2019-20.

## SHAREHOLDER INFORMATION

### General Body Meetings

Details of last three Annual General Meetings and the summary of Special Resolutions passed therein are as under:

| Financial Year ended | Date and Time | Venue | Special resolution passed |
|---|---|---|---|
| 31st March, 2017 | 30th June, 2017 3.30 p.m. | Unilever House, B. D. Sawant Marg, Chakala, Andheri (E), Mumbai – 400 099 | • Increase in overall limit of remuneration payable to Executive Directors |
| 31st March, 2018 | 29th June, 2018 2.30 p.m. | Same as above | • No special resolutions were passed in this meeting |
| 31st March, 2019 | 29th June, 2019 2.30 p.m. | Same as above | • Increase in overall limits of Remuneration for Managing / Whole-time Director(s).<br>• Re-appointment of Mr. Aditya Narayan as an Independent Director for a second term.<br>• Re-appointment of Mr. O. P. Bhatt as an Independent Director for a second term.<br>• Re-appointment of Dr. Sanjiv Misra as an Independent Director for a second term.<br>• Continuation of term of Dr. Sanjiv Misra on attaining age of 75 years.<br>• Re-appointment of Ms. Kalpana Morparia as an Independent Director for a second term.<br>• Continuation of term of Ms. Kalpana Morparia on attaining age of 75 years. |

No Special Resolution was passed by the Company last year through Postal Ballot. No special resolution is proposed to be conducted through Postal Ballot as on the date of this Report.

### Annual General Meeting for the FY 2019-20

| | |
|---|---|
| Date | 30th June, 2020 |
| Venue | Annual General Meeting through Video Conferencing / Other Audio Visual Means facility [Deemed Venue for Meeting: Registered Office: Unilever House, B. D. Sawant Marg, Chakala, Andheri East, Mumbai - 400 099] |
| Time | 3.00 p.m. |
| Book Closure Dates for Final Dividend | Tuesday, 23rd June, 2020 to Tuesday, 30th June, 2020 (both days inclusive) |

### Calendar of financial year ended 31st March, 2020

The Company follows April-March as the Financial Year. The meetings of Board of Directors for approval of quarterly financial results during the financial year ended 31st March, 2020 were held on the following dates:

| | |
|---|---|
| First Quarter Results | 23rd July, 2019 |
| Second Quarter and Half yearly Results | 14th October, 2019 |
| Third Quarter Results | 31st January, 2020 |
| Fourth Quarter and Annual Results | 30th April, 2020 |

### Tentative Calendar for financial year ending 31st March, 2021

The tentative dates of meeting of Board of Directors for consideration of quarterly financial results for the financial year ending 31st March, 2021 are as follows:

| | |
|---|---|
| First Quarter Results | 21st July, 2020 |
| Second Quarter and Half yearly Results | 20th October, 2020 |
| Third Quarter Results | 29th January, 2021 |
| Fourth Quarter and Annual Results | 30th April, 2021 |

### Dividend

The Board of Directors at their meeting held on 30th April, 2020, recommended a Final Dividend of ₹ 14/- per equity share of face value of ₹ 1/- each, for the financial year ended 31st March, 2020. Together with the Interim Dividend of ₹ 11/- per equity share paid on 5th November, 2019, the total dividend for the year works out to ₹ 25/- per equity share of face value of ₹ 1/- each. Final Dividend, if approved by Members, will be paid on or after Friday 3rd July, 2020. For information related to dividend payout, please refer page nos. 222 to 223 of this Report.

#### Unpaid / Unclaimed Dividends

In accordance with the provisions of Sections 124 and 125 of the Act and Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules') dividends not encashed / claimed within seven years from the date of declaration are to be transferred to the Investor Education and Protection Fund ('IEPF') Authority.

The IEPF Rules mandate Companies to transfer shares of Members whose dividends remain unpaid / unclaimed for a continuous period of seven years to the demat account of IEPF Authority. The

# Corporate Governance (continued)

Members whose dividend / shares are transferred to the IEPF Authority can claim their shares / dividend from the Authority. In accordance with the said IEPF Rules and its amendments, the Company had sent notices to all the Shareholders whose shares were due to be transferred to the IEPF Authority and simultaneously published newspaper advertisement.

In terms of the provisions of Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 / Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, ₹ 13.83 crores of unpaid / unclaimed dividends and 8,98,820 shares were transferred during the financial year 2019-20 to the IEPF.

The Company has appointed a Nodal Officer and Deputy Nodal Officer under the provisions of IEPF, the details of which are available on the website of the Company at https://www.hul.co.in/investor-relations/unclaimed-and-unpaid-dividends/.

The Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 29th June, 2019 (date of last AGM) on the Company's website at https://www.hul.co.in/investor-relations/unclaimed-and-unpaid-dividends/ and on the website of the Ministry of Corporate Affairs at www.iepf.gov.in/. The details of unpaid and unclaimed amounts lying with the Company as on 31st March, 2020 shall be updated on or before 30th September, 2020.

## Details of Demat / Unclaimed Suspense Account

The Company does not have any shares in the demat suspense account or unclaimed suspense account.

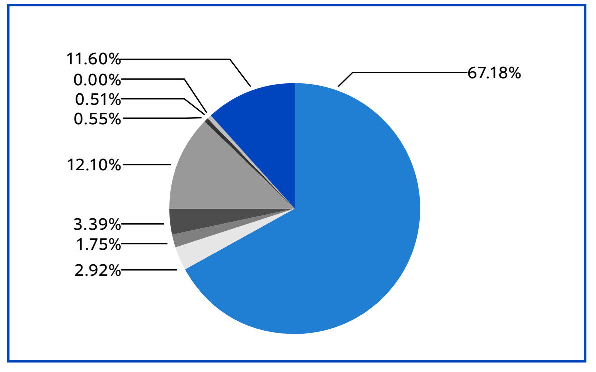
## Distribution of Shareholding as on 31st March, 2020

| | Shareholders | | Shares | |
|---|---|---|---|---|
| **Holding** | **Number** | **%** | **Number** | **%** |
| 1 – 5000 | 4,47,484 | 97.45 | 12,78,69,884 | 5.91 |
| 5001 – 10000 | 6,411 | 1.40 | 4,50,82,565 | 2.08 |
| 10001 – 20000 | 3,005 | 0.65 | 4,15,00,716 | 1.92 |
| 20001 – 30000 | 806 | 0.17 | 1,96,22,290 | 0.91 |
| 30001 – 40000 | 350 | 0.08 | 1,20,03,397 | 0.55 |
| 40001 – 50000 | 184 | 0.04 | 81,89,423 | 0.38 |
| 50001 – 100000 | 365 | 0.08 | 2,60,62,308 | 1.20 |
| 100001 and above | 577 | 0.13 | 1,88,45,13,604 | 87.05 |
| **TOTAL** | **4,59,182** | **100.00** | **2,16,48,44,187** | **100.00** |

## Categories of Shareholders as on 31st March, 2020

| Category | No. of Folios | Shares | % |
|---|---|---|---|
| Unilever and its Associates | 7 | 1,45,44,12,858 | 67.18 |
| Mutual Funds & Unit Trust of India | 370 | 6,31,35,771 | 2.92 |
| Financial Institutions / Banks | 219 | 3,78,75,241 | 1.75 |
| Insurance Companies | 18 | 7,33,09,249 | 3.39 |
| Foreign Portfolio Investors | 1,241 | 26,19,38,908 | 12.10 |
| Bodies Corporate | 2,708 | 1,19,76,987 | 0.55 |
| NRIs / Foreign Bodies Corporate / Foreign Nationals | 11,934 | 1,09,73,076 | 0.51 |
| Directors and their Relatives | 4 | 59,397 | 0.00 |
| Resident Individuals & Others | 4,42,681 | 25,11,62,700 | 11.60 |
| **Total** | **4,59,182** | **2,16,48,44,187** | **100.00** |

### Categories of Shareholders




## Bifurcation of shares held in physical and demat form as on 31st March, 2020

| Particulars | No. of Shares | % |
|---|---|---|
| Physical Segment | 2,83,69,592 | 1.31 |
| Demat Segment | | |
| NSDL (A) | 2,09,93,29,410 | 96.97 |
| CDSL (B) | 3,71,45,185 | 1.72 |
| **Total (A+B)** | **2,13,64,74,595*** | **98.69** |
| **Total** | **2,16,48,44,187** | **100.00** |

*includes shares held by Unilever PLC and its Affiliates representing 67.18% of the total shareholding. There are no outstanding GDRs / ADRs / Warrants / Convertible Instruments of the Company.

## Listing Details

| Name and Address of Stock Exchange | Stock Code |
|---|---|
| **BSE Limited (BSE)**<br>Floor 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. | 500696 |
| **National Stock Exchange of India Limited (NSE)**<br>Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051. | HINDUNILVR |
| **ISIN** | INE030A01027 |

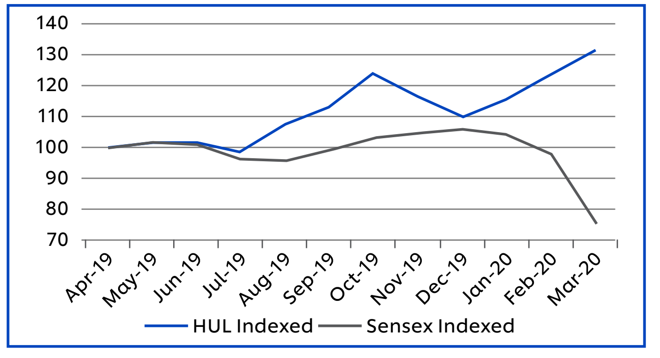
The listing fee for the financial year 2019-20 has been paid to the above Stock Exchanges.

## Share Price Data

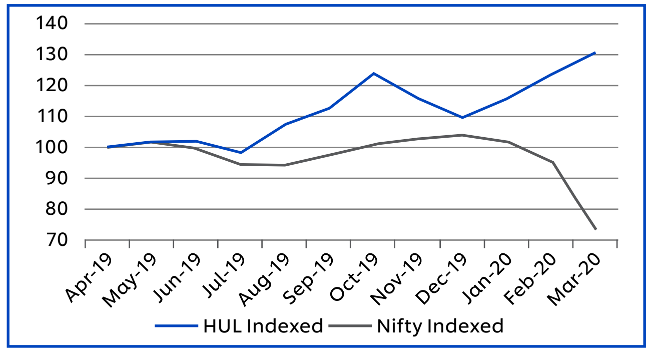
The monthly high and low prices and volumes of shares of the Company at BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE) for the year ended 31st March, 2020 are as under:

| | BSE | | | NSE | | |
|---|---|---|---|---|---|---|
| **Month** | **High** | **Low** | **Volume** | **High** | **Low** | **Volume** |
| Apr-19 | 1,762.00 | 1,649.70 | 16,01,522 | 1,762.60 | 1,650.00 | 2,49,65,883 |
| May-19 | 1,803.00 | 1,657.00 | 17,95,505 | 1,804.90 | 1,656.00 | 3,07,66,512 |
| Jun-19 | 1,864.45 | 1,746.00 | 12,86,328 | 1,864.95 | 1,745.00 | 1,84,31,418 |
| Jul-19 | 1,815.60 | 1,660.00 | 12,18,180 | 1,816.00 | 1,659.05 | 2,47,24,545 |
| Aug-19 | 1,888.95 | 1,706.95 | 14,84,175 | 1,889.00 | 1,706.00 | 3,47,42,131 |
| Sep-19 | 2,101.50 | 1,793.05 | 17,08,061 | 2,100.65 | 1,793.60 | 3,17,11,263 |
| Oct-19 | 2,187.00 | 1,928.30 | 17,62,800 | 2,187.25 | 1,927.65 | 3,34,85,116 |
| Nov-19 | 2,186.00 | 2,008.35 | 13,71,500 | 2,190.00 | 2,008.00 | 2,75,43,118 |
| Dec-19 | 2,062.00 | 1,908.05 | 13,82,551 | 2,062.00 | 1,907.35 | 2,84,61,256 |
| Jan-20 | 2,085.00 | 1,907.00 | 14,55,642 | 2,085.80 | 1,906.45 | 2,65,57,525 |
| Feb-20 | 2,307.20 | 2,032.20 | 16,50,277 | 2,308.20 | 2,030.05 | 4,22,32,601 |
| Mar-20 | 2,311.85 | 1,756.00 | 20,81,833 | 2,313.00 | 1,757.30 | 6,74,00,875 |

### BSE SENSEX VS HUL SHARE PRICE (INDEXED)




### NSE NIFTY VS HUL SHARE PRICE (INDEXED)



# Corporate Governance (continued)

## 10 - year Performance of Hindustan Unilever Share vis-à-vis Sensex and Nifty

| Date of Purchase | HUL Share Price on BSE | HUL Share Performance | BSE Sensex | Sensex Performance | HUL Share Price on NSE | HUL Share Performance | NSE Nifty | Nifty Performance |
|---|---|---|---|---|---|---|---|---|
| 31-03-2011 | 284.60 | 708% | 19,445.22 | 52% | 284.90 | 707% | 5,833.75 | 47% |
| 30-03-2012 | 409.90 | 461% | 17,404.20 | 69% | 410.05 | 461% | 5,295.55 | 62% |
| 28-03-2013 | 466.10 | 393% | 18,835.77 | 56% | 466.95 | 392% | 5,682.55 | 51% |
| 31-03-2014 | 603.65 | 281% | 22,386.27 | 32% | 605.55 | 280% | 6,704.20 | 28% |
| 31-03-2015 | 872.90 | 163% | 27,957.49 | 5% | 873.55 | 163% | 8,491.00 | 1% |
| 31-03-2016 | 869.50 | 164% | 25,341.86 | 16% | 869.50 | 164% | 7,738.40 | 11% |
| 31-03-2017 | 909.75 | 153% | 29,620.50 | -1% | 911.75 | 152% | 9,173.75 | -6% |
| 28-03-2018 | 1,335.90 | 72% | 32,968.68 | -11% | 1333.35 | 72% | 10,113.70 | -15% |
| 29-03-2019 | 1,707.80 | 35% | 38,672.91 | -24% | 1706.80 | 35% | 11,623.90 | -26% |
| 31-03-2020 | 2,298.15 | | 29,468.49 | | 2298.50 | | 8,597.75 | |

Source: BSE and NSE Website

All comparisons are with respect to 31st March, 2020 (the reference date).

## Market Capitalisation

The Market Capitalisation of the Company based on year-end closing prices quoted in the BSE Limited is given below:


## Mergers and Demergers

The details of Mergers and Demergers with Companies and respective share exchange ratios are available on 'Investor Centre' page on the website of the Company at www.hul.co.in.

## Plant Locations

The details of Plant Locations is provided at page no. 217 of this Report.

## Credit Ratings

CRISIL has given the credit rating of CRISIL AAA / Stable for debt instrument / facilities of the Company. The details of Credit Rating is available on the website at https://www.hul.co.in/investor-relations/corporate-governance/.

## Registrar and Share Transfer Agent

During the year, the name of the Registrar and Share Transfer Agent of the Company was changed from M/s. Karvy Fintech Private Limited to M/s. KFin Technologies Private Limited (KFintech) and shall continue to act as the Registrar and Share Transfer Agent of the Company.

## Share Transfer System

Share transfers are processed and duly endorsed share certificates are dispatched within a period of fifteen days from the date of receipt, subject to documents being valid and complete in all respects. The Board has delegated the authority for approving transfer, transmission, dematerialisation of shares etc. to the Share Transfer / Transmission Committee. A summary of transactions so approved by the committee is placed at the Board Meeting held quarterly. The Company obtains a half-yearly certificate from Practicing Company Secretaries as per the requirement of Regulation 40 (9) of Listing Regulations and the same is filed with the Stock Exchanges and available in the website of the Company. In terms of requirements to amendments to Regulation 40 of Listing Regulations w.e.f. 1st April, 2019, transfer of securities in physical form, except in case of request received for transmission or transposition of securities, shall not be processed unless the securities are held in the dematerialised form with a depository.

## COMMUNICATION TO SHAREHOLDERS

Effective communication of information is an essential component of Corporate Governance. It is a process of sharing information, ideas, thoughts, opinions and plans to all stakeholders which promotes management-shareholder relations. The Company regularly interacts with shareholders through multiple channels of communication such as results announcement, annual report, media releases, Company's website and subject specific communications.

The quarterly, half yearly and annual results of the Company's performance are published in leading newspapers such as Times of India and Maharashtra Times. These results are also made available on the website of the Company at https://www.hul.co.in/investor-relations/quarterly-results/. The website also displays vital information relating to the Company and its performance, official press releases and presentation to analysts. The Company also sends quarterly, half yearly and annual results as well as the notice of the Board Meeting to Members through e-mail.

The Investor Relations page of the Company's website provides more than 50 Frequently Asked Questions on various topics related to transfers and transmissions of shares, dematerialisation, nomination, change of address, loss of share certificates, dividend and sub-division of share certificates. In addition, various downloadable forms required to be executed by the shareholders have also been provided on the website of the Company.

All price sensitive information and matters that are material to shareholders are disclosed to the respective Stock Exchanges where the securities of the Company are listed. The Quarterly Results, Shareholding Pattern and all other corporate communication to the Stock Exchanges are filed through NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre, for dissemination on their respective websites. The stock exchange filings are also made available on the website of the Company at https://www.hul.co.in/investor-relations/shareholder-and-agm-information/.

## Investor Services

### Web-based Query Redressal System

Members may utilise the facility extended by the Registrar and Transfer Agent for redressal of queries, by visiting https://karisma.kfintech.com/ and clicking on 'INVESTORS SERVICES' option for query registration through free identity registration process.

Investors can submit their query in the 'QUERIES' option provided on the above website, which would generate the grievance a registration number. For accessing the status / response to the query submitted, the grievance registration number can be used at the option 'VIEW REPLY' after 24 hours. Investors can continue to put an additional query, if any, relating to the grievance till they get a satisfactory reply.

Investors can provide their feedback on the services provided by the Company and its Registrar and Transfer Agent by filling the Shareholder Satisfaction Survey form available in Investor Relations page on website of the Company at https://www.hul.co.in/investor-relations/faqs-and-forms/.

### Alternative Dispute Redressal

Long pending litigations involve significant investment as monetary value of the disputed shares and accrued dividends / other benefits are locked up unutilised till the dispute is settled. Keeping this in mind, the Company in 2004, pioneered the mechanism of providing an alternate dispute redressal for Shareholders to resolve the shares related disputes pending before the courts / authorities by amicable settlement.

The Company had started this unique initiative of organising Alternative Dispute Redressal meetings wherein aggrieved investors come face to face and get a chance to settle their disputes, some of which were pending for years.

A number of Shareholders have availed the benefit of this process and the Company through its various initiatives keeps exploring the possibilities of settling such issues. The process helps the investors in releasing the locked up investment and save their time consumed in contesting legal proceedings. The objective of this process is to facilitate quick resolution of the dispute between the parties.

The Shareholders who are willing to avail the benefits of Alternative Dispute Redressal Mechanism may approach the Investor Service Department of the Company at the Registered Office of the Company.

### Address for Correspondence

- All Members correspondence should be forwarded to M/s. KFin Technologies Private Limited, the Registrar and Transfer Agent of the Company or to the Investor Service Department at the Registered Office of the Company at the addresses mentioned below.
- The Company's dedicated e-mail address for Investors' Complaints and other communications is levercare.shareholder@unilever.com.
- SEBI vide its circular dated 26th March, 2018 issued new policy measures w.r.t. SEBI Complaints Redress System (SCORES). As per the new process, SEBI has requested the Members to approach the Company directly at the first instance for their grievance.

**KFin Technologies Private Limited**
(Formerly known as Karvy Fintech Private Limited)

**Unit : Hindustan Unilever Limited**
Selenium Tower B, Plot 31-32,
Gachibowli Financial District,
Nanakramguda Hyderabad - 500 032
Phone : +91- 40 - 67161500, 6712222
Fax : +91- 40 - 23431551
Toll Free no.: 1800-345-4001
E-mail: einward.ris@kfintech.com
Website : www.kfintech.com

**Investor Service Department**
Hindustan Unilever Limited
Unilever House,
B. D. Sawant Marg, Chakala,
Andheri (East), Mumbai - 400 099
Phone : +91 - 22 - 50432791 / 50432792
Fax : +91 - 22 - 28249457
E-mail: levercare.shareholder@unilever.com
Website : www.hul.co.in

**Compliance Officer**
Mr. Dev Bajpai
Executive Director, Legal & Corporate Affairs and Company Secretary
E-mail: levercare.shareholder@unilever.com
Phone : +91 - 22 - 50432790 / 32754 / 32789 /33070

# Annexure to the Corporate Governance Report

## Dividend Distribution Policy

### INTRODUCTION

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Company is required to formulate and disclose its Dividend Distribution Policy. Accordingly, the Board of Directors of the Company ('the Board') has approved this Dividend Distribution Policy.

The objective of this Policy is to provide clarity to stakeholders on the dividend distribution framework to be adopted by the Company. The Board of Directors shall recommend dividend in compliance with this Policy, the provisions of the Companies Act, 2013 and Rules made thereunder and other applicable legal provisions.

### DIVIDEND PAYOUT

The Company's Dividend Distribution Policy shall ensure that it returns cash from operations that is more than its immediate and foreseeable needs back to the shareholders over the long-term. Interim dividend is considered for declaration by the Board based on the performance of the Company during the year and final dividend is based on the performance for the full year. The Company shall strive to declare a steady stream of dividends to the shareholders that is in their best long-term interest.

Dividend will be declared out of the current year's Profit after Tax of the Company. In certain circumstances including but not limited to loss after tax in any particular financial year, the Board may consider utilising retained earnings for declaration of dividends, subject to applicable legal provisions.

The actual quantum of dividend pay-out on a yearly basis will be dependent on the following factors:

### Internal Factors:

- Existing and expected underlying financial performance
- Cash flow and liquidity position
- Capital expenditure and investment plans
- Acquisitions and Disposals
- Restructuring activities
- Interim Dividend, if any, already declared during the year and
- Future requirement of funds

### External Factors:

- Macro- economic environment
- Market conditions and consumer trends
- Changes in regulatory requirements
- Shareholder expectations

As such, any amount retained will be utilised for securing the long-term growth objectives of the business including but not limited to

- Issuance of Bonus Shares
- Share Buy Back
- Inorganic growth opportunities, including M&A

as may be approved by the Board of Directors of the Company.

This Policy is issued with the consent of the Board of Directors of the Company and can be amended only with the authority of the Board of Directors.

### DISCLOSURE

This policy (as amended from time to time) will be available on the Company's website at https://www.hul.co.in/investor-relations/corporate-governance/.



# Annexure to Corporate Governance Report

## Certificate by a Company Secretary in Practice

[Pursuant to Regulation 34(3) and Schedule V Para C Clause (10)(i) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,

The Members of
**Hindustan Unilever Limited**
Unilever House, B. D. Sawant Marg,
Chakala, Andheri East Mumbai - 400099

We have examined the following documents:

i) Declaration of non-disqualification as required under Section 164 of Companies Act, 2013 ('the Act');

ii) Disclosure of concern or interests as required under Section 184 of the Act; (hereinafter referred to as 'relevant documents')

as submitted by the Directors of Hindustan Unilever Limited ('the Company') bearing CIN: L15140MH1933PLC002030 and having its registered office at Unilever House, B. D. Sawant Marg, Chakala, Andheri East, Mumbai - 400099, to the Board of Directors of the Company ('the Board') for the financial year 2020-21 and relevant registers, records, forms and returns maintained by the Company and as made available to us for the purpose of issuing this Certificate in accordance with, Regulation 34(3) read with Schedule V Para C Clause 10(i) of SEBI (LODR) Regulations, 2015. We have considered non-disqualification to include non-debarment by Regulatory/ Statutory Authorities.

It is the responsibility of Directors to submit relevant documents with complete and accurate information in accordance with, the provisions of the Act.

Ensuring the eligibility for appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification.

Based on our examination as aforesaid and such other verifications carried out by us as deemed necessary and adequate (including Directors Identification Number (DIN) status at the portal www.mca.gov.in), in our opinion and to the best of our information and knowledge and according to the explanations provided by the Company, its officers and authorised representatives, we hereby certify that none of the Directors on the Board of the Company, as listed hereunder for the financial year ended 31st March, 2020, have been debarred or disqualified from being appointed or continuing as Directors of Companies by Securities and Exchange Board of India / Ministry of Corporate Affairs or any such statutory authority.

| Sr. No. | Name of Director | Director Identification Number (DIN) | Date of Appointment | Date of Cessation |
|---|---|---|---|---|
| 1 | Mr. Sanjiv Mehta | 06699923 | 01-10-2013 | NA |
| 2 | Mr. Srinivas Phatak | 02743340 | 01-12-2017 | NA |
| 3 | Mr. Pradeep Banerjee | 02985965 | 01-03-2010 | 31-12-2019 |
| 4 | Mr. Dev Bajpai | 00050516 | 23-01-2017 | NA |
| 5 | Mr. Wilhelmus Uijen | 08614686 | 01-01-2020 | NA |
| 6 | Mr. Aditya Narayan | 00012084 | 29-06-2001 | NA |
| 7 | Mr. S Ramadorai | 00000002 | 20-05-2002 | 29-06-2019 |
| 8 | Mr. O. P. Bhatt | 00548091 | 20-12-2011 | NA |
| 9 | Dr. Sanjiv Misra | 03075797 | 08-04-2013 | NA |
| 10 | Ms. Kalpana Morparia | 00046081 | 09-10-2014 | NA |
| 11 | Mr. Leo Puri | 01764813 | 12-10-2018 | NA |
| 12 | Dr. Ashish Gupta | 00521511 | 31-01-2020 | NA |

This Certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

This Certificate has been issued at the request of the Company to make disclosure in its Corporate Governance Report of the financial year ended 31st March, 2020.

**For S. N. Ananthasubramanian & Co.**
Company Secretaries
ICSI Unique Code : P1991MH040400

**S. N. Ananthasubramanian**
Partner
FCS : 4206 | COP No.: 1774
Peer Review Cert. No. : 606/2019
ICSI UDIN : F004206B000184364

Thane, 28th April, 2020

# Chief Executive Officer (CEO) & Chief Financial Officer (CFO) Certification

To

The Board of Directors
**Hindustan Unilever Limited**

We, the undersigned, in our respective capacities as Chief Executive Officer and Chief Financial Officer of Hindustan Unilever Limited ("the Company"), to the best of our knowledge and belief certify that:

(a) We have reviewed the financial statements and the cash flow statement for the financial year ended 31st March, 2020 and to the best of our knowledge and belief, we state that:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.

(b) We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) We hereby declare that all the members of the Board of Directors and Management Committee have confirmed compliance with the Code of Conduct as adopted by the Company.

(d) We are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(e) We have indicated, based on our most recent evaluation, wherever applicable, to the Auditors and Audit Committee:

(i) significant changes, if any, in the internal control over financial reporting during the year;

(ii) significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements; and

(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

**Sanjiv Mehta**
Chairman and Managing Director
DIN : 06699923

**Srinivas Phatak**
Executive Director, Finance & IT and Chief Financial Officer
DIN : 02743340

Mumbai, 30th April, 2020

# Certificate of Compliance with the Corporate Governance

## Independent Auditor's Certificate on Compliance with the Corporate Governance Requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To

The Members of
**Hindustan Unilever Limited**

1. This certificate is issued in accordance with the terms of our engagement letter dated 29th July, 2019.

2. This report contains details of compliance of conditions of corporate governance by Hindustan Unilever Limited ('the Company') for the year ended 31st March, 2020 as stipulated in regulations 17 to 27, clause (b) to (i) of regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time ('Listing Regulations') pursuant to the Listing Agreement of the Company with the National Stock Exchange Limited and the Bombay Stock Exchange Limited (collectively referred to as the 'Stock exchanges').

### Management's Responsibility for compliance with the conditions of Listing Regulations

3. The compliance with the terms and conditions contained in the corporate governance is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents.

### Auditor's Responsibility

4. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations for the year ended 31st March, 2020.

6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) (the 'Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### Opinion

8. In our opinion, and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.

9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

### Restriction on use

10. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

**Akeel Master**
Partner
Membership No: 046768
ICAI UDIN : 20046768AAAAHI5591

Mumbai, 30th April, 2020

# Form No. MR – 3 Secretarial Audit Report

## For the Financial Year Ended 31st March, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,
**Hindustan Unilever Limited**
CIN: L15140MH1933PLC002030
Unilever House, B. D. Sawant Marg,
Chakala, Andheri (East), Mumbai – 400099

We have conducted Secretarial Audit of compliance with the applicable statutory provisions and adherence to good corporate practices by **Hindustan Unilever Limited** (hereinafter called 'the Company') for the **financial year ended 31st March, 2020**. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books and papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the **financial year ended 31st March, 2020** complied with statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books and papers, minute books, forms and returns filed and other records maintained by the Company for the **financial year ended 31st March, 2020** according to the provisions of:

(i) The Companies Act, 2013 ('the Act') and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings – **Not applicable for External Commercial Borrowings as there was no reportable event during the financial year under review;**

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 – **Not applicable as there was no reportable event during the financial year under review;**

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 – **Not applicable as the Company as there was no reportable event during the financial year under review;**

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client – **Not applicable as the Company is not registered as Registrar to an Issue and Share Transfer Agent during the financial year under review;**

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – **Not applicable as there was no reportable event during the financial year under review;**

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 – **Not applicable as there was no reportable event during the financial year under review; and**

(i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(vi) Management has identified and confirmed the following laws as being specifically applicable to the Company:

(a) The Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008;

(b) The Insecticide Act, 1968;

(c) The Drugs and Cosmetics Act, 1940;

(d) The Legal Metrology Act, 2009;

(e) The Legal Metrology (Packaged Commodities) Rules, 2011;

(f) Food Safety and Standards Act, 2006 and Rules 2011 with allied rules and Regulations;

(g) Applicable BIS Standards for various categories and production process.

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India;

(ii) Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.

**We further report that:**

(i) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors including a Woman Independent Director. Changes in the composition of Board of Directors that took place during the year under review, were carried out in compliance with the provisions of the Act;

(ii) Adequate notice is given to all Directors to schedule Board Meetings; agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on agenda items before the meeting and for meaningful participation at the meeting;

(iii) All the decisions of the Board and Committees thereof were carried through with requisite majority.

**We further report that** based on review of compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Company Secretary and taken on record by the Board of Directors at their meeting(s), we are of the opinion there are adequate systems and processes in place in the Company which is commensurate with its size and operations, to monitor and ensure compliance with applicable laws, rules, regulations and guidelines; and

(i) As informed, the Company has responded appropriately to notices received from various statutory / regulatory authorities including initiating actions for corrective measures, wherever found necessary.

**We further report that** during the financial year under review, following events / actions having a major bearing on the Company's affairs in pursuance of the above referred Laws, Rules, Regulations, Guidelines, Standards, etc., have occurred:

(i) Hon'ble National Company Law Tribunal, Mumbai Bench has vide its order dated 24th September, 2019 sanctioned the Scheme of Amalgamation by way of merger by absorption among GlaxoSmithKline Consumer Healthcare Limited and the Company and their respective Shareholders and Creditors under Section 230 to 232 of the Act.

This Report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

**For S. N. ANANTHASUBRAMANIAN & Co.**
Company Secretaries
ICSI Unique Code: P1991MH040400
**S. N. Ananthasubramanian**
Partner
FCS: 4206 | COP No.: 1774
Peer Review Cert. No. : 606/2019
ICSI UDIN : F004206B000170306

Thane, 21st April, 2020

# Annexure A to Secretarial Auditors' Report

To,

**The Members,**
**Hindustan Unilever Limited**
**CIN: L15140MH1933PLC002030**
Unilever House, B. D. Sawant Marg,
Chakala, Andheri (East), Mumbai – 400099

## MANAGEMENT'S RESPONSIBILITY

1. It is the responsibility of management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

## AUDITOR'S RESPONSIBILITY

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.

## DISCLAIMER

5. The Secretarial Audit Report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted affairs of the Company.
6. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

**For S. N. ANANTHASUBRAMANIAN & Co.**
Company Secretaries
ICSI Unique Code: P1991MH040400

**S. N. Ananthasubramanian**
Partner
FCS: 4206 | COP No.: 1774
Peer Review Cert. No. : 606/2019
ICSI UDIN : F004206B000170306

Thane, 21st April, 2020



# Economic Value Added

## ADDITIONAL INFORMATION : ECONOMIC VALUE ADDED (EVA)

### What is EVA ?

Traditional approaches to measuring Shareholder's Value Creation' have used parameters such as earnings capitalisation, market capitalisation and present value of estimated future cash flows. Extensive equity research has established that it is not earnings per se, but VALUE that is important. A measure called 'Economic Value Added' (EVA) is increasingly being applied to understand and evaluate financial performance.

### *EVA = Net Operating Profit after Taxes (NOPAT) - Cost of Capital Employed (COCE), where,

NOPAT = Profits after depreciation and taxes but before interest costs. NOPAT thus represents the total pool of profits available on an ungeared basis to provide a return to lenders and shareholders, and COCE = Weighted Average Cost of Capital (WACC) x Average Capital Employed

*Cost of debt is taken at the effective rate of interest applicable to an "AAA" rated Company like HUL for a short term debt, net of taxes. We have considered a pre tax rate of 7.02% for 2019-20 (8.87% for 2018-19)

*Cost of Equity is the return expected by the investors to compensate them for the variability in returns caused by fluctuating earnings and share prices.

Cost of Equity = Risk free return equivalent to yield on long-term Government Bonds (taken at 6.14% for 2019-20) + Market risk premium (taken at 4.47%) (x) Beta variant for the Company, (taken at 0.664) where Beta is a relative measure of risk associated with the Company's shares as against the market as a whole.

Thus HUL's cost of equity = 6.14% + 4.47% (x) 0.664 = 9.11%

### What does EVA show?

EVA is residual income after charging the Company for the cost of capital provided by lenders and shareholders. It represents the value added to the shareholders by generating operating profits in excess of the cost of capital employed in the business.

### When will EVA increase?

EVA will increase if:

a. Operating profits can be made to grow without employing more capital, i.e. greater efficiency.
b. Additional capital's invested in projects that return more than the cost of obtaining new capital, i.e. profitable growth.
c. Capital is curtailed in activities that do not cover the cost of capital, i.e liquidate unproductive capital.

### EVA in practice at Hindustan Unilever Limited.

In Hindustan Unilever Limited, the goal of sustainable long-term value creation for our shareholders is well understood by all the business groups. Measures to evaluate business performance and to set targets take into account this concept of value creation.

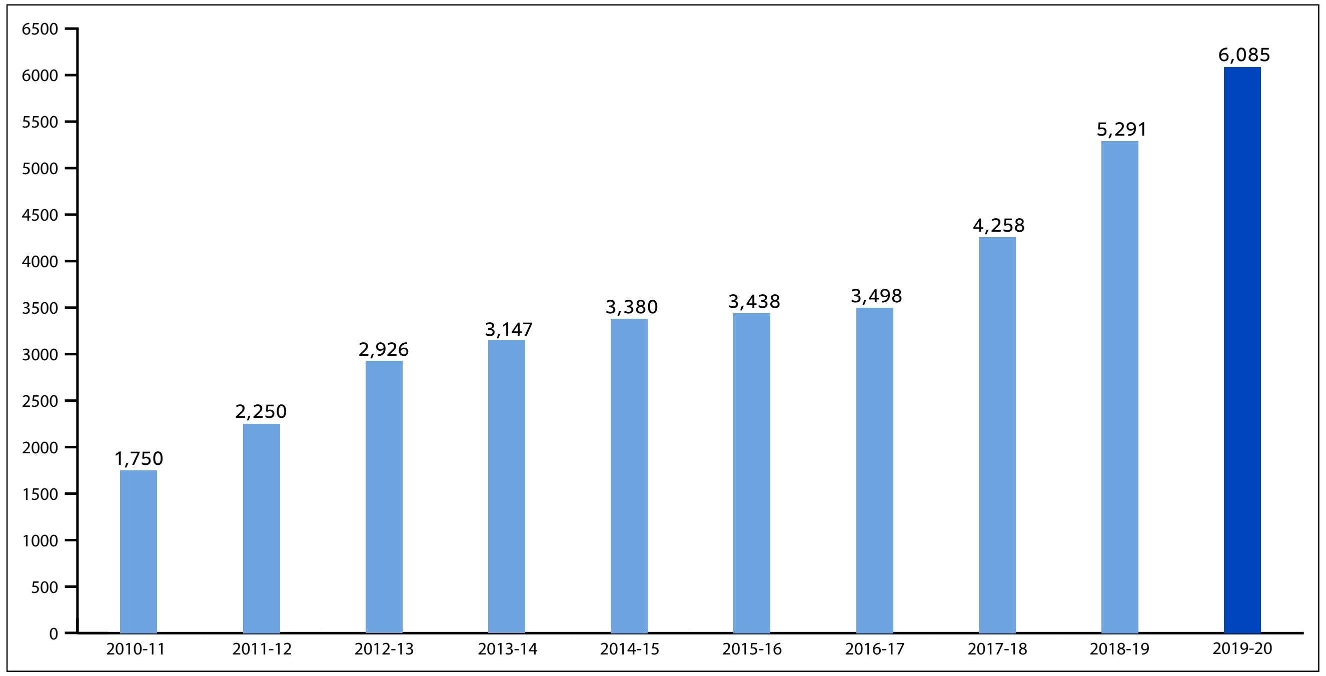
# Economic Value Added (continued)

(₹ crores)

| | IGAAP | | | | | IND AS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
| **Cost of Capital Employed (COCE)** | | | | | | | | | | |
| 1 Average Debt | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 Average Equity | 3,118 | 3,462 | 4,018 | 3,715 | 4,338 | 5,664 | 5,831 | 6,181 | 6,667 | 7,226 |
| 3 Average Capital Employed : (1)+(2) | **3,120** | **3,462** | **4,018** | **3,715** | **4,338** | **5,664** | **5,831** | **6,181** | **6,667** | **7,226** |
| 4 Cost of Debt, post-tax % | 5.36 | 6.20 | 6.02 | 6.36 | 5.56 | 5.43 | 4.90 | 5.21 | 5.77 | 5.25 |
| 5 Cost of Equity % | 12.93 | 10.10 | 10.07 | 11.62 | 10.91 | 11.98 | 12.85 | 14.19 | 11.84 | 9.11 |
| 6 Weighted Average Cost of Capital % (WACC) | 12.92 | 10.10 | 10.07 | 11.62 | 10.91 | 11.98 | 12.85 | 14.19 | 11.84 | 9.11 |
| 7 COCE : (3) x (6) | **403** | **350** | **405** | **432** | **474** | **679** | **749** | **877** | **789** | **658** |
| **Economic Value Added (EVA)** | | | | | | | | | | |
| 8 Profit after tax, before exceptional items | 2,153 | 2,599 | 3,314 | 3,555 | 3,843 | 4,116 | 4,247 | 5,135 | 6,080 | 6,743 |
| 9 Add : Interest, after taxes | 0 | 1 | 17 | 24 | 11 | 0 | 0 | 0 | 0 | 0 |
| 10 Net Operating Profits After Taxes (NOPAT) | 2,153 | 2,600 | 3,331 | 3,579 | 3,854 | 4,117 | 4,247 | 5,135 | 6,080 | 6,743 |
| 11 COCE, as per (7) above | 403 | 350 | 405 | 432 | 474 | 679 | 749 | 877 | 789 | 658 |
| 12 EVA : (10)-(11) | **1,750** | **2,250** | **2,926** | **3,147** | **3,380** | **3,438** | **3,498** | **4,258** | **5,291** | **6,085** |

## ECONOMIC VALUE ADDED

(₹ crores)




* Figures as per IND AS

# Independent Auditors' Report

## to the Members of Hindustan Unilever Limited

### REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

### Opinion

We have audited the standalone financial statements of Hindustan Unilever Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2020, and the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows for the year then ended, and the notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Standalone financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition- Rebates and Discounts
### See note 24 to the standalone financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As disclosed in note 24 to the standalone financial statements, revenue is measured net of any trade discounts and volume rebates.<br><br>Material estimation by the Company is involved in recognition and measurement of rebates and discounts. This includes establishing an accrual at year end, particularly in arrangements with varying terms which are based on annual contracts or shorter-term arrangements. In addition, the value and timing of promotions for products varies from period to period, and the activity can span beyond the year end.<br><br>There is a risk of revenue being overstated due to fraud, including through manipulation of rebates and discounts, resulting from pressure the Company may feel to achieve performance targets at the reporting period end.<br><br>We identified the evaluation of accrual for rebates and discounts as a key audit matter. | Our audit procedures included:<br>• Testing the design, implementation and operating effectiveness of Company's general IT controls, key manual and application controls over the Company's IT systems. They cover control over computation of discounts and rebates and rebate and discount accruals;<br>• Inspecting on a sample basis, key customer contracts. Based on the terms and conditions relating to rebates and discounts, we assessed the Company's revenue recognition policies with reference to the requirements of the applicable accounting standards;<br>• Performing substantive testing by selecting samples of rebate and discount transactions recorded during the year and matching the parameters used in the computation with the relevant source documents;<br>• Understanding the process followed by the Company to determine the amount of accrual of rebates and discounts. Testing samples of rebate accruals and comparing to underlying documentation;<br>• Testing actualisation of estimated accruals on a sample basis;<br>• Examining historical rebate accrual together with our understanding of current year developments to form an expectation of the rebate accrual at period end. We compared this expectation against the actual rebate accrual, completing further inquiries;<br>• Critically assessing manual journal entries posted to revenue, on a sample basis, to identify unusual items;<br>• Checking completeness and accuracy of the data used by the Company for accrual of rebates and discounts. |

### Provisions and contingent liabilities relating to taxation, litigations and claims
### See note 20 and 23 to the standalone financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The provisions and contingent liabilities relate to ongoing litigations and claims with various authorities and third parties. These relate to direct tax, indirect tax, transfer pricing arrangements, claims, general legal proceedings, environmental issues and other eventualities arising in the regular course of business.<br><br>As at the year ended 31 March 2020, the amounts involved are significant. The computation of a provision or contingent liability requires significant judgement by the Company because of the inherent complexity in estimating future costs. The amount recognised as a provision is the best estimate of the expenditure. The provisions and contingent liabilities are subject to changes in the outcomes of litigations and claims and the positions taken by the Company. It involves significant judgement and estimation to determine the likelihood and timing of the cash outflows and interpretations of the legal aspects, tax legislations and judgements previously made by authorities. | Our audit procedures included:<br>• Testing the design, implementation and operating effectiveness of key internal controls around the recognition and measurement of provisions and re-assessment of development of contingent liabilities;<br>• Using our subject matter experts to assess the value of significant provisions and contingent liabilities, on sample basis, in light of the nature of the exposures, applicable regulations and related correspondence with the authorities;<br>• Inquiring the status in respect of significant provisions and contingent liabilities with the Company's internal tax and legal team. We challenged the assumptions and critical judgements made by the Company which impacted the computation of the provisions and inspected the computation. We assessed the assumptions used and estimates of outcome and financial effect. We considered judgement of the Company, supplemented by experience of similar decisions previously made by the authorities and, in some cases, relevant opinions given by the Company's advisors;<br>• Evaluating judgements made by the Company by comparing the estimates of prior year to the actual outcome;<br>• Assessing the Company's disclosures in the financial statements in respect of provisions and contingent liabilities |

### Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the standalone financial statements and our Auditors' Report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Management's and Board of Directors' Responsibility for the Standalone Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

# Independent Auditors' Report (continued)

In preparing the standalone financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

## Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditors' Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. (A) As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act;

   (e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act; and

   (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its standalone financial statements - Refer Note 23 to the standalone financial statements.

   ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Note 43 to the standalone financial statements.

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

   iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these standalone financial statements since they do not pertain to the financial year ended 31 March 2020.

(C) With respect to the matter to be included in the Auditors' Report under Section 197(16) of the Act:

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

**Akeel Master**
Partner
Membership No: 046768
ICAI UDIN: 20046768AAAAHL8906

Mumbai: 30th April, 2020

# Annexure A

## to the Independent Auditors' Report on the standalone financial statements of Hindustan Unilever Limited for the year ended 31 March 2020

**(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In accordance with this programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies have been noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) According to the information and explanations given to us, the title deeds of immovable properties, as disclosed in Note 3 to the standalone financial statements, are held in the name of the Company, except for the following:

(₹ in crores)

| Particulars | Leasehold Land | Freehold Land | Buildings |
|---|---|---|---|
| Gross block as at 31 March 2020 | 0.76 | 0.17 | 97.17 |
| Net block as at 31 March 2020 | 0.62 | 0.17 | 51.11 |
| Total number of cases | 4 | 2 | 7 |

(ii) The inventory, except goods-in-transit, has been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) According to information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3 (iii) of the Order is not applicable to the Company.

