

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

As disclosed in note 24 to the standalone financial statements, revenue is measured net of any trade discounts and volume rebates.

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.

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.

We identified the evaluation of accrual for rebates and discounts as a key audit matter.

How the matter was addressed in our audit

Our audit procedures included:

- 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;
- 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;
- 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;
- 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;
- Testing actualisation of estimated accruals on a sample basis;
- 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;
- Critically assessing manual journal entries posted to revenue, on a sample basis, to identify unusual items;
- 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

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.

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.

How the matter was addressed in our audit

Our audit procedures included:

- 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;
- 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;
- 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;
- Evaluating judgements made by the Company by comparing the estimates of prior year to the actual outcome;
- 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 BSR & 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:

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 BSR & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Akeel Master

Partner

Membership No: 046768

ICAI UDIN: 20046768AAAHL8906

Mumbai: 30th April, 2020

Value Research 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 BSR & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master

Partner
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ICAI UDIN: 20046768AAAHL8906

Mumbai: 30th April, 2020