(iv) The Company has not granted any loans or provided any guarantees or security to the parties covered under section 185 of the Act. The Company has complied with the provisions of section 186 of the Act in respect of investments made or loans or guarantee or security provided to the parties covered under section 186.

(v) According to information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India, provisions of section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder.

(vi) We have broadly reviewed the records maintained by the Company pursuant to the rules prescribed by Central Government for maintenance of cost records under section 148(1) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

(vii) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, employees state insurance, income tax, goods and service tax, duty of customs, cess, professional tax and other material statutory dues, as applicable, with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees state insurance, income tax, goods and service tax, duty of customs, cess, professional tax and other material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of income tax, sales tax, value added tax, service tax, goods and service tax, duty of customs, duty of excise which have not been deposited with the appropriate authorities on account of any dispute other than those mentioned in Appendix I to this report.

(viii) According to the information and explanations given to us, the Company has not taken any loans or borrowings from any financial institution, bank or Government nor has it issued any debentures. Accordingly, paragraph 3 (viii) of the Order is not applicable to the Company.

(ix) The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) or term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable to the Company.

(x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

(xi) According to the information and explanations given to us and based on our examination of the records, the Company has paid or provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.

(xiii) According to the information and explanations given to us and based on our examinations of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable. The details of such related party transactions have been disclosed in the standalone financial statements as required by applicable Indian Accounting Standards.

(xiv) According to the information and explanations given to us and based on our examination of the records, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3 (xiv) of the Order is not applicable to the Company.

(xv) According to the information and explanations given to us and based on our examination of the records, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3 (xv) of the Order is not applicable to the Company.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3 (xvi) of the Order is not applicable to the Company.

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

**Akeel Master**
Partner
Membership No: 046768
ICAI UDIN: 20046768AAAAHL8906

Mumbai: 30th April, 2020

## Appendix I

| Name of the Statute | Nature of dues | Amount Demanded ₹ in crores | Amount Paid ₹ in crores | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|---|
| Central Excise Act, 1944 | Excise duty (including Interest and penalty, if applicable) | 76.23 | 4.92 | 1982-2018 | Appellate Authority upto Commissioner's level |
| Central Excise Act, 1944 | Excise duty (including Interest and penalty, if applicable) | 254.11 | 6.27 | 1994-2017 | Customs, Excise and Service Tax Appellate Tribunals of various states |
| Central Excise Act, 1944 | Excise duty (including Interest and penalty, if applicable) | 4.49 | - | 2003-2010 | High Courts of various states |
| Customs Act, 1962 | Custom Duty, (including Interest and penalty, if applicable) | 297.40 | 10.55 | 2011-2014 | Appellate Authority upto Commissioner's level |
| Customs Act, 1962 | Custom Duty, (including Interest and penalty, if applicable) | 8.42 | 0.36 | 2012-2017 | Customs, Excise and Service Tax Appellate Tribunals of various states |
| Central Sales Tax Act, 1956 and Local Sales Tax Act | Sales tax (including interest and penalty, if applicable) | 172.69 | 44.86 | 1985-2018 | Appellate Authority upto Commissioner's level |
| Central Sales Tax Act, 1956 and Local Sales Tax Act | Sales tax (including interest and penalty, if applicable) | 45.91 | 9.57 | 1984-2014 | Sales Tax Appellate Tribunals of various states |
| Central Sales Tax Act, 1956 and Local Sales Tax Act | Sales tax (including interest and penalty, if applicable) | 129.16 | 102.69 | 1977-2018 | High Courts of various states |
| Central Sales Tax Act, 1956 and Local Sales Tax Act | Sales tax (including interest and penalty, if applicable) | 22.66 | 9.40 | 1985-2017 | Supreme Court |

# Annexure A (continued)

| Name of the Statute | Nature of dues | Amount Demanded ₹ in crores | Amount Paid ₹ in crores | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|---|
| Service tax (Finance Act, 1994) | Service tax (including interest and penalty, if applicable) | 65.90 | 1.92 | 2005-2017 | Appellate Authority upto Commissioner's level |
| Service tax (Finance Act, 1994) | Service tax (including interest and penalty, if applicable) | 132.60 | 8.36 | 2003-2017 | Customs, Excise and Service Tax Appellate Tribunals of various states |
| Goods and Service Tax Act, 2017 | Goods and Service tax (including interest and penalty, if applicable) | 1.16 | 0.01 | 2018-2020 | Appellate Authority upto Commissioner's level |
| Goods and Service Tax Act, 2017 | Goods and Service tax | 365.84 | 90.00 | 2017-2018 | Delhi High Court |
| Income Tax Act, 1961 | Income Tax (including interest and penalty, if applicable) | 94.82 | - | 1979-80, 1991, 2009-10 | Appellate Authority - upto Commissioner's Level |
| Income Tax Act, 1961 | Income Tax (including interest and penalty, if applicable) | 158.16 | - | 1982-83, 2011-12, 2013-14, 2014-15 | Income Tax Appellate Tribunal, Mumbai |

# Annexure B

## to the Independent Auditors' report on the standalone financial statements of Hindustan Unilever Limited for the year ended 31 March 2020

**Report on the internal financial controls with reference to the aforesaid standalone financial statements under section 143(3)(i) of the Companies Act, 2013**

**(Referred to in paragraph 2 A (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

### Opinion

We have audited the internal financial controls with reference to financial statements of Hindustan Unilever Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, an adequate internal financial control system with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance note").

### Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, 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. The procedures selected depend on the Auditors' judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

### Meaning of Internal Financial Controls with reference to Financial Statements

A company's internal financial controls with reference to financial statements 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 financial controls with reference to financial statements include 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

**Akeel Master**
Partner
Membership No: 046768
ICAI UDIN: 20046768AAAAHL8906

Mumbai: 30th April, 2020

# Balance Sheet
## as at 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| Particulars | Note | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 4,625 | 3,907 |
| Capital work-in-progress | 3 | 513 | 373 |
| Goodwill | 4 | 36 | 36 |
| Other intangible assets | 4 | 395 | 400 |
| Financial assets | | | |
| Investments in subsidiaries, associates and joint venture | 5 | 250 | 254 |
| Investments | 6 | 2 | 2 |
| Loans | 7 | 453 | 396 |
| Other financial assets | 8 | 3 | 11 |
| Non-current tax assets (net) | 9D | 1,016 | 619 |
| Deferred tax assets (net) | 9C | 261 | 339 |
| Other non-current assets | 10 | 140 | 154 |
| **Current assets** | | | |
| Inventories | 11 | 2,636 | 2,422 |
| Financial assets | | | |
| Investments | 6 | 1,248 | 2,693 |
| Trade receivables | 12 | 1,046 | 1,673 |
| Cash and cash equivalents | 13 | 3,130 | 575 |
| Bank balances other than cash and cash equivalents mentioned above | 14 | 1,887 | 3,113 |
| Other financial assets | 8 | 1,410 | 543 |
| Other current assets | 15 | 533 | 351 |
| Assets held for sale | 16 | 18 | 4 |
| **Total Assets** | | **19,602** | **17,865** |



# Balance Sheet (continued)
## as at 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| Particulars | Note | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 17 | 216 | 216 |
| Other equity | 18A | 7,815 | 7,443 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| Other financial liabilities | 19 | 853 | 360 |
| Provisions | 20 | 1,198 | 1,049 |
| Non-current tax liabilities (net) | 9D | 416 | 444 |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| Trade payables | | | |
| total outstanding dues of micro enterprises and small enterprises | 21 | - | - |
| total outstanding dues of creditors other than micro enterprises and small enterprises | 21 | 7,399 | 7,070 |
| Other financial liabilities | 19 | 869 | 456 |
| Other current liabilities | 22 | 418 | 326 |
| Provisions | 20 | 418 | 501 |
| **Total Equity and Liabilities** | | **19,602** | **17,865** |
| Basis of preparation, measurement and significant accounting policies | 2 | | |
| Contingent liabilities and commitments | 23 | | |

**The accompanying notes are an integral part of these financial statements**

As per our report of even date attached

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W – 100022

**Akeel Master**
Partner
Membership No. 046768

Mumbai: 30th April, 2020

For and on behalf of Board of Directors

**Sanjiv Mehta**
Chairman and Managing Director
[DIN: 06699923]

**Srinivas Phatak**
Executive Director Finance & IT and CFO
[DIN: 02743340]

**Aditya Narayan**
Chairman – Audit Committee
[DIN: 00012084]

**Dev Bajpai**
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

**Suman Hegde**
Group Controller

Mumbai: 30th April, 2020

# Statement of Profit and Loss
## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| Particulars | Note | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from operations | 24 | 38,785 | 38,224 |
| Other income | 25 | 733 | 664 |
| **TOTAL INCOME** | | **39,518** | **38,888** |
| **EXPENSES** | | | |
| Cost of materials consumed | 26 | 11,572 | 13,240 |
| Purchases of stock-in-trade | 27 | 6,342 | 4,708 |
| Changes in inventories of finished goods (including stock-in-trade) and work-in-progress | 28 | (121) | 12 |
| Employee benefits expenses | 29 | 1,691 | 1,747 |
| Finance costs | 30 | 106 | 28 |
| Depreciation and amortisation expenses | 31 | 938 | 524 |
| Other expenses | 32 | 9,701 | 9,880 |
| **TOTAL EXPENSES** | | **30,229** | **30,139** |
| **Profit before exceptional items and tax** | | **9,289** | **8,749** |
| Exceptional items (net) | 33 | (197) | (227) |
| **Profit before tax** | | **9,092** | **8,522** |
| **Tax expenses** | | | |
| Current tax | 9A | (2,202) | (2,565) |
| Deferred tax credit/(charge) | 9A | (152) | 79 |
| **PROFIT FOR THE YEAR (A)** | | **6,738** | **6,036** |

# Statement of Profit and Loss (continued)
## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| Particulars | Note | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurements of the net defined benefit plans | 38C | (68) | (7) |
| **Income tax relating to items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurements of the net defined benefit plans | 9A | 17 | 3 |
| **Items that will be reclassified subsequently to profit or loss** | | | |
| Fair value of debt instruments through other comprehensive income | 18C | (1) | 2 |
| Fair value of cash flow hedges through other comprehensive income | 18C | (77) | - |
| **Income tax relating to items that will be reclassified subsequently to profit or loss** | | | |
| Fair value of debt instruments through other comprehensive income | 9A | 0 | (1) |
| Fair value of cash flow hedges through other comprehensive income | 9A | 40 | - |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR (B)** | | **(89)** | **(3)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A+B)** | | **6,649** | **6,033** |
| **Earnings per equity share** | | | |
| Basic (Face value of ₹ 1 each) | 34 | ₹ 31.13 | ₹ 27.89 |
| Diluted (Face value of ₹ 1 each) | 34 | ₹ 31.12 | ₹ 27.88 |
| Basis of preparation, measurement and significant accounting policies | 2 | | |

**The accompanying notes are an integral part of these financial statements**

As per our report of even date attached

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W – 100022

**Akeel Master**
Partner
Membership No. 046768

Mumbai: 30th April, 2020

For and on behalf of Board of Directors

**Sanjiv Mehta**
Chairman and Managing Director
[DIN: 06699923]

**Srinivas Phatak**
Executive Director Finance & IT and CFO
[DIN: 02743340]

**Aditya Narayan**
Chairman – Audit Committee
[DIN: 00012084]

**Dev Bajpai**
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

**Suman Hegde**
Group Controller

Mumbai: 30th April, 2020

# Statement of Changes in Equity

## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### A. EQUITY SHARE CAPITAL

| | Note | Balance |
|---|---|---|
| **As at 31st March, 2018** | 17 | **216** |
| Changes in equity share capital during the year | | 0 |
| **As at 31st March, 2019** | 17 | **216** |
| Changes in equity share capital during the year | | 0 |
| **As at 31st March, 2020** | 17 | **216** |

### B. OTHER EQUITY

| | Reserves and Surplus | | | | | | | Items of Other Comprehensive Income (OCI) | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Reserve | Capital Redemption Reserve | Securities Premium | Employee Stock Options Outstanding Account | General Reserve | Retained Earnings | Other Reserves | Remeasurements of net defined benefit plans | Debt instruments through OCI | Cash flow Hedges though OCI | |
| **As at 31st March, 2018** | **4** | **6** | **127** | **30** | **2,187** | **4,539** | **9** | **(43)** | **(0)** | **-** | **6,859** |
| Profit for the year | - | - | - | - | - | 6,036 | - | - | - | - | 6,036 |
| Other comprehensive income for the year | - | - | - | - | - | | - | (4) | 1 | - | (3) |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **-** | **6,036** | **-** | **(4)** | **1** | **-** | **6,033** |
| Dividend on equity shares for the year (Note: 35) | - | - | - | - | - | (4,546) | - | - | - | - | (4,546) |
| Dividend distribution tax (Note: 35) | - | - | - | - | - | (913) | - | - | - | - | (913) |
| Transfer to retained earnings (refer note b below) | - | - | - | - | (2,187) | 2,187 | - | - | - | - | - |
| Issue of equity shares on exercise of employee stock options | - | - | 15 | (15) | - | - | - | - | - | - | - |
| Equity settled share based payment credit | - | - | | 10 | - | - | - | - | - | - | 10 |
| **As at 31st March, 2019** | **4** | **6** | **142** | **25** | **-** | **7,303** | **9** | **(47)** | **1** | **-** | **7,443** |
| **As at 1st April, 2019** | **4** | **6** | **142** | **25** | **-** | **7,303** | **9** | **(47)** | **1** | **-** | **7,443** |
| Transition impact of Ind AS 116, net of tax [Note: 3 (B)] | - | - | - | - | - | (35) | - | - | - | - | (35) |
| **Restated Balance as at 1st April, 2019** | **4** | **6** | **142** | **25** | **-** | **7,268** | **9** | **(47)** | **1** | **-** | **7,408** |
| Profit for the year | - | - | - | - | - | 6,738 | - | - | - | | 6,738 |
| Transfer to retained earnings | - | - | - | - | - | (47) | - | 47 | - | - | - |
| Other comprehensive income for the year | - | - | - | - | - | (51) | - | - | (1) | (37) | (89) |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **-** | **6,640** | **-** | **47** | **(1)** | **(37)** | **6,649** |
| Dividend on equity shares for the year (Note: 35) | - | - | - | - | - | (5,196) | - | - | - | - | (5,196) |
| Dividend distribution tax (Note: 35) | - | - | - | - | - | (1,048) | - | - | - | - | (1,048) |
| Issue of equity shares on exercise of employee stock options | - | - | 11 | (11) | - | - | - | - | - | - | - |
| Equity settled share based payment credit | - | - | - | 2 | - | - | - | - | - | - | 2 |
| **As at 31st March, 2020** | **4** | **6** | **153** | **16** | **-** | **7,664** | **9** | **-** | **-** | **(37)** | **7,815** |



# Statement of Changes in Equity (continued)

## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

a) Refer note 18B for nature and purpose of reserves

b) The Shareholders of the Company, had, at the Court Convened Meeting held on 30th June, 2016, approved the Scheme of Arrangement for transfer of the balance of ₹ 2,187 crores standing to the credit of the General Reserves to the Profit and Loss Account. The Company had accordingly filed a petition for sanction of the Scheme of Arrangement with the Hon'ble High Court of Mumbai [jurisdiction later changed to National Company Law Tribunal (NCLT)]. The Hon'ble NCLT, Mumbai Bench, vide it's order dated 30th August, 2018, has sanctioned the aforesaid Scheme of Arrangement. The Company has received the said Order on 27th September, 2018 and filed the Order and the Scheme with Registrar of Companies (ROC) on 5th October, 2018 and has subsequently reclassified the amount standing to the credit of the General Reserves to the Retained Earnings.

**The accompanying notes are an integral part of these financial statements**

As per our report of even date attached

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W – 100022

**Akeel Master**
Partner
Membership No. 046768

Mumbai: 30th April, 2020

For and on behalf of Board of Directors

**Sanjiv Mehta**
Chairman and Managing Director
[DIN: 06699923]

**Srinivas Phatak**
Executive Director Finance & IT and CFO
[DIN: 02743340]

**Aditya Narayan**
Chairman – Audit Committee
[DIN: 00012084]

**Dev Bajpai**
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

**Suman Hegde**
Group Controller

Mumbai: 30th April, 2020

# Statement of Cash Flows
## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| A | **CASH FLOW FROM OPERATING ACTIVITIES:** | | |
| | **Profit before tax** | 9,092 | 8,522 |
| | Adjustments for: | | |
| | Depreciation and amortisation expenses | 938 | 524 |
| | (Profit) / loss on sale of property, plant and equipment | 50 | 38 |
| | Government grant accrued (net) | (104) | (66) |
| | Contingent Consideration true up for business combination | (26) | 57 |
| | Finance income | (500) | (323) |
| | Dividend income | (96) | (103) |
| | Fair value (gain)/loss on investments | (137) | (164) |
| | Interest expense | 106 | 28 |
| | Provision for expenses on employee stock options | 2 | 10 |
| | Impairment of non-current investments | 4 | - |
| | Inventory written off net of Provision/(write back) for Inventory | 155 | 132 |
| | Bad debts/assets written off net of Provision/(write back) | 12 | 5 |
| | Mark-to-market (gain)/loss on derivative financial instruments | (23) | 14 |
| | **Cash Generated from operations before working capital changes** | **9,473** | **8,674** |
| | Adjustments for: | | |
| | (Increase)/decrease in Non-Current Assets | (16) | (64) |
| | (Increase)/decrease in Current Assets | 351 | 31 |
| | (Increase)/decrease in Inventories | (369) | (195) |
| | Increase/(decrease) in Non-Current Liabilities | 59 | 274 |
| | Increase/(decrease) in Current Liabilities | 272 | (307) |
| | **Cash generated from operations** | **9,770** | **8,413** |
| | Taxes paid (net of refunds) | (2,465) | (2,685) |
| | **Net cash (used in) / generated from operating activities - (A)** | **7,305** | **5,728** |
| B | **CASH FLOW FROM INVESTING ACTIVITIES:** | | |
| | Purchase of property, plant and equipment | (754) | (662) |
| | Sale proceeds of property, plant and equipment | 52 | 4 |
| | Purchase of Intangibles | (11) | (66) |
| | Contingent Consideration paid on business combination | (30) | (13) |
| | Purchase of current investments | (34,074) | (70,434) |
| | Sale of current investments | 35,656 | 70,761 |
| | Loans given to subsidiaries | (292) | (248) |
| | Loans repaid by subsidiaries | 257 | 283 |
| | Redemption/maturity of term deposits (having original maturity of more than 3 months) | 5,646 | 3,997 |
| | Investment in term deposits (having original maturity of more than 3 months) | (4,979) | (4,297) |
| | Interest received | 359 | 308 |
| | Dividend received from subsidiaries | 95 | 102 |
| | Dividend received from others | 1 | 1 |
| | **Net cash (used in) / generated from investing activities – (B)** | **1,926** | **(264)** |



# Statement of Cash Flows (continued)
## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| C | **CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| | Dividends paid | (5,196) | (4,546) |
| | Dividend distribution tax paid | (1,048) | (913) |
| | Principal Payment of lease liabilities | (352) | - |
| | Interest paid on lease liabilities | (74) | - |
| | Interest paid other than on lease liabilities | (6) | (3) |
| | Proceeds from share allotment under employee stock options/performance share schemes | 0 | 0 |
| | **Net cash (used in)/generated financing activities – (C)** | **(6,676)** | **(5,462)** |
| | **Net increase/(decrease) in cash and cash equivalents – (A+B+C)** | **2,555** | **2** |
| | Add: Cash and cash equivalents at the beginning of the year | 575 | 573 |
| | **Cash and cash equivalents at the end of the year** | **3,130** | **575** |

**Note**: The above Statement of Cash Flows has been prepared under the 'Indirect Method' as set out in Ind AS 7, 'Statement of Cash Flows'.

**The accompanying notes are an integral part of these financial statements**

As per our report of even date attached

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W – 100022

**Akeel Master**
Partner
Membership No. 046768

Mumbai: 30th April, 2020

For and on behalf of Board of Directors

**Sanjiv Mehta**
Chairman and Managing Director
[DIN: 06699923]

**Srinivas Phatak**
Executive Director Finance & IT and CFO
[DIN: 02743340]

**Aditya Narayan**
Chairman – Audit Committee
[DIN: 00012084]

**Dev Bajpai**
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

**Suman Hegde**
Group Controller

Mumbai: 30th April, 2020

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 1 COMPANY INFORMATION

Hindustan Unilever Limited (the 'Company') is a public limited Company domiciled in India with its registered office located at Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai - 400 099. The Company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The Company is in the FMCG business comprising primarily of Home Care, Beauty & Personal Care and Foods & Refreshment segments. The Company has manufacturing facilities across the country and sells primarily in India.

### NOTE 2 BASIS OF PREPARATION, MEASUREMENT AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation and Measurement

(a) Basis of preparation

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements are presented in INR, the functional currency of the Company. Items included in the financial statements of the Company are recorded using the currency of the primary economic environment in which the Company operates (the 'functional currency').

Transactions and balances with values below the rounding off norm adopted by the Company have been reflected as "0" in the relevant notes to these financial statements.

The financial statements of the Company for the year ended March 31, 2020 were approved for issue in accordance with the resolution of the Board of Directors on April 30, 2020.

(b) Basis of measurement

These financial statements are prepared under the historical cost convention unless otherwise indicated.

### 2.2 Key Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Continuous evaluation is done on the estimation and judgements based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognised prospectively.

Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year, are included in the following notes:

(a) Measurement of defined benefit obligations – Note 38

(b) Measurement and likelihood of occurrence of provisions and contingencies – Notes 20 and 23

(c) Recognition of deferred tax assets – Note 9

(d) Key assumptions used in discounted cash flow projections – Note 40

(e) Impairment of Intangible assets – Note 4

(f) Measurement of Lease liabilities and Right of Use Asset (ROUA) – Notes 3 and 19

Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19):

The COVID-19 pandemic is an evolving human tragedy declared a global pandemic by the World Health Organisation with adverse impact on economy and business. Supply Chain disruptions in India as a result of the outbreak started with restrictions on movement of goods, closure of borders etc., in several states followed by a nationwide lockdown from the 25th of March 2020 announced by the Indian Government, to stem the spread of COVID-19. Due to this the operations in many of HUL's manufacturing, distribution centres, warehouses and extended supply chain partner locations got temporarily disrupted. HUL manufactures and supplies essential day-to-day products such as soaps, hand sanitisers, laundry detergents, floor cleaners, foods, beverages etc. amongst others and a large part of HUL's portfolio is considered essential to consumer requirements in these challenging times.

In light of these circumstances, the Company has considered the possible effects that may result from COVID-19 on the carrying amounts of financials assets, inventory, receivables, advances, property plant and equipment, Intangibles etc. as well as liabilities accrued. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic, the Company has used internal and external information such as our current contract terms, financial strength of partners, investment profile, future volume estimates from the business etc. Having reviewed the underlying data and based on current estimates the Company expects the carrying amount of these assets will be recovered and there is no significant impact on liabilities accrued. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

### 2.3 Recent Accounting Developments

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

### 2.4 Significant Accounting Policies

(a) Property, Plant and Equipment:

Property, plant and equipment is stated at acquisition cost net of accumulated depreciation and accumulated impairment losses, if any. Property, plant and equipment acquired in a business combination are recognised at fair value at the acquisition date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance cost are charged to the Statement of Profit and Loss during the period in which they are incurred.

Gains or losses arising on retirement or disposal of property, plant and equipment are recognised in the Statement of Profit and Loss.

Property, plant and equipment which are not ready for intended use as on the date of Balance Sheet are disclosed as "Capital work-in-progress".

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under "Other Non-Current Assets".

Depreciation is provided on a pro-rata basis on the straight-line method based on estimated useful life prescribed under Schedule II to the Companies Act, 2013 with the exception of the following:

- plant and equipment is depreciated over 3 to 21 years based on the technical evaluation of useful life done by the management.
- assets costing ₹ 5,000 or less are fully depreciated in the year of purchase.

Freehold land is not depreciated.

The residual values, useful lives and method of depreciation of property, plant and equipment is reviewed at each financial year end and adjusted prospectively, if appropriate.

(b) Intangible Assets:

Intangible assets purchased are initially measured at cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite. Finite-life intangible assets are amortised on a straight-line basis over the period of their estimated useful lives. Estimated useful lives by major class of finite-life intangible assets are as follows:

| | |
|---|---|
| Design | - 10 years |
| Know-how | - 10 years |
| Computer software | - 5 years |
| Trademarks | - 5 years |

The amortisation period and the amortisation method for finite-life intangible assets is reviewed at each financial year end and adjusted prospectively, if appropriate.

For indefinite life intangible assets, the assessment of indefinite life is reviewed annually to determine whether it continues, if not, it is impaired or changed prospectively basis revised estimates.

Goodwill is initially recognised based on the accounting policy for business combinations [refer note 2.4. (r)] and is tested for impairment annually.

(c) Investments in Subsidiaries, Associates and Joint Ventures:

Investments in Subsidiaries, Associates and Joint Ventures are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries, associates and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the Statement of Profit and Loss.

(d) Inventories:

Inventories are valued at the lower of cost and net realisable value. Cost is computed on a weighted average basis. Cost of finished goods and work-in-progress include all costs of purchases, conversion costs and other costs incurred

# Notes

## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

in bringing the inventories to their present location and condition. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

### (e) Cash and Cash Equivalents:

Cash and cash equivalents are cash, balances with bank and short-term (three months or less from the date of placement), highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

### (f) Assets Held for Sale:

Non-current assets or disposal groups comprising of assets and liabilities are classified as 'held for sale' when all the following criteria are met: (i) decision has been made to sell, (ii) the assets are available for immediate sale in its present condition, (iii) the assets are being actively marketed and (iv) sale has been agreed or is expected to be concluded within 12 months of the Balance Sheet date.

Subsequently, such non-current assets and disposal groups classified as 'held for sale' are measured at the lower of its carrying value and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortised.

### (g) Financial Instruments:

**Financial Assets:**

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is recognised at fair value. In case of Financial assets which are recognised at fair value through profit and loss (FVTPL), its transaction cost is recognised in the statement of profit and loss. In other cases, the transaction cost is attributed to the acquisition value of the financial asset.

Financial assets are subsequently classified and measured at

- amortised cost

- fair value through profit and loss (FVTPL)

- fair value through other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their recognition, except during the period the Company changes its business model for managing financial assets.

**Trade Receivables and Loans:**

Trade receivables are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate (EIR) method net of any expected credit losses. The EIR is the rate that discounts estimated future cash income through the expected life of financial instrument.

**Debt Instruments:**

Debt instruments are initially measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL') till derecognition on the basis of (i) the Company's business model for managing the financial assets and (ii) the contractual cash flow characteristics of the financial asset.

**(i) Measured at amortised cost:**

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortised cost using the 'EIR' method less impairment, if any. The amortisation of EIR and loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

**(ii) Measured at fair value through other comprehensive income (FVOCI):**

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognised in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the Statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the Statement of Profit and Loss.

**(iii) Measured at fair value through profit or loss (FVTPL):**

A financial asset not classified as either amortised cost or FVOCI, is classified as FVTPL. Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised as 'other income' in the Statement of Profit and Loss.

**Equity Instruments:**

All investments in equity instruments classified under financial assets are initially measured at fair value, the Company may, on initial recognition, irrevocably elect to measure the same either at FVOCI or FVTPL.

The Company makes such election on an instrument-by-instrument basis. Fair value changes on an equity instrument is recognised as 'other income' in the Statement of Profit and Loss unless the Company has elected to measure such instrument at FVOCI. Fair value changes excluding dividends, on an equity instrument measured at FVOCI are recognised in OCI. Amounts recognised in OCI are not



Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

subsequently reclassified to the Statement of Profit and Loss. Dividend income on the investments in equity instruments are recognised as 'other income' in the Statement of Profit and Loss.

**Derivative Financial Instruments:**

The Company uses derivative financial instruments to hedge its foreign currency and commodity risks. Derivatives are measured at fair value. The treatment of changes in the value of derivative depends on their use as explained below:

**Cash flow hedges:**

Derivatives are held to hedge the uncertainty in timing or amount of future forecast cash flows. Such derivatives are classified as being part of cash flow hedge relationships. For an effective hedge, gains and losses from changes in the fair value of derivatives are recognised in other comprehensive income. Any ineffective elements of the hedge are recognised in the statement of profit and loss.

If the hedged cash flow relates to a non-financial asset, the amount accumulated in equity is subsequently included within the carrying value of that asset. For other cash flow hedges, amounts accumulated in other comprehensive income are taken to the statement of profit and loss at the same time as the related cash flow.

**Derivatives for which hedge accounting is not applied**

Derivative financial instruments for which hedge accounting is not applied are initially recognised at fair value on the date on which a derivative contract is entered and are subsequently measured at FVTPL.

**Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

**Impairment of Financial Asset**

The Company applies expected credit loss (ECL) model for measurement and recognition of loss allowance on the following:

i. Trade receivables

ii. Financial assets measured at amortised cost (other than trade receivables)

iii. Financial assets measured at fair value through other comprehensive income (FVTOCI).

In case of trade receivables, the Company follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognised as loss allowance.

In case of other assets (listed as ii and iii above), the Company determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognised as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognised as loss allowance.

Subsequently, if the credit quality of the financial asset improves such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

ECL are measured in a manner that they reflect unbiased and probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

As a practical expedient, the Company uses a provision matrix to measure lifetime ECL on its portfolio of trade receivables. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

ECL allowance recognised (or reversed) during the period is recognised as income/expense in the Statement of Profit and Loss under the head 'Other expenses'.

**Financial Liabilities:**

**Initial recognition and measurement**

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss. In case of trade payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the effective interest rate method.

**Subsequent measurement**

Financial liabilities are subsequently measured at amortised cost using the EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

**Derecognition**
A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### (h) Provisions and Contingent Liabilities:

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date.

If the effect of the time value of money is material, provisions are discounted to reflect its present value using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

### (i) Revenue Recognition:

Revenue from sale of goods is recognised when control of the products being sold is transferred to our customer and when there are no longer any unfulfilled obligations. The Performance Obligations in our contracts are fulfilled at the time of dispatch, delivery or upon formal customer acceptance depending on customer terms.

Revenue is measured on the basis of contracted price, after deduction of any trade discounts, volume rebates and any taxes or duties collected on behalf of the Government such as goods and services tax, etc. Accumulated experience is used to estimate the provision for such discounts and rebates. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.

Our customers have the contractual right to return goods only when authorised by the Company. An estimate is made of goods that will be returned and a liability is recognised for this amount using a best estimate based on accumulated experience.

Income from services rendered is recognised based on agreements/arrangements with the customers as the service is performed and there are no unfulfilled obligations.

Interest income is recognised using the effective interest rate (EIR) method.

Dividend income on investments is recognised when the right to receive dividend is established.

### (j) Government Grant:

The Company is entitled to 'Scheme of budgetary support' under Goods and Service Tax Regime in respect of eligible manufacturing units located in specified regions. Such grants are measured at amount receivable from the Government and are recognised as other operating revenue when there is a reasonable assurance that the Company will comply with all necessary conditions attached to that.

Income from such grants is recognised on a systematic basis over the periods to which they relate.

### (k) Expenditure:

Expenses are accounted on accrual basis.

### (l) Employee Benefits:

**Defined contribution plans**
Contributions to defined contribution schemes such as employees' state insurance, labour welfare fund, superannuation scheme, employee pension scheme etc. are charged as an expense based on the amount of contribution required to be made as and when services are rendered by the employees. Company's provident fund contribution, in respect of certain employees, is made to a Government administered fund and charged as an expense to the Statement of Profit and Loss. The above benefits are classified as Defined Contribution Schemes as the Company has no further defined obligations beyond the monthly contributions.

**Defined benefit plans**
In respect of certain employees, provident fund contributions are made to a trust administered by the Company. The interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Company. The liability in respect of the shortfall of interest earnings of the Fund is determined on the basis of an actuarial valuation. The Company also provides for retirement/post-retirement benefits in the form of gratuity, pensions (in respect of certain employees), compensated absences (in respect of certain employees) and medical benefits (in respect of certain employees) including to the employees of group companies.

For defined benefit plans, the amount recognised as 'Employee benefit expenses' in the Statement of Profit and Loss is the cost of accruing employee benefits promised to employees over the year and the costs of individual events such as past/future service benefit changes and settlements (such events are recognised immediately in the Statement of Profit and Loss). The amount of net interest expense calculated by applying the liability discount rate to the net defined benefit liability or asset is charged or credited to 'Finance costs' in the Statement of Profit and Loss. Any differences between the expected interest income on plan assets and the return actually achieved, and any changes in the liabilities over the year due to changes in actuarial assumptions or experience adjustments within the plans, are recognised immediately in 'Other comprehensive income' and subsequently not reclassified to the Statement of Profit and Loss.

The defined benefit plan surplus or deficit on the Balance Sheet date comprises fair value of plan assets less the present value of the defined benefit liabilities using a discount rate by reference to market yields on Government bonds at the end of the reporting period.

All defined benefit plans obligations are determined based on valuations, as at the Balance Sheet date, made by independent actuary using the projected unit credit method. The classification of the Company's net obligation into current and non-current is as per the actuarial valuation report.

**Termination benefits**
Termination benefits, in the nature of voluntary retirement benefits or termination benefits arising from restructuring, are recognised in the Statement of Profit and Loss. The Company recognises termination benefits at the earlier of the following dates:

(a) when the Company can no longer withdraw the offer of those benefits; or

(b) when the Company recognises costs for a restructuring that is within the scope of Ind AS 37: Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

**Share-Based Payments**
Employees of the Company receive remuneration in the form of share-based payments in consideration of the services rendered. Under the equity settled share based payment, the fair value on the grant date of the awards given to employees is recognised as 'employee benefit expenses' with a corresponding increase in equity over the vesting period. The fair value of the options at the grant date is calculated by an independent valuer basis Black Scholes model. At the end of each reporting period, apart from the non-market vesting condition, the expense is reviewed and adjusted to reflect changes to the level of options expected to vest. When the options are exercised, the Company issues fresh equity shares.

For cash-settled share-based payments, the fair value of the amount payable to employees is recognised as 'employee benefit expenses' with a corresponding increase in liabilities, over the period of non-market vesting conditions getting fulfilled. The liability is remeasured at each reporting period up to, and including the settlement date, with changes in fair value recognised in employee benefits expenses. Refer Note 39 for details.

### (m) Impairment of Non-Financial Assets:

Assessment for impairment is done at each Balance Sheet date as to whether there is any indication that a non-financial asset may be impaired. Indefinite life intangible assets are subject to a review for impairment annually or more frequently if events or circumstances indicate that it is necessary. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets is considered as a cash generating unit. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

If any indication of impairment exists, an estimate of the recoverable amount of the individual asset/cash generating unit is made. Asset/cash generating unit whose carrying value exceeds their recoverable amount are written down to the recoverable amount by recognising the impairment loss as an expense in the Statement of Profit and Loss. The impairment loss is allocated first to reduce the carrying amount of any goodwill (if any) allocated to the cash generating unit and then to the other assets of the unit, pro rata based on the carrying amount of each asset in the unit. Recoverable amount is higher of an asset's or cash generating unit's fair value less cost of disposal and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash generating unit and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. Basis the assessment a reversal of an impairment loss for an asset other than goodwill is recognised in the Statement of Profit and Loss account.

### (n) Income Taxes:

Income tax expense for the year comprises of current tax and deferred tax. It is recognised in the Statement of Profit and Loss except to the extent it relates to a business combination or to an item which is recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable/ receivable on the taxable income/ loss for the year using applicable tax rates for the relevant period, and any adjustment to taxes in respect of previous years. Interest expenses and penalties, if any, related to income tax are included in finance cost and other expenses respectively. Interest Income, if any, related to Income tax is included in Other Income.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

financial reporting purposes and the corresponding amounts used for taxation purposes.

A deferred tax liability is recognised based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted, or substantively enacted, by the end of the reporting period. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

### (o) Leases:

The Company has adopted Ind AS 116-Leases effective 1st April, 2019, using the modified retrospective method. The Company has applied the standard to its leases with the cumulative impact recognised on the date of initial application (1st April, 2019). Accordingly, previous period information has not been restated.

The Company's lease asset classes primarily consist of leases for Land and Buildings and Plant & Machinery. The Company assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(i) the contract involves the use of an identified asset

(ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and

(iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognises a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and leases of low value assets. For these short-term and leases of low value assets, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made.

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 leased assets.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

### (p) Foreign Currencies:

Foreign currency transactions are translated into the functional currency using exchange rates at the date of the transaction. Foreign exchange gains and losses from settlement of these transactions are recognised in the Statement of Profit and Loss. Foreign currency denominated monetary assets and liabilities are translated into functional currency at exchange rates in effect at the balance sheet date, the gain or loss arising from such translations are recognised in the statement of profit and loss.

### (q) Earnings Per Share:

Basic earnings per share is computed by dividing the net profit for the period attributable to the equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

### (r) Business Combination:

Business combinations are accounted for using the acquisition accounting method as at the date of the acquisition, which is the date at which control is transferred to the Company.



Notes
to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

The consideration transferred in the acquisition and the identifiable assets acquired and liabilities assumed are recognised at fair values on their acquisition date. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. The Company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are recognised in the Statement of Profit and Loss.

Transaction costs are expensed as incurred, other than those incurred in relation to the issue of debt or equity securities. Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration are recognised in the Statement of Profit and Loss.

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 3 PROPERTY, PLANT AND EQUIPMENT

Refer Note 2.4 (a) and 2.4 (o) for accounting policy on Property, Plant and Equipment and Leases

| Property, plant and equipment | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Owned Assets | 3,825 | 3,880 |
| Leased Assets | 800 | 27 |
| **Total** | **4,625** | **3,907** |

### A. Owned Assets

| | Freehold land | Buildings | Plant and equipment | Furniture and fixtures | Office equipment | Total |
|---|---|---|---|---|---|---|
| Gross Block | | | | | | |
| **Balance as at 31st March, 2018** | **58** | **1,273** | **3,382** | **58** | **70** | **4,841** |
| Additions | - | 158 | 474 | 11 | 19 | 662 |
| Disposals / Reclassifications | 1 | 3 | (59) | - | - | (55) |
| Acquisitions through business combination (Refer note 40) | - | - | 1 | - | - | 1 |
| **Balance as at 31st March, 2019** | **59** | **1,434** | **3,798** | **69** | **89** | **5,449** |
| Additions | - | 102 | 493 | 5 | 26 | 626 |
| Disposals / Reclassifications | - | (7) | (307) | 59 | 16 | (239) |
| **Balance as at 31st March, 2020** | **59** | **1,529** | **3,984** | **133** | **131** | **5,836** |
| Accumulated Depreciation | | | | | | |
| **Balance as at 31st March, 2018** | **-** | **117** | **922** | **24** | **29** | **1,092** |
| Additions | - | 50 | 434 | 9 | 17 | 510 |
| Disposals / Reclassifications | - | 6 | (39) | - | - | (33) |
| **Balance as at 31st March, 2019** | **-** | **173** | **1,317** | **33** | **46** | **1,569** |
| Additions | - | 76 | 442 | 19 | 31 | 568 |
| Disposals / Reclassifications | - | 15 | (174) | 27 | 6 | (126) |
| **Balance as at 31st March, 2020** | **-** | **264** | **1,585** | **79** | **83** | **2,011** |
| Net Block | | | | | | |
| **Balance as at 31st March, 2019** | **59** | **1,261** | **2,481** | **36** | **43** | **3,880** |
| **Balance as at 31st March, 2020** | **59** | **1,265** | **2,399** | **54** | **48** | **3,825** |

**NOTES:**

(a) Buildings include ₹ 0 crore (31st March, 2019: ₹ 0 crore) being the value of shares in co-operative housing societies.
(b) The title deeds of Freehold Land aggregating ₹ 0 crore (31st March, 2019: ₹ 0 crore) are in the process of perfection of title.
(c) The Property, Plant and Equipment in 3A includes assets given on lease given in the below table:

| | Building | Plant and equipment | Furniture and fixtures | Office equipment | Total |
|---|---|---|---|---|---|
| Gross Block as at 31st March, 2019 | 0 | 54 | 0 | 0 | 54 |
| Accumulated Depreciation as at 31st March, 2019 | (0) | (12) | (0) | (0) | (12) |
| **Net Block as at 31st March, 2019** | **0** | **42** | **0** | **0** | **42** |
| Gross Block as at 31st March, 2020 | 0 | 62 | 0 | 0 | 62 |
| Accumulated Depreciation as at 31st March, 2020 | (0) | (35) | (0) | (0) | (35) |
| **Net Block as at 31st March, 2020** | **0** | **27** | **0** | **0** | **27** |



# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### B. Leased Assets

| | Leasehold land | Land & Building | Plant and equipment | Total |
|---|---|---|---|---|
| Movements during the year | | | | |
| **Balance as at 31st March, 2019** | **27** | **-** | **-** | **27** |
| Addition on account of Transition to Ind AS 116 - 1st April, 2019 | - | 146 | 527 | 673 |
| Additions | - | 268 | 212 | 480 |
| Disposals | (2) | (98) | (34) | (134) |
| **Balance as at 31st March, 2020** | **25** | **316** | **705** | **1,046** |
| Accumulated Depreciation | | | | |
| Additions | 0 | 159 | 196 | 355 |
| Disposals | - | (82) | (27) | (109) |
| **Balance as at 31st March, 2020** | **0** | **77** | **169** | **246** |
| **Net Block as at 31st March, 2020** | **25** | **239** | **536** | **800** |

**NOTES:**

(a) The Company has adopted Ind AS 116 effective 1st April, 2019, using the modified retrospective method. The Company has applied the standard to its leases with the cumulative impact recognised on the date of initial application (1st April, 2019). Accordingly, previous period information has not been restated.

This has resulted in recognising a right-of-use asset of ₹ 673 crores and a corresponding lease liability of ₹ 725 crores. The difference of ₹ 35 crores (net of deferred tax asset created of ₹ 17 crores) has been adjusted to retained earnings as at 1st April 2019.

In the statement of profit and loss for the current year, operating lease expenses which were recognised as other expenses in previous periods is now recognised as depreciation expense for the right-of-use asset and finance cost for interest accrued on lease liability. The adoption of this standard did not have any significant impact on the profit for the year and earnings per share. The weighted average incremental borrowing rate of 8.5% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

(b) The Company incurred ₹ 102 crores for the year ended 31st March, 2020 towards expenses relating to short-term leases and leases of low-value assets. The total cash outflow for leases is ₹ 528 crores for the year ended 31st March, 2020, including cash outflow of short-term leases and leases of low-value assets. Interest on lease liabilities is ₹ 74 crores for the year.

(c) The Company's leases mainly comprise of land and buildings and Plant and equipment. The Company leases land and buildings for manufacturing and warehouse facilities. The Company also has leases for equipment.

(d) The title deeds of Leasehold Land, net block aggregating ₹ 1 crore, (31st March, 2019: ₹ 1 crore) are in the process of perfection of title.

### C. Capital work-in-progress

Capital work-in-progress as at 31st March, 2020 is ₹ 513 crores (31st March, 2019: ₹ 373 crores).

For contractual commitment with respect to property, plant and equipment refer Note 23 B(ii).

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 4 INTANGIBLE ASSETS

Refer Note 2.4 (b) for accounting policy on Intangible Assets

| | Goodwill | Other intangible assets | | | | Total |
|---|---|---|---|---|---|---|
| | | Brand/ Trademarks | Knowhow and design | Computer software | Others | |
| Gross Block | | | | | | |
| **Balance as at 31st March, 2018** | **0** | **315** | **59** | **25** | **-** | **399** |
| Additions | | - | | 1 | 1 | 2 |
| Disposals | - | - | - | (0) | - | (0) |
| Acquisitions through business combination (Refer note 40) | 36 | 14 | 6 | | 26 | 46 |
| **Balance as at 31st March, 2019** | **36** | **329** | **65** | **26** | **27** | **447** |
| Additions | - | - | - | 11 | - | 11 |
| Disposals | - | - | - | (1) | - | (1) |
| **Balance as at 31st March, 2020** | **36** | **329** | **65** | **36** | **27** | **457** |
| Accumulated Amortisation and Impairment | | | | | | |
| **Balance as at 31st March, 2018** | **-** | **4** | **12** | **17** | **-** | **33** |
| Additions | - | 2 | 7 | 3 | 2 | 14 |
| Disposals | - | - | - | (0) | - | (0) |
| **Balance as at 31st March, 2019** | **-** | **6** | **19** | **20** | **2** | **47** |
| Additions | - | 3 | 7 | 2 | 3 | 15 |
| Disposals | - | - | - | (0) | - | (0) |
| **Balance as at 31st March, 2020** | **-** | **9** | **26** | **22** | **5** | **62** |
| Net Block | | | | | | |
| **Balance as at 31st March, 2019** | **36** | **323** | **46** | **6** | **25** | **400** |
| **Balance as at 31st March, 2020** | **36** | **320** | **39** | **14** | **22** | **395** |

Other Intangibles include Customer Relationship, etc.

### Impairment Charges

The goodwill and indefinite life intangible assets are tested for impairment and accordingly no impairment charges were identified for FY 2019-20 (Nil for FY 2018-19).

### Significant Cash Generating Units (CGUs)

The Company has identified its reportable segments, i.e. Home Care, Beauty & Personal Care, Foods & Refreshment and Others as the CGUs. The goodwill and brand (with indefinite life) acquired through business combination have been allocated to CGU 'Beauty & Personal Care' and "Foods & Refreshment" segment of the Company. The carrying amount of goodwill and brand (with indefinite life) as at 31st March, 2020 is ₹ 36 crores and ₹ 311 crores respectively.

Following key assumptions were considered while performing Impairment testing:

| | Beauty & Personal Care | Foods & Refreshment |
|---|---|---|
| Annual Growth rate for 5 years | 7.0% | 7.0% |
| Terminal Growth rate | 2.0% | 2.0% |
| Weighted Average Cost of Capital % (WACC) before tax (Discount rate) | 9.1% | 9.1% |
| Average segmental margins | 28.4% | 16.7% |



Notes
to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

The projections cover a period of five years, as the Company believes this to be the most appropriate timescale over which to review and consider annual performances before applying a fixed terminal value multiple to the final year cash flows. The growth rates used to estimate future performance are based on the estimates from past performance. Segmental margins are based on FY 2019-20 performance.

Weighted Average Cost of Capital % (WACC) = Risk free return + (Market risk premium x Beta for the Company).

The Company has performed sensitivity analysis around the base assumptions and has concluded that no reasonable change in key assumptions would result in the recoverable amount of the CGU to be less than the carrying value.

### NOTE 5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

Refer Note 2.4 (c) for accounting policy on Investment in Subsidiaries, Associates and Joint Ventures

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Investment In Subsidiaries** | | |
| Unquoted | | |
| 7,36,560 equity shares [31st March, 2019: 7,36,560 ] of Nepalese ₹ 100 each held in Unilever Nepal Limited | 5 | 5 |
| 29,75,000 equity shares [31st March, 2019: 29,75,000 ] of ₹ 10 each held in Unilever India Exports Limited | 73 | 73 |
| 3,59,07,547 equity shares [31st March, 2019: 3,59,07,547] of ₹ 10 each held in Lakme Lever Private Limited | 172 | 172 |
| 1,79,10,132 equity shares [31st March, 2019: 1,79,10,132 ] of ₹ 1 each held in Pond's Export Limited [net of impairment in value of ₹ 3 crores (31st March, 2019: 3 crores)] | - | - |
| 50,00,000 equity shares [31st March, 2019: 50,00,000] of ₹ 10 each held in Jamnagar Properties Private Limited [net of impairment in value of ₹ 5 crores (31st March, 2019: 5 crores)] | - | - |
| 2,21,700 equity shares [31st March, 2019: 2,21,700 ] of ₹ 10 each held in Daverashola Estates Private Limited [net of impairment in value of ₹ 4 crores (31st March, 2019: Nil)] | - | 4 |
| 50,000 equity shares [31st March, 2019: 50,000] of ₹ 10 each held in Levindra Trust Limited | 0 | 0 |
| 50,000 equity shares [31st March, 2019: 50,000] of ₹ 10 each held in Hindlever Trust Limited | 0 | 0 |
| 50,000 equity shares [31st March, 2019: 50,000] of ₹ 10 each held in Levers Associated Trust Limited | 0 | 0 |
| 7,600 equity shares [31st March, 2019: 7,600] of ₹ 10 each held in Hindustan Unilever Foundation | 0 | 0 |
| 10,000 equity shares [31st March, 2019: 10,000] of ₹ 10 each held in Bhavishya Alliance Child Nutrition Initiatives | 0 | 0 |
| **Total** | **250** | **254** |
| Aggregate amount of quoted investments | - | - |
| Aggregate Market value of quoted investments | - | - |
| Aggregate amount of unquoted investments | 250 | 254 |
| Aggregate amount of impairment in value of investments | 12 | 8 |

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### Investment in Associate

The Company holds 24% of equity holdings in Comfund Consulting Limited and 26% equity and preference capital holding in Aquagel Chemicals (Bhavnagar) Private Limited. The Company does not exercise significant influence or control on decisions of the investee. Hence, they are not being construed as associate companies.

### Information about Subsidiaries

| Name of the Company | Country of incorporation | Principal activities | Proportion (%) of equity interest As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|---|---|
| Subsidiaries | | | | |
| Unilever India Exports Limited | India | FMCG export business | 100 | 100 |
| Lakme Lever Private Limited | India | (i) Beauty salons<br>(ii) Job work business | 100 | 100 |
| Unilever Nepal Limited | Nepal | FMCG business | 80 | 80 |
| Pond's Export Limited | India | Leather products business (primarily exports) | 90 | 90 |
| Jamnagar Properties Private Limited | India | Real estate Company | 100 | 100 |
| Daverashola Estates Private Limited | India | Real estate Company | 100 | 100 |
| Levindra Trust Limited | India | Discharge trust business as a trustee | 100 | 100 |
| Hindlever Trust Limited | India | Discharge trust business as a trustee | 100 | 100 |
| Levers Associated Trust Limited | India | Discharge trust business as a trustee | 100 | 100 |
| Hindustan Unilever Foundation | India | Not-for-profit Company in the field of community development initiatives. | 76 | 76 |
| Bhavishya Alliance Child Nutrition Initiatives | India | Not-for-profit Company that works in the area of social development issues | 100 | 100 |

On 24th February, 2020, the Board of directors of the Company have approved the formation of a new wholly-owned subsidiary with an authorised share capital of ₹ 2,000 crores. As at 31st March, 2020, the Company is in the process of incorporating such subsidiary.

### NOTE 6 INVESTMENTS

Refer Note 2.4 (g) for accounting policy on Investments.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Non-Current Investments** | | |
| A. Equity instruments | | |
| Fair value through profit and loss | | |
| Quoted | 0 | 0 |
| Unquoted | 1 | 1 |
| **Total (A)** | **1** | **1** |
| B. Other instruments | | |
| Amortised cost | | |
| Unquoted | | |
| Investment in debentures and bonds | 0 | 0 |
| Investment in National Savings Certificates | 0 | 0 |
| Fair value through profit and loss | | |
| Unquoted | | |
| Investment in preference shares | 1 | 1 |
| **Total (B)** | **1** | **1** |
| **Total (A+B)** | **2** | **2** |



# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Current Investments** | | |
| C. Other instruments | | |
| Fair value through other comprehensive income | | |
| Quoted | | |
| Investments in treasury bills | - | 880 |
| Fair value through profit and loss | | |
| Quoted | | |
| Investments in mutual funds | 1,248 | 1,813 |
| **Total (C)** | **1,248** | **2,693** |
| **Total (A+B+C)** | **1,250** | **2,695** |
| Aggregate amount of quoted investments | 1,248 | 2,693 |
| Aggregate Market value of quoted investments | 1,248 | 2,693 |
| Aggregate amount of unquoted investments | 2 | 2 |
| Aggregate amount of impairment in value of investments | 0 | 0 |

Refer Note 36 for information about fair value measurement and Note 37 for credit risk and market risk of investments.

### NOTE 7 LOANS

Refer Note 2.4 (g) for accounting policy on Loans.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Non-Current** | | |
| Loans to related parties (Refer Note 41) | 226 | 191 |
| Security deposits | 144 | 125 |
| Others (including employee loans) | 83 | 80 |
| | **453** | **396** |
| **Sub-classification of Loans:** | | |
| Loan Receivables considered good – Secured | - | - |
| Loan Receivables considered good – Unsecured | 453 | 396 |
| Loan Receivables which have significant increase in Credit Risk | - | - |
| Loan Receivables – credit impaired | - | - |

Refer Note 37 for information about credit risk and market risk for loans.

### NOTE 8 OTHER FINANCIAL ASSETS (Unsecured, considered good unless otherwise stated)

Refer Note 2.4 (g) for accounting policy on Financial Instruments.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Non-Current** | | |
| Investments in term deposits (with remaining maturity of more than twelve months) | 1 | 1 |
| Other assets (includes other receivables etc.) | 2 | 10 |
| **Total (A)** | **3** | **11** |
| **Current** | | |
| Receivable from group companies | 48 | 48 |
| Fair Value of Derivatives | 104 | 1 |
| Investments in term deposits (with original maturity of more than twelve months but remaining maturity of less than twelve months) | 599 | - |
| Other assets (includes Government grants, other receivables, etc.) | 659 | 494 |
| **Total (B)** | **1,410** | **543** |
| **Total (A+B)** | **1,413** | **554** |

Refer Note 37 for information about credit risk and market risk for other financial assets.

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 9 INCOME TAXES

Refer Note 2.4 (n) for accounting policy on Income Taxes.

### A. Components of Income Tax Expense

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| I. Tax expense recognised in the Statement of Profit and Loss | | |
| Current tax | | |
| Current year | 2,407 | 2,686 |
| Adjustments/(credits) related to previous years – (net) | (205) | (121) |
| **Total (A)** | **2,202** | **2,565** |
| Deferred tax charge/(credit) | | |
| Origination and reversal of temporary differences | 91 | (92) |
| Adjustments/(credits) related to previous years – (net) | 61 | 13 |
| **Total (B)** | **152** | **(79)** |
| **Total (A+B)** | **2,354** | **2,486** |
| II. Tax on Other Comprehensive Income | | |
| Current tax | | |
| (Gain)/loss on remeasurement of net defined benefit plans | - | 3 |
| (Gain)/loss on debt instruments through other comprehensive income | - | - |
| Deferred tax | | |
| (Gain)/loss on remeasurement of net defined benefit plans | (17) | (6) |
| (Gain)/loss on debt instruments through other comprehensive income | (0) | 1 |
| (Gain)/loss on cash flow hedges through other comprehensive income | (40) | |
| | **(57)** | **(2)** |

### B. Reconciliation of Effective Tax Rate

The reconciliation between the statutory income tax rate applicable to the Company and the effective income tax rate of the Company is as follows:

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Statutory income tax rate | 25.2% | 34.9% |
| Differences due to: | | |
| Expenses not deductible for tax purposes | 1.2% | 1.6% |
| Income exempt from income tax | -0.2% | -0.3% |
| Income tax incentives | - | -5.7% |
| Others* | -0.3% | -1.3% |
| **Effective tax rate** | **25.9%** | **29.2%** |

* Others include prior period adjustment tax refunds, tax on exceptional items and impact of tax rate change.

**Impact of tax rate change:** The Company elected to exercise the option permitted under Section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has re-measured its Deferred Tax Assets basis the rate prescribed in the said section. The full impact of this change has been recognised in the statement of Profit & Loss for the year.




# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)


### C. Movement in Deferred tax Assets and Liabilities

| Movement during the year ended 31st March, 2019 | As at 31st March, 2018 | Credit/(charge) in the Statement of Profit and Loss | Credit/(charge) in Other Comprehensive Income | As at 31st March, 2019 |
|---|---|---|---|---|
| Deferred tax assets/(liabilities) | | | | |
| Provision for post retirement benefits and other employee benefits | 127 | (22) | 6 | 111 |
| Provision for doubtful debts and advances | 22 | (1) | - | 21 |
| Expenses allowable for tax purposes when paid | 157 | 68 | - | 225 |
| Depreciation | (346) | (19) | - | (365) |
| Fair value gain/(loss) | (52) | (21) | (1) | (74) |
| Other temporary differences | 347 | 74 | - | 421 |
| | **255** | **79** | **5** | **339** |

| Movements during the year ended 31st March, 2020 | As at 1st April, 2019 | Credit/(charge) in the Statement of Profit and Loss | Credit/(charge) in Other Comprehensive Income | As at 31st March, 2020 |
|---|---|---|---|---|
| Deferred tax assets/(liabilities) | | | | |
| Provision for post retirement benefits and other employee benefits | 111 | (92) | 11 | 30 |
| Provision for doubtful debts and advances | 21 | (7) | - | 14 |
| Expenses allowable for tax purposes when paid | 225 | (69) | 5 | 161 |
| Depreciation | (365) | 127 | - | (238) |
| Fair value gain/(loss) | (74) | (2) | 41 | (35) |
| Other temporary differences | 421 | (92) | - | 329 |
| Transition impact on adoption of Ind AS 116 | 17 | (17) | - | 0 |
| | **356** | **(152)** | **57** | **261** |

### D. Tax Assets and Liabilities

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Non-current tax assets (net) | 1,016 | 619 |
| Non-current tax liabilities (net) | 416 | 444 |

### NOTE 10 OTHER NON-CURRENT ASSETS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Deposit with Government Authorities (Customs, GST, etc.) | 91 | 89 |
| Capital advances | 49 | 65 |
| Other advances (includes advances for materials) | 22 | 33 |
| Less: Allowance for bad and doubtful advances | (22) | (33) |
| | **140** | **154** |
| **The movement in allowance for bad and doubtful advances is as follows:** | | |
| **Balance as at the beginning of the year** | 33 | 29 |
| Change in allowance for bad and doubtful assets during the year | 6 | 5 |
| Written off during the year | (17) | (1) |
| **Balance as at the end of the year** | **22** | **33** |

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 11 INVENTORIES

Refer Note 2.4 (d) for accounting policy on inventories.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Raw materials [includes in transit: ₹ 65 crores (31st March, 2019: ₹ 24 crores)] | 907 | 859 |
| Packing materials | 79 | 36 |
| Work-in-progress | 254 | 252 |
| Finished goods [includes in transit: ₹ 20 crores (31st March, 2019: ₹ 17 crores)] (Refer note (a) below) | 1,325 | 1,206 |
| Stores and spares | 71 | 69 |
| | **2,636** | **2,422** |

(a) Finished goods includes good purchased for re-sale, as both are stocked together.

(b) During FY 2019-20 an amount of ₹ 155 crores (31st March, 2019: ₹ 132 crores) was charged to the Statement of Profit and Loss on account of damage and slow moving inventory. The reversal on account of above during the year amounted to Nil (31st March, 2019: Nil).

### NOTE 12 TRADE RECEIVABLES

Refer Note 2.4 (g) for accounting policy on Trade Receivables.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Trade Receivables considered good – Secured | - | - |
| Trade Receivables considered good – Unsecured | 1,059 | 1,681 |
| Less: Allowance for expected credit loss | (13) | (8) |
| Trade Receivables which have significant increase in credit risk | - | - |
| Trade Receivables – credit impaired | 21 | 20 |
| Less: Allowance for credit impairment | (21) | (20) |
| | **1,046** | **1,673** |
| **The movement in change in allowance for expected credit loss and credit impairment** | | |
| **Balance as at beginning of the year** | 28 | 34 |
| Change in allowance for expected credit loss and credit impairment | 6 | 0 |
| Trade receivables written off during the year | (0) | (6) |
| **Balance as at the end of the year** | **34** | **28** |

Refer note 37 for information about credit risk and market risk of trade receivables.

### NOTE 13 CASH AND CASH EQUIVALENTS

Refer Note 2.4 (e) for accounting policy on Cash and Cash Equivalents.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Cash on hand | 0 | 0 |
| Balances with Banks | | |
| In current accounts | 2,927 | 23 |
| Term deposits with original maturity of less than three months | 203 | 552 |
| | **3,130** | **575** |




# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)


### NOTE 14 BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Earmarked balances with banks | | |
| Unpaid dividend | 174 | 134 |
| Others (Escrow accounts) | 17 | 17 |
| Investments in term deposits (with original maturity of more than three months but less than twelve months) | 1,696 | 2,962 |
| | **1,887** | **3,113** |

### NOTE 15 OTHER CURRENT ASSETS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Input taxes (GST, etc.) | 262 | 174 |
| Other advances (includes prepaid expenses etc.) | 271 | 177 |
| | **533** | **351** |

### NOTE 16 ASSETS HELD FOR SALE

Refer Note 2.4 (f) for accounting policy on Assets Held for Sale.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Groups of assets held for sale** | | |
| Land | 3 | 1 |
| Buildings | 15 | 3 |
| Plant and equipment | 0 | - |
| Furniture and fixtures | 0 | 0 |
| | **18** | **4** |

Note: During the year, the Company had identified certain land of ₹ 2 crores (NBV: ₹ 2 crores), plant and equipment of ₹ 0 crore (NBV: ₹ 0 crore) and building of ₹ 25 crores (NBV: ₹ 13 crores) which has been moved from Property, Plant and Equipment to asset held for sale. The Company expects to dispose of these assets over the course of next 12 months.

### NOTE 17 EQUITY SHARE CAPITAL

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Authorised** | | |
| 2,25,00,00,000 (31st March, 2019: 2,25,00,00,000) equity shares of ₹ 1 each | 225 | 225 |
| **Issued, subscribed and fully paid up** | | |
| 2,16,48,44,187 (31st March, 2019: 2,16,47,04,405) equity shares of ₹ 1 each | 216 | 216 |
| | **216** | **216** |

#### a) Reconciliation of the number of shares

| Equity Shares | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Balance as at the beginning of the year | 2,16,47,04,405 | 216 | 2,16,45,28,777 | 216 |
| Add: ESOP shares issued during the year (Refer note 39) | 1,39,782 | 0 | 1,75,628 | 0 |
| **Balance as at the end of the year** | **2,16,48,44,187** | **216** | **2,16,47,04,405** | **216** |

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### b) Rights, preferences and restrictions attached to shares

**Equity shares**: The Company has one class of equity shares having a par value of ₹ 1 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

### c) Shares held by Holding Company and Subsidiaries of Holding Company in aggregate

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Equity Shares of ₹ 1 each** | | |
| 1,11,43,70,148 shares (31st March, 2019: 1,11,43,70,148) held by Unilever PLC, UK, the Holding Company | 111 | 111 |
| 3,40,042,710 shares (31st March, 2019: 3,40,042,710) held by subsidiaries of the Holding Company | 34 | 34 |

### d) Details of equity shares held by shareholders holding more than 5% of the aggregate shares in the Company

| Unilever PLC, UK, the Holding Company | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Number of shares | 1,11,43,70,148 | 1,11,43,70,148 |
| % of holding | 51.48% | 51.48% |

### e) Shares reserved for issue under options

| | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Under 2012 HUL Performance Share Scheme: equity shares of ₹ 1 each, at an exercise price of ₹ 1 per share (refer note 39) | 1,47,765 | 0 | 2,85,049 | 0 |
| | **1,47,765** | **0** | **2,85,049** | **0** |

For terms and other details Refer note 39.

### NOTE 18 OTHER EQUITY

Refer Statement of Changes in Equity for detailed movement in Other Equity balance.

### A. Summary of Other Equity balance

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Capital Reserve | 4 | 4 |
| Capital Redemption Reserve | 6 | 6 |
| Securities Premium | 153 | 142 |
| Employee Stock Options Outstanding Account | 16 | 25 |
| Retained Earnings | 7,664 | 7,303 |
| Other Reserves | 9 | 9 |
| Items of Other Comprehensive Income | | |
| - Remeasurements of net defined benefit plans | - | (47) |
| - Fair value of Cash flow hedges through OCI | (37) | - |
| - Fair value of Debt instruments through OCI | 0 | 1 |
| **Total Other Equity** | **7,815** | **7,443** |



# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### B. Nature and purpose of reserves

(a) **Capital Reserve:** During amalgamation, the excess of net assets acquired, over the cost of consideration paid is treated as capital reserve.

(b) **Capital Redemption Reserve:** The Company has recognised Capital Redemption Reserve on buyback of equity shares from its retained earnings. The amount in Capital Redemption Reserve is equal to nominal amount of the equity shares bought back.

(c) **Securities Premium:** The amount received in excess of face value of the equity shares is recognised in Securities Premium. In case of equity-settled share based payment transactions, the difference between fair value on grant date and nominal value of share is accounted as securities premium.

(d) **Employee Stock Options Outstanding Account:** The fair value of the equity-settled share based payment transactions is recognised in Statement of Profit and Loss with corresponding credit to Employee Stock Options Outstanding Account.

(e) **Retained Earnings:** Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

(f) **Other Reserves:** The Company has recognised Other Reserves on amalgamation of Brooke Bond Lipton India Limited as per statutory requirements. This reserve is not available for capitalisation/declaration of dividend/ share buy-back. Further it also includes capital subsidy and revaluation reserve.

(g) **Items of Other Comprehensive Income**

i) **Remeasurements of Net Defined Benefit Plans:** Differences between the interest income on plan assets and the return actually achieved, and any changes in the liabilities over the year due to changes in actuarial assumptions or experience adjustments within the plans, are recognised in other comprehensive income and are adjusted to retained earnings.

ii) **Fair value of cash flow hedges through Other Comprehensive Income:** The effective portion of the fair value change of the cash flow hedges measured at fair value through other comprehensive income is recognised in Cash flow hedges through Other Comprehensive Income. Upon derecognition, if the hedged cash flow relates to a non-financial asset, the amount accumulated in equity is subsequently included within the carrying value of that asset. For other cash flow hedges, amounts accumulated in other comprehensive income are taken to the statement of profit and loss at the same time as the related cash flow.

iii) **Debt Instruments through Other Comprehensive Income:** The fair value change of the debt instruments measured at fair value through other comprehensive income is recognised in Debt instruments through Other Comprehensive Income. Upon derecognition, the cumulative fair value changes on the said instruments are reclassified to the Statement of Profit and Loss.

### C. Other Comprehensive Income accumulated in Other Equity, net of tax

The disaggregation of changes in other comprehensive income by each type of reserve in equity is shown below:

| | Remeasurements of defined benefit plans | Cash flow hedges through Other Comprehensive Income | Debt instruments through Other Comprehensive Income | Total |
|---|---|---|---|---|
| **As at 31st March, 2018** | **(43)** | **-** | **(0)** | **(43)** |
| Remeasurement gain/(loss) on net defined benefit plans | (7) | - | - | (7) |
| Gain/(loss) on debt instruments recognised in other comprehensive income | - | - | 2 | 2 |
| Tax on above | 3 | - | (1) | 2 |
| **As at 31st March, 2019** | **(47)** | **-** | **1** | **(46)** |
| Transfer to retained earnings | 47 | - | - | 47 |
| Fair Value of cash flow hedges in other comprehensive income | - | (77) | - | (77) |
| Gain/(loss) on debt instruments recognised in other comprehensive income | - | - | (1) | (1) |
| Tax on above | - | 40 | 0 | 40 |
| **As at 31st March, 2020** | **-** | **(37)** | **-** | **(37)** |

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### D. Capital Management

Equity share capital and other equity are considered for the purpose of Company's capital management.

The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to shareholders. The capital structure of the Company is based on management's judgement of its strategic and day-to-day needs with a focus on total equity so as to maintain investor, creditors and market confidence.

The management and the Board of Directors monitor the return on capital as well as the level of dividends to shareholders. The Company may take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

### NOTE 19 OTHER FINANCIAL LIABILITIES

Refer Note 2.4 (g) and (o) for accounting policy on Financial Instruments and Leases

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Non-Current** | | |
| Security deposits | 26 | 28 |
| Employee and ex-employee related liabilities | 183 | 187 |
| Contingent consideration payable on business combination | 93 | 145 |
| Lease Liabilities | 551 | - |
| **Total (A)** | **853** | **360** |
| **Current** | | |
| Unpaid dividends [Refer (a) below] | 174 | 134 |
| Salaries, wages, bonus and other employee payable | 188 | 180 |
| Fair Value of Derivatives | 158 | 15 |
| Contingent consideration payable on business combination | 37 | 31 |
| Other payables (retention money for purchase of PPE, etc.) | 88 | 96 |
| Lease Liabilities | 224 | - |
| **Total (B)** | **869** | **456** |
| **Total (A+B)** | **1,722** | **816** |

Refer note 37 for information about liquidity risk of other financial liability.

a) There are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Companies Act, 2013 as 31st March, 2020 (31st March, 2019: Nil).

### NOTE 20 PROVISIONS

Refer Note 2.4 (h) for accounting policy on Provisions.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Non-Current** | | |
| Provision for employee benefits (pension, post medical retirement benefits, etc.) [Refer Note 38] | 154 | 116 |
| Other provisions (including for statutory levies etc.) (net) [Refer (a) below] | 1,044 | 933 |
| **Total (A)** | **1,198** | **1,049** |
| **Current** | | |
| Provision for employee benefits (gratuity and compensated absences)[Refer Note 38] | 70 | 47 |
| Other provisions (including restructuring, etc.) [Refer (a) below] | 348 | 454 |
| **Total (B)** | **418** | **501** |
| **Total (A+B)** | **1,616** | **1,550** |



Notes
to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### a) Movement in Other provisions (Non-current and Current)

| | Indirect Tax related | Legal and Other Matters | Total |
|---|---|---|---|
| **Balance as at 31st March, 2018** | **336** | **895** | **1,231** |
| Add: Provision/reclassified during the year * | 159 | 373 | 532 |
| Less: Amount utilised/reversed during the year | (10) | (366) | (376) |
| **Balance as at 31st March, 2019** | **485** | **902** | **1,387** |
| Add: Provision/reclassified during the year | 145 | 137 | 282 |
| Less: Amount utilised/reversed during the year | (72) | (205) | (277) |
| **Balance as at 31st March, 2020** | **558** | **834** | **1,392** |

* includes impact of discounting.

The provisions for indirect taxes and legal matters comprises of numerous separate cases that arise in the ordinary course of business. These provisions have not been discounted as it is not practicable for the Company to estimate the timing of the provision utilisation and cash outflows, if any, pending resolution.

### NOTE 21 TRADE PAYABLES

Refer Note 2.4 (g) for accounting policy on Trade Payables.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Total outstanding dues of micro enterprises and small enterprises(as per the intimation received from vendors)** | | |
| a) Principal and interest amount remaining unpaid | - | - |
| b) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day | - | - |
| c) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006 | - | - |
| d) Interest accrued and remaining unpaid | - | - |
| e) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises | - | - |
| **Total outstanding dues of creditors other than micro enterprises and small enterprises** | | |
| Acceptances | 120 | 46 |
| Trade payables | 7,279 | 7,024 |
| | **7,399** | **7,070** |

Refer note 37 for information about liquidity risk and market risk related to trade payables.

### NOTE 22 OTHER CURRENT LIABILITIES

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Statutory dues (including provident fund, tax deducted at source and others) | 264 | 287 |
| Others (including advance from customers etc.) | 154 | 39 |
| | **418** | **326** |

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 23 CONTINGENT LIABILITIES AND COMMITMENTS

Refer Note 2.4 (h) for accounting policy on Contingent Liabilities.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **A. Contingent Liabilities** | | |
| Claims against the Company not acknowledged as debts | | |
| Income tax matters | 1,029 | 771 |
| Indirect Tax matters | 941 | 664 |
| Legal and Other Matters | 282 | 283 |
| Corporate Guarantee given | 8 | 8 |

(i) It is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceedings as it is determinable only on receipt of judgements/decisions pending with various forums/authorities.

(ii) The Company does not expect any reimbursements in respect of the above contingent liabilities.

(iii) The Company's pending litigations comprise of claims against the Company by employees and pertaining to proceedings pending with various direct tax, indirect tax and other authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

(iv) The Company has given Bank Guarantees in respect of certain contingent liabilities included above.

#### B. Commitments

i) Lease commitments

Lease commitments are the future cash out flows from the lease contracts which are not recorded in the measurement of lease liabilities. These include potential future payments related to leases of low value assets and leases with term less than twelve months.

| | As at 31st March, 2020 |
|---|---|
| Not later than one year | 91 |
| Later than one year and not later than five years | 186 |
| Later than five years | 1 |

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| ii) Capital commitments | | |
| Estimated value of contracts in capital account remaining to be executed and not provided for (net of capital advances) | 271 | 217 |
| | **271** | **217** |

### NOTE 24 REVENUE FROM OPERATIONS

Refer Note 2.4 (i) for accounting policy on Revenue Recognition.

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Sale of products | 38,273 | 37,660 |
| Other operating revenue | | |
| Income from services rendered | 255 | 300 |
| Others (including Government grant, scrap sales, etc.) | 257 | 264 |
| | **38,785** | **38,224** |

Total Government grant recognised ₹ 171 crores (31st March, 2019: ₹ 173 crores) (Refer note 2.4 (j) for accounting policy on Government grant).



# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### Reconciliation of Revenue from sale of products with the contracted price

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Contracted Price | 44,197 | 42,903 |
| Less: Trade discounts, volume rebates, etc. | (5,924) | (5,243) |
| **Sale of products** | **38,273** | **37,660** |

### NOTE 25 OTHER INCOME

Refer Note 2.4 (i) for accounting policy on Revenue Recognition.

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| **Interest income on** | | |
| Bank deposits | 281 | 232 |
| Current investments | 39 | 70 |
| Others (including interest on Income tax refunds) | 180 | 95 |
| **Dividend income from** | | |
| Subsidiaries | 95 | 102 |
| Non-current investments | 1 | 1 |
| **Fair value gain/(loss)** | | |
| Investments measured at fair value through profit or loss* | 137 | 164 |
| | **733** | **664** |

*Includes realised gain on sale of investment of ₹ 65 crores (31st March 2019 : ₹ 84 crores)

### NOTE 26 COST OF MATERIALS CONSUMED

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Raw materials consumed | 9,036 | 10,722 |
| Packing materials consumed | 2,536 | 2,518 |
| | **11,572** | **13,240** |

### NOTE 27 PURCHASES OF STOCK-IN-TRADE

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Purchases of stock-in-trade | 6,342 | 4,708 |
| | **6,342** | **4,708** |

### NOTE 28 CHANGES IN INVENTORIES OF FINISHED GOODS (INCLUDING STOCK-IN-TRADE) AND WORK-IN-PROGRESS

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| **Opening inventories** | | |
| Finished goods | 1,206 | 1,221 |
| Work-in-progress | 252 | 249 |
| **Closing inventories** | | |
| Finished goods | (1,325) | (1,206) |
| Work-in-progress | (254) | (252) |
| | **(121)** | **12** |

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 29 EMPLOYEE BENEFITS EXPENSES

Refer Note 2.4 (l) for accounting policy on Employee Benefits.

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Salaries and wages, bonus etc. | 1,431 | 1,442 |
| Contribution to provident funds and other funds | 116 | 105 |
| Defined benefit plan expense (Refer Note 38) | 32 | 28 |
| Share based payments to employees (Refer note 39) | 45 | 93 |
| Workmen and staff welfare expenses | 67 | 79 |
| | **1,691** | **1,747** |

### NOTE 30 FINANCE COSTS

Refer Note 2.4 (o) for accounting policy on Leases

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Interest expense on bank overdraft and others | 0 | 0 |
| Net interest on the net defined benefit liability (Refer Note 38) | 9 | 11 |
| Unwinding of discount on provisions and liabilities | 10 | 9 |
| Unwinding of discount on employee and ex-employee related liabilities | 6 | 5 |
| Interest on lease liabilities | 74 | - |
| Others (including interest on taxes) | 7 | 3 |
| | **106** | **28** |

### NOTE 31 DEPRECIATION AND AMORTISATION EXPENSES

Refer Note 2.4 (a), (b) and (o) for accounting policy on Property, Plant and Equipment, Intangible assets and Leases

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Depreciation on property, plant and equipment (owned assets) | 568 | 510 |
| Depreciation on property, plant and equipment (leased assets) | 355 | - |
| Amortisation on intangible assets | 15 | 14 |
| | **938** | **524** |

### NOTE 32 OTHER EXPENSES

| | Year ended 31st March, 2020 | | Year ended 31st March, 2019 | |
|---|---|---|---|---|
| Advertising and promotion | | 4,686 | | 4,552 |
| Carriage and freight | | 1,460 | | 1,547 |
| Royalty | | | | |
| - Technology | 535 | | 524 | |
| - Brand | 156 | 691 | 159 | 683 |
| Fees for central services from Parent Company | | 380 | | 374 |
| Processing charges * | | 182 | | 372 |
| Power, fuel, light and water | | 263 | | 269 |
| Rent * | | 107 | | 292 |
| Travelling and motor car expenses | | 157 | | 158 |
| Repairs | | 142 | | 128 |
| Rates & taxes (excluding income tax) | | 38 | | 35 |
| Corporate social responsibility expense [Refer note (b) below] | | 144 | | 126 |
| Miscellaneous expenses [Refer note (a) below] | | 1,451 | | 1,344 |
| | | **9,701** | | **9,880** |

* Includes impact of Ind AS 116 - Leases. Refer Note 2.4 (o) for accounting policy on Leases.



# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| **(a) Miscellaneous expenses include:** | | |
| Auditor's remuneration and expenses | | |
| Statutory audit fees | 2 | 1 |
| Tax audit fees | 1 | 1 |
| Others | | |
| Fees for other audit related services | 0 | 1 |
| Fees for certification | 1 | 1 |
| Reimbursement of out-of-pocket expenses | 0 | 0 |
| **Total** | **4** | **4** |

**(b)** The Company has spent ₹ 144 crores (2018-19: ₹ 126 crores) towards various schemes of Corporate Social Responsibility as prescribed under Section 135 of the Companies Act, 2013. The details are:

I. Gross amount required to be spent by the Company during the year: ₹ 142 crores (2018-19: ₹ 124 crores).

II. Amount spent during the year on:

| | | Year ended 31st March, 2020 | | Year ended 31st March, 2019 | |
|---|---|---|---|---|---|
| | | In cash | Yet to be paid in Cash | In cash | Yet to be paid in Cash |
| i) | Construction/acquisition of any asset | - | - | - | - |
| ii) | For purposes other than (i) above | 144 | - | 126 | - |
| **Total** | | **144** | **-** | **126** | **-** |

III. Above includes a contribution of ₹ 28 crores (2018-19: ₹ 8 crores) to subsidiary Hindustan Unilever Foundation which is a Section 8 registered Company under Companies Act, 2013, with the main objectives of working in the areas of social, economic and environmental issues such as water harvesting, health and hygiene awareness, women empowerment and enable the less privileged segments of the society to improve their livelihood by enhancing their means and capabilities to meet the emerging opportunities.

IV. The Company does not carry any provisions for Corporate social responsibility expenses for current year and previous year.

### NOTE 33 EXCEPTIONAL ITEMS (NET)

| | | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| i) | Profit on disposal of surplus properties | 46 | - |
| ii) | Fair valuation of contingent consideration payable (refer note 40) | 26 | - |
| **Total exceptional income (A)** | | **72** | **-** |
| i) | Fair valuation of contingent consideration payable (refer note 40) | - | (57) |
| ii) | Acquisition and disposal related cost | (132) | (30) |
| iii) | Restructuring and other costs | (137) | (140) |
| **Total exceptional expenditure (B)** | | **(269)** | **(227)** |
| **Exceptional items (net) (A+B)** | | **(197)** | **(227)** |

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 34 EARNINGS PER EQUITY SHARE

Refer Note 2.4 (q) for accounting policy on Earnings Per Share.

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| **Earnings Per Share has been computed as under:** | | |
| Profit for the year | 6,738 | 6,036 |
| Weighted average number of equity shares outstanding | 2,16,47,95,829 | 2,16,46,29,982 |
| Earnings Per Share (₹) - Basic (Face value of ₹ 1 per share) | ₹ 31.13 | ₹ 27.89 |
| Add: Weighted average number of potential equity shares on account of employee stock options/ performance share schemes | 1,96,123 | 3,59,472 |
| Weighted average number of Equity shares (including dilutive shares) outstanding | 2,16,49,91,952 | 2,16,49,89,454 |
| Earnings Per Share (₹) - Diluted (Face value of ₹ 1 per share) | ₹ 31.12 | ₹ 27.88 |

### NOTE 35 DIVIDEND ON EQUITY SHARE

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| **Dividend on equity shares declared and paid during the year** | | |
| Final dividend of ₹ 13.00 per share for FY 2018-19 (2017-18: ₹ 12.00 per share) | 2,814 | 2,598 |
| Dividend distribution tax on final dividend* | 578 | 534 |
| Interim dividend of ₹ 11.00 per share for FY 2019-20 (2018-19: ₹ 9.00 per share) | 2,382 | 1,948 |
| Dividend distribution tax on interim dividend* | 470 | 379 |
| | **6,244** | **5,459** |
| **Proposed dividend on equity shares not recognised as liability** | | |
| Final dividend of ₹ 14.00 per share for FY 2019-20 (2018-19: ₹ 13.00 per share) | 3,289 | 2,814 |
| Dividend distribution tax on final dividend | - | 578 |
| | **3,289** | **3,392** |
| **Payout ratio for FY 2019-20** | **91%** | |

Proposed dividend on equity shares is subject to the approval of the shareholders of the Company at the Annual General Meeting and not recognised as liability as at the Balance Sheet date.

*Dividend Distribution Tax (DDT) – net comprises credit in respect of tax paid under Section 115 O of the Income-tax Act, 1961 by the Company on dividend received from its subsidiaries.

### NOTE 36 FINANCIAL INSTRUMENTS

Refer Note 2.4 (g) for accounting policy on Financial Instruments.

#### A. Accounting Classifications and Fair Values

The carrying amounts and fair values of financial instruments by class are as follows:

| | Note | Carrying value/ Fair value As at 31st March, 2020 | Carrying value/ Fair value As at 31st March, 2019 |
|---|---|---|---|
| **Financial Assets** | | | |
| Financial assets measured at fair value | | | |
| Investments measured at | | | |
| i. Fair value through other comprehensive income | 6 | - | 880 |
| ii. Fair value through profit and loss | 6 | 1,250 | 1,815 |
| Fair Value of Derivatives | 8 | 104 | 1 |
| Financial assets measured at amortised cost | | | |
| Investments in subsidiaries, associates and joint venture | 5 | 250 | 254 |
| Investments | 6 | 0 | 0 |
| Loans | 7 | 453 | 396 |
| Investments in term deposits | 8,14 | 2,296 | 2,963 |
| Other assets | 8 | 661 | 504 |
| | | **5,014** | **6,813** |
| **Financial Liabilities** | | | |
| Financial liabilities measured at fair value | | | |
| Fair Value of Derivatives | 19 | 158 | 15 |
| Contingent consideration payable on Business Combination | 19 | 130 | 176 |
| Lease Liabilities | 19 | 775 | - |
| Employee Liabilities | 19 | 371 | 367 |
| Financial liabilities measured at amortised cost | | | |
| Security deposits | 19 | 26 | 28 |
| Other payables | 19 | 88 | 96 |
| | | **1,548** | **682** |

The Company has disclosed financial instruments such as cash and cash equivalents, other bank balances, trade receivables, current account balances with group companies, trade payables and unpaid dividends at carrying value because their carrying amounts are a reasonable approximation of the fair values due to their short-term nature.

#### B. Income, Expenses, Gains or Losses on Financial Instruments

Interest income and expenses, gains or losses recognised on financial assets and liabilities in the Statement of Profit and Loss are as follows:

| | Note | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| Financial assets measured at amortised cost | | | |
| Interest income | 25 | 298 | 253 |
| Dividend Income | 25 | 95 | 102 |
| Allowance for expected credit loss and credit impairment | 12 | 6 | 0 |
| Financial assets measured at fair value through other comprehensive income | | | |
| Investment in debt instruments | | | |
| Interest income | 25 | 39 | 70 |
| Fair value gain/(loss) recognised in other comprehensive income | 18C | (1) | 2 |
| Financial assets measured at fair value through profit or loss | | | |
| Fair value gain/(loss) on investment in debt instruments | 25 | 137 | 164 |
| Dividend income on Non-current investment | 25 | 1 | 1 |
| Financial liabilities measured at amortised cost | | | |
| Interest expense | 30 | 0 | 0 |
| Financial liabilities measured at fair value | | | |
| Interest on lease liabilities | 30 | 74 | - |
| Interest expense other than on lease liabilities | 30 | 16 | 14 |
| Derivatives - foreign exchange forward contracts and cash flow hedges | | | |
| Fair value gain/(loss) | 32 | 36 | (18) |

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### C. Fair Value Hierarchy

The fair value of financial instruments as referred to in note (A) above have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The categories used are as follows:

- Level 1: Quoted prices for identical instruments in an active market;
- Level 2: Directly or indirectly observable market inputs, other than Level 1 inputs; and
- Level 3: Inputs which are not based on observable market data.

For assets and liabilities which are measured at fair value as at Balance Sheet date, the classification of fair value calculations by category is summarised below:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **As at 31st March, 2020** | | | | |
| Assets at fair value | | | | |
| Investments measured at: | | | | |
| i. Fair Value through OCI | - | - | - | - |
| ii. Fair Value through Profit or Loss | 1,248 | - | 2 | 1,250 |
| Fair Value of Derivatives | - | 104 | - | 104 |
| Liabilities at fair value | | | | |
| Fair Value of Derivatives | - | 158 | - | 158 |
| Lease Liabilities | - | - | 775 | 775 |
| Employee Liabilities | - | - | 371 | 371 |
| Contingent consideration payable on Business Combination | - | - | 130 | 130 |
| **As at 31st March, 2019** | | | | |
| Assets at fair value | | | | |
| Investments measured at: | | | | |
| i. Fair Value through OCI | 880 | - | - | 880 |
| ii. Fair Value through Profit or Loss | 1,813 | - | 2 | 1,815 |
| Fair Value of Derivatives | - | 1 | - | 1 |
| Liabilities at fair value | | | | |
| Fair Value of Derivatives | - | 15 | - | 15 |
| Employee Liabilities | - | - | 367 | 367 |
| Contingent consideration payable on Business Combination | - | - | 176 | 176 |

### Calculation of Fair Values

The fair values of the financial assets and liabilities are defined as the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values are consistent with those used for the year ended 31st March, 2019.

#### Financial assets and liabilities measured at fair value as at Balance Sheet date:

1. The fair values of investment in treasury bills and quoted investment in equity shares is based on the current bid price of respective investment as at the Balance Sheet date.
2. The fair values of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in the published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.
3. The fair values of the derivative financial instruments has been determined using valuation techniques with market observable inputs. The models incorporate various inputs including the credit quality of counter-parties, foreign exchange forward rates and commodity prices.



# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

#### Other financial assets and liabilities

- Cash and cash equivalents, trade receivables, investments in term deposits, other financial assets (except derivative financial instruments), trade payables, and other financial liabilities (except derivative financial instruments) have fair values that approximate to their carrying amounts due to their short-term nature.

- Loans have fair values that approximate to their carrying amounts as it is based on the net present value of the anticipated future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. - Investments in subsidiaries, associates and joint venture have fair values that approximate to their carrying amounts

### Significant Unobservable Inputs Used In Level 3 Fair Values

**a) Lease liabilities and Employee liabilities**

Lease liabilities and Employee liabilities are valued using Level 3 techniques. A change in one or more of the inputs to reasonably possible alternative assumptions would not change the value significantly.

**b) Contingent Consideration**

| As at 31st March, 2020 | Significant unobservable inputs | Sensitivity of input to fair value measurement |
|---|---|---|
| Contingent consideration | Forecast revenue: | 10% increase in forecasted revenue per year will have additional liability of ₹ 16 crores and 10% decrease will have reduction in liability of ₹ 20 crores. |
| | Discount rate: 6.9% | 1% increase in Discount rate will have reduction in liability of ₹ 2 crores and 1% decrease will have increase in liability of ₹ 2 crores. |

| As at 31st March, 2019 | Significant unobservable inputs | Sensitivity of input to fair value measurement |
|---|---|---|
| Contingent consideration | Forecast revenue: | 10% increase in forecasted revenue per year will have additional liability of ₹ 21 crores and 10% decrease will have reduction in liability of ₹ 19 crores. |
| | Discount rate: 8.4% | 1% increase in Discount rate will have reduction in liability of ₹ 3 crores and 1% decrease will have increase in liability of ₹ 3 crores. |

## NOTE 37 FINANCIAL RISK MANAGEMENT

The Company's business activities are exposed to a variety of financial risks, namely liquidity risk, market risk, credit risk and commodity risk. The Company's senior management has the overall responsibility for establishing and governing the Company's risk management framework. The Company has constituted a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set and monitor appropriate risk limits and controls, periodically review the changes in market conditions and reflect the changes in the policy accordingly. The key risks and mitigating actions are also placed before the Audit Committee of the Company.

### A. Management of Liquidity Risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach in managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The Company maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended 31st March, 2020 and 31st March, 2019. Cash flow from operating activities provides the funds to service the financial liabilities on a day-to-day basis.

The Company regularly monitors the rolling forecasts to ensure it has sufficient cash on an on-going basis to meet operational needs. Any short-term surplus cash generated, over and above the amount required for working capital management and other operational requirements, is retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits and other highly marketable debt investments with appropriate maturities to optimise the cash returns on investments while ensuring sufficient liquidity to meet its liabilities.

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

The following table shows the maturity analysis of the Company's financial liabilities based on contractually agreed undiscounted cash flows along with its carrying value as at the Balance Sheet date.

| | Note | Carrying amount | Undiscounted Amount | | |
|---|---|---|---|---|---|
| | | | Payable within 1 year | More than 1 years | Total |
| **As at 31st March, 2020** | | | | | |
| Non-derivative liabilities | | | | | |
| Trade payables (including acceptances) | 21 | 7,399 | 7,399 | - | 7,399 |
| Employee liabilities | 19 | 371 | 188 | 195 | 383 |
| Security deposits | 19 | 26 | - | 26 | 26 |
| Unpaid dividend | 19 | 174 | 174 | - | 174 |
| Other Payables | 19 | 88 | 88 | - | 88 |
| Contingent consideration | 19 | 130 | 37 | 105 | 142 |
| Lease Liabilities | 19 | 775 | 224 | 653 | 877 |
| Derivative liabilities | | | | | |
| Fair Value of Derivatives | 19 | 158 | 158 | - | 158 |
| **As at 31st March, 2019** | | | | | |
| Non-derivative liabilities | | | | | |
| Trade payables (including acceptances) | 21 | 7,070 | 7,070 | - | 7,070 |
| Employee liabilities | 19 | 367 | 180 | 198 | 378 |
| Security deposits | 19 | 28 | - | 28 | 28 |
| Unpaid dividend | 19 | 134 | 134 | - | 134 |
| Other Payables | 19 | 96 | 96 | - | 96 |
| Contingent consideration | 19 | 176 | 31 | 176 | 207 |
| Derivative liabilities | | | | | |
| Fair Value of Derivatives | 19 | 15 | 15 | - | 15 |

### B. Management of Market Risk

The Company's size and operations result in it being exposed to the following market risks that arise from its use of financial instruments:

- currency risk;
- price risk;
- interest rate risk; and
- commodity risk

The above risks may affect the Company's income and expenses, or the value of its financial instruments. The Company's exposure to and management of these risks are explained below.

| Potential Impact of Risk | Management Policy | Sensitivity to Risk |
|---|---|---|
| **1. Currency Risk** | | |
| The Company is subject to the risk that changes in foreign currency values impact the Company's exports revenue and imports of raw material and property, plant and equipment.<br><br>As at 31st March, 2020, the unhedged exposure to the Company on holding financial assets (trade receivables) and liabilities (trade payables) other than in their functional currency amounted to ₹ 5 crores payable (net) [31st March, 2019: ₹ 11 crores] | The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar and Euro.<br><br>The Company manages currency exposures through use of forward exchange contracts. Foreign exchange transactions are covered with strict limits placed on the amount of uncovered exposure, if any, at any point in time.<br><br>The aim of the Company's approach to management of currency risk is to leave the Company with no material residual risk. | A 5% strengthening of the INR against key currencies to which the Company is exposed (net of hedge) would have led to approximately an additional ₹ 0 crore gain in the Statement of Profit and Loss (2018-19: ₹ 1 crore gain). A 5% weakening of the INR against these currencies would have led to an equal but opposite effect. |



# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| Potential Impact of Risk | Management Policy | Sensitivity to Risk |
|---|---|---|
| **2. Price Risk** | | |
| The Company is mainly exposed to the price risk due to its investment in debt mutual funds. The price risk arises due to uncertainties about the future market values of these investments.<br><br>At 31st March, 2020, the investments in debt mutual funds amounts to ₹ 1,248 crores (31st March, 2019: ₹ 1,813 crores). These are exposed to price risk | The Company has laid policies and guidelines which it adheres to in order to minimise price risk arising from investments in debt mutual funds. | A 1% increase in prices would have led to approximately an additional ₹ 12 crores gain in the Statement of Profit and Loss (2018-19: ₹ 18 crores gain). A 1% decrease in prices would have led to an equal but opposite effect. |
| **3. Interest Rate Risk** | | |
| The Company is mainly exposed to the interest rate risk due to its investment in treasury bills. The interest rate risk arises due to uncertainties about the future market interest rate on these investments.<br><br>In addition to treasury bills, the Company invests in term deposits. Considering the short-term nature, there is no significant interest rate risk pertaining to these deposits.<br><br>As at 31st March, 2020, the investments in treasury bill amounts to Nil (31st March, 2019: ₹ 880 crores). These are exposed to interest rate risk. | The Company has laid policies and guidelines including tenure of investment made to minimise impact of interest rate risk | A 0.25% decrease in interest rates would have led to approximately Nil amount in the Statement of Profit and Loss (2018-19: ₹ 1 crore gain). A 0.25% increase in interest rates would have led to an equal but opposite effect. |
| **4. Commodity Risk** | | |
| The Company is exposed to the risk of changes in commodity prices in relation to its purchase of certain raw materials.<br><br>At 31st March, 2020, the Company had hedged its exposure to future commodity purchases with commodity derivatives valued at ₹ 32 crores (31st March, 2019: Nil).<br><br>Hedges of future commodity purchases resulted in cumulative losses of ₹ 12 crores (31st March, 2019: Nil) being reclassified to the income statement as an adjustment to inventory purchase. | Commodities form a major part of the raw materials required for Company's products portfolio and hence commodity price risk is one of the important market risk for the Company. The commodities are priced using pricing benchmarks and commodity derivatives are priced using exchange-traded pricing benchmarks. The Company has a robust framework and governance mechanism in place to ensure that the organisation is adequately protected from the market volatility in terms of price and availability. The Company uses commodity swaps and option contracts to hedge against components of commodities where it is not possible to hedge the commodity in full. | A 10% increase in prices of open trades would have led to approximately ₹ 21 crores gain in OCI (2018-19: Nil). A 10% decrease in prices would have led to an equal but opposite effect. |

### C. Management Of Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations.

#### Trade receivables

Concentration of credit risk with respect to trade receivables are limited, due to the Company's customer base being large and diverse. All trade receivables are reviewed and assessed for default on a quarterly basis.

Our historical experience of collecting receivables indicate a low credit risk. Hence, trade receivables are considered to be a single class of financial assets.

Refer note 2.4(g) for accounting policy on Financial Instruments.

# Notes

## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

Other financial assets

The Company maintains exposure in cash and cash equivalents, term deposits with banks, investments in treasury bills, Government securities, money market liquid mutual funds and derivative instrument with financial institutions. The Company has set counter-party limits based on multiple factors including financial position, credit rating, etc. The Company has given inter-corporate deposits (ICD) only to its subsidiaries amounting ₹ 226 crores (31st March, 2019: ₹ 191 crores).

The Company's maximum exposure to credit risk as at 31st March, 2020 and 31st March, 2019 is the carrying value of each class of financial assets.

### NOTE 38 DEFINED BENEFIT PLANS

Refer note 2.4(l) for accounting policy on Employee Benefits.

### Description of Plans

Retirement Benefit Plans of the Company include Gratuity, Management Pension, Officer's Pension and Provident Fund. Other post-employment benefit plans includes post retirement medical benefits.

Gratuity is funded through investments with an insurance service provider. Pension (Management Pension and Officer's Pension) for most employees is managed through a trust, investments with an insurance service provider and for some employees investments are managed through Company managed trust. Provident Fund for most of the employees are managed through trust investments and for some employees through Government administered fund. Post-retirement medical benefits are managed through investment made under Company managed trust.

### Governance

The trustees of the trust fund are responsible for the overall governance of the plan and to act in accordance with the provisions of the trust deed and rules in the best interests of the plan participants. They are tasked with periodic reviews of the solvency of the fund and play a role in the long-term investment, risk management and funding strategy.

### Investment Strategy

The Company's investment strategy in respect of its funded plans is implemented within the framework of the applicable statutory requirements. The plans expose the Company to a number of actuarial risks such as investment risk, interest rate risk, longevity risk and inflation risk. The Company 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 Company 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.

### A. Balance Sheet

The assets, liabilities and surplus/(deficit) position of the defined benefit plans at the Balance Sheet date were:

| | Retirement Benefit Plans | | Other Post-Employment Benefit Plans | |
|---|---|---|---|---|
| | As at 31st March, 2020 | As at 31st March, 2019 | As at 31st March, 2020 | As at 31st March, 2019 |
| Present Value of Obligation | 2,830 | 2,664 | 196 | 157 |
| Fair Value of Plan Assets | (2,768) | (2,613) | (71) | (81) |
| **(Asset)/Liability recognised in the Balance Sheet** | **62** | **51** | **125** | **76** |
| Of which in respect of: | | | | |
| Funded plans in surplus: | | | | |
| Present Value of Obligation | 12 | 11 | - | - |
| Fair Value of Plan Assets | (26) | (33) | - | - |
| **(Asset)/Liability recognised in the Balance Sheet*** | **-*** | **-*** | **-** | **-** |




# Notes

## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)


| | Retirement Benefit Plans | | Other Post-Employment Benefit Plans | |
|---|---|---|---|---|
| | As at 31st March, 2020 | As at 31st March, 2019 | As at 31st March, 2020 | As at 31st March, 2019 |
| *The excess of assets over liabilities in respect of Officer's Pension have not been recognised as they are lying in an Income Tax approved irrevocable trust fund. | | | | |
| Funded plans in deficit: | | | | |
| Present Value of Obligation | 2,818 | 2,653 | 196 | 157 |
| Fair Value of Plan Assets | (2,756) | (2,602) | (71) | (81) |
| **(Asset)/Liability recognised in the Balance Sheet** | **62** | **51** | **125** | **76** |

### B. Movements in Present Value of Obligation and Fair Value of Plan Assets

| | Retirement Benefit Plans | | | Other Post-Employment Benefit Plans | | |
|---|---|---|---|---|---|---|
| | Plan Assets | Plan Obligation | Total | Plan Assets | Plan Obligation | Total |
| **As at 31st March, 2018** | 2,508 | 2,582 | 74 | 88 | 158 | 70 |
| Current service cost | - | 121 | 121 | - | 0 | 0 |
| Past service cost | - | - | - | - | - | - |
| Employee contributions | - | 168 | 168 | - | - | - |
| Interest cost | - | 201 | 201 | - | 12 | 12 |
| Interest income | 198 | - | (198) | 6 | - | (6) |
| Actuarial (gain)/loss arising from changes in demographic assumptions | - | (5) | (5) | - | (3) | (3) |
| Actuarial (gain)/loss arising from changes in financial assumptions | - | 9 | 9 | (1) | 6 | 7 |
| Actuarial (gain)/loss arising from experience adjustments | - | 3 | 3 | - | (4) | (4) |
| Employer contributions | 175 | - | (175) | - | - | - |
| Employee contributions | 168 | - | (168) | - | - | - |
| Assets acquired/(settled) | (60) | (60) | - | - | - | - |
| Benefit payments | (354) | (354) | - | (12) | (12) | - |
| **As at 31st March, 2019** | **2,635** | **2,665** | **30** | **81** | **157** | **76** |

| | Retirement Benefit Plans | | | Other Post-Employment Benefit Plans | | |
|---|---|---|---|---|---|---|
| | Plan Assets | Plan Obligation | Total | Plan Assets | Plan Obligation | Total |
| **As at 31st March, 2019** | 2,635 | 2,665 | 30 | 81 | 157 | 76 |
| Current service cost | - | 112 | 112 | - | 0 | 0 |
| Past service cost | - | 5 | 5 | - | - | - |
| Employee contributions | - | 188 | 188 | | - | - |
| Interest cost | - | 202 | 202 | - | 12 | 12 |
| Interest income | 199 | - | (199) | 6 | - | (6) |
| Actuarial (gain)/loss arising from changes in demographic assumptions | - | - | - | | - | - |
| Actuarial (gain)/loss arising from changes in financial assumptions | 20 | 30 | 10 | (2) | 19 | 21 |
| Actuarial (gain)/loss arising from experience adjustments | - | 15 | 15 | - | 22 | 22 |
| Employer contributions | 126 | - | (126) | - | - | - |
| Employee contributions | 188 | - | (188) | - | - | - |
| Assets acquired/ (settled) | (51) | (51) | - | - | - | - |
| Benefit payments | (336) | (336) | - | (14) | (14) | - |
| **As at 31st March, 2020** | **2,781** | **2,830** | **49** | **71** | **196** | **125** |

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### C. Statement of Profit and Loss

The charge to the Statement of Profit and Loss comprises:

| | Retirement Benefit Plans | | Other Post-Employment Benefit Plans | |
|---|---|---|---|---|
| | Year ended 31st March, 2020 | Year ended 31st March, 2019 | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
| Employee Benefit Expenses *: | | | | |
| Current service cost | 28 | 28 | 0 | 0 |
| Past service cost | 4 | - | - | - |
| Finance costs * : | | | | |
| Interest cost | 51 | 53 | 12 | 12 |
| Interest income | (48) | (48) | (6) | (6) |
| **Net impact on profit (before tax)** | **35** | **33** | **6** | **6** |
| Remeasurement of the net defined benefit plans: | | | | |
| Actuarial gains/(losses) arising from changes in demographic assumptions | - | (4) | - | (3) |
| Actuarial gains/(losses) arising from changes in financial assumptions | 31 | 9 | 21 | 6 |
| Actuarial gains/(losses) arising from experience adjustments | (6) | 3 | 22 | (4) |
| **Net impact on other comprehensive income (before tax)** | **25** | **8** | **43** | **(1)** |

* Service cost and Finance cost has not been recognised in the statement of profit and loss for Officer's Pension and Provident Fund.

### D. Assets

The fair value of plan assets at the Balance Sheet date for our defined benefit plans for each category are as follows:

| | Retirement Benefit Plans | | Other Post-Employment Benefit Plans | |
|---|---|---|---|---|
| | As at 31st March, 2020 | As at 31st March, 2019 | As at 31st March, 2020 | As at 31st March, 2019 |
| Quoted | | | | |
| Government Debt Instruments | 1,157 | 1,073 | - | - |
| Other Debt Instruments | 596 | 858 | 71 | 81 |
| Equity | 118 | - | - | - |
| **Total (A)** | **1,871** | **1,931** | **71** | **81** |
| Unquoted | | | | |
| Other Debt Instruments | 490 | 201 | - | - |
| Others | 420 | 503 | - | - |
| **Total (B)** | **910** | **704** | **-** | **-** |
| **Total (A+B)** | **2,781** | **2,635** | **71** | **81** |

Note: Assets to the extent of ₹ 26 crores is not recognised in Balance Sheet of Officer's Pension Fund as they are lying in an Income Tax approved irrevocable trust fund.

None of the plans invest directly in any property occupied by the Company or any financial securities issued by the Company.

### E. Assumptions

With the objective of presenting the plan assets and plan obligations of the defined benefits plans at their fair value on the Balance Sheet, assumptions under Ind AS 19 are set by reference to market conditions at the valuation date.



# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | Retirement Benefit Plans | | Other Post-Employment Benefit Plans | |
|---|---|---|---|---|
| Financial Assumptions | As at 31st March, 2020 | As at 31st March, 2019 | As at 31st March, 2020 | As at 31st March, 2019 |
| Discount rate (per annum) | 6.7% | 7.7% | 6.7% | 7.7% |
| Salary Escalation Rate (per annum) | | | | |
| Management employees- for first 5years | 8.0% | 8.0% | | |
| Management employees- after 5 years | 8.0% | 8.0% | | |
| Non-management Employees | 8.0% | 8.0% | | |
| Pension Increase Rate (per annum)* | 2.5% | 2.5% | | |
| Annual increase in healthcare costs (per annum) | | | 9.0% | 9.0% |

*For management pension only.

The estimates of future salary increases, considered in actuarial valuation, takes into account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Demographic Assumptions

Mortality in Service: Indian Assured Lives Mortality (2012-14) Ultimate table

Mortality in Retirement : LIC Buy-out Annuity Rates & UK Published the S1PA Mortality table adjusted for Indian Lives.

### F. Sensitivity Analysis

The sensitivity of the overall plan obligations to changes in the weighted key assumptions are:

| | | Retirement Benefit Plans | | Other Post-Employment Benefit Plans | |
|---|---|---|---|---|---|
| | | Change in assumption (%) | Change in plan obligation (%) | Change in assumption (%) | Change in plan obligation (%) |
| Discount rate (per annum) | Increase | 0.50% | -2.24% | 0.50% | -4.9% |
| | Decrease | 0.50% | 2.39% | 0.50% | 5.4% |
| Salary escalation rate (per annum) | Increase | 0.25% | 1.39% | - | - |
| | Decrease | 0.25% | -1.37% | - | - |
| Pension rate | Increase | 0.25% | 3.31% | - | - |
| | Decrease | 0.25% | -3.23% | - | - |
| Life expectancy | Increase | 1 year | 2.7% | 1 year | 5.2% |
| | Decrease | 1 year | -2.7% | 1 year | -5.1% |
| Annual increase in healthcare costs (per annum) | Increase | - | - | 1.00% | 11.0% |
| | Decrease | - | - | 1.00% | -9.4% |

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the Balance Sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous year.

### G. Weighted average duration and expected employers contribution for the next year for each of the defined benefit plan

| | Weighted average duration (yrs.) | | Expected Employers contribution for the next year |
|---|---|---|---|
| | Year ended 31st March, 2020 | Year ended 31st March, 2019 | |
| Gratuity | 7.4 | 6.9 | 49 |
| Management Pension | 6.0 | 6.2 | 0 |
| Officer's Pension | 3.2 | 3.5 | - |
| Provident Fund | 8.7 | 8.0 | 90 |
| Post-retirement medical benefits | 10.3 | 9.8 | - |

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 39 SHARE BASED PAYMENTS

Refer note 2.4(l) for accounting policy on Share Based Payments.

### Equity Settled Share Based Payments

The members of the Company had approved '2001 HLL Stock Option Plan' at the Annual General Meeting held on 22nd June, 2001. The plan envisaged grant of share options to eligible employees at market price as defined in Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

This plan was amended and revised vide '2006 HLL Performance Share Scheme' at the Annual General Meeting held on 29th May, 2006. This scheme provided for conditional grant of Performance Shares at nominal value to eligible management employees as determined by the Compensation Committee of the Board of Directors from time to time, at the end of 3-year performance period. The performance measures under this scheme include group underlying sales growth and free cash flow. The scheme also provided for 'Par' Awards for the managers at different work levels.

The 2006 scheme was further amended and revised vide '2012 HUL Performance Share Scheme' at the Annual General Meeting held on 23rd July, 2012. This scheme provided for conditional grant of Performance Shares at nominal value to eligible management employees as determined by the Nomination and Remuneration Committee of the Board of Directors from time to time, at the end of 3-year performance period. The performance measures under this scheme include group underlying sales growth, underlying operating margin, and cumulative operating cash flow

The number of shares allocated for allotment under the 2006 and 2012 Performance Share Schemes is 2,00,00,000 (two crores) equity shares of ₹ 1/- each. The schemes are monitored and supervised by the Nomination and Remuneration Committee of the Board of Directors in compliance with the provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and amendments thereof from time to time.

The Employee Stock Option Plan includes employees of Hindustan Unilever Limited, its subsidiaries and a subsidiary of parent company.

| Scheme | Year | Date of Grant | Numbers of options granted | Vesting Conditions | Exercise Period | Exercise Price (₹) per share | Weighted Average Exercise Price (₹) per share |
|---|---|---|---|---|---|---|---|
| 2001 HLL Stock Option Plan | 2005 | 27-May-05 | 15,47,700 | Vested after three years from date of grant | 7 years from date of vesting | 132.05 | 132.05 |
| 2006 HLL Performance Share Scheme | 2012 | 17-Feb-12 | 4,20,080 | Vested after three years from date of grant | 3 months from date of vesting | 1.00 | 1.00 |
| | Interim 2012 | 30-Jul-12 | 51,385 | | | 1.00 | 1.00 |
| 2012 HUL Performance Share Scheme | 2013 | 18-Mar-13 | 3,68,023 | Vested after three years from date of grant | 3 months from date of vesting | 1.00 | 1.00 |
| | Interim 2013 | 29-Jul-13 | 25,418 | | | 1.00 | 1.00 |
| | 2014 | 14-Feb-14 | 2,62,155 | | | 1.00 | 1.00 |
| | Interim 2014 | 28-Jul-14 | 16,805 | | | 1.00 | 1.00 |
| | 2015 | 13-Feb-15 | 1,42,038 | | | 1.00 | 1.00 |
| | Interim 2015 | 27-Jul-15 | 12,322 | | | 1.00 | 1.00 |
| | 2016 | 11-Feb-16 | 1,57,193 | | | 1.00 | 1.00 |
| | Interim 2016 | 25-Jul-16 | 11,834 | | | 1.00 | 1.00 |
| | 2017 | 13-Feb-17 | 1,23,887 | | | 1.00 | 1.00 |
| | Interim 2017 | 21-Jul-17 | 6,846 | | | 1.00 | 1.00 |
| | 2018 | 16-Feb-18 | 63,421 | | | 1.00 | 1.00 |
| | Interim 2018 | 27-Jul-18 | 4,650 | | | 1.00 | 1.00 |




# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)


| | | Number of Share Options | | | | | |
|---|---|---|---|---|---|---|---|
| Scheme | Year | Outstanding at the beginning of the year | Granted during the year* | Forfeited/ Expired during the year | Exercised during the year | Exercisable at the end of the year | Outstanding at the end of the year |
| 2012 HUL Performance Share Scheme | 2015 | - | - | - | - | - | - |
| | | (1,05,029) | - | - | (1,05,029) | - | - |
| | Interim 2015 | - | - | - | - | - | - |
| | | (11,058) | (4,079) | - | (15,137) | - | - |
| | 2016 | 93,008 | 4,659 | 1,035 | 96,632 | - | - |
| | | (1,37,033) | (18,350) | (6,913) | (55,462) | - | (93,008) |
| | Interim 2016 | 10,442 | 1,691 | 1,113 | 11,020 | - | - |
| | | (10,999) | - | (557) | - | - | (10,442) |
| | 2017 | 1,11,880 | 7,434 | 5,141 | 32,130 | - | 82,043 |
| | | (1,19,220) | - | (7,340) | - | - | (1,11,880) |
| | Interim 2017 | 6,016 | - | 415 | - | - | 5,601 |
| | | (6,431) | - | (415) | - | - | (6,016) |
| | 2018 | 59,053 | - | 3,582 | - | - | 55,471 |
| | | (63,421) | - | (4,368) | - | - | (59,053) |
| | Interim 2018 | 4,650 | - | - | - | - | 4,650 |
| | | - | (4,650) | - | - | - | (4,650) |

* Granted during the year includes additional shares granted upon meeting the vesting conditions.

(Figures in bracket pertain to FY 2018-19)

Weighted average equity share price at the date of exercise of options during the year was ₹ 1,833 (2018-19: ₹ 1,626).

Weighted average remaining contractual life of options as at 31st March, 2020 was 0.4 years (31st March, 2019: 0.8 years).

### The value of the underlying shares of previous year has been determined by an independent valuer. The following assumptions were used for calculation of fair value of grants in accordance with Black Scholes model:

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Risk-free interest rate (%) | - | 7.6% |
| Expected life of options (years) [(year to vesting) + (contractual option term)/2] | - | 3.125 |
| Expected volatility (%) | - | 19.3% |
| Dividend yield | - | 1.2% |

The risk free interest rates are determined based on the zero-coupon sovereign bond yields with maturity equal to the expected term of the option. Volatility calculation is based on historical stock prices using standard deviation of daily change in stock price. The historical period is taken into account to match the expected life of the option. Dividend yield has been calculated taking into account expected rate of dividend on equity share price as on grant date.

### Cash Settled Share Based Payments

The employees of the Company are eligible for Unilever PLC (the 'Holding Company') share awards namely, the Management Co-Investment Plan (MCIP), the Global Performance Share Plan (GPSP) and the SHARES Plan. The MCIP allows eligible employees to invest up to 100% of their annual bonus in the shares of the Holding Company and to receive a corresponding award of performance-related shares. Under GPSP, eligible employees receive annual awards of the Holding Company's shares. The awards under MCIP and GPSP plans will vest after 3-4 years between 0% and 150% of grant level, depending on the achievement of the performance metrics. The performance metrics of GPSP are underlying sales growth, underlying operating margin, and cumulative operating cash flow. The performance metrics

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

of MCIP are underlying sales growth, underlying EPS growth, return on invested capital and sustainability progress index. Under the SHARES Plan, eligible employees can invest upto ₹ 16,897 per month in the shares of the Holding Company and after three years one share is granted free of cost to the employees for every three shares invested, provided they hold the shares bought for three years. The Holding Company charges the Company for the grant of shares to the Company's employees at the end of the 3/4 years based on the market value of the shares on the exercise date. The Company recognises the fair value of the liability and expense for these plans over the vesting period based on the management's estimate of the vesting and forfeiture conditions.

The Company grants share appreciation rights (SARs) to eligible employees for all cash settled share based plans mentioned above that entitles them to a cash/shares after three or four years of service. The amount of payment is also determined basis increase in the share price of the Holding Company between grant date and the time of exercise.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Other non-current financial liabilities | 73 | 95 |
| Other current financial liabilities | 78 | 74 |
| **Total carrying amount of liabilities** | **151** | **169** |

Effect of share based payment transactions on the Statement of Profit and Loss:

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Equity settled share based payments | 2 | 10 |
| Cash settled share based payments | 43 | 83 |
| **Total expense on share based payments** | **45** | **93** |

### NOTE 40 BUSINESS COMBINATION

Refer note 2.4(r) for accounting policy on Business Combination.

#### Acquisition of Indulekha Brand

On April 7, 2016, the Company completed the acquisition of the flagship brand 'Indulekha' from Mosons Extractions Private Limited ('MEPL') and Mosons Enterprises (collectively referred to as 'Mosons' and acquisition of the specified intangible assets referred to as the 'Business acquisition'). The deal envisaged the acquisition of the trademarks 'Indulekha' and 'Vayodha', intellectual property, design and knowhow for a total cash consideration of ₹ 330 crores and a deferred consideration of 10% of the domestic turnover of the brands each year, payable annually for a 5 year period commencing financial year 2018-19.

Basis the projection of the domestic turnover of the brand, the contingent consideration is subject to revision on a yearly basis. As at 31st March, 2019, the fair value of the contingent consideration was ₹ 157 crores which was classified as other financial liability.

**Deferred contingent consideration**

Based on actual performance in financial year 2019-20 and current view of future projections for the brand, the Company has reviewed and fair valued the deferred contingent consideration so payable. As at 31st March, 2020, the fair value of the contingent consideration is ₹ 119 crores which is classified as other financial liability.

The determination of the fair value as at Balance Sheet date is based on discounted cash flow method. The key input used in determining the fair value of deferred contingent consideration were domestic turnover projection of the brand.

#### Acquisition of Adityaa Milk Brand

On 26th September, 2018, the Company completed the acquisition of the brand 'Adityaa Milk' and its front-end distribution network from Vijaykant Dairy and Food Products Limited (VDFPL). The deal comprised the acquisition of the brand 'Adityaa Milk', customer relationship, technical know-how, Property, Plant and Equipment, working capital and other intangible assets for a total consideration of ₹ 65 crores and a deferred contingent consideration of ₹ 18 crores.

Basis the future projections of the performance of the brand, the contingent consideration is subject to revision on a yearly basis. As at 31st March, 2019, the fair value of the contingent consideration was ₹ 19 crores which was classified as other financial liability.



# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

**Deferred contingent consideration**

Based on actual performance in financial year 2019-20 and current view of future projections for the brand, the Company has reviewed, and fair valued the deferred contingent consideration so payable. As at 31st March, 2020, the fair value of the contingent consideration is ₹ 11 crores which is classified as other financial liability.

Determination of the fair value as at balance sheet date is based on discounted cash flow method. Contingent consideration is arrived basis weighted average probability approach of achieving various financial and non-financial performance targets

#### Amalgamation with GlaxoSmithKline Consumer Healthcare Limited

On 3rd December, 2018, the Board of Directors of Hindustan Unilever Limited (HUL), subject to obtaining requisite approvals from statutory authorities and shareholders, had approved a Scheme of Amalgamation between HUL and GlaxoSmithKline Consumer Healthcare Limited (GSK CH). The scheme envisaged the amalgamation of GSK CH with the Company and the dissolution without winding up of GSK CH pursuant thereto. Both the Companies have received all necessary approvals and in accordance with the terms of the Scheme, 1st April 2020 will be both the appointed date and effective date. Accordingly, all assets and liabilities of GSK CH have become assets and liabilities of the Company with effect from 1st April 2020.

On 21st April, 2020, the Company had allotted 18,46,23,812 Equity Shares of ₹ 1/- each to the shareholders who were holding shares of the GSK CH as on the record date.

The Company is in the process of ascertaining the fair value of all the assets and liabilities acquired and the same will be accounted as per IND AS 103 – "Business Combination" with effect from 1st April, 2020.

#### Acquisition of VWash Brand

On 23rd March, 2020, the Company signed an agreement with Glenmark Pharmaceuticals Ltd. to acquire their intimate hygiene brand VWash. The deal includes the acquisition of intellectual property rights such as trademarks, design and know-how related to the brand. The transaction is subject to fulfilment of certain conditions and both parties would be working together to complete this in the next few months.

### NOTE 41 DISCLOSURES PURSUANT TO SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND SECTION 186 OF THE COMPANIES ACT, 2013

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| **(a) Loans to Indian subsidiaries** | | |
| (i) Loan to subsidiary: Lakme Lever Private Limited. | | |
| Balance as at the year end | 185 | 166 |
| Maximum amount outstanding at any time during the year | 185 | 171 |
| [Lakme Lever Private Limited has utilised the loan for working capital requirements and capital expenditure. It is repayable over a period of 7 years and carries an average rate of interest at 7.03% (2018-19: 8.07%)] | | |
| (ii) Loan to subsidiary: Unilever India Export Limited | | |
| Balance as at the year end | 41 | 25 |
| Maximum amount outstanding at any time during the year | 72 | 155 |
| (Unilever India Export Limited has utilised the loan for working capital requirements. It is repayable over a period of 7 years and carries an average rate of interest at 7.03% (2018-19: 8.10%) | | |

#### (b) Investment by the loanees in the shares of the Company

The loanees have not made any investments in the shares of the Company

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 42 RELATED PARTY DISCLOSURES

**A. Enterprises exercising control**

(i) Holding Company : Unilever Plc

**B. Enterprises where control exists**

(i) Subsidiaries (Extent of holding) :
Unilever India Exports Limited (100%)
Lakme Lever Private Limited (100%)
Unilever Nepal Limited (80%)
Pond's Exports Limited (90%)
Daverashola Estates Private Limited (100%)
Jamnagar Properties Private Limited (100%)
Bhavishya Alliance Child Nutrition Initiatives (100%) (Section 8 Company)
Hindustan Unilever Foundation (76%) (Section 8 Company)
Hindlever Trust Limited (100%)
Levers Associated Trust Limited (100%)
Levindra Trust Limited (100%)

(ii) Trust : Hindustan Unilever Limited Securitisation of Retirement Benefit Trust (100% control)

(iii) Key Management Personnel

(a) Executive directors :
Sanjiv Mehta
Srinivas Phatak
Pradeep Banerjee / Pradeep Banerjee Associates LLP. (up to 31st December, 2019)
Wilhelmus Uijen (with effect from 1st January 2020)
Dev Bajpai
Geetu Verma (up to 30th June, 2018)
BP Biddappa (up to 31st May, 2019)
Anuradha Razdan (with effect from 1st June, 2019)
Priya Nair
Sandeep Kohli (up to 31st January, 2020)
Prabha Narasimhan (with effect from 1st February, 2020)
Sudhir Sitapati
Srinandan Sundaram
Vibhav Sanzgiri (with effect from 1st June, 2019)

(b) Non-executive directors
Harish Manwani (up to 29th June, 2018)
Aditya Narayan
S. Ramadorai (up to 29th June, 2019)
O. P. Bhatt
Sanjiv Misra
Kalpana Morparia
Leo Puri (with effect from 12th October, 2018)
Ashish Gupta (with effect from 31st January, 2020)

(iv) Employees' Benefit Plans where there is significant influence :
Hind Lever Gratuity Fund
The Hind Lever Pension Fund
The Union Provident Fund
Hindlever Limited Superannuation Fund



# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as at 31st March, 2020

| | | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| Holding Company : | Dividend paid | 2,674 | 2,340 |
| | Royalty expense | 672 | 664 |
| | Fees for central services | 380 | 374 |
| | Income from services rendered | 247 | 284 |
| | Expenses for services received | 400 | 254 |
| | Outstanding as at the year end : | | |
| | - Trade and other receivables | 13 | 11 |
| | - Trade payables | 590 | 180 |
| Subsidiaries/Trust : | Sale of finished goods / raw materials etc. | 272 | 309 |
| | Processing charges | 114 | 109 |
| | Purchase of Property, Plant & Equipment | 0 | 4 |
| | Purchase of finished goods / raw materials etc. | 8 | 16 |
| | Royalty income | 10 | 10 |
| | Rent income | 1 | 1 |
| | Commission paid | 1 | 1 |
| | Expenses shared by subsidiary companies | 11 | 13 |
| | Dividend income | 95 | 102 |
| | Interest income | 13 | 20 |
| | Reimbursement received/receivable towards pension and medical benefits | 48 | 41 |
| | Purchase of export licenses | 12 | - |
| | Sale of Property, Plant & Equipment | 0 | 1 |
| | Income from services rendered | - | 4 |
| | Management fees paid | 10 | 5 |
| | Rent expense | 0 | 0 |
| | Donation paid | 28 | 8 |
| | Reimbursements paid | 4 | 3 |
| | Reimbursements received | 34 | 38 |
| | Inter corporate loans given during the year | 292 | 248 |
| | Inter corporate loans repaid during the year | 257 | 283 |
| | Outstanding as at the year end: | | |
| | - Trade and other receivables | 54 | 53 |
| | - Trade payables | 11 | 21 |
| | - Loans & advances to subsidiaries | 226 | 191 |
| Fellow Subsidiaries : | Purchase of Property, Plant & Equipment | 14 | 20 |
| | Rent income | 6 | 6 |
| | Sale of Property, Plant & Equipment | 5 | 1 |
| | Income from services rendered | 6 | 18 |
| | Expenses for services received | 27 | 10 |
| | Management fees paid | - | 8 |
| | Purchase of finished goods / raw materials etc. | 577 | 770 |
| | Dividend paid | 816 | 714 |
| | Royalty expense | 19 | 19 |
| | Expenses shared by fellow subsidiary companies | 4 | 8 |
| | Gains/Losses on Commodity Hedge | 3 | - |
| | Maintenance and support costs for licenses and software | 9 | 13 |
| | Reimbursements paid | 138 | 140 |

# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| | Reimbursements received | 63 | 83 |
| | Outstanding as at the year end with fellow subsidiaries | | |
| | - Trade and other receivables | 6 | 25 |
| | - Trade payables | 258 | 114 |
| Key Management Personnel (Executive Directors) | : Remuneration: | | |
| | - Short-term employee benefits | 44 | 49 |
| | - Post-employment benefits* | 1 | 1 |
| | - Other long-term benefits* | - | 0 |
| | - Share-based payments | 10 | 19 |
| | - Consultancy Fees | 6 | 1 |
| | Dividend paid | 1 | 0 |
| | Consideration received on exercise of options | 0 | 0 |
| Key Management Personnel (Non-executive Directors) | : Dividend paid | - | 0 |
| | Commission paid | 2 | 2 |
| Employees' Benefit Plans where there is significant influence | : Contributions during the year (Employer's contribution only) | 94 | 133 |
| | Outstanding as at the year end: | | |
| | - Advances recoverable in cash or kind or for value to be received | 14 | 12 |

*Note: As the liabilities for defined benefit plans and compensated absences are provided on actuarial basis for the Company as a whole, the amounts pertaining to Key Management Personnel are not included.

### Terms and conditions of transactions with related parties

All Related Party Transactions entered during the year were in ordinary course of the business and on arm's length basis. Outstanding balances at the year-end are unsecured and settlement occurs in cash. Refer note 41 for terms and conditions of loans given to subsidiaries.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31st March, 2020, the Company has recorded impairment of receivables of ₹ 0 crore relating to amounts owed by related parties (2018-19: ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

### Disclosure of transactions between Company and Related Parties during the year which are more than 1% of Revenue.

| | | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| Holding Company | : Royalty expense | | |
| | Unilever Plc. | 672 | 664 |
| | Dividend Paid | | |
| | Unilever Plc. | 2,674 | 2,340 |
| Fellow Subsidiaries | : Purchase of finished goods / raw materials etc. | | |
| | PT Unilever Oleochemical Indonesia | 397 | 545 |



# Notes
## to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 43

The Company has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law/ accounting standards for material foreseeable losses on such long-term contracts (including derivative contracts) has been made in the books of account.

### NOTE 44

The Company has presented segment information in the consolidated financial statements which are presented in the same financial report. Accordingly, in terms of Paragraph 3 of Ind AS 108 'Operating Segments', no disclosures related to segments are presented in this standalone financial statements.

As per our report of even date attached

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W – 100022

**Akeel Master**
Partner
Membership No. 046768

Mumbai: 30th April, 2020

For and on behalf of Board of Directors

**Sanjiv Mehta**
Chairman and Managing Director
[DIN: 06699923]

**Srinivas Phatak**
Executive Director Finance & IT and CFO
[DIN: 02743340]

**Aditya Narayan**
Chairman – Audit Committee
[DIN: 00012084]

**Dev Bajpai**
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

**Suman Hegde**
Group Controller

Mumbai: 30th April, 2020

# Independent Auditors' Report

## to the Members of Hindustan Unilever Limited

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of Hindustan Unilever Limited (hereinafter referred to as the 'Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 March 2020, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditor on separate financial statements of a subsidiary as was audited by the other auditor, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2020, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us along with the consideration of audit report of the other auditor referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition- Rebates and Discounts
### See note 25 to the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As disclosed in note 25 to the consolidated financial statements, revenue is measured net of any trade discounts and volume rebates.<br><br>Material estimation by the Group is involved in recognition and measurement of rebates and discounts. This includes establishing an accrual at year end, particularly in arrangements with varying terms which are based on annual contracts or shorter-term arrangements. In addition, the value and timing of promotions for products varies from period to period, and the activity can span beyond the year end.<br><br>There is a risk of revenue being overstated due to fraud, including through manipulation of rebates and discounts, resulting from pressure the Group may feel to achieve performance targets at the reporting period end.<br><br>We identified the evaluation of accrual for rebates and discounts as a key audit matter. | Our audit procedures included:<br><br>• Testing the design, implementation and operating effectiveness of Group's general IT controls, key manual and application controls over the Group's IT systems. They cover controls over computation of discounts and rebates and rebate and discount accruals;<br><br>• Inspecting on a sample basis, key customer contracts. Based on the terms and conditions relating to rebates and discounts, we assessed the Group's revenue recognition policies with reference to the requirements of the applicable accounting standards;<br><br>• Performing substantive testing by selecting samples of rebate and discount transactions recorded during the year and matching the parameters used in the computation with the relevant source documents;<br><br>• Understanding the process followed by the Group to determine the amount of accrual of rebates and discounts. Testing samples of rebate accruals and comparing to underlying documentation;<br><br>• Testing actualisation of estimated accruals on a sample basis;<br><br>• Examining historical rebate accrual together with our understanding of current year developments to form an expectation of the rebate accrual at period end. We compared this expectation against the actual rebate accrual, completing further inquiries;<br><br>• Critically assessing manual journal entries posted to revenue, on a sample basis, to identify unusual items;<br><br>• Checking completeness and accuracy of the data used by the Group for accrual of rebates and discounts. |

### Provision and contingent liabilities relating to taxation, litigations and claims
### See note 20 and 24 to the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The provisions and contingent liabilities relate to ongoing litigations and claims with various authorities and third parties. These relate to direct tax, indirect tax, transfer pricing arrangements, claims, general legal proceedings, environmental issues and other eventualities arising in the regular course of business.<br><br>As at the year ended 31 March 2020, the amounts involved are significant. The computation of a provision or contingent liability requires significant judgement by the Group because of the inherent complexity in estimating future costs. The amount recognised as a provision is the best estimate of the expenditure. The provisions and contingent liabilities are subject to changes in the outcomes of litigations and claims and the positions taken by the Group. It involves significant judgement and estimation to determine the likelihood and timing of the cash outflows and interpretations of the legal aspects, tax legislations and judgements previously made by authorities. | Our audit procedures included:<br><br>• Testing the design, implementation and operating effectiveness of key internal controls around the recognition and measurement of provisions and re-assessment of development of contingent liabilities;<br><br>• Using our subject matter experts to assess the value of significant provisions and contingent liabilities, on sample basis, in light of the nature of the exposures, applicable regulations and related correspondence with the authorities;<br><br>• Inquiring the status in respect of significant provisions and contingent liabilities with the Group's internal tax and legal team. We challenged the assumptions and critical judgements made by the Group which impacted the computation of the provisions and inspected the computation. We assessed the assumptions used and estimates of outcome and financial effect. We considered judgement of the Group, supplemented by experience of similar decisions previously made by the authorities and, in some cases, relevant opinions given by the Group's advisors;<br><br>• Evaluating judgements made by the Group by comparing the estimates of prior year to the actual outcome;<br><br>• Assessing the Group's disclosures in the financial statements in respect of provisions and contingent liabilities. |

### Other Information

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report, but does not include the consolidated financial statements and our Auditors' Report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done/ audit report of other auditor, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Management's and Board of Directors' Responsibilities for the Consolidated Financial Statements

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Management and Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance

# Independent Auditors' Report (continued)

with the provisions of the Act for safeguarding the assets of each company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective management and Board of Directors of the companies included in the Group are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group is responsible for overseeing the financial reporting process of each company.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to the consolidated financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the Group (Holding Company and Subsidiaries) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the consolidated financial statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entity included in the consolidated financial statements, which has been audited by other auditor, such other auditor remains responsible for the direction, supervision and performance of the audit carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit report of the other auditor referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditors' Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Matters

(a) We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of ₹ 249 crores as at 31 March 2020, total revenues of ₹ 389 crores and net cash flows amounting to ₹ 8 crores for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the audit report of the other auditor.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the report of the other auditor.

## Report on Other Legal and Regulatory Requirements

A. As required by section 143(3) of the Act, based on our audit and on the consideration of report of the other auditor on separate financial statements of such subsidiary as was audited by other auditor, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditor.

c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.

e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India are disqualified as on 31 March 2020 from being appointed as a director in terms of section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

B. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors') Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries as noted in the 'Other Matters' paragraph:

i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2020 on the consolidated financial position of the Group. Refer Note 24 to the consolidated financial statements;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, on long-term contracts including derivative contracts. Refer Note 45 to the consolidated financial statements in respect of such items as it relates to the Group

iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company or its subsidiary companies incorporated in India during the year ended 31 March 2020;

iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the consolidated

# Independent Auditors' Report (continued)

financial statements since they do not pertain to the financial year ended 31 March 2020.

C. With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us the remuneration paid during the current year by the Holding Company and its subsidiary companies, where applicable, to its directors is in accordance with the provisions of section 197 of the Act. The remuneration paid to any director by the Holding Company and its subsidiary companies is not in excess of the limit laid down under section 197 of the Act, except in case of a subsidiary where requisite approvals are taken in the general meeting. The Ministry of Corporate Affairs has not prescribed other details under section 197(16) which are required to be commented upon by us.

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

**Akeel Master**
Partner
Membership No: 046768
ICAI UDIN: 20046768AAAAHL8906

Mumbai: 30th April, 2020



# Annexure A

## to the Independent Auditors' report on the consolidated financial statements of Hindustan Unilever Limited for the year ended 31 March 2020

**Report on the internal financial controls with reference to the aforesaid consolidated financial statements under section 143(3)(i) of the Companies Act, 2013**

**(Referred to in paragraph A (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

### Opinion

In conjunction with our audit of the consolidated financial statements of Hindustan Unilever Limited (hereinafter referred to as "the Holding Company") as of and for the year ended 31 March 2020, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and such companies incorporated in India under the Companies Act, 2013 which are its subsidiary companies, as of that date.

In our opinion, the Holding Company and such companies incorporated in India which are its subsidiary companies have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

### Management's Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

### Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the Auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

### Meaning of Internal Financial Controls with reference to consolidated financial statements

A company's internal financial controls with reference to consolidated financial statements 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 financial controls with reference to consolidated financial statements 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

# Annexure A (continued)

### Inherent Limitations of Internal Financial Controls with reference to consolidated financial statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

**Akeel Master**
Partner
Membership No: 046768
ICAI UDIN: 20046768AAAAHL8906

Mumbai: 30th April, 2020

# Consolidated Balance Sheet

## as at 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| Particulars | Note | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 4,960 | 4,192 |
| Capital work-in-progress | 3 | 597 | 406 |
| Goodwill | 4A | 36 | 36 |
| Other intangible assets | 4A | 402 | 406 |
| Goodwill on consolidation | 4B | 81 | 81 |
| Financial assets | | | |
| Investments | 5 | 2 | 2 |
| Loans | 6 | 238 | 215 |
| Other financial assets | 7 | 3 | 11 |
| Non-current tax assets (net) | 8E | 1,083 | 835 |
| Deferred tax assets (net) | 8C | 284 | 373 |
| Other non-current assets | 9 | 146 | 158 |
| **Current assets** | | | |
| Inventories | 10 | 2,767 | 2,574 |
| Financial assets | | | |
| Investments | 5 | 1,253 | 2,714 |
| Loans | 6 | - | 4 |
| Trade receivables | 11 | 1,149 | 1,816 |
| Cash and cash equivalents | 12 | 3,216 | 621 |
| Bank balances other than cash and cash equivalents mentioned above | 13 | 1,897 | 3,136 |
| Other financial assets | 7 | 1,420 | 605 |
| Other current assets | 14 | 601 | 440 |
| Assets held for sale | 15 | 18 | 4 |
| **Total Assets** | | **20,153** | **18,629** |

# Consolidated Balance Sheet (continued)

## as at 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| Particulars | Note | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 16 | 216 | 216 |
| Other equity | 17A | 8,013 | 7,651 |
| Non-controlling interests | 18 | 17 | 18 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| Other financial liabilities | 19 | 939 | 394 |
| Provisions | 20 | 1,227 | 1,082 |
| Non-current tax liabilities (net) | 8E | 424 | 601 |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 21 | - | 99 |
| Trade payables | | | |
| total outstanding dues of micro enterprises and small enterprises | 22 | - | - |
| total outstanding dues of creditors other than micro enterprises and small enterprises | 22 | 7,535 | 7,206 |
| Other financial liabilities | 19 | 932 | 492 |
| Other current liabilities | 23 | 428 | 347 |
| Provisions | 20 | 422 | 523 |
| **Total Equity and Liabilities** | | **20,153** | **18,629** |
| Basis of preparation, measurement and significant accounting policies | 2 | | |
| Contingent liabilities and commitments | 24 | | |

**The accompanying notes are an integral part of these financial statements**

As per our report of even date attached

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W – 100022

**Akeel Master**
Partner
Membership No. 046768

Mumbai: 30th April, 2020

For and on behalf of Board of Directors

**Sanjiv Mehta**
Chairman and Managing Director
[DIN: 06699923]

**Srinivas Phatak**
Executive Director Finance & IT and CFO
[DIN: 02743340]

**Aditya Narayan**
Chairman – Audit Committee
[DIN: 00012084]

**Dev Bajpai**
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

**Suman Hegde**
Group Controller

Mumbai: 30th April, 2020



# Consolidated Statement of Profit and Loss

## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| Particulars | Note | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from operations | 25 | 39,783 | 39,310 |
| Other income | 26 | 632 | 550 |
| **TOTAL INCOME** | | **40,415** | **39,860** |
| **EXPENSES** | | | |
| Cost of materials consumed | 27 | 11,976 | 13,707 |
| Purchases of stock-in-trade | 28 | 6,391 | 4,755 |
| Changes in inventories of finished goods (including stock-in-trade) and work-in-progress | 29 | (108) | 12 |
| Employee benefits expenses | 30 | 1,820 | 1,875 |
| Finance costs | 31 | 118 | 33 |
| Depreciation and amortisation expense | 32 | 1,002 | 565 |
| Other expenses | 33 | 9,843 | 10,081 |
| **TOTAL EXPENSES** | | **31,042** | **31,028** |
| **Profit before exceptional items and tax** | | **9,373** | **8,832** |
| Exceptional items (net) | 34 | (200) | (228) |
| **Profit before tax from Continuing Operations** | | **9,173** | **8,604** |
| **Tax expenses** | | | |
| Current tax | 8A | (2,243) | (2,610) |
| Deferred tax credit/(charge) | 8A | (166) | 66 |
| **Profit after tax from Continuing Operations (A)** | | **6,764** | **6,060** |
| Profit/(Loss) from discontinued operations before tax | 35A | (6) | 0 |
| Tax expenses of discontinued operations | 35A | (2) | - |
| **Profit/(Loss) from discontinued operations after tax (B)** | | **(8)** | **0** |
| **PROFIT FOR THE YEAR (A+B)** | | **6,756** | **6,060** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurements of the net defined benefit plans | 40C | (68) | (8) |
| **Income tax relating to items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurements of the net defined benefit plans | 8A | 17 | 3 |
| **Items that will be reclassified subsequently to profit or loss** | | | |
| Fair value of debt instruments through other comprehensive income | 17C | (1) | 2 |
| Fair value of cash flow hedges through other comprehensive income | 17C | (77) | |
| **Income tax relating to items that will be reclassified subsequently to profit or loss** | | | |
| Fair value of Debt instruments through other comprehensive income | 8A | 0 | (1) |
| Fair value of cash flow hedges through other comprehensive income | 8A | 40 | |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR (C)** | | **(89)** | **(4)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A+B+C)** | | **6,667** | **6,056** |

# Consolidated Statement of Profit and Loss (continued)
## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| Particulars | Note | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Owners of the Company | | **6,748** | **6,054** |
| Non-controlling interests | 18 | **8** | **6** |
| **Other Comprehensive income attributable to:** | | | |
| Owners of the Company | | **(89)** | **(4)** |
| Non-controlling interests | 18 | **-** | **(0)** |
| **Total Comprehensive income attributable to:** | | | |
| Owners of the Company | | **6,659** | **6,050** |
| Non-controlling interests | 18 | **8** | **6** |
| **Earnings per equity share from Continuing Operations** | | | |
| Basic (Face value of ₹ 1 each) | 36A | ₹ 31.21 | ₹ 27.97 |
| Diluted (Face value of ₹ 1 each) | 36A | ₹ 31.21 | ₹ 27.96 |
| **Earnings per equity share from Discontinued Operations** | | | |
| Basic (Face value of ₹ 1 each) | 36B | ₹ (0.04) | ₹ 0.00 |
| Diluted (Face value of ₹ 1 each) | 36B | ₹ (0.04) | ₹ 0.00 |
| **Earnings per equity share from continuing and discontinued operations** | | | |
| Basic (Face value of ₹ 1 each) | | ₹ 31.17 | ₹ 27.97 |
| Diluted (Face value of ₹ 1 each) | | ₹ 31.17 | ₹ 27.96 |
| Basis of preparation, measurement and significant accounting policies | 2 | | |

**The accompanying notes are an integral part of these financial statements**

As per our report of even date attached

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W – 100022

**Akeel Master**
Partner
Membership No. 046768

Mumbai: 30th April, 2020

For and on behalf of Board of Directors

**Sanjiv Mehta**
Chairman and Managing Director
[DIN: 06699923]

**Srinivas Phatak**
Executive Director Finance & IT and CFO
[DIN: 02743340]

**Aditya Narayan**
Chairman – Audit Committee
[DIN: 00012084]

**Dev Bajpai**
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

**Suman Hegde**
Group Controller

Mumbai: 30th April, 2020



# Consolidated Statement of Changes in Equity
## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### A. EQUITY SHARE CAPITAL

| | Note | Balance |
|---|---|---|
| **As at 31st March, 2018** | 16 | **216** |
| Changes in equity share capital during the year | | 0 |
| **As at 31st March, 2019** | 16 | **216** |
| Changes in equity share capital during the year | | 0 |
| **As at 31st March, 2020** | 16 | **216** |

### B. OTHER EQUITY

| | Reserves and Surplus | | | | | | | | | Items of Other Comprehensive Income | | | Grand Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Reserve | Capital Redemption Reserve | Securities Premium | Employee Stock Options Outstanding Account | General Reserve | Retained Earnings | Other Reserves | Employees' Housing Reserve | Export profit reserves | Remeasurements of net defined benefit plans | Debt instruments through Other Comprehensive Income | Cash flow Hedges though OCI | Total Attributable to owners of the Company | Attributable to Non-controlling Interest | Total |
| **As at 31st March, 2018** | 4 | 6 | 127 | 29 | 2,301 | 4,581 | 9 | 50 | 0 | (43) | 1 | - | 7,065 | 20 | 7,085 |
| Profit for the year | - | - | - | - | - | 6,054 | - | - | - | - | - | - | 6,054 | 6 | 6,060 |
| Transfer to Employees' Housing Reserve | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive income for the year | - | - | - | - | - | - | - | - | - | (5) | 1 | - | (4) | - | (4) |
| **Total comprehensive income for the year** | - | - | - | - | - | 6,054 | - | - | - | (5) | 1 | - | 6,050 | 6 | 6,056 |
| Dividend on equity shares for the year (refer note 37) | - | - | - | - | - | (4,546) | - | - | - | - | - | - | (4,546) | (8) | (4,554) |
| Dividend distribution tax | - | - | - | - | - | (928) | - | - | - | - | - | - | (928) | - | (928) |
| Transfer to retained earnings (refer note b below) | - | - | - | - | (2,187) | 2,187 | - | - | - | - | - | - | - | - | - |
| Exercise of employee stock options | - | - | 15 | (15) | - | - | - | - | - | - | - | - | - | - | - |
| Share based payment credit | - | - | - | 10 | - | - | - | - | - | - | - | - | 10 | - | 10 |
| **As at 31st March, 2019** | 4 | 6 | 142 | 24 | 114 | 7,348 | 9 | 50 | 0 | (48) | 2 | - | 7,651 | 18 | 7,669 |
| **As at 1st April, 2019** | 4 | 6 | 142 | 24 | 114 | 7,348 | 9 | 50 | 0 | (48) | 2 | - | 7,651 | 18 | 7,669 |
| Transition impact of Ind AS 116, net of tax | - | - | - | - | - | (42) | - | - | - | - | - | - | (42) | (0) | (42) |
| **Restated Balance as at 1st April, 2019** | 4 | 6 | 142 | 24 | 114 | 7,306 | 9 | 50 | 0 | (48) | 2 | - | 7,609 | 18 | 7,627 |

# Consolidated Statement of Changes in Equity (continued)
## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | Reserves and Surplus | | | | | | | | | Items of Other Comprehensive Income | | | Grand Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Reserve | Capital Redemption Reserve | Securities Premium | Employee Stock Options Outstanding Account | General Reserve | Retained Earnings | Other Reserves | Employees' Housing Reserve | Export profit reserves | Remeasurements of net defined benefit plans | Debt instruments through Other Comprehensive Income | Cash flow Hedges though OCI | Total Attributable to owners of the Company | Attributable to Non-controlling Interest | Total |
| Profit for the year | - | - | - | - | - | 6,748 | - | - | - | - | - | - | 6,748 | 8 | 6,756 |
| Transfer to retained earnings | - | - | - | - | - | (48) | - | - | - | 48 | (1) | (37) | (38) | - | (38) |
| Other comprehensive income for the year | - | - | - | - | - | (51) | - | - | - | - | - | - | (51) | - | (51) |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **-** | **6,649** | **-** | **-** | **-** | **48** | **(1)** | **(37)** | **6,659** | **8** | **6,667** |
| Dividend on equity shares for the year (refer note 37) | - | - | - | - | - | (5,196) | - | - | - | - | - | - | (5,196) | (9) | (5,205) |
| Dividend distribution tax | - | - | - | - | - | (1,061) | - | - | - | - | - | - | (1,061) | - | (1,061) |
| Exercise of employee stock options | - | - | 11 | (11) | - | - | - | - | - | - | - | - | - | - | - |
| Share based payment credit | - | - | - | 2 | - | - | - | - | - | - | - | - | 2 | - | 2 |
| **As at 31st March, 2020** | **4** | **6** | **153** | **15** | **114** | **7,698** | **9** | **50** | **0** | **-** | **1** | **(37)** | **8,013** | **17** | **8,030** |

a) Refer note 17B for nature and purpose of reserves.

b) The Shareholders of the Company, had, at the Court Convened Meeting held on 30th June, 2016, approved the Scheme of Arrangement for transfer of the balance of ₹ 2,187 crores standing to the credit of the General Reserves to the Profit and Loss Account. The Company had accordingly filed a petition for sanction of the Scheme of Arrangement with the Hon'ble High Court of Mumbai [jurisdiction later changed to National Company Law Tribunal (NCLT)]. The Hon'ble NCLT, Mumbai Bench, vide it's order dated 30th August, 2018, has sanctioned the aforesaid Scheme of Arrangement. The Company has received the said Order on 27th September, 2018 and filed the Order and the Scheme with Registrar of Companies (ROC) on 5th October, 2018 and has subsequently reclassified the amount standing to the credit of the General Reserves to the Retained Earnings.

**The accompanying notes are an integral part of these financial statements**

As per our report of even date attached

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W – 100022

**Akeel Master**
Partner
Membership No. 046768

Mumbai: 30th April, 2020

For and on behalf of Board of Directors

**Sanjiv Mehta**
Chairman and Managing Director
[DIN: 06699923]

**Srinivas Phatak**
Executive Director Finance & IT and CFO
[DIN: 02743340]

**Aditya Narayan**
Chairman – Audit Committee
[DIN: 00012084]

**Dev Bajpai**
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

**Suman Hegde**
Group Controller

Mumbai: 30th April, 2020





# Consolidated Statement of Cash Flows
## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| **A** | **CASH FLOW FROM OPERATING ACTIVITIES:** | | |
| | **Profit before tax** | **9,173** | **8,604** |
| | Adjustments for: | | |
| | Depreciation and amortisation expenses | 1,002 | 565 |
| | (Profit)/ loss on sale of property, plant and equipment | 53 | 39 |
| | Government grant accrued (net) | (104) | (66) |
| | Contingent Consideration true up for business combination | (26) | 57 |
| | Finance Income | (492) | (307) |
| | Dividend income | (1) | (1) |
| | Fair value (gain)/loss on investments | (139) | (168) |
| | Interest expense | 118 | 33 |
| | Provision for expenses on employee stock options | 2 | 10 |
| | Inventory written off net of Provision/(write back) for Inventory | 138 | 134 |
| | Bad debts/assets written off net of Provision/(write back) | 11 | (2) |
| | Mark-to-market (gain)/loss on derivative financial instruments | (12) | 11 |
| | **Cash Generated from operations before working capital changes** | **9,723** | **8,909** |
| | Adjustments for: | | |
| | (Increase)/decrease in Non-Current Assets | (19) | (66) |
| | (Increase)/decrease in Current Assets | 471 | (13) |
| | (Increase)/decrease in Inventories | (331) | (195) |
| | (Increase)/decrease in Non-Current Liabilities | 56 | 278 |
| | Increase/(decrease) in Current Liabilities | 234 | (346) |
| | **Cash generated from operations** | **10,134** | **8,567** |
| | Taxes paid (net of refunds) | (2,505) | (2,767) |
| | Profit from discontinued operations | (6) | 0 |
| | **Net cash (used in) / generated from operating activities – (A)** | **7,623** | **5,800** |
| **B** | **CASH FLOW FROM INVESTING ACTIVITIES:** | | |
| | Purchase of property, plant and equipment | (850) | (695) |
| | Sale proceeds of property, plant and equipment | 52 | 13 |
| | Purchase of Intangible assets | (12) | (72) |
| | Contingent Consideration paid on business combination | (30) | (13) |
| | Purchase of current investments | (36,090) | (74,365) |
| | Sale of current investments | 37,690 | 74,691 |
| | Investment in term deposits (having original maturity of more than 3 months) | (4,979) | (4,343) |
| | Redemption/maturity of term deposits (having original maturity of more than 3 months) | 5,658 | 4,056 |
| | Interest received | 351 | 289 |
| | Dividend received from others | 1 | 1 |
| | **Net cash (used in) / generated from investing activities – (B)** | **1,791** | **(438)** |

# Consolidated Statement of Cash Flows (continued)
## for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| **C CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| Dividends paid | (5,196) | (4,554) |
| Dividend distribution tax paid | (1,061) | (928) |
| Amount (repaid)/ taken for short-term purpose | (99) | 99 |
| Interest paid other than on lease liabilities | (10) | (7) |
| Interest paid on lease liabilities | (80) | - |
| Principal Payment of lease liabilities | (373) | - |
| Proceeds from share allotment under employee stock options/ performance share schemes | 0 | 0 |
| **Net cash (used in) / generated from financing activities – (C)** | **(6,819)** | **(5,390)** |
| **Net increase/(decrease) in cash and cash equivalents – (A+B+C)** | **2,595** | **(28)** |
| Add: Cash and cash equivalents at the beginning of the period | 621 | 649 |
| **Cash and cash equivalents at the end of the period** | **3,216** | **621** |

Note: The above Statement of Cash Flows has been prepared under the 'Indirect Method' as set out in Ind AS 7, 'Statement of Cash Flows'.

**The accompanying notes are an integral part of these financial statements**

As per our report of even date attached

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W – 100022

**Akeel Master**
Partner
Membership No. 046768

Mumbai: 30th April, 2020

For and on behalf of Board of Directors

**Sanjiv Mehta**
Chairman and Managing Director
[DIN: 06699923]

**Srinivas Phatak**
Executive Director Finance & IT and CFO
[DIN: 02743340]

**Aditya Narayan**
Chairman – Audit Committee
[DIN: 00012084]

**Dev Bajpai**
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

**Suman Hegde**
Group Controller

Mumbai: 30th April, 2020



# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 1 GROUP INFORMATION

Hindustan Unilever Limited (the 'Company') is a public limited company domiciled in India with its registered office located at Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai – 400 099. The Company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The Company is in the FMCG business comprising primarily of Home Care, Beauty & Personal Care and Foods & Refreshment segments. The Company has manufacturing facilities across the country and sells primarily in India.

The Company and its subsidiaries (jointly referred to as the 'Group' herein under) considered in these consolidated financial statements are:

### a) Subsidiaries

| Name of the Company | Country of incorporation | Principal activities | Proportion (%) of equity interest As at 31st March, 2020 | Proportion (%) of equity interest As at 31st March, 2019 |
|---|---|---|---|---|
| Unilever India Exports Limited | India | FMCG export business | 100 | 100 |
| Lakme Lever Private Limited | India | (i) Beauty salons<br>(ii) Job work business | 100 | 100 |
| Unilever Nepal Limited | Nepal | FMCG business | 80 | 80 |
| Pond's Exports Limited | India | Leather products business (primarily exports) | 100 | 100 |
| Jamnagar Properties Private Limited | India | Real estate Company | 100 | 100 |
| Daverashola Estates Private Limited | India | Real estate Company | 100 | 100 |
| Levindra Trust Limited | India | Discharge trust business as a trustee | 100 | 100 |
| Hindlever Trust Limited | India | Discharge trust business as a trustee | 100 | 100 |
| Levers Associated Trust Limited | India | Discharge trust business as a trustee | 100 | 100 |
| Hindustan Unilever Foundation* | India | Not-for-profit Company in the field of community development initiatives. | 100 | 100 |
| Bhavishya Alliance Child Nutrition Initiatives* | India | Not-for-profit Company in the area of social development issues | 100 | 100 |

*These companies are private companies limited by shares formed under Section 25 of the Companies Act, 1956, now Section 8 of the Companies Act, 2013. No dividend can be proposed and paid to the shareholders by these companies. In the event of winding up or dissolution of these companies, after the satisfaction of all its debts and liabilities, any property whatsoever shall be given or transferred to some other institution(s) having object similar to the objects of these companies, to be determined by the members of the these companies at or before the time of dissolution or in default thereof by the High Court. The carrying amount of the assets and liabilities included within the consolidated financial statements to which these restrictions apply is ₹ 5 crores (31st March, 2019: ₹ 4 crore) and ₹ 0 crore (31st March, 2019: ₹ 0 Crores) respectively.

On 24th February 2020, the Board of directors of the Company have approved the formation of a new wholly-owned subsidiary with an authorised share capital of ₹ 2,000 crores. As at 31st March 2020, the Company is in the process of incorporating such subsidiary.

### b) Associates

Section 129(3) of the Companies Act, 2013, requires preparation of consolidated financial statement of the Company and of all the subsidiaries including associate company and joint venture businesses in the same form and manner as that of its own. Indian Accounting Standard (Ind AS) 28 on Investments in Associates and Joint Ventures defines Associate Group as an entity over which the investor has significant influence. It mentions that if an entity holds, directly or indirectly through intermediaries, 20 per cent or more of the voting power of the enterprise, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case.

The Group holds investments in the below entities which by share ownership are deemed to be an associate company:

i) Comfund Consulting Limited where the Group has 24% equity holding. This Company is currently dormant.

ii) Aquagel Chemicals (Bhavnagar) Private Limited where the Group has 26% in equity and preference capital holding. This is a Company engaged in Silica business.

# Notes

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

However, the Group does not exercise significant influence in any of the above entities, as demonstrated below :

i) The Group does not have any representation on the board of directors or corresponding governing body of the investee.

ii) The Group does not participate in policy making process.

iii) The Group does not have any material transactions with the investee.

iv) The Group does not interchange any managerial personnel.

v) The Group does not provide any essential technical information to the investee.

vi) As these are not investments strategic to the core business of HUL, these are intended to be divested/liquidated in the near future.

Since the Group does not exercise significant influence or control on decisions of the investees, these are not being construed as associate companies and therefore these have not been consolidated in the financial statement of the Group.

### c) Share of Entities in Group

| | As at 31st March, 2020 | | For the year ended 31st March, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Net Assets (Total Assets – Total Liabilities) | | Share in Sales of Products and Services | | Share in Profit and Loss | | Share in Other Comprehensive Income | | Share in Total Comprehensive Income | |
| Name of the Entity | As % of consolidated net assets | Amount | As % of consolidated net Sales | Amount | As % of Consolidated profit and loss | Amount | As % of consolidated other comprehensive income | Amount | As % of Consolidated total comprehensive income | Amount |
| Parent | | | | | | | | | | |
| Hindustan Unilever Limited | 97.4% | 8,031 | 97.5% | 38,273 | 99.6% | 6,737 | 100.0% | (89) | 99.7% | 6,648 |
| Subsidiaries | | | | | | | | | | |
| Indian | | | | | | | | | | |
| Unilever India Exports Limited | 2.2% | 180 | 1.8% | 714 | 1.1% | 73 | 0.0% | - | 1.1% | 73 |
| Lakme Lever Private Limited | 2.6% | 213 | 0.7% | 278 | 0.1% | 5 | 0.0% | - | 0.1% | 5 |
| Pond's Exports Limited | -0.1% | (11) | 0.0% | - | -0.1% | (8) | 0.0% | - | -0.1% | (8) |
| Daverashola Estates Private Limited | 0.0% | - | 0.0% | - | -0.1% | (4) | 0.0% | - | -0.1% | (4) |
| Levers Associated Trust Limited | 0.0% | 0 | 0.0% | - | 0.0% | (0) | 0.0% | - | 0.0% | (0) |
| Levindra Trust Limited | 0.0% | 0 | 0.0% | - | 0.0% | (0) | 0.0% | - | 0.0% | (0) |
| Hindlever Trust Limited | 0.0% | 0 | 0.0% | - | 0.0% | (0) | 0.0% | - | 0.0% | (0) |
| Jamnagar Properties Private Limited | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - |
| Hindustan Unilever Foundation | 0.0% | 4 | 0.0% | - | 0.0% | 1 | 0.0% | - | 0.0% | 1 |
| Bhavishya Alliance Child Nutrition Initiatives | 0.0% | 0 | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - |
| Foreign | | | | | | | | | | |
| Unilever Nepal Limited | 1.4% | 116 | 1.0% | 378 | 0.5% | 34 | 0.0% | - | 0.5% | 34 |
| Non-controlling interests | 0.2% | 17 | 0.0% | - | 0.1% | 8 | 0.0% | - | 0.1% | 8 |
| Inter-company eliminations | -3.7% | (304) | -1.0% | (405) | -1.2% | (90) | 0.0% | - | -1.3% | (90) |
| **Total** | **100%** | **8,246** | **100%** | **39,238** | **100%** | **6,756** | **100%** | **(89)** | **100%** | **6,667** |





# Notes

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 2 BASIS OF PREPARATION, MEASUREMENT AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation and measurement

(a) Basis of preparation and consolidation

These Consolidated Financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.

The Consolidated financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the Consolidated financial statements. All assets and liabilities have been classified as current or non-current as per the Group normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

Subsidiaries are entities where the group exercise control or hold more than one-half of its total share capital. 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.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies adopted in the preparation of consolidated financial statements are consistent with those of previous year. The consolidated financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and the unrealised profits/losses, unless cost/revenue cannot be recovered.

The excess of cost to the Group of its investment in subsidiaries, on the acquisition dates over and above the Group's share of equity in the subsidiaries, is recognised as 'Goodwill on Consolidation' in the consolidated financial statements. The said Goodwill is not amortised, however, it is tested for impairment at each Balance Sheet date and the impairment loss, if any, is provided for. On the other hand, where the share of equity in subsidiaries as on the date of investment is in excess of cost of investments of the Group, it is recognised as 'Capital Reserve' and shown under the head 'Other Equity' in the consolidated financial statements.

Non-controlling interests in the net assets of consolidated subsidiaries is identified and presented in the consolidated Balance Sheet separately within equity.

Non-controlling interests in the net assets of consolidated subsidiaries consists of:

(a) The amount of equity attributable to non-controlling interests at the date on which investment in a subsidiary is made; and

(b) The non-controlling interests share of movements in equity since the date parent subsidiary relationship came into existence.

The profit and other comprehensive income attributable to non-controlling interests of subsidiaries are shown separately in the Consolidated Statement of Profit and Loss and Consolidated Statement of Changes in Equity.

The Consolidated financial statements are presented in INR, the functional currency of the Group. Items included in the consolidated financial statements of the Group are recorded using the currency of the primary economic environment in which the Group operates (the 'functional currency').

Transactions and balances with values below the rounding off norm adopted by the Group have been reflected as "0" in the relevant notes in these consolidated financial statements.

The Consolidated Financial statements of the Company for the year ended 31st March, 2020 were approved for issue in accordance with the resolution of the Board of Directors on 30th April, 2020.

(b) Basis of measurement

These Consolidated Financial statements are prepared under the historical cost convention unless otherwise indicated.

### 2.2 Key accounting estimates and judgements

The preparation of Consolidated Financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Continuous evaluation is done on the estimation and judgements based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognised prospectively.

Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year, are included in the following notes:

(a) Measurement of defined benefit obligations – Note 40

(b) Measurement and likelihood of occurrence of provisions and contingencies – Notes 20 and 24

# Notes

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

(c) Recognition of deferred tax assets – Note 8

(d) Key assumptions used in discounted cash flow projections – Note 42

(e) Impairment of Intangible assets – Note 4

(f) Measurement of Lease liabilities and Right of Use Assets (ROUA) – Notes 3 and 19

### 2.3 Recent accounting developments

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

### 2.4 Significant accounting policies

(a) These are set out under "Significant Accounting Policies" as given in the Company's standalone financial statements.

(b) Other Accounting Policies applicable to Group

i) **Operating segments:**

The Operating Segment is the level at which discrete financial information is available. Business segments are identified considering :

a) the nature of products and services

b) the differing risks and returns

c) the internal organisation and management structure, and

d) the internal financial reporting systems.

Revenue and expenses directly attributable to segments are reported under each reportable segment. Exceptional items and other expenses which are not attributable or allocable to segments are separately disclosed. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable assets and liabilities.

ii) **Borrowing Costs:**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

iii) **Grant (UIEL):**

The Company is entitled to the scheme of "Interest Equalisation on Pre and Post Shipment rupee export credit loan" under which it receives interest subsidy. Grant in the nature of interest is initially recognised and measured at fair value and the grant is measured as the difference between the initial carrying value of the loan and the proceeds received. Such grants are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and reduced from corresponding cost. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.



# Notes

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 3 PROPERTY, PLANT AND EQUIPMENT

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Owned Assets | 4,109 | 4,170 |
| Leased Assets | 851 | 22 |
| **Total** | **4,960** | **4,192** |

### A. Property, Plant and Equipment

| | Freehold land | Buildings | Plant and equipment | Furniture and fixtures | Office equipment | Total |
|---|---|---|---|---|---|---|
| Gross Block | | | | | | |
| **Balance as at 31 March, 2018** | **60** | **1,343** | **3,691** | **76** | **74** | **5,244** |
| Additions | - | 169 | 499 | 12 | 21 | 701 |
| Disposals/ Reclassification | (1) | 15 | (99) | (0) | (0) | (85) |
| Acquisitions through Business combinations (Refer note 42) | - | - | 1 | - | - | 1 |
| **Balance as at 31 March, 2019** | **59** | **1,527** | **4,092** | **88** | **95** | **5,861** |
| Additions | - | 115 | 517 | 7 | 27 | 666 |
| Disposals/ Reclassification | (0) | (9) | (318) | 59 | 17 | (251) |
| **Balance as at 31 March, 2020** | **59** | **1,633** | **4,291** | **154** | **139** | **6,276** |
| Accumulated Depreciation | | | | | | |
| **Balance as at 31 March, 2018** | **-** | **125** | **1,008** | **24** | **29** | **1,186** |
| Additions | - | 55 | 467 | 10 | 18 | 550 |
| Disposals/ Reclassification | - | 9 | (54) | (0) | (0) | (45) |
| **Balance as at 31 March, 2019** | **-** | **189** | **1,421** | **34** | **47** | **1,691** |
| Additions | - | 81 | 475 | 20 | 33 | 609 |
| Disposals/ Reclassification | - | 13 | (179) | 27 | 6 | (133) |
| **Balance as at 31 March, 2020** | **-** | **283** | **1,717** | **81** | **86** | **2,167** |
| Net Block | | | | | | |
| **Balance as at 31 March, 2019** | **59** | **1,338** | **2,671** | **54** | **48** | **4,170** |
| **Balance as at 31 March, 2020** | **59** | **1,350** | **2,574** | **73** | **53** | **4,109** |

**NOTES:**

(a) Buildings include ₹ 0 crores (31st March, 2019: ₹ 0 crores) being the value of shares in co-operative housing societies.

(b) The title deeds of Freehold Land aggregating ₹ 0 crores (31st March, 2019: ₹ 0 crores) are in the process of perfection of title.

(c) The Property, Plant and Equipment in 3A includes assets given on lease mentioned in the below table:

| | Building | Plant and equipment | Furniture and fixtures | Office equipment | Total |
|---|---|---|---|---|---|
| Gross Block as at 31st March, 2019 | 0 | 68 | 0 | 0 | 68 |
| Accumulated Depreciation as at 31st March, 2019 | (0) | (17) | (0) | (0) | (17) |
| **Net Block as at 31st March, 2019** | **0** | **51** | **(0)** | **(0)** | **51** |
| Gross Block as at 31st March, 2020 | 0 | 75 | 0 | 0 | 75 |
| Accumulated Depreciation as at 31st March, 2020 | (0) | (41) | (0) | (0) | (41) |
| **Net Block as at 31st March, 2020** | **0** | **34** | **0** | **0** | **34** |

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### B. Leased Assets

| | Leasehold land | Land and building | Plant and equipment | Total |
|---|---|---|---|---|
| Movements during the year | | | | |
| **Balance as at 31st March, 2019** | **27** | **-** | **-** | **27** |
| Addition on account of Transition to Ind AS 116 – 1st April, 2019 | **-** | **181** | **537** | **718** |
| Additions | - | 307 | 214 | 521 |
| Disposals | (2) | (102) | (41) | (145) |
| **Balance as at 31st March, 2020** | **25** | **386** | **710** | **1,121** |
| Accumulated Depreciation | | | | |
| **Balance as at 31st March, 2019** | **5** | **-** | **-** | **5** |
| Additions | 0 | 177 | 200 | 377 |
| Disposals | (0) | (85) | (27) | (112) |
| **Balance as at 31st March, 2020** | **5** | **92** | **173** | **270** |
| **Net Book Value as at 31st March, 2019** | **22** | **-** | **-** | **22** |
| **Net Book Value as at 31st March, 2020** | **20** | **294** | **537** | **851** |

**NOTES:**

(a) The Group has adopted Ind AS 116 effective 1st April, 2019, using the modified retrospective method. The Group has applied the standard to its leases with the cumulative impact recognised on the date of initial application (1st April, 2019). Accordingly, previous period information has not been restated.

This has resulted in recognising a right-of-use asset of ₹ 718 crores and a corresponding lease liability of ₹ 780 crores. The difference of ₹ 42 crores (net of deferred tax asset created of ₹ 20 crores) has been adjusted to retained earnings as at 1st April, 2019.

In the statement of profit and loss for the current year, operating lease expenses which were recognised as other expenses in previous periods is now recognised as depreciation expense for the right-of-use asset and finance cost for interest accrued on lease liability. The adoption of this standard did not have any significant impact on the profit for the year and earnings per share. The weighted average incremental borrowing rate of 8.5% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

(b) The Company incurred ₹ 105 crore for the year ended 31st March, 2020 towards expenses relating to short-term leases and leases of low-value assets. The total cash outflow for leases is ₹ 558 crore for the year ended 31st March, 2020, including cash outflow of short-term leases and leases of low-value assets. Interest on lease liabilities is ₹ 80 crore for the year.

(c) The Company's leases mainly comprise of land and buildings and Plant and equipment. The Company leases land and buildings for manufacturing and warehouse facilities. The Company also has leases for equipment.

(d) The title deeds of Leasehold Land, net block aggregating ₹ 1 crores, (31st March, 2019: ₹ 1 crores) are in the process of perfection of title.

### C. Capital work-in-progress

Capital work-in-progress as at 31st March, 2020 is ₹ 597 crores (31st March, 2019: ₹ 406 crores)

For contractual commitment with respect to property, plant and equipment refer Note 24.B(ii).





# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 4 INTANGIBLE ASSETS

### A. Goodwill and Other Intangible Assets

| | Goodwill | Other intangible assets | | | | |
|---|---|---|---|---|---|---|
| | | Brand/ Trademarks | Knowhow and design | Computer software | Others | Total |
| Gross Block | | | | | | |
| **Balance as at 31st March, 2018** | **0** | **315** | **59** | **26** | **-** | **400** |
| Additions | - | - | - | 7 | 1 | 8 |
| Disposals | - | - | - | (0) | - | (0) |
| Acquisitions through Business combinations (Refer note 42) | 36 | 14 | 6 | - | 26 | 46 |
| **Balance as at 31st March, 2019** | **36** | **329** | **65** | **33** | **27** | **454** |
| Additions | - | - | - | 12 | - | 12 |
| Disposals | - | - | - | (1) | - | (1) |
| **Balance as at 31st March, 2020** | **36** | **329** | **65** | **44** | **27** | **465** |
| Accumulated Amortisation and Impairment | | | | | | |
| **Balance as at 31st March, 2018** | **-** | **4** | **12** | **17** | **-** | **33** |
| Additions | - | 2 | 7 | 4 | 2 | 15 |
| Disposals | - | - | - | - | - | - |
| **Balance as at 31st March, 2019** | **-** | **6** | **19** | **21** | **2** | **48** |
| Additions | - | 3 | 7 | 4 | 2 | 16 |
| Disposals | - | - | - | (1) | - | (1) |
| **Balance as at 31st March, 2020** | **-** | **9** | **26** | **24** | **4** | **63** |
| Net Block | | | | | | |
| **Balance as at 31st March, 2019** | **36** | **323** | **46** | **12** | **25** | **406** |
| **Balance as at 31st March, 2020** | **36** | **320** | **39** | **20** | **23** | **402** |

Other Intangible assets include Customer Relationship, etc.

#### Impairment Charges

The goodwill and indefinite life intangible assets are tested for impairment and accordingly no impairment charges were recognised for FY 2019-20 (FY 2018-19: NIL).

#### Significant Cash Generating Units (CGUs)

The Group has identified its reportable segments Home care, Beauty & Personal Care, Foods & Refreshment and Others as the CGUs. The goodwill and brand (with indefinite life) acquired through business combination has been allocated to CGU 'Beauty & Personal Care' and 'Foods & Refreshment' segment of the Group. The carrying amount of goodwill and brand (with indefinite life) as at 31st March, 2020 is ₹ 36 crores and ₹ 311 crores respectively.

Following key assumptions were considered while performing Impairment testing:

| | Beauty & Personal Care | Foods & Refreshment |
|---|---|---|
| Annual Growth rate for 5 years | 7.0% | 7.0% |
| Terminal Growth Rate | 2.0% | 2.0% |
| Weighted Average Cost of Capital % (WACC) before tax | 9.1% | 9.1% |
| Average segmental margins | 28.4% | 16.7% |

The projections cover a period of five years, as the Group believes this to be the most appropriate timescale over which to review and consider annual performances before applying a fixed terminal value multiple to the final year cash flows. The growth rates used to estimate future performance are based on the estimates from past performance. Segmental margins are based on FY 2019-20 performance.

Weighted Average Cost of Capital % (WACC) = Risk free return + (Market risk premium x Beta for the Company)

The Group has performed sensitivity analysis around the base assumptions and has concluded that no reasonable change in key assumptions would result in the recoverable amount of the CGU to be less than the carrying value.

# Notes

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### B. Goodwill on consolidation

Pursuant to the merger of Aquagel Chemicals Private Limited (ACPL) with Lakme Lever Private Limited in the FY 2014-15, the excess of cost to the Group of its investment in ACPL over the Group's portion of equity in ACPL, amounting to ₹ 81 crores has been treated as 'Goodwill on consolidation'. The goodwill on consolidation is tested for impairment and accordingly no impairment charges were recognised for FY 2019-20 (FY 2018-19: NIL).

### NOTE 5 INVESTMENTS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Non-Current Investments** | | |
| A. Equity instruments | | |
| Fair value through profit or loss | | |
| Quoted | 0 | 0 |
| Unquoted | 1 | 1 |
| **Total (A)** | **1** | **1** |
| B. Other instruments | | |
| Amortised cost | | |
| Unquoted | | |
| Investments in debentures and bonds | 0 | 0 |
| Investments in National Savings Certificates | 0 | 0 |
| Fair value through profit or loss | | |
| Unquoted | | |
| Investments in preference shares | 1 | 1 |
| **Total (B)** | **1** | **1** |
| **Total (A+B)** | **2** | **2** |
| **Current Investments** | | |
| C. Other instruments | | |
| Fair value through other comprehensive income | | |
| Quoted | | |
| Investments in treasury bills | - | 880 |
| Fair value through profit or loss | | |
| Quoted | | |
| Investments in mutual funds | 1,253 | 1,834 |
| **Total (C)** | **1,253** | **2,714** |
| **Total (A+B+C)** | **1,255** | **2,716** |
| Aggregate amount of quoted investments | 1,253 | 2,714 |
| Aggregate Market value of quoted investments | 1,253 | 2,714 |
| Aggregate amount of unquoted investments | 2 | 2 |
| Aggregate amount of impairment in value of investments | 0 | 0 |

Refer Note 38 for information about fair value measurement and Note 39 for credit risk and market risk of investments.



# Notes

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 6 LOANS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Non-Current** | | |
| Security deposits | 150 | 131 |
| Others (including employee loans) | 88 | 84 |
| **Total (A)** | **238** | **215** |
| **Current** | | |
| Security deposits | - | 4 |
| **Total (B)** | **-** | **4** |
| **Total (A+B)** | **238** | **219** |
| **Sub-classification of Loans:** | | |
| Loan Receivables considered good – Secured | - | - |
| Loan Receivables considered good – Unsecured | 238 | 219 |
| Loan Receivables which have significant increase in Credit Risk | - | - |
| Loan Receivables – credit impaired | - | - |

Refer Note 39 for information about credit risk and market risk for loans.

### NOTE 7 OTHER FINANCIAL ASSETS (Unsecured, considered good unless otherwise stated)

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Non-Current** | | |
| Investments in term deposits (with remaining maturity of more than twelve months) | 1 | 1 |
| Other assets (includes other receivables etc.) | 2 | 10 |
| **Total (A)** | **3** | **11** |
| **Current** | | |
| Receivable from group companies | 19 | 26 |
| Fair Value of Derivatives | 106 | 6 |
| Duty drawback receivable | 6 | 9 |
| Export benefits receivable | 25 | 28 |
| Investments in term deposits (with original maturity of more than twelve months but remaining maturity of less than twelve months) | 599 | - |
| Other assets (includes Government grants, other receivables etc.) | 665 | 536 |
| **Total (B)** | **1,420** | **605** |
| **Total (A+B)** | **1,423** | **616** |

Refer Note 39 for information about credit risk and market risk for other financial assets.

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 8 INCOME TAXES

### A. Components of Income Tax Expense

| | From Continuing Operation | | From Discontinued Operations | |
|---|---|---|---|---|
| | Year ended 31st March, 2020 | Year ended 31st March, 2019 | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
| I. Tax expense recognised in the Statement of Profit and Loss | | | | |
| Current tax | | | | |
| Current year | 2,448 | 2,731 | - | - |
| Adjustments/(credits) related to previous years - (net) | (205) | (121) | 2 | - |
| **Total (A)** | **2,243** | **2,610** | **2** | **-** |
| Deferred tax charge/(credit) | | | | |
| Origination and reversal of temporary differences | 105 | (79) | - | - |
| Adjustments/(credits) related to previous years - (net) | 61 | 13 | - | - |
| **Total (B)** | **166** | **(66)** | **-** | **-** |
| **Total (A+B)** | **2,409** | **2,544** | **2** | **-** |
| II. Tax on Other Comprehensive Income | | | | |
| Current tax | | | | |
| (Gain)/loss on remeasurement of net defined benefit plans | - | 3 | - | - |
| (Gain)/loss on debt instruments through other comprehensive income | - | - | - | - |
| Deferred tax charge/(credit) | | | | |
| (Gain)/loss on remeasurement of net defined benefit plans | (17) | (6) | - | - |
| (Gain)/loss on debt instruments through other comprehensive income | (0) | 1 | - | - |
| (Gain)/loss on cash flow hedges through other comprehensive income | (40) | - | - | - |
| | **(57)** | **(2)** | **-** | **-** |

### B. Reconciliation of Effective Tax Rate

The reconciliation between the statutory income tax rate applicable to the Company and the effective income tax rate of the Company is as follows:

| | Year Ended 31st March, 2020 | Year Ended 31st March, 2019 |
|---|---|---|
| Statutory income tax rate | 25.2% | 34.9% |
| Differences due to: | | |
| Expenses not deductible for tax purposes | 1.2% | 1.6% |
| Income tax incentives | - | -5.6% |
| Others* | -0.1% | -1.3% |
| **Effective tax rate** | **26.3%** | **29.6%** |

* Others include prior period adjustment tax refunds and tax on exceptional items

**Impact of tax rate change :** The Company elected to exercise the option permitted under Section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has re-measured its Deferred Tax Assets basis the rate prescribed in the said section. The full impact of this change has been recognised in the statement of Profit & Loss for the year.

### C. Deferred Tax Assets and Liabilities

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Deferred tax assets (net) | 284 | 373 |



# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### D. Movement in Deferred Tax Assets and Liabilities

| Movement during the year ended 31st March, 2019 | As at 31st March, 2018 | Credit/(charge) in the Statement of Profit and Loss | Credit/(charge) in Other Comprehensive Income | As at 31st March, 2019 |
|---|---|---|---|---|
| Deferred tax assets/(liabilities) | | | | |
| Provision for post retirement benefits and other employee benefits | 143 | (26) | 6 | 123 |
| Provision for doubtful debts and advances | 29 | (4) | - | 25 |
| Expenses allowable for tax purposes when paid | 165 | 66 | - | 231 |
| Depreciation | (360) | (17) | - | (377) |
| Fair value (gains)/losses | (53) | (21) | (1) | (75) |
| Other temporary differences | 378 | 67 | - | 445 |
| MAT credit | - | 1 | - | 1 |
| | **302** | **66** | **5** | **373** |

| Movements during the year ended 31st March, 2020 | As at 1st April, 2019 | Credit/(charge) in the Statement of Profit and Loss | Credit/(charge) in Other Comprehensive Income | As at 31st March, 2020 |
|---|---|---|---|---|
| Deferred tax assets/(liabilities) | | | | |
| Provision for post retirement benefits and other employee benefits | 123 | (99) | 11 | 35 |
| Provision for doubtful debts and advances | 25 | (6) | - | 19 |
| Expenses allowable for tax purposes when paid | 231 | (72) | 5 | 164 |
| Depreciation | (377) | 129 | - | (248) |
| Fair value gain/(loss) | (75) | (2) | 41 | (36) |
| Other temporary differences | 445 | (101) | - | 344 |
| Transition impact on adoption of Ind AS 116 | 20 | (17) | - | 3 |
| MAT credit | 1 | 2 | - | 3 |
| | **393** | **(166)** | **57** | **284** |

### E. Tax Assets and Liabilities

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Non-current tax assets (net) | 1,083 | 835 |
| Non-current tax liabilities (net) | 424 | 601 |

### NOTE 9 OTHER NON-CURRENT ASSETS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Deferred lease rent | 0 | 1 |
| Deposit with Government authorities (customs, excise, etc) | 97 | 92 |
| Capital advances | 49 | 65 |
| Other advances (includes advances for materials) | 22 | 33 |
| Less: Allowance for bad and doubtful advances | (22) | (33) |
| | **146** | **158** |
| **The movement in allowance for bad and doubtful advances is as follows:** | | |
| **Balance as at the beginning of the year** | 33 | 29 |
| Change in allowance for bad and doubtful assets during the year | 6 | 5 |
| Written off during the year | (17) | (1) |
| **Balance as at the end of the year** | **22** | **33** |

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 10 INVENTORIES

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Raw materials [includes in transit: ₹ 67 crores (31st March, 2019: ₹ 29 crores)] | 946 | 908 |
| Packing materials | 97 | 53 |
| Work-in-progress | 264 | 266 |
| Finished goods [includes in transit: ₹ 31 crores (31st March, 2019: ₹ 35 crores)] (Refer note (a) below) | 1,380 | 1,270 |
| Stores and spares | 80 | 77 |
| | **2,767** | **2,574** |

(a) Finished goods includes good purchased for re-sale, as both are stocked together.

(b) During FY 2019-20 an amount of ₹ 158 crores (31st March, 2019: ₹ 134 crores) was charged to the Statement of Profit and Loss on account of damaged and slow moving inventory. The reversal on account of above during the year amounted to ₹ 20 crores (31st March, 2019: ₹ 6 crores).

### NOTE 11 TRADE RECEIVABLES

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Trade Receivables considered good – Secured | - | - |
| Trade Receivables considered good – Unsecured | 1,164 | 1,825 |
| Less: Allowance for expected credit loss | (15) | (9) |
| Trade Receivables which have significant increase in credit risk | - | - |
| Trade Receivables – credit impaired | 21 | 23 |
| Less: Allowance for credit impairment | (21) | (23) |
| | **1,149** | **1,816** |
| **The movement for change in allowance for expected credit loss and credit impairment is as follows:** | | |
| **Balance as at beginning of the year** | 32 | 49 |
| Change in allowance for expected credit loss and credit impairment during the year | 5 | (7) |
| Trade receivables written off during the year | (1) | (10) |
| **Balance as at the end of the year** | **36** | **32** |

Refer Note 39 for information about credit risk and market risk of trade receivables.

### NOTE 12 CASH AND CASH EQUIVALENTS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Cash on hand | 0 | 0 |
| Balances with banks | | |
| In current accounts | 2,957 | 64 |
| Term deposits with original maturity of less than three months | 229 | 557 |
| Others | | |
| Overnight Mutual funds | 30 | - |
| | **3,216** | **621** |

### NOTE 13 BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Earmarked balances with banks | | |
| Unpaid dividend account | 176 | 136 |
| Others (escrow account) | 17 | 17 |
| Investments in term deposits (with original maturity of more than three months but less than twelve months) | 1,704 | 2,983 |
| | **1,897** | **3,136** |



# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 14 OTHER CURRENT ASSETS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Input Taxes (GST, etc.) | 310 | 255 |
| Balances with Government authorities | 1 | 1 |
| Other advances (includes prepaid expenses etc.) | 290 | 184 |
| | **601** | **440** |

### NOTE 15 ASSETS HELD FOR SALE

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Group of assets held for sale** | | |
| Land | 3 | 1 |
| Buildings | 15 | 3 |
| Plant and equipment | 0 | - |
| Furniture and fixtures | 0 | 0 |
| | **18** | **4** |

Note: During the year, the Company had identified certain land of ₹ 2 crores (NBV: ₹ 2 crores), plant and equipment of ₹ 0 crores (NBV: ₹ 0 crores) and building of ₹ 25 crores (NBV: ₹ 13 crores) which has been moved from Property, Plant and Equipment to asset held for sale. The Company expects to dispose of these assets over the course of next 12 months.

### NOTE 16 EQUITY SHARE CAPITAL

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Authorised** | | |
| 2,25,00,00,000 (31st March, 2019: 2,25,00,00,000) equity shares of ₹ 1 each | 225 | 225 |
| **Issued, subscribed and fully paid up** | | |
| 2,16,48,44,187 (31st March, 2019: 2,16,47,04,405) equity shares of ₹ 1 each | 216 | 216 |
| | **216** | **216** |

#### a) Reconciliation of the number of shares

| Equity Shares | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Balance as at the beginning of the year | 2,16,47,04,405 | 216 | 2,16,45,28,777 | 216 |
| Add: ESOP shares issued during the year (Refer note 41) | 1,39,782 | 0 | 1,75,628 | 0 |
| **Balance as at the end of the year** | **2,16,48,44,187** | **216** | **2,16,47,04,405** | **216** |

#### b) Rights, preferences and restrictions attached to shares

**Equity shares**: The Company has one class of equity shares having a par value of ₹ 1 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

#### c) Shares held by Holding Company and Subsidiaries of Holding Company in aggregate

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Equity Shares of ₹ 1 each** | | |
| 1,11,43,70,148 shares (31st March, 2019: 1,11,43,70,148) held by Unilever PLC, UK, the Holding Company | 111 | 111 |
| 3,40,042,710 shares (31st March, 2019: 3,40,042,710) held by subsidiaries of the Holding Company | 34 | 34 |

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### d) Details of equity shares held by shareholders holding more than 5% of the aggregate shares in the Company

| Unilever PLC, UK, the Holding Company | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Number of shares | 1,11,43,70,148 | 1,11,43,70,148 |
| % of holding | 51.48% | 51.48% |

### e) Shares reserved for issue under options

| | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Under 2012 HUL Performance Share Scheme: equity shares of ₹ 1 each, at an exercise price of ₹ 1 per share (refer note 41) | 1,47,765 | 0 | 2,85,049 | 0 |
| | **1,47,765** | **0** | **2,85,049** | **0** |

For terms and other details Refer note 41.

### NOTE 17 OTHER EQUITY

Refer Statement of Changes in Equity for detailed movement in Other Equity balance.

### A. Summary of Other Equity balance

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Capital Reserve | 4 | 4 |
| Capital Redemption Reserve | 6 | 6 |
| Securities Premium | 153 | 142 |
| Employee Stock Options Outstanding Account | 15 | 24 |
| General Reserve | 114 | 114 |
| Retained Earnings | 7,698 | 7,348 |
| Other Reserves | 9 | 9 |
| Employee's Housing Reserve | 50 | 50 |
| Export profit reserves | 0 | 0 |
| Items of Other Comprehensive Income | | |
| - Remeasurements of net defined benefit plans | - | (48) |
| - Fair value of Debt instruments through OCI | 1 | 2 |
| - Fair Value of cash flow hedges through OCI | (37) | - |
| Total Attributable to owners of the Company | **8,013** | **7,651** |
| Attributable to Non-controlling Interest (Refer Note 18) | 17 | 18 |
| **Total equity** | **8,030** | **7,669** |

### B. Nature and purpose of reserves

(a) **Capital Reserve:** During amalgamation, the excess of net assets acquired, over the cost of consideration paid is treated as capital reserve.

(b) **Capital Redemption Reserve:** The Company has recognised Capital Redemption Reserve on the buyback of equity shares from its retained earnings. The amount in the Capital Redemption Reserve is equal to the nominal amount of the equity shares bought back.

(c) **Securities Premium :** The amount received in excess of face value of the equity shares is recognised in Securities Premium. In case of equity-settled share based payment transactions, the difference between fair value on grant date and nominal value of share is accounted as securities premium.

(d) **Employee Stock Options Outstanding Account:** The fair value of the equity-settled share based payment transactions is recognised in Statement of Profit and Loss with corresponding credit to Employee Stock Options Outstanding Account.

(e) **General Reserve:** The Company had transferred a portion of the net profit of the Company before declaring dividend to general reserve pursuant to the earlier provisions of Companies Act, 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013.



# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

(f) **Retained Earnings:** Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

(g) **Other Reserves:** The Company has recognised Other Reserves on amalgamation of Brooke Bond Lipton India Limited as per statutory requirements. This reserve is not available for capitalisation/ declaration of dividend/ share buy-back. Further it also includes capital subsidy and revaluation reserve.

(h) **Employee's Housing Reserve :** As required by the local labour act of Nepal, on a yearly basis a portion of gross profit earned by the Company is transferred to housing fund reserve which will be used to provide housing facilities to the employees. Mandatory transfer to employee's housing reserve is not required with the new labour law enacted on 4th September, 2017.

(i) **Export profit reserves :** Export Profit Reserve was created to protect, from any losses due to volatility in business.

(j) **Items of Other Comprehensive Income**

i) **Remeasurements of Net Defined Benefit Plans:** Differences between the interest income on plan assets and the return actually achieved, and any changes in the liabilities over the year due to changes in actuarial assumptions or experience adjustments within the plans, are recognised in other comprehensive income and are adjusted to retained earnings.

ii) **Debt Instruments through Other Comprehensive Income:** The fair value change of the debt instruments measured at fair value through other comprehensive income is recognised in Debt instruments through Other Comprehensive Income. Upon derecognition, the cumulative fair value changes on the said instruments are reclassified to the Statement of Profit and Loss.

iii) **Fair value of cash flow hedges through Other Comprehensive Income:** The effective portion of the fair value change of the cash flow hedges measured at fair value through other comprehensive income is recognised in Cash flow hedges through Other Comprehensive Income. Upon derecognition, if the hedged cash flow relates to a non-financial asset, the amount accumulated in equity is subsequently included within the carrying value of that asset. For other cash flow hedges, amounts accumulated in other comprehensive income are taken to the statement of profit and loss at the same time as the related cash flow.

### C. Other Comprehensive Income accumulated in Other Equity, net of tax

The disaggregation of changes in other comprehensive income by each type of reserve in equity is shown below:

| | Remeasurements of net defined benefit plans | Debt instruments through Other Comprehensive Income | Cash flow hedges through Other Comprehensive Income | Total |
|---|---|---|---|---|
| **As at 31st March, 2018** | **(43)** | **1** | **-** | **(42)** |
| Re-measurement gain/(loss) on net defined benefit plans | (8) | - | - | (8) |
| Gain/(loss) on debt instruments recognised in other comprehensive income | - | 2 | - | 2 |
| Tax on above | 3 | (1) | - | 2 |
| **As at 31st March, 2019** | **(48)** | **2** | **-** | **(46)** |
| Transferred to Retained Earnings | 48 | - | - | 48 |
| Gain/(loss) on debt instruments recognised in other comprehensive income | - | (1) | - | (1) |
| Fair Value of cash flow hedges in other comprehensive income | - | - | (77) | (77) |
| Tax on above | - | 0 | 40 | 40 |
| **As at 31st March, 2020** | **-** | **1** | **(37)** | **(36)** |

### D. Capital Management

Equity share capital and other equity are considered for the purpose of Group's capital management.

The Group manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to shareholders. The capital structure of the Group is based on management's judgement of its strategic and day-to-day needs with a focus on total equity so as to maintain investor, creditors and market confidence.

The management and the Board of Directors monitor the return on capital as well as the level of dividends to shareholders. The Group may take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 18 NON-CONTROLLING INTERESTS

The following table summarises the financial information relating to Unilever Nepal Limited that has non-controlling interests (20%).

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Non-current assets | 259 | 212 |
| Current assets | 148 | 177 |
| Non-current liabilities | (180) | (153) |
| Current liabilities | (93) | (98) |
| **Net assets** | **134** | **138** |
| **Carrying amount of non-controlling interests** | **17** | **18** |

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Revenue from operations | 386 | 389 |
| Profit for the year | 42 | 80 |
| Other comprehensive income for the year | 0 | (0) |
| **Total comprehensive income for the year** | **42** | **80** |
| **Attributable to non-controlling interests (20%):** | | |
| Profit for the year | 8 | 6 |
| Other comprehensive income for the year | 0 | (0) |
| Note : NCI pertaining to Employee housing reserve of ₹ 10 crores in Unilever Nepal Limited derecognised during previous year in line with terms of utilisation of such reserve. | | |
| **Cash flows from:** | | |
| Operating activities | 65 | 42 |
| Investing activities | (27) | (6) |
| Financing activities | (46) | (40) |
| **Net increase/(decrease) in cash and cash equivalents** | **(8)** | **(4)** |
| Dividend paid to non-controlling interests | 9 | 8 |

### NOTE 19 OTHER FINANCIAL LIABILITIES

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Non-Current** | | |
| Security deposits | 31 | 32 |
| Contingent consideration payable on Business Combination | 93 | 145 |
| Employee and ex-employee related liabilities | 209 | 217 |
| Lease Liabilities | 606 | - |
| **Total (A)** | **939** | **394** |
| **Current** | | |
| Unpaid dividends [Refer (a) below] | 176 | 136 |
| Fair Value of Derivatives | 171 | 17 |
| Contingent consideration payable on Business Combination | 37 | 31 |
| Salaries, wages, bonus and other employee benefits | 216 | 206 |
| Lease Liabilities | 236 | - |
| Other payables (retention money for purchase of property, plant and equipment etc.) | 96 | 102 |
| **Total (B)** | **932** | **492** |
| **Total (A+B)** | **1,871** | **886** |

Refer note 39 for information about liquidity risk of other financial liability

a) There are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Companies Act, 2013 as at 31st March, 2020 (31st March, 2019: Nil)



# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 20 PROVISIONS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Non-Current** | | |
| Provision for employee benefits (pension, post retirement medical benefits, compensated absences, etc.) [Refer Note 40] | 155 | 118 |
| Other provisions (including for statutory levies etc.) (net) [Refer (a) below] | 1,072 | 964 |
| **Total (A)** | **1,227** | **1,082** |
| **Current** | | |
| Provision for employee benefits (gratuity, etc.) [Refer Note 40] | 70 | 47 |
| Other provisions (including restructuring etc.) [Refer (a) below] | 352 | 476 |
| **Total (B)** | **422** | **523** |
| **Total (A+B)** | **1,649** | **1,605** |

#### a) Movement in Other provisions (Non-current and Current)

| | Indirect tax matters | Legal and other matters | Total |
|---|---|---|---|
| **Balance as at 31st March, 2018** | **350** | **944** | **1,294** |
| Add: Provision/reclassified during the year * | 164 | 387 | 551 |
| Less: Amount utilised/reversed during the year | (17) | (388) | (405) |
| **Balance as at 31st March, 2019** | **497** | **943** | **1,440** |
| Add: Provision/reclassified during the year | 145 | 141 | 286 |
| Less: Amount utilised/reversed during the year | (73) | (229) | (302) |
| **Balance as at 31st March, 2020** | **569** | **855** | **1,424** |

* includes impact of discounting.

The provisions for indirect taxes and legal matters comprises of numerous separate cases that arise in the ordinary course of business. These provisions have not been discounted as it is not practicable for the Group to estimate the timing of the provision utilisation and cash outflows, if any, pending resolution.

### NOTE 21 BORROWINGS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Unsecured loan from banks | - | 99 |
| | **-** | **99** |

Refer note 39 for information about liquidity risk and market risk of short-term borrowings.
Unsecured loan taken from banks for export packing credit requirement amounting to Nil (31st March, 2019: ₹ 99 crores).

### NOTE 22 TRADE PAYABLES

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Total outstanding dues of micro enterprises and small enterprises (as per the intimation received from vendors)** | | |
| a) Principal and interest amount remaining unpaid | - | - |
| b) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day | - | - |
| c) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006 | - | - |
| d) Interest accrued and remaining unpaid | - | - |
| e) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises | - | - |
| **Total outstanding dues of creditors other than micro enterprises and small enterprises** | | |
| Acceptances | 120 | 46 |
| Trade payables | 7,415 | 7,160 |
| | **7,535** | **7,206** |

Refer Note 39 for information about liquidity risk and market risk of trade payables.

# Notes

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 23 OTHER CURRENT LIABILITIES

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Statutory dues (including provident fund, tax deducted at source and others) | 270 | 304 |
| Others (including advance from customers, etc.) | 158 | 43 |
| | **428** | **347** |

### NOTE 24 CONTINGENT LIABILITIES AND COMMITMENTS

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **A. Contingent Liabilities** | | |
| Claims against the Group not acknowledged as debts | | |
| Income tax matters | 1,361 | 996 |
| Indirect tax matters | 961 | 673 |
| Legal and Other matters | 284 | 283 |
| Corporate Guarantee given | 8 | 8 |

(i) It is not practicable for the Group to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceedings as it is determinable only on receipt of judgements/ decisions pending with various forums/ authorities.

(ii) The Group does not expect any reimbursements in respect of the above contingent liabilities.

(iii) The Group's pending litigations comprise of proceedings pending with various direct tax, indirect tax and other authorities. The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

(iv) The Group has given Bank Guarantees in respect of certain matters of above contingent liabilities.

#### B. Commitments

i) Lease commitments

Lease commitments are the future cash out flows from the lease contracts which are not recorded in the measurement of lease liabilities. These include potential future payments related to leases of low value assets, leases with term less than twelve months and variable leases.

| | As at 31st March, 2020 |
|---|---|
| Not later than one year | 94 |
| Later than one year and not later than five years | 189 |
| Later than five years | 1 |

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| ii) Capital commitments | | |
| Estimated value of contracts in capital account remaining to be executed and not provided for (net of capital advances) | 303 | 224 |
| iii) Other commitments | | |
| Unexpired Letter of credit and acceptances | 6 | 12 |
| | **309** | **236** |



# Notes

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 25 REVENUE FROM OPERATIONS

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Sale of products | 39,136 | 38,579 |
| Sale of services | 102 | 105 |
| Other operating revenue | | |
| Income from services rendered | 255 | 297 |
| Others (including Government grant, scrap sales, export incentives, etc.) | 290 | 329 |
| | **39,783** | **39,310** |

Total Government grant recognised ₹ 171 crores (FY 2018-19: ₹ 173 crores).

#### Reconciliation of Revenue from sale of products & services with the contracted price

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Contracted Price | 45,204 | 43,971 |
| Less: Trade discounts, volume rebates, etc. | (5,966) | (5,287) |
| **Sale of products and Services** | **39,238** | **38,684** |

### NOTE 26 OTHER INCOME

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| **Interest income on** | | |
| Bank deposits | 284 | 236 |
| Current investments | 39 | 70 |
| Others (including interest on Income tax refunds) | 169 | 75 |
| **Dividend income from** | | |
| Non-current investments | 1 | 1 |
| **Fair value gain/(loss)** | | |
| Investments measured at fair value through profit or loss* | 137 | 164 |
| **Net gain on sale of investments** | 2 | 4 |
| | **632** | **550** |

*Includes realised gain on sale of investment of ₹ 65 crores (31st March 2019 : ₹ 84 crores).

### NOTE 27 COST OF MATERIALS CONSUMED

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Raw materials consumed | 9,306 | 11,090 |
| Packing materials consumed | 2,670 | 2,617 |
| | **11,976** | **13,707** |

### NOTE 28 PURCHASES OF STOCK-IN-TRADE

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Purchases of stock-in-trade | 6,391 | 4,755 |
| | **6,391** | **4,755** |

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 29 CHANGES IN INVENTORIES OF FINISHED GOODS (INCLUDING STOCK-IN-TRADE) AND WORK-IN-PROGRESS

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| **Opening inventories** | | |
| Finished goods | 1,270 | 1,285 |
| Work-in-progress | 266 | 263 |
| **Closing inventories** | | |
| Finished goods | (1,380) | (1,270) |
| Work-in-progress | (264) | (266) |
| | **(108)** | **12** |

### NOTE 30 EMPLOYEE BENEFITS EXPENSES

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Salaries and wages, bonus etc. | 1,547 | 1,558 |
| Contribution to provident fund and other funds | 122 | 110 |
| Defined benefit plan expenses (Refer Note 40) | 32 | 28 |
| Share based payments to employees (Refer Note 41) | 45 | 93 |
| Workmen and staff welfare expenses | 74 | 86 |
| | **1,820** | **1,875** |

### NOTE 31 FINANCE COSTS

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Interest on borrowings (including bank overdraft, etc.) | 3 | 4 |
| Net interest on the net defined benefit liability (Refer Note 40) | 9 | 11 |
| Unwinding of discount on provisions and liabilities | 13 | 10 |
| Unwinding of discount on employee and ex-employee related liabilities | 6 | 5 |
| Interest on Lease Liabilities | 80 | - |
| Others (including interest on taxes) | 7 | 3 |
| | **118** | **33** |

### NOTE 32 DEPRECIATION AND AMORTISATION EXPENSES

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Depreciation on property, plant and equipment (owned assets) | 609 | 550 |
| Depreciation on property, plant and equipment (leased assets) | 377 | - |
| Amortisation on intangible assets | 16 | 15 |
| | **1,002** | **565** |



# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 33 OTHER EXPENSES

| | Year ended 31st March, 2020 | | Year ended 31st March, 2019 | |
|---|---|---|---|---|
| Advertising and promotion | | 4,713 | | 4,607 |
| Carriage and freight | | 1,507 | | 1,599 |
| Royalty | | | | |
| - Technology | 540 | | 529 | |
| - Brand | 159 | 699 | 161 | 690 |
| Fees for central services from Parent Company | | 387 | | 383 |
| Power, fuel, light and water | | 299 | | 308 |
| Rent* | | 110 | | 315 |
| Processing charges* | | 80 | | 281 |
| Travelling and motor car expenses | | 165 | | 166 |
| Repairs | | 156 | | 143 |
| Rates & taxes (excluding income tax) | | 39 | | 36 |
| Corporate social responsibility expense [Refer note (a) below] | | 146 | | 129 |
| Miscellaneous expenses | | 1,542 | | 1,424 |
| | | **9,843** | | **10,081** |

*Includes impact of Ind AS 116- Leases.

(a) The Group has spent ₹ 146 crores (2018-19: ₹ 129 crores) towards various schemes of Corporate Social Responsibility as prescribed under section 135 of the Companies Act, 2013. The details are:

I. Gross amount required to be spent by the Group during the year: ₹ 144 crores (2018-19: ₹ 127 crores).

II. Amount spent during the year on:

| | Year ended 31st March, 2020 | | Year ended 31st March, 2019 | |
|---|---|---|---|---|
| | In cash | Yet to be paid in Cash | In cash | Yet to be paid in Cash |
| i) Construction/Acquisition of any asset | - | - | - | - |
| ii) For purposes other than (i) above | 146 | - | 129 | - |
| | **146** | **-** | **129** | **-** |

III. The Group does not carry any provisions for Corporate social responsibility expenses for the current year and previous year.

### NOTE 34 EXCEPTIONAL ITEMS (NET)

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| i) Profit on disposal of surplus properties | 46 | - |
| ii) Fair valuation of contingent consideration payable (refer Note 42) | 26 | - |
| **Total exceptional income (A)** | **72** | **-** |
| i) Fair valuation of contingent consideration payable (refer Note 42) | - | (57) |
| ii) Acquisition and disposal related cost | (132) | (30) |
| iii) Restructuring and other costs | (140) | (141) |
| **Total exceptional expenditure (B)** | **(272)** | **(228)** |
| **Exceptional items (net) (A+B)** | **(200)** | **(228)** |

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 35 DISCONTINUED OPERATIONS

Pond's Exports Limited (PEL) has closed down its existing operation in line with the Group's strategy of exiting non core business.

#### A. Results of discontinued operations

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Income | 0 | 1 |
| Expenses | (6) | (1) |
| **Results from discontinued operations before tax** | **(6)** | **0** |
| Tax Expense | | |
| Adjustments related to previous years | (2) | - |
| Deferred tax credit/(charge) | - | - |
| **Results from discontinued operations after tax** | **(8)** | **0** |

The profit/(Loss) from discontinued operations of ₹ (8) crores (2018-19 profit ₹ 0 crores) is attributable entirely to the owners of the Company.

#### B. Net Cash (used in)/generated from discontinued operations

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Net cash (used in) / generated from operating activities | (1) | (2) |
| Net cash (used in)/generated from investing activities | - | 0 |
| Net cash used in financing activities | - | - |
| **Net cash flows for the year** | **(1)** | **(2)** |

### NOTE 36 EARNINGS PER EQUITY SHARE

#### A. From Continuing operations

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Earnings Per Share has been computed as under: | | |
| Profit for the year attributable to the owners of the Company | 6,756 | 6,054 |
| Weighted average number of equity shares outstanding | 2,16,47,95,829 | 2,16,46,29,982 |
| Earnings Per Share (₹) - Basic (Face value of ₹ 1 per share) | ₹ 31.21 | ₹ 27.97 |
| Add: Weighted average number of potential equity shares on account of employee stock options/ performance share schemes | 1,96,123 | 3,59,472 |
| Weighted average number of Equity shares (including dilutive shares) outstanding | 2,16,49,91,952 | 2,16,49,89,454 |
| Earnings Per Share (₹) – Diluted (Face value of ₹ 1 per share) | ₹ 31.21 | ₹ 27.96 |

#### B. From Discontinued operations

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Earnings Per Share has been computed as under: | | |
| Profit/(Loss) for the year attributable to the owners of the Company | (8) | 0 |
| Weighted average number of equity shares outstanding | 2,16,47,95,829 | 2,16,46,29,982 |
| Earnings Per Share (₹) - Basic (Face value of ₹ 1 per share) | ₹ (0.04) | ₹ 0.00 |
| Add: Weighted average number of potential equity shares on account of employee stock options/ performance share schemes | 1,96,123 | 3,59,472 |
| Weighted average number of Equity shares (including dilutive shares) outstanding | 2,16,49,91,952 | 2,16,49,89,454 |
| Earnings Per Share (₹) – Diluted (Face value of ₹ 1 per share) | ₹ (0.04) | ₹ 0.00 |





# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 37 DIVIDEND ON EQUITY SHARE

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| **Dividend on equity shares declared and paid during the year** | | |
| Final dividend of ₹ 13.00 per share for FY 2018-19 (2017-18: ₹ 12.00 per share) | 2,814 | 2,598 |
| Dividend distribution tax on final dividend* | 578 | 534 |
| Interim dividend of ₹ 11.00 per share for FY 2019-20 (2018-19: ₹ 9.00 per share) | 2,382 | 1,948 |
| Dividend distribution tax on interim dividend* | 470 | 379 |
| | **6,244** | **5,459** |
| **Proposed dividend on equity shares not recognised as liability** | | |
| Final dividend of ₹ 14.00 per share for FY 2019-20 (2018-19: ₹ 13.00 per share) | 3,289 | 2,814 |
| Dividend distribution tax on final dividend | - | 578 |
| | **3,289** | **3,392** |
| **Payout ratio for FY 2019-20** | **91%** | |

Proposed dividend on equity shares is subject to the approval of the shareholders of the Company at the Annual General Meeting and not recognised as liability as at the Balance Sheet date.

*Dividend Distribution Tax (DDT) – net, comprises credit in respect of tax paid under Section 115 O of the Income-tax Act, 1961 by the Company on dividend received from its subsidiaries.

### NOTE 38 FINANCIAL INSTRUMENTS

#### A. Accounting Classifications and Fair Values

The carrying amounts and fair values of financial instruments by class are as follows:

| | Note | Carrying value /Fair value As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|---|
| **Financial Assets** | | | |
| Financial assets measured at fair value | | | |
| Investments measured at | | | |
| i. Fair value through other comprehensive income | 5 | - | 880 |
| ii. Fair value through profit or loss | 5 | 1,255 | 1,836 |
| Fair value of Derivatives | 7 | 106 | 6 |
| Financial assets measured at amortised cost | | | |
| Investments | 5 | 0 | 0 |
| Loans | 6 | 238 | 219 |
| Investments in term deposits | 7,13 | 2,304 | 2,984 |
| Other assets | 7 | 667 | 546 |
| | | **4,570** | **6,471** |
| **FINANCIAL LIABILITIES** | | | |
| Financial liabilities measured at fair value | | | |
| Fair value of Derivatives | 19 | 171 | 17 |
| Contingent consideration | 19 | 130 | 176 |
| Borrowings | 21 | - | 99 |
| Lease Liabilities | 19 | 842 | - |
| Employee Liabilities | 19 | 425 | 423 |
| Financial liabilities measured at amortised cost | | | |
| Security deposits | 19 | 31 | 32 |
| Other payables | 19 | 96 | 102 |
| | | **1,695** | **849** |

The Group has disclosed financial instruments such as cash and cash equivalents, other bank balances, trade receivables, receivable from group companies, trade payables, unpaid dividends and deferred borrowings at carrying value because their carrying amounts are a reasonable approximation of the fair values due to their short-term nature.

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### B. Income, Expenses, Gains or Losses on Financial Instruments

Interest income and expenses, gains or losses recognised on financial assets and liabilities in the Statement of Profit and Loss are as follows:

| | Note | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| Financial assets measured at amortised cost | | | |
| Interest income | 26 | 290 | 237 |
| Allowance for expected credit loss and credit impairment | 11 | 5 | (7) |
| Financial assets measured at fair value through other comprehensive income | | | |
| Investment in debt instruments | | | |
| Interest income | 26 | 39 | 70 |
| Fair value gain/(loss) recognised in other comprehensive income | 17C | (1) | 2 |
| Financial assets measured at fair value through profit or loss | | | |
| Fair value gain/(loss) on investment in debt instruments | 26 | 137 | 164 |
| Dividend income on non-current investments | 26 | 1 | 1 |
| Net gain on sale of investments | 26 | 2 | 4 |
| Financial liabilities measured at amortised cost | | | |
| Interest expense | 31 | 3 | 4 |
| Financial liabilities measured at fair value through profit or loss | | | |
| Interest expense other than on lease liabilities | 31 | 19 | 15 |
| Interest on lease liabilities | 31 | 80 | - |
| Fair value of Derivatives | | | |
| Fair value gain/(loss) | 33 | 22 | 12 |

### C. Fair Value Hierarchy

The fair value of financial instruments as referred to in note (A) above have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The categories used are as follows:

- Level 1: Quoted prices for identical instruments in an active market;
- Level 2: Directly or indirectly observable market inputs, other than Level 1 inputs; and
- Level 3: Inputs which are not based on observable market data.

For assets and liabilities which are measured at fair value as at Balance Sheet date, the classification of fair value calculations by category is summarised below:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **As at 31st March, 2020** | | | | |
| Assets at fair value | | | | |
| Investments measured at: | | | | |
| i. Fair Value through OCI | - | - | - | - |
| ii. Fair Value through Profit or Loss | 1,253 | - | 2 | 1,255 |
| Fair value of Derivatives | - | 106 | - | 106 |
| Liabilities at fair value | | | | |
| Fair value of Derivatives | - | 171 | - | 171 |
| Contingent consideration | - | - | 130 | 130 |
| Borrowings | - | - | - | - |
| Lease Liabilities | - | - | 842 | 842 |
| Employee Liabilities | - | - | 425 | 425 |





# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **As at 31st March, 2019** | | | | |
| Assets at fair value | | | | |
| Investments measured at: | | | | |
| i. Fair Value through OCI | 880 | - | - | 880 |
| ii. Fair Value through Profit or Loss | 1,834 | - | 2 | 1,836 |
| Fair value of Derivatives | - | 6 | - | 6 |
| Liabilities at fair value | | | | |
| Fair value of Derivatives | - | 17 | - | 17 |
| Contingent consideration | - | - | 176 | 176 |
| Borrowings | - | 99 | - | 99 |
| Employee Liabilities | - | - | 423 | 423 |

### Calculation of Fair Values

The fair values of the financial assets and liabilities are defined as the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values are consistent with those used for the year ended 31st March, 2019.

#### Financial assets and liabilities measured at fair value as at Balance Sheet date:

1. The fair values of investment in treasury bills and quoted investment in equity shares is based on the current bid price of respective investment as at the Balance Sheet date.
2. The fair values of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in the published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.
3. The fair values of the derivative financial instruments has been determined using valuation techniques with market observable inputs. The models incorporate various inputs including the credit quality of counter-parties and foreign exchange forward rates.

#### Other financial assets and liabilities

- Cash and cash equivalents, trade receivables, investments in term deposits, other financial assets (except derivative financial instruments), trade payables, and other financial liabilities (except derivative financial instruments) have fair values that approximate to their carrying amounts due to their short-term nature.

- Loans have fair values that approximate to their carrying amounts as it is based on the net present value of the anticipated future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

### Significant Unobservable Inputs used in Level 3 Fair Values

**a) Lease Liabilities and Employee Liabilities**

Lease liabilities and Employee liabilities are valued using Level 3 techniques. A change in one or more of the inputs to reasonably possible alternative assumptions would not change the value significantly.

**b) Contingent Consideration**

| As at 31st March, 2020 | Significant unobservable inputs | Sensitivity of input to fair value measurement |
|---|---|---|
| Contingent consideration | Forecast revenue: | 10% increase in forecasted revenue per year will have additional Liability of ₹ 26 crores and 10% decrease will have opposite impact of ₹ 20 crores. |
| | Discount rate: 6.9% | 1% increase in Discount rate will have reduction in liability of ₹ 2 crores and 1% decrease will have increase in liability of ₹ 2 crores. |

| As at 31st March, 2019 | Significant unobservable inputs | Sensitivity of input to fair value measurement |
|---|---|---|
| Contingent consideration | Forecast revenue: | 10% increase in forecasted revenue per year will have additional Liability of ₹ 21 crores and 10% decrease will have reduction in liability of ₹ 19 crores. |
| | Discount rate: 8.4% | 1% increase in Discount rate will have reduction in liability of ₹ 3 crores and 1% decrease will have increase in liability of ₹ 3 crores. |

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 39 FINANCIAL RISK MANAGEMENT

The Group's business activities are exposed to a variety of financial risks, namely liquidity risk, market risk, credit risk and commodity risk. The Group's senior management has the overall responsibility for establishing and governing the Group risk management framework. The Group has constituted a Risk Management Committee, which is responsible for developing and monitoring the Group risk management policies. The Group risk management policies are established to identify and analyse the risks faced by the Group, to set and monitor appropriate risk limits and controls, periodically review the changes in market conditions and reflect the changes in the policy accordingly. The key risks and mitigating actions are also placed before the Audit Committee of the Company.

### A. Management of Liquidity Risk

Liquidity risk is the risk that the Group will face in meeting its obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The Group maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended 31st March, 2020 and 31st March, 2019. Cash flow from operating activities provides the funds to service and finance the financial liabilities on a day-to-day basis.

The Group regularly monitors the rolling forecasts to ensure it has sufficient cash on an on-going basis to meet operational needs. Any short-term surplus cash generated, over and above the amount required for working capital management and other operational requirements, is retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits and other highly marketable debt investments with appropriate maturities to optimise the cash returns on investments while ensuring sufficient liquidity to meet its liabilities.

The following table shows the maturity analysis of the Group's financial liabilities based on contractually agreed undiscounted cash flows along with its carrying value as at the Balance Sheet date.

| | Note | Carrying amount | Undiscounted Amount | | |
|---|---|---|---|---|---|
| | | | Payable within 1 year | More than 1 year | Total |
| **As at 31st March, 2020** | | | | | |
| Non-derivative liabilities | | | | | |
| Borrowings | 21 | - | - | - | - |
| Trade payables (including acceptances) | 22 | 7,535 | 7,535 | - | 7,535 |
| Security deposits | 19 | 31 | - | 31 | 31 |
| Employee liabilities | 19 | 425 | 216 | 221 | 437 |
| Unpaid dividend | 19 | 176 | 176 | - | 176 |
| Other Payables | 19 | 96 | 96 | - | 96 |
| Contingent consideration | 19 | 130 | 37 | 105 | 142 |
| Lease Liabilities | 19 | 842 | 236 | 725 | 961 |
| Derivative liabilities | | | | | |
| Fair Value of Derivatives | 19 | 171 | 171 | - | 171 |
| **As at 31st March, 2019** | | | | | |
| Non-derivative liabilities | | | | | |
| Borrowings | 21 | 99 | 99 | - | 99 |
| Trade payables (including acceptances) | 22 | 7,206 | 7,206 | - | 7,206 |
| Security deposits | 19 | 32 | - | 32 | 32 |
| Employee liabilities | 19 | 423 | 206 | 228 | 434 |
| Unpaid dividend | 19 | 136 | 136 | - | 136 |
| Other Payables | 19 | 102 | 102 | - | 102 |
| Contingent consideration | 19 | 176 | 30 | 177 | 207 |
| Derivative liabilities | | | | | |
| Fair Value of Derivatives | 19 | 17 | 17 | - | 17 |



# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### B. Management of Market Risk

The Group size and operations result in it being exposed to the following market risks that arise from its use of financial instruments:

- currency risk;
- price risk;
- interest rate risk; and
- commodity risk

The above risks may affect the Group's income and expenses, or the value of its financial instruments. The Group exposure to and management of these risks are explained below.

| Potential Impact of Risk | Management Policy | Sensitivity to Risk |
|---|---|---|
| 1. Currency Risk | | |
| The Group is subject to the risk that changes in foreign currency values impact the Group exports revenue and imports of raw material and property, plant and equipment.<br><br>As at 31st March, 2020, the net unhedged exposure to the Group on holding financial assets (trade receivables and Capital advances), liabilities (trade payables and capital creditors) and commitments other than in their functional currency amounted to ₹ 16 crores receivable (31st March, 2019: ₹ 12 crores). | The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar and Euro.<br><br>The Group manages currency exposures within prescribed limits, through use of forward exchange contracts. Foreign exchange transactions are covered with strict limits placed on the amount of uncovered exposure, if any, at any point in time.<br><br>The aim of the Group's approach to management of currency risk is to leave the Group with no material residual risk. | A 5% strengthening of the INR against key currencies to which the Group is exposed (net of hedge) would have led to approximately an additional ₹ 1 crores loss in the Statement of Profit and Loss (2018-19: ₹ 1 crores gain). A 5% weakening of the INR against these currencies would have led to an equal but opposite effect. |
| 2. Price Risk | | |
| The Group is mainly exposed to the price risk due to its investment in debt mutual funds. The price risk arises due to uncertainties about the future market values of these investments.<br><br>At 31st March, 2020, the investments in debt mutual funds amounts to ₹ 1,253 crores (31st March, 2019: ₹ 1,834 crores). These are exposed to price risk. | The Group has laid policies and guidelines which it adheres to in order to minimise pricing risk arising from investments in debt mutual funds. | A 1% increase in prices would have led to approximately an additional ₹ 12 crores gain in the Statement of Profit and Loss (2018-19: ₹ 18 crores gain). A 1% decrease in prices would have led to an equal but opposite effect. |
| 3. Interest Rate Risk | | |
| The Group is mainly exposed to the interest rate risk due to its investment in treasury bills. The interest rate risk arises due to uncertainties about the future market interest rate of these investments.<br><br>In addition to treasury bills, the Group invests in term deposits. Considering the short-term nature, there is no significant interest rate risk pertaining to these deposits.<br><br>As at 31st March, 2020, the investments in treasury bill and borrowings amounts to Nil (31st March, 2019: ₹ 880 crores). These are exposed to interest rate risk. | The Group has laid policies and guidelines including tenure of investment made to minimise impact of interest rate risk. | A 0.25% decrease in interest rates would have led to approximately Nil amount in the Statement of Profit and Loss (2018-19: ₹ 1 crores gain). A 0.25% decrease in interest rates would have led to an equal but opposite effect. |

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| Potential Impact of Risk | Management Policy | Sensitivity to Risk |
|---|---|---|
| 4. Commodity Risk | | |
| The Group is exposed to the risk of changes in commodity prices in relation to its purchase of certain raw materials.<br><br>At 31st March 2020, the group had hedged its exposure to future commodity purchases with commodity derivatives valued at ₹ 32 crores (31st March 2019: Nil).<br><br>Hedges of future commodity purchases resulted in cumulative losses of ₹ 12 crores (31st March, 2019: Nil) being reclassified to the income statement as an adjustment to inventory purchase. | Commodities form a major part of the raw materials required for Group products portfolio and hence commodity price risk is one of the important market risk for the Group. The commodities are priced using pricing benchmarks and commodity derivatives are priced using exchange-traded pricing benchmarks. The group has a robust framework and governance mechanism in place to ensure that the organisation is adequately protected from the market volatility in terms of price and availability. The Group uses commodity swaps and option contracts to hedge against components of commodities where it is not possible to hedge the commodity in full. | A 10% increase in prices of open trades would have led to approximately ₹ 21 crores gain in OCI (2018-19: Nil). A 10% decrease in prices would have led to an equal but opposite effect. |

### C. Management of Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party fails to meet its contractual obligations.

#### Trade receivables

Concentrations of credit risk with respect to trade receivables are limited, due to the Group's customer base being large and diverse. All trade receivables are reviewed and assessed for default on a quarterly basis.

Our historical experience of collecting receivables indicate low credit risk. Hence, trade receivables are considered to be a single class of financial assets.

#### Other financial assets

The Group maintains exposure in cash and cash equivalents, term deposits with banks, investments in treasury bills, money market liquid mutual funds with financial institutions and derivative financial instruments. The Group has set counter-party limits based on multiple factors including financial position, credit rating, etc.

The Group's maximum exposure to credit risk as at 31st March, 2020 and 31st March, 2019 is the carrying value of each class of financial assets.

## NOTE 40 DEFINED BENEFIT PLANS

### Description of Plans

Retirement Benefit Plans of the Company include Gratuity, Management Pension, Officer's Pension and Provident Fund. Other post-employment benefit plans includes post retirement medical benefits.

Gratuity is funded through investments with an insurance service provider. Pension (Management Pension and Officer's Pension) for most employees is managed through a trust, investments with an insurance service provider and for some employees investments are managed through Company managed trust. Provident Fund for most of the employees are managed through trust investments and for some employees through Government administered fund. Post-retirement medical benefits are managed through investment made under Company managed trust.

### Governance

The trustees of the trust fund are responsible for the overall governance of the plan and to act in accordance with the provisions of the trust deed and rules in the best interests of the plan participants. They are tasked with periodic reviews of the solvency of the fund and play a role in the long-term investment, risk management and funding strategy.





# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### Investment Strategy

The Company's investment strategy in respect of its funded plans is implemented within the framework of the applicable statutory requirements. The plans expose the Company to a number of actuarial risks such as investment risk, interest rate risk, longevity risk and inflation risk. The Company 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 Company 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.

### A. Balance Sheet

The assets, liabilities and surplus/(deficit) position of the defined benefit plans at the Balance Sheet date were:

| | Retirement Benefit Plans | | Other Post-Employment Benefit Plans | |
|---|---|---|---|---|
| | As at 31st March, 2020 | As at 31st March, 2019 | As at 31st March, 2020 | As at 31st March, 2019 |
| Present Value of Obligation | 2,830 | 2,664 | 196 | 157 |
| Fair Value of Plan Assets | (2,768) | (2,613) | (71) | (81) |
| **(Asset)/Liability recognised in the Balance Sheet** | **62** | **51** | **125** | **76** |
| Of which in respect of: | | | | |
| Funded plans in surplus: | | | | |
| Present Value of Obligation | 12 | 11 | - | - |
| Fair Value of Plan Assets | (26) | (33) | - | - |
| **(Asset)/Liability recognised in the Balance Sheet*** | **-*** | **-*** | **-** | **-** |
| *The excess of assets over liabilities in respect of Officer's Pension have not been recognised as they are lying in an Income Tax approved irrevocable trust fund. | | | | |
| Funded plans in deficit: | | | | |
| Present Value of Obligation | 2,818 | 2,653 | 196 | 157 |
| Fair Value of Plan Assets | (2,756) | (2,602) | (71) | (81) |
| **(Asset)/Liability recognised in the Balance Sheet** | **62** | **51** | **125** | **76** |

### B. Movements in Present Value of Obligation and Fair Value of Plan Assets

| | Retirement Benefit Plans | | | Other Post-Employment Benefit Plans | | |
|---|---|---|---|---|---|---|
| | Plan Assets | Plan Obligation | Total | Plan Assets | Plan Obligation | Total |
| **As at 31st March, 2018** | 2,508 | 2,582 | 74 | 88 | 158 | 70 |
| Current service cost | - | 121 | 121 | - | 0 | 0 |
| Past service cost | - | - | - | - | - | - |
| Employee contributions | - | 168 | 168 | - | - | - |
| Interest cost | - | 201 | 201 | - | 12 | 12 |
| Interest income | 198 | - | (198) | 6 | - | (6) |
| Actuarial (gain)/loss arising from changes in demographic assumptions | - | (5) | (5) | - | (3) | (3) |
| Actuarial (gain)/loss arising from changes in financial assumptions | - | 9 | 9 | (1) | 6 | 7 |
| Actuarial (gain)/loss arising from experience adjustments | - | 3 | 3 | - | (4) | (4) |
| Employer contributions | 175 | - | (175) | - | - | - |
| Employee contributions | 168 | - | (168) | - | - | - |
| Assets acquired/ (settled) | (60) | (60) | - | - | - | - |
| Benefit payments | (354) | (354) | - | (12) | (12) | - |
| **As at 31st March, 2019** | **2,635** | **2,665** | **30** | **81** | **157** | **76** |

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | Retirement Benefit Plans | | | Other Post-Employment Benefit Plans | | |
|---|---|---|---|---|---|---|
| | Plan Assets | Plan Obligation | Total | Plan Assets | Plan Obligation | Total |
| **As at 31st March, 2019** | 2,635 | 2,665 | 30 | 81 | 157 | 76 |
| Current service cost | - | 112 | 112 | - | 0 | 0 |
| Past service cost | - | 5 | 5 | - | - | - |
| Employee contributions | - | 188 | 188 | - | - | - |
| Interest cost | - | 202 | 202 | - | 12 | 12 |
| Interest income | 199 | - | (199) | 6 | - | (6) |
| Actuarial (gain)/loss arising from changes in demographic assumptions | - | - | - | - | - | - |
| Actuarial (gain)/loss arising from changes in financial assumptions | 20 | 30 | 10 | (2) | 19 | 21 |
| Actuarial (gain)/loss arising from experience adjustments | - | 15 | 15 | - | 22 | 22 |
| Employer contributions | 126 | - | (126) | - | - | - |
| Employee contributions | 188 | - | (188) | - | - | - |
| Assets acquired/ (settled) | (51) | (51) | - | - | - | - |
| Benefit payments | (336) | (336) | - | (14) | (14) | - |
| **As at 31st March, 2020** | **2,781** | **2,830** | **49** | **71** | **196** | **125** |

## C. Statement of Profit and Loss

The charge to the Statement of Profit and Loss comprises:

| | Retirement Benefit Plans | | Other Post-Employment Benefit Plans | |
|---|---|---|---|---|
| | Year ended 31st March, 2020 | Year ended 31st March, 2019 | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
| Employee Benefit Expenses *: | | | | |
| Current service cost | 28 | 28 | 0 | 0 |
| Past service cost | 4 | - | - | - |
| Finance costs * : | | | | |
| Interest cost | 51 | 53 | 12 | 12 |
| Interest income | (48) | (48) | (6) | (6) |
| **Net impact on profit (before tax)** | **35** | **33** | **6** | **6** |
| Remeasurement of the net defined benefit plans: | | | | |
| Actuarial gains/(losses) arising from changes in demographic assumptions | - | (4) | - | (3) |
| Actuarial gains/(losses) arising from changes in financial assumptions | 31 | 9 | 21 | 6 |
| Actuarial gains/(losses) arising from experience adjustments | (6) | 3 | 22 | (4) |
| **Net impact on other comprehensive income (before tax)** | **25** | **8** | **43** | **(1)** |

* Service cost and Finance cost has not been recognised in the statement of profit and loss for Officer's Pension and Provident Fund



# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

## D. Assets

The fair value of plan assets at the Balance Sheet date for our defined benefit plans for each category are as follows:

| | Retirement Benefit Plans | | Other Post-Employment Benefit Plans | |
|---|---|---|---|---|
| | As at 31st March, 2020 | As at 31st March, 2019 | As at 31st March, 2020 | As at 31st March, 2019 |
| Quoted | | | | |
| Government Debt Instruments | 1,157 | 1,073 | - | - |
| Other Debt Instruments | 596 | 858 | 71 | 81 |
| Equity | 118 | - | - | - |
| **Total (A)** | **1,871** | **1,931** | **71** | **81** |
| Unquoted | | | | |
| Other Debt Instruments | 490 | 201 | - | - |
| Others | 420 | 503 | - | - |
| **Total (B)** | **910** | **704** | **-** | **-** |
| **Total (A+B)** | **2,781** | **2,635** | **71** | **81** |

Note: Assets to the extent of ₹ 26 crores is not recognised in Balance Sheet of Officer's Pension Fund as they are lying in an Income Tax approved irrevocable trust fund.

None of the plans invest directly in any property occupied by the Company or any financial securities issued by the Company.

## E. Assumptions

With the objective of presenting the plan assets and plan obligations of the defined benefits plans at their fair value on the Balance Sheet, assumptions under Ind AS 19 are set by reference to market conditions at the valuation date.

| | Retirement Benefit Plans | | Other Post-Employment Benefit Plans | |
|---|---|---|---|---|
| **Financial Assumptions** | As at 31st March, 2020 | As at 31st March, 2019 | As at 31st March, 2020 | As at 31st March, 2019 |
| Discount rate (per annum) | 6.7% | 7.7% | 6.7% | 7.7% |
| Salary Escalation Rate (per annum) | | | | |
| Management employees- for first 5years | 8.0% | 8.0% | | |
| Management employees- after 5 years | 8.0% | 8.0% | | |
| Non-management Employees | 8.0% | 8.0% | | |
| Pension Increase Rate (per annum)* | 2.5% | 2.5% | | |
| Annual increase in healthcare costs (per annum) | | | 9.0% | 9.0% |

* For management pension only

The estimates of future salary increases, considered in actuarial valuation, takes into account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

### Demographic Assumptions

Mortality in Service: Indian Assured Lives Mortality (2012-14) Ultimate table.

Mortality in Retirement : LIC Buy-out Annuity Rates & UK Published the S1PA Mortality table adjusted for Indian Lives.

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### F. Sensitivity Analysis

The sensitivity of the overall plan obligations to changes in the weighted key assumptions are:

| | | Retirement Benefit Plans | | Other Post-Employment Benefit Plans | |
|---|---|---|---|---|---|
| | | Change in assumption (%) | Change in plan obligation (%) | Change in assumption (%) | Change in plan obligation (%) |
| Discount rate (per annum) | Increase | 0.50% | -2.24% | 0.50% | -4.9% |
| | Decrease | 0.50% | 2.39% | 0.50% | 5.4% |
| Salary escalation rate (per annum) | Increase | 0.25% | 1.39% | - | - |
| | Decrease | 0.25% | -1.37% | - | - |
| Pension rate | Increase | 0.25% | 3.31% | - | - |
| | Decrease | 0.25% | -3.23% | - | - |
| Life expectancy | Increase | 1 year | 2.7% | 1 year | 5.2% |
| | Decrease | 1 year | -2.7% | 1 year | -5.1% |
| Annual increase in healthcare costs (per annum) | Increase | - | - | 1.00% | 11.0% |
| | Decrease | - | - | 1.00% | -9.4% |

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the Balance Sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous year.

### G. Weighted average duration and expected employers contribution for the next year for each of the defined benefit plan

| | Weighted average duration (yrs.) | | Expected Employers contribution for the next year |
|---|---|---|---|
| | Year ended 31st March, 2020 | Year ended 31st March, 2019 | |
| Gratuity | 7.4 | 6.9 | 49 |
| Management Pension | 6.0 | 6.2 | 0 |
| Officer's Pension | 3.2 | 3.5 | - |
| Provident Fund | 8.7 | 8.0 | 90 |
| Post-retirement medical benefits | 10.3 | 9.8 | - |

### NOTE 41 SHARE BASED PAYMENTS

### Equity Settled Share Based Payments

The members of the Company had approved '2001 HLL Stock Option Plan' at the Annual General Meeting held on 22nd June, 2001. The plan envisaged grant of share options to eligible employees at market price as defined in Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

This plan was amended and revised vide '2006 HLL Performance Share Scheme' at the Annual General Meeting held on 29th May, 2006. This scheme provided for conditional grant of Performance Shares at nominal value to eligible management employees as determined by the Compensation Committee of the Board of Directors from time to time, at the end of 3-year performance period. The performance measures under this scheme include group underlying sales growth and free cash flow. The scheme also provided for 'Par' Awards for the managers at different work levels.

The 2006 scheme was further amended and revised vide '2012 HUL Performance Share Scheme' at the Annual General Meeting held on 23rd July, 2012. This scheme provided for conditional grant of Performance Shares at nominal value to eligible management employees as determined by the Nomination and Remuneration Committee of the Board of Directors from time to time, at the end of 3-year performance period. The performance measures under this scheme include group underlying sales growth, underlying operating margin, and cumulative operating cash flow.



Notes
to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

The number of shares allocated for allotment under the 2006 and 2012 Performance Share Schemes is 2,00,00,000 (two crores) equity shares of ₹ 1/- each. The schemes are monitored and supervised by the Nomination and Remuneration Committee of the Board of Directors in compliance with the provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and amendments thereof from time to time.

The Employee Stock Option Plan includes employees of Hindustan Unilever Limited, its subsidiaries and a subsidiary of parent company.

| Scheme | Year | Date of Grant | Numbers of options granted | Vesting Conditions | Exercise Period | Exercise Price (₹) per share | Weighted Average Exercise Price (₹) per share |
|---|---|---|---|---|---|---|---|
| 2001 HLL Stock Option Plan | 2005 | 27-May-05 | 15,47,700 | Vested after three years from date of grant | 7 years from date of vesting | 132.05 | 132.05 |
| 2006 HLL Performance Share Scheme | 2012 | 17-Feb-12 | 4,20,080 | Vested after three years from date of grant | 3 months from date of vesting | 1.00 | 1.00 |
| | Interim 2012 | 30-Jul-12 | 51,385 | | | 1.00 | 1.00 |
| 2012 HUL Performance Share Scheme | 2013 | 18-Mar-13 | 3,68,023 | Vested after three years from date of grant | 3 months from date of vesting | 1.00 | 1.00 |
| | Interim 2013 | 29-Jul-13 | 25,418 | | | 1.00 | 1.00 |
| | 2014 | 14-Feb-14 | 2,62,155 | | | 1.00 | 1.00 |
| | Interim 2014 | 28-Jul-14 | 16,805 | | | 1.00 | 1.00 |
| | 2015 | 13-Feb-15 | 1,42,038 | | | 1.00 | 1.00 |
| | Interim 2015 | 27-Jul-15 | 12,322 | | | 1.00 | 1.00 |
| | 2016 | 11-Feb-16 | 1,57,193 | | | 1.00 | 1.00 |
| | Interim 2016 | 25-Jul-16 | 11,834 | | | 1.00 | 1.00 |
| | 2017 | 13-Feb-17 | 1,23,887 | | | 1.00 | 1.00 |
| | Interim 2017 | 21-Jul-17 | 6,846 | | | 1.00 | 1.00 |
| | 2018 | 16-Feb-18 | 63,421 | | | 1.00 | 1.00 |
| | Interim 2018 | 27-Jul-18 | 4,650 | | | 1.00 | 1.00 |

| Scheme | Year | Number of Share Options | | | | | |
|---|---|---|---|---|---|---|---|
| | | Outstanding at the beginning of the year | Granted during the year* | Forfeited/ Expired during the year | Exercised during the year | Exercisable at the end of the year | Outstanding at the end of the year |
| 2012 HUL Performance Share Scheme | 2015 | - | - | - | - | - | - |
| | | (1,05,029) | - | - | (1,05,029) | - | - |
| | Interim 2015 | - | - | - | - | - | - |
| | | (11,058) | (4,079) | - | (15,137) | - | - |
| | 2016 | 93,008 | 4,659 | 1,035 | 96,632 | - | - |
| | | (1,37,033) | (18,350) | (6,913) | (55,462) | - | (93,008) |
| | Interim 2016 | 10,442 | 1,691 | 1,113 | 11,020 | - | - |
| | | (10,999) | - | (557) | - | - | (10,442) |
| | 2017 | 1,11,880 | 7,434 | 5,141 | 32,130 | - | 82,043 |
| | | (1,19,220) | - | (7,340) | - | - | (1,11,880) |
| | Interim 2017 | 6,016 | - | 415 | - | - | 5,601 |
| | | (6,431) | - | (415) | - | - | (6,016) |
| | 2018 | 59,053 | - | 3,582 | - | - | 55,471 |
| | | (63,421) | - | (4,368) | - | - | (59,053) |
| | Interim 2018 | 4,650 | - | - | - | - | 4,650 |
| | | - | (4,650) | - | - | - | (4,650) |

* Granted during the year includes additional shares granted upon meeting the vesting conditions

(Figures in bracket pertain to FY 2018-19.)

Weighted average equity share price at the date of exercise of options during the year was ₹ 1,833 (2018-19: ₹ 1,626).

Weighted average remaining contractual life of options as at 31st March, 2020 was 0.4 years (31st March, 2019: 0.8 years).

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

The value of the underlying shares has been determined by an independent valuer. The following assumptions were used for calculation of fair value of grants in accordance with Black Scholes model:

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Risk-free interest rate (%) | - | 7.6% |
| Expected life of options (years) [(year to vesting) + (contractual option term)/2] | - | 3.125 |
| Expected volatility (%) | - | 19.3% |
| Dividend yield | - | 1.2% |

The risk free interest rates are determined based on the zero-coupon sovereign bond yields with maturity equal to the expected term of the option. Volatility calculation is based on historical stock prices using standard deviation of daily change in stock price. The historical period is taken into account to match the expected life of the option. Dividend yield has been calculated taking into account expected rate of dividend on equity share price as on grant date.

### Cash Settled Share Based Payments

The employees of the Group are eligible for Unilever PLC (the 'Holding Company') share awards namely, the Management Co-Investment Plan (MCIP), the Global Performance Share Plan (GPSP) and the SHARES Plan. The MCIP allows eligible employees to invest up to 100% of their annual bonus in the shares of the Holding Company and to receive a corresponding award of performance-related shares. Under GPSP, eligible employees receive annual awards of the Holding Company's shares. The awards under MCIP and GPSP plans will vest after 3-4 years between 0% and 150% of grant level, depending on the achievement of the performance metrics. The performance metrics of GPSP are underlying sales growth, underlying operating margin, and cumulative operating cash flow. The performance metrics of MCIP are underlying sales growth, underlying EPS growth, return on invested capital and sustainability progress index. Under the SHARES Plan, eligible employees can invest upto ₹ 16,897 per month in the shares of the Holding Company and after three years one share is granted free of cost to the employees for every three shares invested, provided they hold the shares bought for three years. The Holding Company charges the Company for the grant of shares to the Company's employees at the end of the 3/4 years based on the market value of the shares on the exercise date. The Company recognises the fair value of the liability and expense for these plans over the vesting period based on the management's estimate of the vesting and forfeiture conditions.

The Company grants share appreciation rights (SARs) to eligible employees for all cash settled share based plans mentioned above that entitles them to a cash/shares after three or four years of service. The amount of payment is also determined basis increase in the share price of the Holding Company between grant date and the time of exercise.

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Other non-current financial liabilities | 73 | 95 |
| Other current financial liabilities | 78 | 74 |
| **Total carrying amount of liabilities** | **151** | **169** |

### Effect of share based payment transactions on the Statement of Profit and Loss:

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Equity settled share based payments | 2 | 10 |
| Cash settled share based payments | 43 | 83 |
| **Total expense on share based payments** | **45** | **93** |



# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

## NOTE 42 BUSINESS COMBINATION

### Acquisition of Indulekha Brand

On 7th April, 2016, the Company completed the acquisition of the flagship brand 'Indulekha' from Mosons Extractions Private Limited ('MEPL') and Mosons Enterprises (collectively referred to as 'Mosons' and acquisition of the specified intangible assets referred to as the 'Business acquisition'). The deal envisaged the acquisition of the trademarks 'Indulekha' and 'Vayodha', intellectual property, design and knowhow for a total cash consideration of ₹ 330 crores and a deferred consideration of 10% of the domestic turnover of the brands each year, payable annually for a 5 year period commencing financial year 2018-19.

Basis the projection of the domestic turnover of the brand, the contingent consideration is subject to revision on a yearly basis. As at 31st March, 2019, the fair value of the contingent consideration was ₹ 157 crores which was classified as other financial liability.

**Deferred contingent consideration**

Based on actual performance in financial year 2019-20 and current view of future projections for the brand, the Company has reviewed and fair valued the deferred contingent consideration so payable. As at 31st March 2020, the fair value of the contingent consideration is ₹ 119 crores which is classified as other financial liability.

The determination of the fair value as at Balance Sheet date is based on discounted cash flow method. The key input used in determining the fair value of deferred contingent consideration were domestic turnover projection of the brand.

### Acquisition of Adityaa Milk Brand

On 26th September, 2018, the Company completed the acquisition of the brand 'Adityaa Milk' and its front-end distribution network from Vijaykant Dairy and Food Products Limited (VDFPL). The deal comprised the acquisition of the brand 'Adityaa Milk', customer relationship, technical know-how, Property, Plant and Equipment, working capital and other intangible assets for a total consideration of ₹ 65 crores and a deferred contingent consideration of ₹ 18 crores.

Basis the future projections of the performance of the brand, the contingent consideration is subject to revision on a yearly basis. As at 31st March, 2019, the fair value of the contingent consideration was ₹ 19 crores which was classified as other financial liability.

**Deferred contingent consideration**

Based on actual performance in financial year 2019-20 and current view of future projections for the brand, the Company has reviewed, and fair valued the deferred contingent consideration so payable. As at 31st March 2020, the fair value of the contingent consideration is ₹ 11 crores which is classified as other financial liability.

Determination of the fair value as at balance sheet date is based on discounted cash flow method. Contingent consideration is arrived basis weighted average probability approach of achieving various financial and non-financial performance targets

### Amalgamation with GlaxoSmithKline Consumer Healthcare Limited

On 3rd December, 2018, the Board of Directors of Hindustan Unilever Limited (HUL), subject to obtaining requisite approvals from statutory authorities and shareholders, had approved a Scheme of Amalgamation between HUL and GlaxoSmithKline Consumer Healthcare Limited (GSK CH). The scheme envisaged the amalgamation of GSK CH with the Company and the dissolution without winding up of GSK CH pursuant thereto. Both the Companies have received all necessary approvals and in accordance with the terms of the Scheme, 1st April, 2020 will be both the appointed date and effective date. Accordingly, all assets and liabilities of GSK CH have become assets and liabilities of the Company with effect from 1st April, 2020.

On 21st April 2020, the Company had allotted 18,46,23,812 Equity Shares of ₹ 1/- each to the shareholders who were holding shares of the GSK CH as on the record date.

The Company is in the process of ascertaining the fair value of all the assets and liabilities acquired and the same will be accounted as per IND AS 103 – "Business Combination" with effect from 1st April, 2020.

### Acquisition of VWash Brand

On 23rd March, 2020, the Company signed an agreement with Glenmark Pharmaceuticals Ltd. to acquire their intimate hygiene brand VWash. The deal includes the acquisition of intellectual property rights such as trademarks, design and know-how related to the brand. The transaction is subject to fulfilment of certain conditions and both parties would be working together to complete this in the next few months.

# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### NOTE 43 RELATED PARTY DISCLOSURES

#### A. Enterprises exercising control

(i) Holding Company : Unilever Plc

#### B. Other Related Parties with whom the Company had transactions during the year

(ii) Key Management Personnel

(a) Executive Directors : Sanjiv Mehta
Srinivas Phatak
Pradeep Banerjee / Pradeep Banerjee Associates LLP. (up to 31st December, 2019)
Wilhelmus Uijen (with effect from 1st January, 2020)
Dev Bajpai
Geetu Verma (up to 30th June, 2018)
BP Biddappa (up to 31st May, 2019)
Anuradha Razdan (with effect from 1st June, 2019)
Priya Nair
Sandeep Kohli (up to 31st January, 2020)
Prabha Narasimhan (with effect from 1st February, 2020)
Sudhir Sitapati
Srinandan Sundaram
Vibhav Sanzgiri (with effect from 1st June, 2019)

(b) Non-executive Directors : Harish Manwani (up to 29th June, 2018)
Aditya Narayan
S. Ramadorai (up to 29th June, 2019)
O. P. Bhatt
Sanjiv Misra
Kalpana Morparia
Leo Puri (with effect from 12th October, 2018)
Ashish Gupta (with effect from 31st January, 2020)

(iii) Employees' Benefit Plans where there is significant influence : The Union Provident Fund
Hindustan Lever Gratuity Fund
The Hindlever Pension Fund
Hindlever Limited Superannuation Fund



# Notes
## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### Disclosure of transactions between the Group and Related Parties and the status of outstanding balances as at 31st March, 2020

| | | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| Holding Company | Dividend paid | 2,674 | 2,340 |
| | Royalty expense | 679 | 671 |
| | Fees for central services | 387 | 383 |
| | Income from services rendered | 247 | 284 |
| | Expenses for other services received | 400 | 254 |
| | Outstanding as at the year end : | | |
| | - Trade payables | 590 | 183 |
| | - Trade and other receivables | 13 | 11 |
| Fellow Subsidiaries | Sale of finished goods / raw materials etc. | 682 | 669 |
| | Purchased of Property, Plant & Equipment | 14 | 20 |
| | Purchase of finished goods / raw materials etc. | 600 | 785 |
| | Rent income | 6 | 6 |
| | Sale of Property, Plant & Equipment | 5 | 10 |
| | Income from services rendered | 6 | 18 |
| | Expenses for services received | 32 | 11 |
| | Management fees paid | - | 8 |
| | Dividend paid | 816 | 714 |
| | Royalty expense | 20 | 19 |
| | Expenses shared by fellow subsidiaries | 4 | 8 |
| | Maintenance and support costs for licences and software | 9 | 13 |
| | Gains/ Losses on Commodity Hedge | 3 | - |
| | Contribution to foundation | 3 | 3 |
| | Reimbursements paid | 139 | 141 |
| | Reimbursements received | 78 | 83 |
| | Outstanding as at the year end: | | |
| | - Trade and other receivables | 75 | 122 |
| | - Trade payables | 267 | 122 |
| Key Management Personnel (Executive Directors) | Remuneration: | | |
| | - Short-term employee benefits | 44 | 49 |
| | - Post-employment benefits* | 1 | 1 |
| | - Other long-term benefits* | - | 0 |
| | - Share-based payments | 10 | 19 |
| | - Consultancy Fees | 6 | 1 |
| | Dividend paid | 1 | 0 |
| | Consideration received on exercise of options | 0 | 0 |
| Key Management Personnel (Non-executive Directors) | Dividend paid | - | 0 |
| | Commission paid | 2 | 2 |
| Employees' Benefit Plans where there is significant influence | Contributions during the year (Employer's contribution only) | 100 | 134 |
| | Outstanding as at the year end : | | |
| | - Advances recoverable in cash or kind or for value to be received | 14 | 12 |

*Note: As the liabilities for defined benefit plans and compensated absences are provided on actuarial basis for the Company as a whole, the amounts pertaining to Key Management Personnel are not included.

# Notes

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### Terms and conditions of transactions with related parties

All Related Party Transactions entered during the year were in ordinary course of the business and on arm's length basis. Outstanding balances at the year-end are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31st March, 2020, the Company has taken impairment of receivables owed by related parties amounting to ₹ 0 crores (2018-19: ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

### Disclosure of transactions with Related Parties during the year which are more than 1% of Revenue.

| | | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|---|
| Holding Company | : Royalty expense | | |
| | Unilever Plc. | 679 | 680 |
| | Dividend Paid | | |
| | Unilever Plc. | 2,674 | 2,340 |
| Fellow Subsidiaries | : Purchase of finished goods / raw materials etc. | | |
| | PT Unilever Oleochemical Indonesia | 414 | 549 |

### NOTE 44 SEGMENT INFORMATION

### Business Segments

The Group has determined following reporting segments based on the information reviewed by the Group's Chief Operating Decision Maker ('CODM'):

a) Home Care include detergent bars, detergent powders, detergent liquids, scourers, water business, purifiers business, etc.

b) Beauty & Personal Care include products in the categories of oral care, skin care, soaps, hair care, deodorants, talcum powder, colour cosmetics, salon services etc.

c) Foods & Refreshment include branded staples (atta, salt, bread, etc.), culinary products (tomato based products, fruit based products, soups, etc.), tea, coffee, ice-cream and frozen desserts.

d) Others include exports, infant care products etc.

The above business segments have been identified considering :

a) the nature of products and services

b) the differing risks and returns

c) the internal organisation and management structure, and

d) the internal financial reporting systems.

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Committee as explained in the Director's Report section.

Segment Revenue relating to each of the above domestic business segments includes Income from Services provided to group companies, where applicable.

| | Year ended 31st March, 2020 | | | Year ended 31st March, 2019 | | |
|---|---|---|---|---|---|---|
| | External | Intersegment | Total | External | Intersegment | Total |
| Revenue | | | | | | |
| Home care | 13,640 | - | 13,640 | 12,874 | - | 12,874 |
| Beauty & Personal care | 17,488 | - | 17,488 | 17,800 | - | 17,800 |
| Foods & Refreshment | 7,450 | - | 7,450 | 7,131 | - | 7,131 |
| Others | 1,205 | - | 1,205 | 1,505 | - | 1,505 |
| **Total Revenue** | **39,783** | **-** | **39,783** | **39,310** | **-** | **39,310** |





# Notes

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

| | Year ended 31st March, 2020 | | | Year ended 31st March, 2019 | | |
|---|---|---|---|---|---|---|
| | External | Intersegment | Total | External | Intersegment | Total |
| Result | | | | | | |
| Home care | | | 2,559 | | | 2,156 |
| Beauty & Personal care | | | 4,896 | | | 4,751 |
| Foods & Refreshment | | | 1,232 | | | 1,230 |
| Others | | | 172 | | | 178 |
| **Total Segment** | | | **8,859** | | | **8,315** |
| Un-allocated corporate expenses net of un-allocated income | | | - | | | - |
| Profit from continuing operations before other income, finance costs, exceptional items and tax | | | 8,859 | | | 8,315 |
| Finance costs | | | (118) | | | (33) |
| Other Income | | | 632 | | | 550 |
| **Profit from continuing operations before exceptional items and tax** | | | **9,373** | | | **8,832** |
| Exceptional items - income/(expenditure) | | | (200) | | | (228) |
| **Profit before tax from continuing operations** | | | **9,173** | | | **8,604** |
| Tax expense | | | | | | |
| Current tax | | | (2,243) | | | (2,610) |
| Deferred tax charge/(credit) | | | (166) | | | 66 |
| **Profit for the year from Continuing Operations (A)** | | | **6,764** | | | **6,060** |
| **Profit for the year from Discontinued Operations (B)** | | | **(8)** | | | **0** |
| **Profit for the Year (A+B)** | | | **6,756** | | | **6,060** |
| Less: Non-Controlling Interest | | | (8) | | | (6) |
| **Profit for the Year** | | | **6,748** | | | **6,054** |

### Other Information

| | Segment Assets | | Segment Liabilities | |
|---|---|---|---|---|
| | As at 31st March, 2020 | As at 31st March, 2019 | As at 31st March, 2020 | As at 31st March, 2019 |
| Home care | 2,966 | 2,270 | 3,342 | 2,752 |
| Beauty & Personal care | 5,643 | 5,152 | 5,580 | 5,102 |
| Foods and Refreshment | 2,554 | 2,179 | 1,599 | 1,311 |
| Others | 549 | 697 | 275 | 296 |
| **Total** | **11,712** | **10,298** | **10,796** | **9,461** |
| Unallocated Corporate Assets / Liabilities | 8,441 | 8,331 | 1,111 | 1,283 |
| **Total Assets / Liabilities** | **20,153** | **18,629** | **11,907** | **10,744** |

| | Year ended 31st March, 2020 | | | Year ended 31st March, 2019 | | |
|---|---|---|---|---|---|---|
| | Capital expenditure | Depreciation/ Amortisation | Non-cash expenses other than depreciation | Capital expenditure | Depreciation/ Amortisation | Non-cash expenses other than depreciation |
| Home care | 363 | 272 | 56 | 160 | 100 | 52 |
| Beauty & Personal care | 483 | 519 | 69 | 365 | 330 | 128 |
| Foods & Refreshment | 290 | 178 | 31 | 184 | 77 | 29 |
| Others | 62 | 33 | (17) | 33 | 21 | 3 |
| Unallocated/Corporate | - | - | - | 25 | 37 | - |

# Notes

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### Additional Information by Geographies

Although the Group's operations are managed by product area, we provide additional information based on geographies.

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| **Revenue by Geographical Market** | | |
| India | 38,412 | 37,733 |
| Outside India | 1,371 | 1,577 |
| | **39,783** | **39,310** |
| **Carrying Amount of Segment Assets** | | |
| India | 11,428 | 9,981 |
| Outside India | 284 | 317 |
| | **11,712** | **10,298** |

### Revenue from major customers

The Group is not reliant on revenues from transactions with any single external customer and does not receive 10% or more of its revenues from transactions with any single external customer.

### Notes

(a) Revenue comprises:

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Sale of products | 39,136 | 38,579 |
| Sale of services | 102 | 105 |
| Income from services rendered | 255 | 297 |
| Government grants, export incentives, scrap sales included in other operating income | 290 | 329 |
| **Total** | **39,783** | **39,310** |

### NOTE 45

The Group has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Group has reviewed and ensured that adequate provision as required under any law/accounting standards for material foreseeable losses on such long-term contracts (including derivative contracts) has been made in the books of accounts.

As per our report of even date attached

**For B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W – 100022

**Akeel Master**
Partner
Membership No. 046768

Mumbai: 30th April, 2020

For and on behalf of Board of Directors

**Sanjiv Mehta**
Chairman and Managing Director
[DIN: 06699923]

**Srinivas Phatak**
Executive Director Finance & IT and CFO
[DIN: 02743340]

**Aditya Narayan**
Chairman – Audit Committee
[DIN: 00012084]

**Dev Bajpai**
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

**Suman Hegde**
Group Controller

Mumbai: 30th April, 2020



# Form AOC-1

## to the Consolidated Financial Statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

### Statement containing salient features of the consolidated financial statement of Subsidiaries / Joint Venture

Part "A" : Subsidiaries

| Sr. No. | Name of the subsidiary | Unilever India Exports Limited | Pond's Exports Limited | Unilever Nepal Limited - Indian ₹ (note i, ii and iii) | Unilever Nepal Limited - NPR | Lakme Lever Private Limited | Jamnagar Properties Private Limited | Daverashola Estates Private Limited | Hindustan Unilever Foundation | Bhavishya Alliance Child Nutrition Initiatives | Hindlever Trust Limited | Levindra Trust Limited | Levers Associated Trust Limited |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | The date since when subsidiary was acquired | 26-06-1963 | 15-10-1998 | 22-06-1992 | | 19-12-2008 | 16-10-2006 | 16-03-2005 | 19-12-2012 | 12-03-2015 | 01-04-1958 | 11-12-1946 | 11-12-1946 |
| 2 | Reporting period | 31-03-2020 | 31-03-2020 | 16/07/2019 (Ashad, 31, 2076) | | 31-03-2020 | 31-03-2020 | 31-03-2020 | 31-03-2020 | 31-03-2020 | 31-03-2020 | 31-03-2020 | 31-03-2020 |
| 3 | Share capital | 3 | 2 | 6 | 9 | 36 | 5 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Reserves & surplus | 177 | (13) | 127 | 204 | 177 | (5) | (0) | 4 | 0 | (0) | (0) | (0) |
| 5 | Total assets | 380 | 2 | 249 | 398 | 508 | - | - | 5 | 0 | 0 | 0 | 0 |
| 6 | Total liabilities | 200 | 13 | 116 | 186 | 295 | - | - | 1 | - | - | - | - |
| 7 | Investments | 5 | - | - | - | - | - | - | - | - | - | - | - |
| 8 | Turnover | 741 | - | 386 | 618 | 284 | - | - | 33 | - | - | - | - |
| 9 | Profit / (loss) before taxation | 107 | (6) | 56 | 90 | 12 | - | - | 1 | (0) | (0) | (0) | (0) |
| 10 | Provision for taxation | 33 | 2 | 14 | 23 | 6 | - | - | - | - | - | - | - |
| 11 | Profit /(loss) after taxation | 74 | (8) | 42 | 67 | 6 | - | - | 1 | (0) | (0) | (0) | (0) |
| 12 | Proposed Dividend | - | - | - | - | - | - | - | - | - | - | - | - |
| 13 | % of shareholding | 100% | 90% | 80% | | 100% | 100% | 100% | 76% | 100% | 100% | 100% | 100% |

Notes: i) Converted into Indian Rupees at the Exchange rate INR 1 = 1.6 Nepalese Rupees.
ii) The financial statements have been audited by a firm of Chartered Accountants other than M/s. B S R & Co. LLP.
iii) The financial statements are as on 31st March, 2020.

Part "B" : Joint Venture - Nil

**For and on behalf of Board of Directors**

**Sanjiv Mehta**
Chairman and Managing Director
[DIN: 06699923]

**Srinivas Phatak**
Executive Director Finance & IT and CFO
[DIN: 02743340]

**Aditya Narayan**
Chairman – Audit Committee
[DIN: 00012084]

**Dev Bajpai**
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

**Suman Hegde**
Group Controller

Mumbai: 30th April, 2020

# Awards and Recognition

## BRANDS WITH PURPOSE GROW

- Brooke Bond Red Label topped the Business World leader board of purpose-led brands
- HUL alongside Star India were declared joint winners as Effie India Client of the Year
- HUL ranked No. 1 in Access to Nutrition Index (ATNI) among 16 of the largest Food and Beverage manufacturers in India
- Clinic Plus was recognised as the top Personal Care brand in India at Marquees 2019
- BRU recognised as the top Beverage brand in India at the Marquees 2019
- HUL received the Eat Right Award from FSSAI under the subcategory of Community Outreach and Engagement

## COMPANIES WITH PURPOSE LAST

- HUL received the Bombay Chamber of Commerce Corporate Citizen Award 2018-19
- HUL received the Corporate Trailblazer award at India Today's Safaigiri Awards 2019 for creating awareness and infrastructure in health and sanitation
- HUL bestowed with a special award for its contribution to the Government of India's Swachh Bharat Mission and efforts towards effective plastic waste management by the Ministry of Jal Shakti
- HUL was named 'Purpose-Led Company of the Year' by Business World
- Suvidha - the community hygiene centre in Azad Nagar, Ghatkopar, Mumbai built by Hindustan Unilever Limited (HUL) received the first prize under the category 'Swachh Community Toilet' in the Swachh Survekshan 2020 competition
- HUL topped the Food, Perishables, Beverages & FMCG category in the Supply Chain and Logistics Excellence (SCALE) awards 2019
- HUL Rajpura Unit honoured for its sustainable practices by the Sub-divisional magistrate
- The HUL Consumer Market Insights team bagged the coveted 'Best Client insight team of the year' at the MRSI Awards
- HUL's Silvassa detergents factory won a Bronze at the 'World Class Manufacturing' audit and was recognised as Future Ready Factory of the year 2019 by Frost & Sullivan's India Manufacturing Excellence Awards 2019 for operation excellence in #FMCG Sector, large business category
- HUL's Pondicherry unit received an honour for the Future Ready Factory of the Year in FMCG Sector at the Frost & Sullivan India Manufacturing Excellence Awards 2019
- HUL was recognised at the fourth annual Corporate Governance Scorecard ratings. The Corporate Governance Scorecard, a joint initiative of the International Finance Corporation (IFC) and the Bombay Stock Exchange (BSE), saw HUL make it to the list of India's top 10 scores of the S&P BSE Index constituents in the 'Leadership Category.' HUL has received this recognition for the second year in a row
- HUL was recognised at the Swachh Survekshan Grameen Award for contribution towards reducing plastic waste
- HUL's Pondicherry unit was lauded for their efforts in pond renovation and de-silting canals under the Government's Water Rich Pondicherry initiative and honoured with the Swachhata award 2019
- HUL's Project Shakti won the highly commended innovative project at the Finance for the Future Awards, 2019

## PEOPLE WITH PURPOSE THRIVE

- Our Chairman and Managing Director Sanjiv Mehta was bestowed the Business Leader of the Year title at the Economic Times Awards for successfully managing to grow the Company in his six years at the helm, despite a tough macro-economic environment
- Our Chairman and Managing Director Sanjiv Mehta received the prestigious UN Women HeForShe Pin
- Asian Centre for Corporate Governance & Sustainability awarded our Chairman and Managing Director, Sanjiv Mehta with the Transformational Leader Award (Large Cap Category) at the 6th Asia Business Responsibility Summit
- Our Chairman and Managing Director, Sanjiv Mehta received the Business Leader of the Year award at the AIMA Managing India Awards 2019



# Corporate Information

**REGISTERED OFFICE** Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai – 400 099.

**AUDITORS** M/s. B S R & Co. LLP, Chartered Accountants, Mumbai; Firm's Registration No.: 101248W/W-100022

**BANKERS**

| | | |
|---|---|---|
| Deutsché Bank | Hongkong & Shanghai Banking Corporation | Standard Chartered Bank |
| Bank of America | ICICI Bank | Union Bank of India |
| Citibank N.A. | Indian Overseas Bank | IndusInd Bank |
| HDFC Bank | Punjab National Bank | State Bank of India |

## PLANT LOCATIONS

### Northern Region

**Barotiwala**
- Khasra No. 94-96, 355-409, Village-Balyana, Barotiwala 1A, Tehsil-Kasauli, District-Solan - 174 103, Himachal Pradesh

**Baddi**
- Khasra No. 1350 – 1318, Bhatoli Kalan, Baddi, District Solan - 173 205, Himachal Pradesh

**ETAH**
- Village Asrauli, G. T. Road, Etah-207 001, Uttar Pradesh

**Haridwar**
- Plot No. 1, Sector 1A, Integrated Industrial Estate, Ranipur, Haridwar - 249 403, Uttarakhand

**Nabha**
- Patiala Road Nabha – 147 201, District-Patiala, Punjab

**Nalagarh**
- Hudbust No. 143, Khasra No. 182 / 183 / 187/1, Village Kirpalpur, Near Nalagarh Fire Station, Tehsil - Nalagarh, District Solan - 174 101, Himachal Pradesh

**Orai**
- A-1, UPSIDC Industrial Area, Orai, District-Jalaun - 285 001, Uttar Pradesh

**Rajpura**
- A-5, Phase 2-B, Focal Point, Rajpura - 140 401, Punjab

**Sumerpur**
- A-1, UPSIDC Industrial Area, Bharua, Sumerpur, Hamirpur - 210 502, Uttar Pradesh

**Sonipat**
- 14, KM Stone, Sonipat – Meerut Road, Village Khewra, P. O. Bahalgarh, District-Sonipat, Haryana - 131 021

### Southern Region

**Cochin**
- Ernakulam North PO, Tatapuram, Cochin - 682 018, Kerala

**Hosur**
- Plot No. 50 & 51, SIPCOT Industrial Complex, Hosur - 635 126, Tamil Nadu

**Mangalore**
- Sultan Battery Road, Boloor, Mangalore - 575 003, Karnataka

**Mysore**
- Plot No. 424, Hebbal Industrial Area, Mysore - 570 016, Karnataka

**Pondicherry**
- Off NH 45A, Vadamangalam, Pondicherry - 605 102
- No. 9 (3), Cuddalore Road, Kirumambakkam, Pondicherry - 605 702
- 45/A National Highway Vadamangalam, Pondicherry - 605 102

**Rajahmundry**
- Industrial Estate, Dowlaiswaram - 533 124, Andhra Pradesh

### Central Region

**Chhindwara**
- 5/6 KM Stone, Narsinghpur Road, Village- Lehgadua, Post Khajari, District- Chhindwara – 480 002, Madhya Pradesh

### Western Region

**Chiplun**
- B-7/17, Lote Parshuram MIDC, Khed Taluka, District Ratnagiri, Chiplun – 415 722, Maharashtra

**GOA**
- Plot Nos. 128 - 139 & 324 - 326, Kundaim Industrial Estate, Kundaim – 403 115, Goa

**Khamgaon**
- C-9, MIDC, Khamgaon, District Buldhana – 444 303, Maharashtra

**Mumbai**
- Aarey Milk Colony, Goregaon, Mumbai – 400 065, Maharashtra

**Nashik**
- Plot No. A-8/9, MIDC, Malegaon, Sinnar - 422 103, Nashik, Maharashtra

**Silvassa**
- Survey No.151/1/1, Village Dapada, Khanvel Road, Silvassa - 396 230, Dadra and Nagar Haveli
- Survey No.907, Kilwali Road, Amli Village, Near Gandhigram Bus Stop, Silvassa - 396 230, Dadra and Nagar Haveli

### Eastern Region

**Haldia**
- P. O. Durgachak, Haldia, District Purba Medinipur - 721 602, West Bengal

**Kolkata**
- 1, Transport Depot Road, Kidderpore, Kolkata - 700 088, West Bengal
- 63, Garden Reach, Kolkata - 700 024, West Bengal
- P10, Taratola Road, Kolkata - 700 088, West Bengal

**Tinsukia**
- Dag No. 21 of 122 FS Grants, Mouza - Tingrai, Off NH No. 37, Doom Dooma Industrial Estate, District Tinsukia - 786 151, Assam

*The details of plant locations are as on 1st April, 2020

# Notice of Annual General Meeting

Hindustan Unilever Limited

**Registered Office:** Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai - 400 099
CIN: L15140MH1933PLC002030, Web: www.hul.co.in, Email: levercare.shareholder@unilever.com, Tel: +91 22 5043 2791 / 5043 2792

Notice is hereby given that the 87th Annual General Meeting of Hindustan Unilever Limited will be held on Tuesday, 30th June, 2020 at 3.00 p.m. through Video Conference / Other Audio Visual Means, to transact the following business. The venue of the meeting shall be deemed to be the Registered Office of the Company at Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai – 400 099.

## ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements (including audited consolidated financial statements) for the financial year ended 31st March, 2020 and the Reports of the Board of Directors and Auditors thereon.

2. To confirm the payment of Interim Dividend and to declare Final Dividend on equity shares for the financial year ended 31st March, 2020.

3. To appoint a Director in place of Mr. Dev Bajpai (DIN : 00050516), who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Mr. Srinivas Phatak (DIN : 02743340), who retires by rotation and being eligible, offers himself for re-appointment.

5. To appoint a Director in place of Mr. Wilhemus Uijen (DIN : 08614686), who retires by rotation and being eligible, offers himself for re-appointment.

## SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT in accordance with, the provisions of Sections 149, 150 and 152 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act'), and the Rules made thereunder, read with Schedule IV of the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') (including any statutory modification(s) or re-enactment thereof for the time being in force), Dr. Ashish Sharad Gupta (DIN : 00521511), who was appointed as an Additional Director of the Company with effect from 31st January, 2020, pursuant to Section 161 of the Act and Article 145 of the Articles of Association of the Company and who has submitted the declaration that he meets the criteria for Independence as provided under the Act and the Listing Regulations and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as an Independent Director of the Company to hold office for a term of upto 5 (five) consecutive years with effect from 31st January, 2020 to 30th January, 2025."

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT in supersession of the resolution passed by the Members at the Annual General Meeting held on 29th June, 2015 and pursuant to the provisions of Sections 197, 198 and other applicable provisions, if any, of the Companies Act, 2013, ('the Act') and Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and Article 148 of the Articles of Association, the Company be and is hereby authorised to pay to its Directors (other than the Managing Director and Whole-time Directors of the Company), for a period of three years commencing from 1st April, 2020 to 31st March, 2023, such sum by way of commission as the Board and / or a Committee thereof may determine from time to time, but not exceeding 1% (one percent) or such other percentage of the Net Profits of the Company in any financial year as may be specified under the Act, from time to time and computed in the manner provided under Section 198 of the Act, or ₹ 300 lakhs in aggregate, whichever is lower."

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the remuneration payable to M/s. RA & Co., Cost Accountants (Firm Registration No. 000242), appointed by the Board of Directors as Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2021, amounting to ₹ 12 lakhs (Rupees Twelve Lakhs only) as also the payment of taxes, as applicable and reimbursement of out of pocket expenses incurred in connection with the aforesaid audit, be and is hereby approved."

## NOTES :

1. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, ('the Act') relating to the Special Business to be transacted at the Annual General Meeting ('AGM') is annexed hereto. The Board of Directors have considered and decided to include the Item Nos. 6 to 8 given above as Special Business in the forthcoming AGM, as they are unavoidable in nature.

2. In view of the continuing restrictions on the movement of people at several places in the country, due to outbreak of COVID-19, the Ministry of Corporate Affairs (MCA), vide its General Circular No. 20/2020 dated 5th May, 2020 read with General Circular No. 14/2020 dated 8th April, 2020 and General Circular No. 17/2020 dated 13th April, 2020 and other applicable circulars issued by the Securities and Exchange Board of India (SEBI), has allowed the Companies to conduct the AGM through Video Conferencing (VC) or Other Audio Visual Means (OAVM) during the calendar year 2020. In accordance with, the said circulars of MCA, SEBI and applicable provisions of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the 87th AGM of the Company shall be conducted through VC / OAVM. National Securities Depositories Limited ('NSDL') will be providing facility for voting through remote e-voting, for participation in the AGM through VC / OAVM facility and e-voting during the AGM. The procedure for participating in the meeting through VC / OAVM is explained at Note No. 9 below and is also available on the website of the Company at www.hul.co.in.

3. As the AGM shall be conducted through VC / OAVM, the facility for appointment of Proxy by the Members is not available for this AGM and hence the Proxy Form and Attendance Slip including Route Map are not annexed to this Notice.

4. Institutional / Corporate Members are requested to send a scanned copy (PDF / JPEG format) of the Board Resolution authorising its representatives to attend and vote at the AGM, pursuant to Section 113 of the Act, at levercare.shareholder@unilever.com.

5. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 23rd June, 2020 to Tuesday, 30th June, 2020 (both days inclusive).

## ELECTRONIC DISPATCH OF ANNUAL REPORT AND PROCESS FOR REGISTRATION OF EMAIL ID FOR OBTAINING COPY OF ANNUAL REPORT:

6. In accordance with, the General Circular No. 20/2020 dated 5th May, 2020 issued by MCA and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020 issued by SEBI, owing to the difficulties involved in dispatching of physical copies of the financial statements (including Report of Board of Directors, Auditor's report or other documents required to be attached therewith), such statements including the Notice of AGM are being sent in electronic mode to Members whose e-mail address is registered with the Company or the Depository Participant(s).

7. Members holding shares in physical mode and who have not updated their email addresses with the Company are requested to update their email addresses by writing to the Company at levercare.shareholder@unilever.com along with the copy of the signed request letter mentioning the name and address of the Member, self-attested copy of the PAN card, and self-attested copy of any document (eg.: Driving License, Election Identity Card, Passport) in support of the address of the Member. Members holding shares in dematerialised mode are requested to register / update their email addresses with the relevant Depository Participants. In case of any queries / difficulties in registering the e-mail address, Members may write to levercare.shareholder@unilever.com.

8. The Notice of AGM along with Annual Report for the financial year 2019-20, is available on the website of the Company at www.hul.co.in, on the website of Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited and on the website of NSDL at www.evoting.nsdl.com.

## PROCEDURE FOR JOINING THE AGM THROUGH VC / OAVM:

9. Members will be provided with a facility to attend the AGM through VC / OAVM through the NSDL e-voting system. Members may access the same at https://www.evoting.nsdl.com under Members login by using the remote e-voting credentials. The link for VC / OAVM will be available in Members login where the EVEN of Company will be displayed. Please note that the Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the notice. Further Members can also use the OTP based login for logging into the e-voting system of NSDL.

10. For convenience of the Members and proper conduct of AGM, Members can login and join at least 30 (thirty) minutes before the time scheduled for the AGM and shall be kept open throughout the proceedings of AGM.

11. Members who need assistance before or during the AGM with use of technology, can:

    - Send a request at evoting@nsdl.co.in or use Toll free no.: 1800-222-990; or
    - Contact Mr. Amit Vishal, Senior Manager, NSDL at the designated email ID: evoting@nsdl.co.in or AmitV@nsdl.co.in or at telephone number +91-99202 64780; or
    - Contact Ms. Pallavi Mhatre, Manager, NSDL at the designated email ID: evoting@nsdl.co.in or pallavid@nsdl.co.in or at telephone number +91-75066 82281.

12. Institutional Members are encouraged to attend and vote at the AGM through VC / OAVM. In case any Institutional Members, facing issues for participating in AGM can write to levercare.shareholder@unilever.com.

13. Please note that participants connecting from Mobile devices or Tablets or through Laptop connecting via Mobile Hotspot

may experience Audio / Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.

14. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

## PROCEDURE TO RAISE QUESTIONS / SEEK CLARIFICATIONS WITH RESPECT TO ANNUAL REPORT:

15. As the AGM is being conducted through VC / OAVM, for the smooth conduct of proceedings of the AGM, Members are encouraged to express their views / send their queries in advance mentioning their name demat account number / folio number, email id, mobile number at levercare.shareholder@unilever.com. Questions / queries received by the Company till 5.00 p.m. on Sunday, 28th June, 2020 shall only be considered and responded during the AGM.

16. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by visiting the link https://www.evoting.nsdl.com between 9.00 a.m. on Thursday, 25th June, 2020 and 5.00 p.m. on Sunday, 28th June, 2020.

17. The Company reserves the right to restrict the number of questions and number of speakers, as appropriate for smooth conduct of the AGM

## PROCEDURE FOR REMOTE E-VOTING AND E-VOTING DURING THE AGM:

18. Pursuant to Section 108 of the Act, Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and Regulation 44 of Listing Regulations, the Company is pleased to provide the facility to Members to exercise their right to vote on the resolutions proposed to be passed at AGM by electronic means.

19. The Members, whose names appear in the Register of Members / list of Beneficial Owners as on Monday, 22nd June, 2020, i.e. the date prior to the commencement of book closure, being the cut-off date, are entitled to vote on the Resolutions set forth in this Notice. A person who is not a Member as on the cut-off date should treat this Notice of AGM for information purpose only.

20. Members may cast their votes on electronic voting system from any place (remote e-voting). The remote e-voting period will commence at 9.00 a.m. on Thursday, 25th June, 2020 and will end at 5.00 p.m. on Monday, 29th June, 2020. In addition, the facility for voting through electronic voting system shall also be made available during the AGM. Members attending the AGM who have not cast their vote by remote e-voting shall be eligible to cast their vote through e-voting during the AGM. Members who have voted through remote e-voting shall be eligible to attend the AGM, however, they shall not be eligible to vote at the meeting. Members holding shares in physical form are requested to access the remote e-voting facility provided by the Company through NSDL e-voting system at https://www.evoting.nsdl.com/.

21. The details of the process and manner for remote e-voting are explained herein below:

### Step 1: Log-in to NSDL e-voting system at https://www.evoting.nsdl.com/

**How to Log-in to NSDL e-voting website?**

(a) Visit the e-voting website of NSDL. Open web browser by typing the URL: https://www.evoting.nsdl.com/.

(b) Once the home page of e-voting system is launched, click on the icon 'Login' which is available under 'Shareholders' section.

(c) A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

*Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-voting and you can proceed to Step 2 i.e. Cast your vote electronically.*

(d) Your User ID details are given below :

| Manner of holding shares | Your User ID is: |
|---|---|
| a) For Members who hold shares in demat account with NSDL. | 8 Character DP ID followed by 8 Digit Client ID<br>For example:<br>if your DP ID is IN300*** and Client ID is 12****** then your User ID is IN300***12******. |
| b) For Members who hold shares in demat account with CDSL. | 16 Digit Beneficiary ID<br>For example:<br>if your Beneficiary ID is 12************** then your User ID is 12************** |
| c) For Members holding shares in Physical Form. | EVEN Number followed by Folio Number registered with the Company<br>For example:<br>if folio number is 001*** and EVEN is 101456 then your User ID is 101456001*** |

(e) Your password details are given below

i. If you are already registered for e-voting, then you can use your existing password to login and cast your vote.

ii. If you are using NSDL e-voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

iii. How to retrieve your 'initial password'?

- If your email ID is registered in your demat account or with the Company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

- If your email ID is not registered, please follow steps mentioned in Note No. 7 above.

(f) If you are unable to retrieve or have not received the 'Initial password' or have forgotten your password:

i. Click on 'Forgot User Details/Password?' (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

ii. Physical User Reset Password? (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

iii. If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.

### Step 2: Cast your vote electronically on NSDL e-voting system.

**How to cast your vote electronically on NSDL e-voting system?**

(a) After successful login at Step 1, you will be able to see the Home page of e-voting. Click on e-voting. Then, click on Active Voting Cycles.

(b) After click on Active Voting Cycles, you will be able to see all the companies 'EVEN' in which you are holding shares and whose voting cycle is in active status.

(c) Select 'EVEN' of Company for which you wish to cast your vote.

(d) Now you are ready for e-voting as the voting page opens.

(e) Cast your vote by selecting appropriate options i.e. assent or dissent, verify / modify the number of shares for which you wish to cast your vote and click on 'Submit' and also 'Confirm' when prompted.

(f) Upon confirmation, the message 'Vote cast successfully' will be displayed.

(g) You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

(h) Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**The instructions for Members for e-voting on the day of the AGM are as under:**

(a) The procedure for e-voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

(b) Only those Members, who will be present in the AGM through VC / OAVM facility and have not casted their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system in the AGM.

(c) Members who have voted through remote e-voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

(d) For details of the person who may be contacted for any assistance connected with the facility for e-voting on the day of the AGM, please refer Note No. 11 above.

## GENERAL INFORMATION:

22. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the 'Forgot User Details/Password?' or 'Physical User Reset Password?' option available on www.evoting.nsdl.com to reset the password.

23. The voting rights shall be as per the number of equity shares held by the Member(s) as on Saturday, 22nd June, 2020, being the cut-off date. Members are eligible to cast vote electronically only if they are holding shares as on that date.

24. The Company has appointed Mr. S. N. Ananthasubramanian, Practising Company Secretary (FCS 4206 and CP No. 1774), to act as the Scrutinizer, to scrutinize the entire e-voting process in a fair and transparent manner. The Members desiring to vote through remote e-voting are requested to refer to the detailed procedure given hereinafter

25. The results of the electronic voting shall be declared to the Stock Exchanges after the conclusion of AGM. The results along with the Scrutinizer's Report, shall also be placed on the website of the Company at www.hul.co.in.

## PROCEDURE FOR INSPECTION OF DOCUMENTS:

26. All the documents referred to in the accompanying Notice and Explanatory Statements, shall be available for inspection through electronic mode, basis the request being sent on levercare.shareholder@unilever.com.

27. During the AGM, the Register of Directors and Key Managerial Personnel and their Shareholding maintained under Section 170 of the Act, the Register of Contracts or arrangements in which Directors are interested under

Section 189 of the Act and the Certificate from Auditors of the Company certifying that the ESOP Schemes of the Company are being implemented in accordance with, the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 shall be available for inspection upon login at NSDL e-voting system at https://www.evoting.nsdl.com.

## DIVIDEND RELATED INFORMATION:

28. The Members, whose names appear in the Register of Members / list of Beneficial Owners as on Monday, 22nd June, 2020, i.e. the date prior to the commencement of book closure, being the cut-off date will be paid the Final Dividend for the financial year ended 31st March, 2020, as recommended by the Board, if approved at the AGM, on or after Friday, 3rd July, 2020.

29. Members holding shares in demat form are hereby informed that bank particulars registered with their respective Depository Participants, with whom they maintain their demat accounts, will be used by the Company for the payment of dividend. The Company or its Registrar cannot act on any request received directly from the Members holding shares in demat form for any change of bank particulars. Such changes are to be intimated only to the Depository Participant(s) of the Members. Members holding shares in demat form are requested to intimate any change in their address and / or bank mandate immediately to their Depository Participants.

30. Members holding shares in physical form are requested to intimate any change of address and / or bank mandate to KFin Technologies Private Limited (KFintech) (Formerly known as Karvy Fintech Private Limited), Registrar and Share Transfer Agent of the Company or Investor Service Department of the Company immediately by sending a request on email at levercare.shareholder@unilever.com or contact KFintech at einward.ris@kfintech.com. In case, the Company is unable to pay the dividend to any shareholder by the electronic mode, due to non-availability of the details of the bank account, the Company shall upon normalisation of the postal services, dispatch the dividend warrant to such shareholder by post.

31. Members may note that the Income Tax Act, 1961, as amended by the Finance Act, 2020, mandates that dividends paid or distributed by a Company after 1st April, 2020 shall be taxable in the hands of the Shareholders. The Company shall therefore be required to deduct Tax at Source (TDS) at the time of making the final dividend. In order to enable us to determine the appropriate TDS rate as applicable, Members are requested to submit the documents in accordance with, the provisions of the Income Tax Act, 1961.

    a) For Resident Shareholders, TDS shall be made under Section 194 of the Income Tax Act, 1961 at 7.5% on the amount of Dividend declared and paid by the Company during financial year 2020-21 provided PAN is registered by the Shareholder. If PAN is not registered, TDS would be deducted @ 20% as per Section 206AA of the Income Tax Act, 1961.

       However, no tax shall be deducted on the Dividend payable to a resident individual if the total dividend to be received by them during financial year 2020-21 does not exceed ₹ 5,000. Please note that this includes the future dividends if any which may be declared by the Board in the financial year 2020-21.

       Separately, in cases where the shareholder provides Form 15G (applicable to any person other than a Company or a Firm) / Form 15H (applicable to an individual above the age of 60 years), provided that the eligibility conditions are being met, no TDS shall be deducted.

    b) For Non-resident Shareholders, taxes are required to be withheld in accordance with, the provisions of Section 195 of the Income Tax Act, 1961 at the rates in force. As per the relevant provisions of the Income Tax Act, 1961, the withholding tax shall be at the rate of 20% (plus applicable surcharge and cess) on the amount of Dividend payable to them. However, as per Section 90 of the Income Tax Act, 1961, the non-resident shareholder has the option to be governed by the provisions of the Double Tax Avoidance Agreement (DTAA) between India and the country of tax residence of the shareholder, if they are more beneficial to them. For this purpose, i.e. to avail the Tax Treaty benefits, the non-resident shareholder will have to provide the following:

       - Self-attested copy of Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the shareholder is resident.
       - Self declaration in Form 10F if all the details required in this form are not mentioned in the TRC.
       - Self-attested copy of the Permanent Account Number (PAN Card) allotted by the Indian Income Tax authorities.
       - Self-declaration, certifying the following points:
         i. Member is and will continue to remain a tax resident of the country of its residence during the financial year 2020-21;
         ii. Member is eligible to claim the beneficial DTAA rate for the purposes of tax withholding on dividend declared by the Company;
         iii. Member has no reason to believe that its claim for the benefits of the DTAA is impaired in any manner;
         iv. Member is the ultimate beneficial owner of its shareholding in the Company and Dividend receivable from the Company; and
         v. Member does not have a taxable presence or a permanent establishment in India during the financial year 2020-21.

32. Please note that the Company is not obligated to apply the beneficial DTAA rates at the time of tax deduction / withholding on dividend amounts. Application of beneficial DTAA Rate shall depend upon the completeness and satisfactory review by the Company, of the documents submitted by Non- Resident shareholder.

33. Accordingly, in order to enable us to determine the appropriate TDS / withholding tax rate applicable, we request you to provide these details and documents as mentioned above before Monday, 15th June, 2020.

34. Kindly note that the aforementioned documents are required to be submitted at https://ris.kfintech.com/form15 on or before Monday, 15th June, 2020 in order to enable the Company to determine and deduct appropriate TDS / withholding tax rate. No communication on the tax determination / deduction shall be entertained post Monday, 15th June, 2020. It may be further noted that in case the tax on said dividend is deducted at a higher rate in absence of receipt of the aforementioned details / documents from you, there would still be an option available with you to file the return of income and claim an appropriate refund, if eligible.

35. We shall arrange to email the soft copy of TDS certificate to you at your registered email ID in due course, post payment of the said Dividend.

36. The Company vide its separate email communication dated 30th May, 2020 had informed the Members regarding this change in the Income Tax Act, 1961 as well as the relevant procedure to be adopted by the Members to avail the applicable tax rate.

37. The MCA had notified provisions relating to unpaid / unclaimed dividend under Sections 124 and 125 of Companies Act, 2013 and Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016. As per these Rules, dividends which are not encashed / claimed by the shareholder for a period of seven consecutive years shall be transferred to the Investor Education and Protection Fund (IEPF) Authority. The IEPF Rules mandate the companies to transfer the shares of shareholders whose dividends remain unpaid / unclaimed for a period of seven consecutive years to the demat account of IEPF Authority. Hence, the Company urges all the shareholders to encash / claim their respective dividend during the prescribed period. The details of the unpaid / unclaimed amounts lying with the Company as on 29th June, 2019 (date of last AGM) are available on the website of the Company at https://www.hul.co.in/investor-relations/unclaimed-and-unpaid-dividends/ and on MCA's website. The details of unpaid and unclaimed amounts lying with the Company as on 31st March, 2020 shall be updated in due course. The Member(s) whose dividend / shares as transferred to the IEPF Authority can now claim their shares from the Authority by following the Refund Procedure as detailed on the website of IEPF Authority http://iepf.gov.in/IEPF/refund.html.

38. Members are requested to contact KFintech / Investor Service Department of the Company for encashing the unclaimed dividends standing to the credit of their account. The detailed dividend history and due dates for transfer to IEPF are available on 'Investor Relations' page on the website of the Company at https://www.hul.co.in/investor-relations/unclaimed-and-unpaid-dividends/.

## OTHERS:

39. Members of the Company had approved the appointment of M/s. B S R & Co. LLP, Chartered Accountants, as the Statutory Auditors at the Eighty Sixth AGM of the Company which is valid till Ninety First AGM of the Company. In accordance with the Act, the appointment of Statutory Auditors is not required to be ratified at every AGM.

40. In terms of Section 152 of the Act, Mr. Srinivas Phatak, Mr. Dev Bajpai and Mr. Wilhelmus Uijen are liable to retire by rotation at this Annual General Meeting and being eligible, offers themselves for re-appointment.

41. Mr. Srinivas Phatak, Mr. Dev Bajpai and Mr. Wilhelmus Uijen, Executive Directors, have been appointed as per the provisions of the Companies Act, 2013 and shall serve in accordance with, the terms of contract of employment with the Company.

42. The terms and conditions including the remuneration of Mr. Srinivas Phatak, Mr. Dev Bajpai and Mr. Wilhelmus Uijen as Whole-time Directors are being governed within the overall limits of remuneration approved by the Shareholders at their Annual General Meeting held on 29th June, 2019. The remuneration payable to them for the financial year 2020-21 shall be decided by the Nomination and Remuneration Committee of the Company which shall be within the aforesaid limits approved by the Shareholders. The details of Remuneration paid and number of meetings of the Board and its Committee attended during the financial year 2019-20 forms part of Corporate Governance Report.

43. Details as required in Regulation 36(3) of the Listing Regulations and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India in respect of the Directors seeking re-appointment at the AGM are provided at page nos. 226 and 229 of this Report. Requisite declarations have been received from the Directors seeking re-appointment. The Independent Directors of the Company have been appointed for a consecutive term of 5 years and are not eligible to retire by rotation.

44. As per Regulation 40 of SEBI Listing Regulations,as amended, securities of listed companies can be transferred only in dematerialised form with effect from, 1st April, 2019, except in case of request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialised form.

45. The Securities and Exchange Board of India (SEBI) vide its circular dated 20th April, 2018 has mandated registration of Permanent Account Number (PAN) and Bank Account Details for all securities holders. Members holding shares in physical

form are therefore, requested to submit their PAN and Bank Account Details to KFintech / Investor Services Department of the Company by sending a duly signed letter along with self-attested copy of PAN Card and original cancelled cheque through email at levercare.shareholder@unilever.com. The original cancelled cheque should bear the name of the Member. In the alternative Members are requested to submit a copy of bank passbook / statement attested by the bank. Members holding shares in demat form are requested to submit the aforesaid information to their respective Depository Participant.

46. Members can also provide their feedback on the shareholder services of the Company using the 'Shareholders Satisfaction Survey' form available on the 'Investor Relations' page of the website of the Company at www.hul.co.in. This feedback will help the Company in improving Shareholder Service Standards.

**Registered Office:**

Unilever House,
B. D. Sawant Marg,
Chakala, Andheri (East),
Mumbai – 400 099

Mumbai: 4th June, 2020

**By Order of the Board**

**Dev Bajpai**
Executive Director Legal
& Corporate Affairs and
Company Secretary
FCS No: 3354 / DIN : 00050516

## EXPLANATORY STATEMENT

### Item No. 6

The Board of Directors, on the recommendation of Nomination and Remuneration Committee, appointed Dr. Ashish Sharad Gupta (DIN : 00521511) as an Additional Director (Independent Director) of the Company, with effect from 31st January, 2020 under Section 149, 150 and 152 of the Companies Act, 2013 and Article 145 of the Articles of Association of the Company (Independent Director). Dr. Gupta shall hold office upto the date of forthcoming Annual General Meeting and is eligible to be appointed as an Independent Director for a term upto (5) five consecutive years.

The Company has received notice under Section 160 of the Companies Act, 2013 from Dr. Gupta signifying his candidature as an Independent Director of the Company. The Company has also received a declaration of independence from Dr. Gupta. In the opinion of the Board, Dr. Gupta fulfils the conditions as set out in Section 149(6) and Schedule IV of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') for being eligible for his appointment. Dr. Gupta is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as a Director. A copy of the draft Letter of Appointment for Independent Directors is available for inspection through electronic mode, basis the request being sent on levercare.shareholder@unilever.com.

A brief profile of Dr. Gupta, including nature of his expertise, is provided on page no. 229 of this Report.

The remuneration to Dr. Gupta shall be governed by the Differential Remuneration Policy of the Company. The Board considers that his association would be of immense benefit to the Company and it is desirable to avail services of Dr. Gupta as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Dr. Gupta as an Independent Director for period upto 5 (five) consecutive years with effect from 31st January, 2020 for the approval by the Members of the Company.

Except Dr. Gupta, being an appointee, none of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

The Board recommends the Ordinary Resolution set out at Item No. 6 for the approval of Members.

### Item No. 7

The Members of the Company, at the Annual General Meeting held on 29th June, 2015, had approved the payment of remuneration by way of commission on profits to Non-Executive Directors of the Company upto a maximum of ₹ 300 lakhs in aggregate, to be allocated in such manner as the Board may determine, from time to time, with effect from 1st April, 2015 for a period of five years.

In line with the globally accepted governance practices, your Company had adopted a 'Differential In line with the globally accepted governance practices, the Company had adopted a 'Differential Remuneration Policy' for Non-Executive Directors under which the payment of remuneration is linked to their attendance at the meetings of the Board or Committees thereof and also depending upon their position in various Committees of the Board, whether that of the Chairman or Member of the Committees.

In accordance with this policy, all the Non-Executive Independent Directors are currently paid a remuneration of ₹ 15 lakhs per annum by way of fixed commission and a variable commission linked to their attendance at Meetings and also depending upon their position in the Committees. In addition, the Non-Executive Directors are paid sitting fees for attending the meetings of the Board or Committees thereof.

It is proposed to extend the time period for the aforesaid limits of remuneration without any change in the overall limits of ₹ 300 lakhs of remuneration payable to Non-Executive Directors from 1st April, 2020 for a period of three years i.e. till 31st March, 2023.

None of the Directors or Key Managerial Personnel and their relatives (except Independent Directors), are concerned or interested (financially or otherwise) in this Resolution.

The Board recommends the Ordinary Resolution set out at Item No. 7 for the approval of Members.

### Item No. 8

The Board of Directors of the Company, on the recommendation of the Audit Committee, approved the appointment and remuneration of M/s. R A & Co., Cost Accountants (Firm Registration No. 000242), to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2021. In terms of the provisions of Section 148(3) of the Companies Act, 2013 read with Rule 14(a)(ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is required to be approved by the Members of the Company. Accordingly, consent of the Members is sought for the remuneration payable to the Cost Auditors.

None of the Directors or Key Managerial Personnel or their relatives, are concerned or interested, financially or otherwise, in this Resolution.

The Board recommends the Ordinary Resolution set out at Item No. 8 for the approval of Members.

**Registered Office:**

Unilever House,
B. D. Sawant Marg,
Chakala, Andheri (East),
Mumbai – 400 099

Mumbai: 4th June, 2020

**By Order of the Board**

**Dev Bajpai**
Executive Director Legal
& Corporate Affairs and
Company Secretary
FCS No: 3354 / DIN : 00050516

## Attention Members

### Manner of registering / updating email addresses

Members holding shares in physical mode and who have not registered / updated their email addresses with the Company are requested to update their email addresses by writing to the Company at levercare.shareholder@unilever.com

### Manner of joining the AGM

A facility to attend the AGM through VC / OAVM is available through the NSDL e-voting system at https://www.evoting.nsdl.com

### TDS on Dividend

As per the Income Tax Act, 1961, as amended by the Finance Act, 2020, the dividends paid or distributed by a Company after 1st April, 2020 shall be taxable in the hands of the Members. The Company shall deduct Tax at Source (TDS) at the time of making the final dividend.

Members are requested to submit the documents in accordance with the provisions of the Income Tax Act, 1961 at https://ris.kfintech.com/form15

# Profile of Directors

## SANJIV MEHTA (DIN : 06699923)

Mr. Sanjiv Mehta (59) joined the Board of the Company in October, 2013 as the Chief Executive Officer and Managing Director. He was also appointed as the Executive Vice President of Unilever South Asia. On 30th June, 2018, he was appointed as the Chairman and Managing Director of the Company and continued his responsibilities for Unilever in South Asia. In May 2019 while retaining his responsibilities for Hindustan Unilever and Unilever South Asia, he was appointed as President of Unilever, South Asia and Member of the Unilever Leadership Executive (ULE), which is the global executive Board of Unilever. Mr. Mehta joined Unilever in October, 1992.

Mr. Mehta has been with Unilever for 28 years and during the last 18 years he has led businesses in different parts of the world including South Asia, South East Asia, North Africa and Middle East. He was Chairman and Managing Director of Unilever Bangladesh from 2002-2006, Chairman and CEO of Unilever Philippines from 2007-08 and Chairman of Unilever North Africa and Middle East (NAME) from 2008-13.

During his tenure, as the head of various Unilever Companies, the businesses achieved significant success accelerating both growth and profitability. Importantly, he has been instrumental in building leadership talent and substantially strengthening the organisational capabilities. Before joining Unilever, Mr. Mehta worked for Union Carbide India Limited.

Mr. Mehta is a Chartered Accountant from the Institute of Chartered Accountants of India and has also completed the Advanced Management Program from Harvard Business School. In terms of his external responsibilities, Mr. Mehta is the Vice president of Federation of Indian Chambers of Commerce and Industry (FICCI) and also chairs their FMCG Committee. He is a member of the National Committee of Confederation of Indian Industry's (CII) and chairs their MNC Committee. He also chairs Xynteo's 'India 2022', a purpose-driven business coalition of top Indian and MNC companies formed with an intention to solve some of the intractable environmental and social issues and working towards creating a new model of growth. He is a Member of Managing Committee of Bombay Chamber of Commerce & Industry. He co-chairs the Advisory Network to the High-Level Panel for a Sustainable Ocean Economy. Mr. Mehta is a member of the India Advisory Board of Harvard Business School and is a Director on the Board of the Indian School of Business. He is also a member of the Board of Directors of Breach Candy Hospital Trust, Mumbai.

He is a Member of the Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders' Relationship Committee, and Chairman of Risk Management Committee of the Company.

### Directorship in other Companies

Unlisted

Hindustan Unilever Foundation *(Director)*
Breach Candy Hospital Trust *(Nominee Director)*
Bhavishya Alliance Child Nutrition Initiatives *(Director)*
Bombay Chamber of Commerce & Industry *(Director)*
Indian School of Business *(Director)*
Federation of Indian Chamber of Commerce and Industry *(Director and Vice – President)*

Mr. Mehta does not hold any Membership / Chairmanship of the Board Committees in other Companies.

## SRINIVAS PHATAK (DIN : 02743340)

Mr. Srinivas Phatak (48 years), joined the Company in 1999 after a brief 3 years stint with an external organisation. Mr. Phatak was appointed as Executive Director – Finance & Information Technology and Chief Financial Officer of the Company w.e.f. 1st December, 2017. He is also the Vice-President Finance for Unilever, South Asia.

Mr. Phatak has been with Unilever for 20 years and worked extensively in India and different parts of the world. His experiences cover all aspects of the finance function. He has been Vice President Category Finance for Deodorants and Oral Care (2012-2013), Vice President Supply Chain finance Americas (2014-2016) and Head of Financial Shared Services for Unilever (2017).

Mr. Phatak is a qualified Chartered Accountant and Cost and Works Accountant.

He is a Member of Corporate Social Responsibility Committee, Stakeholders' Relationship Committee and Risk Management Committee of the Company.

### Directorship in other Companies

Unlisted

Hindustan Unilever Foundation *(Director)*
Bhavishya Alliance Child Nutrition Initiatives *(Director)*

Mr. Phatak does not hold any Membership / Chairmanship of the Board Committees in other Companies.

## DEV BAJPAI (DIN : 00050516)

Mr. Dev Bajpai (54) was appointed as the Executive Director – Legal and Company Secretary and as a Member of the Management Committee of the Company in 2010. Mr. Bajpai took additional responsibility of Corporate Affairs function in the year 2012. Mr. Bajpai was appointed as an Executive Director on the Board of the Company on 23rd January, 2017.

He has 30 plus years of experience in the areas of Legal, Compliance, Tax and Corporate Affairs across diverse industries including Automobiles, FMCG, Hospitality and Private Equity.

Prior to joining the Company, Mr. Bajpai has worked in Maruti Udyog Limited, Marico Limited, The Indian Hotels Company Limited and ICICI Venture Funds Management Company Limited.

Mr. Bajpai has been a part of committees of Apex Industry Organisations like Confederation of Indian Industry (CII) and Federation of Indian Chambers of Commerce and Industry (FICCI).

Mr. Bajpai is a Fellow Member of the Institute of Company Secretaries of India and holds a law degree from University of Delhi. He has also completed an Executive Programme for Corporate Counsels conducted by Harvard Law School.

He is a Member of the Risk Management Committee of the Company and in his capacity as a Company Secretary is a secretary to all Board Committees.

### Directorship in other Companies

Unlisted

Hindustan Unilever Foundation *(Director)*
Bhavishya Alliance Child Nutrition Initiatives *(Director)*
Indian Beauty and Hygiene Association *(Director)*

Mr. Bajpai does not hold any Membership / Chairmanship of the Board Committees in other Companies.

## WILHELMUS UIJEN (DIN : 08614686)

Mr. Wilhelmus Uijen (45) has been appointed as Executive Director, Supply Chain with effect from 1st January, 2020. He also leads the Supply Chain function for Unilever, South Asia.

Mr. Uijen started his career at Unilever in 1999 as a Management Trainee in the Netherlands. He has held a series of assignments in Supply Chain and Research & Development. He has spent most of his professional life working in various roles in Supply Chain for Unilever's Latin America business where he was based in Mexico City from 2003 to 2015 with a short assignment in London. He has been the Supply Chain Vice President for Unilever, Mexico and the Caribbean (2012-2015), Vice President Home Care SC Latin America based out of Switzerland (2015-2016) and recently headed Unilever's Supply Chain, Home Care division based out of London (2016-2019).

He holds a Master of Science (M.Sc.) degree in Applied Physics from Eindhoven University in the Netherlands.

Mr. Uijen is a Member of Risk Management Committee of the Company.

### Directorship in other Companies

Unlisted

Unilever India Exports Limited *(Director)*

### Membership / Chairmanship of Board Committees in other Companies

Unlisted

Unilever India Exports Limited
- Nomination and Remuneration Committee *(Member)*
- Corporate Social Responsibility Committee *(Member)*

## ADITYA NARAYAN (DIN : 00012084)

Mr. Aditya Narayan (68) began his career as a Management Trainee with ICI India Limited (now Akzo Nobel India Limited) in 1973. He grew through diverse functions and businesses including a role as a Corporate Planning Manager at ICI Group HQ in London. He served as the Managing Director of ICI India during 1996-2003 and then as its Non-Executive Chairman over 2003-2010. He also served as the President and CEO of BHP Billiton India during 2005-2009.

Mr. Narayan is a B. Tech. from IIT Kanpur and also has formal qualifications in Law. He was a Fellow in Interdisciplinary Sciences at the University of Rochester, USA. He was a Commonwealth Scholar at the Manchester Business School in 1991 and a Fellow at the Aspen Institute, Colorado, USA in 1998.

Mr. Narayan joined the Board of the Company as an Independent Director in 2001. He is the Chairman of the Audit Committee and a Member of the Nomination and Remuneration Committee and Corporate Social Responsibility Committee of the Company.

### Directorship in other Companies

Listed

Sanofi India Limited *(Independent Director)*

### Membership / Chairmanship of Board Committees in other Companies

Listed

Sanofi India Limited
- Audit Committee *(Member)*
- Nomination and Remuneration Committee *(Member)*

## O. P. BHATT (DIN : 00548091)

Mr. O. P. Bhatt (69) is the former Chairman of SBI (State Bank of India). In the 37 years that Mr. Bhatt served at SBI, he worked on several important national and international assignments. Mr. Bhatt led SBI through challenging times by capitalising on the bank's strengths. As Chairman of SBI, he was heading the largest financial group in India, comprising, in addition to SBI, seven associate banks, five international banking subsidiaries and nine financial services Companies in India. Under his leadership, SBI rose on the Global List rankings of Fortune 500.

Mr. Bhatt was nominated 'Banker of the Year' by Business Standard and CNN – IBN Indian of the Year for Business in 2007. Mr. Bhatt was Chairman of the Indian Banks' Association. He has also been a part of India's eco-diplomacy as Member of the Indo - US, Indo - Russia and Indo-French CEO's Forum.

Mr. Bhatt holds a Graduate degree in Physics and a Post Graduate degree in English literature (Gold Medal).

Mr. Bhatt was appointed as an Independent Director on the Board of the Company in December, 2011. He is the Chairman of the Stakeholders' Relationship Committee and Corporate Social Responsibility Committee of the Company and a Member of the Audit Committee and Nomination and Remuneration Committee of the Company.

### Directorship in other Companies

Listed

Tata Consultancy Services Limited *(Independent Director)*
Tata Steel Limited *(Independent Director)*
Tata Motors Limited *(Independent Director)*

Unlisted

Aadhar Housing Finance Limited *(Director and Non – Executive Chairman)*

### Membership / Chairmanship of Board Committees in other Companies

Listed

Tata Consultancy Services Limited

- Audit Committee *(Chairman)*
- Nomination and Remuneration Committee *(Chairman)*
- Corporate Social Responsibility Committee *(Member)*
- Ethics and Compliance Committee *(Member)*

Tata Steel Limited

- Audit Committee *(Member)*
- Nomination and Remuneration Committee *(Chairman)*
- Corporate Social Responsibility Committee *(Member)*

Tata Motors Limited

- Corporate Social Responsibility Committee *(Chairman)*

## SANJIV MISRA (DIN : 03075797)

Dr. Sanjiv Misra (72) is a retired Indian Administrative Services (IAS) officer and a former Member of the 13th Finance Commission, a constitutional position with the rank of a Minister of State. Prior to joining the Finance Commission, Dr. Misra has served in a wide range of key positions in the Federal and State Governments, including as Managing Director of the Gujarat Industrial Development Corporation and stints at senior levels in the Government of India in the Cabinet Office, the Ministry of Petroleum, the Ministry of Health & Family Welfare and the Ministry of Finance. He served as a Secretary in the Ministry of Finance till his superannuation.

Dr. Misra has represented India in various international conferences, seminars and negotiations. Dr. Misra has been a Member of the Advisory Council of the Asian Development Bank Institute, Tokyo. He was also a Member of the Committee on Fiscal Consolidation (Kelkar Committee) set up by the Finance Minister in August, 2012 to chart out a road map for fiscal consolidation for the Indian economy.

Dr. Misra graduated in Economics from St. Stephen's College, Delhi. He has a Master's degree in Economics from the Delhi School of Economics, a Master's degree in Public Administration from John F Kennedy School of Government, Harvard University, USA and a Ph.D. from the Jawaharlal Nehru University, New Delhi. In recognition of exceptional academic strengths and leadership qualities, Dr. Misra was designated as Lucius N Littauer Fellow of 1987 at Harvard University.

Dr. Misra was appointed as an Independent Director on the Board of the Company in April, 2013. He is the Chairman of the Nomination and Remuneration Committee and a Member of the Audit Committee and Corporate Social Responsibility Committee of the Company.

Dr. Misra does not hold any Directorship or Membership / Chairmanship of the Board Committees in other Companies.

## KALPANA MORPARIA (DIN : 00046081)

Ms. Kalpana Morparia (70) is Chairman of J. P. Morgan, South and Southeast Asia. Ms. Morparia is a Member of J. P. Morgan's Asia Pacific Management Committee.

Prior to joining J. P. Morgan India, Ms. Morparia served as Vice Chair on the Boards of ICICI Group Companies. She was a Joint Managing Director of ICICI Group from 2001 to 2007. She had been with the ICICI Group since 1975.

A graduate in law from Bombay University, Ms. Morparia has served on several committees constituted by the Government of India. She has also been recognised by several International & National media for her role as one of the leading women professionals.

Ms. Morparia serves as an Independent Director on the Boards of Dr. Reddy's Lab. Ltd., Philip Morris International Inc. and Non-Independent Director of J. P. Morgan Services India Private Limited. She is also a Member of the Governing Board of Bharti Foundation.

Ms. Morparia was appointed as an Independent Director on the Board of the Company with effect from 9th October, 2014. She is a Member of the Corporate Social Responsibility Committee of the Company.

### Directorship in other Companies

Listed

Dr. Reddy's Laboratories Limited *(Independent Director)*

Unlisted

J. P. Morgan Services India Private Limited *(Non - Independent Director)*

### Membership / Chairmanship of Board Committees in other Companies

Listed

Dr. Reddy's Laboratories Limited

- Stakeholders Relationship Committee *(Chairperson)*
- Science, Techenology and Operations Committee *(Member)*

## LEO PURI (DIN : 01764813)

Mr. Leo Puri (59) was the Managing Director of UTI Asset Management Company Limited from August, 2013 to August, 2018.

In his career of more than 30 years, Mr. Puri has previously worked as Director with Mckinsey & Company and as Managing Director with Warburg Pincus. Mr. Puri has worked in the UK, USA and Asia and since 1994. He has been based in India.

At Mckinsey, he has advised leading financial institutions, conglomerates, and investment institutions in strategy and operational issues. He has contributed to the development of knowledge and public policy through advice to regulators and Government officials.

At Warburg Pincus, he was responsible for leading and managing investments across industries in India. He also contributed to the financial services investments in the international portfolio as a Member of the global partnership.

Mr. Puri has a Masters degree in P.P.E. from University of Oxford and a Masters degree in Law from University of Cambridge.

Mr. Puri has held Non-Executive Board position at Infosys, Bennett Coleman & Co., Max New York Life and Max Bupa Health Insurance.

Mr. Puri was appointed as an Independent Director on the Board of the Company with effect from 12th October, 2018. He is also a Member of the Audit Committee and Nomination and Remuneration Committee of the Company.

### Directorship in other Companies

Listed

Dr. Reddy's Laboratories Ltd *(Independent Director)*

Unlisted

Northern Arc Capital Limited *(Director)*

Indiaideas Com Limited *(Director)*

### Membership / Chairmanship of Board Committees in other Companies

Listed

Dr. Reddy's Laboratories Limited

- Nomination, Governance and Compensation Committee *(Member)*
- Science, Technology and Operations Committee *(Member)*
- Audit Committee *(Member)*

## ASHISH GUPTA (DIN : 00521511)

Dr. Ashish Gupta (53) is an entrepreneur, advisor and strategic angel investor. He co-founded Helion Advisors in 2006 and presently represents Helion Advisors, managing a corpus of $600 million across three funds. He also serves on the Boards of several firms including Infoedge, Simplilearn and Workspot. Some of his other investments include redBus, Mu Sigma, Daksh (IBM), Upwork (UPWK), MakeMyTrip, and Flipkart.

Prior to Helion, Dr. Gupta was a Venture Partner with Woodside Fund and before that, had co-founded two Companies - Tavant Technologies and Junglee.com, which was later acquired by Amazon. He has also worked at Oracle Corporation and IBM.

Dr. Gupta holds a Ph.D. in Computer Science from Stanford University, and a Bachelor's degree from the Indian Institute of Technology (IIT), Kanpur where he was awarded the President's Gold medal. He is the owner of several patents, published in international journals and authored a book published by MIT Press.

Dr. Gupta was appointed as an Independent Director on the Board of the Company with effect from 31st January, 2020. He is also a Member of Audit Committee of the Company.

### Directorship in other Companies

Listed

Info Edge (India) Limited *(Independent Director)*

Unlisted

Quicko Technosoft Labs Private Limited *(Director)*

Simplilearn Solutions Private Limited *(Director)*

Dr. Gupta does not hold any Membership / Chairmanship of the Board Committees in other Companies.

## DIRECTORS' INTEREST

None of the Directors of the Company is inter-se related to each other. The Directors seeking approval for appointment / re-appointment may be deemed to be concerned or interested to the extent of shares held by them in the Company as given in the table below:

| Name of the Director | No. of Shares | % Holding |
|---|---|---|
| Sanjiv Mehta | 10 | 0.0000 |
| Srinivas Phatak | 10,208 | 0.0005 |
| Dev Bajpai | 49,179 | 0.0023 |

Note: Shareholding as on financial year ended 31st March, 2020. None of the other Directors except mentioned above hold any shares in the Company as on 31st March, 2020.


INDIA HAATH DHO
VIRUS KI KADI TODO

## #HULStandsWithTheNation

Hindustan Unilever Limited (HUL) stands united with India during this challenging phase of COVID-19. HUL has committed ₹ 100 crores and has undertaken various initiatives such as donating sanitation and hygiene products to medical institutions and underserved sections of the society, upgrading health care facilities in Government hospitals & testing centres, setting up isolation centres and creating large scale awareness campaigns.

In collaboration with the United Nations Children's Fund (UNICEF), HUL launched a nationwide campaign titled '#BreakTheChain / #VirusKiKadiTodo' to empower general public with prevention strategies to protect themselves against COVID-19. Based on three key themes - Social Distancing, Handwashing and Generosity, the campaign disseminated short informative assets across India through television, news portals and prominent social media channels.

For further information on our Economic, Environmental and Social Performance please visit our website:
**www.hul.co.in**

**Hindustan Unilever Limited**
Registered Office:
Unilever House,
B. D. Sawant Marg, Chakala,
Andheri (East),
Mumbai - 400 099

CIN : L15140MH1933PLC002030

/Designed and produced at AICL (hello@aicl.in)