

# 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 Care lines, 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.

#### 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.

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.

# 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 Care lines 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:

- 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.
- Growth channels:** We continue to bolster our position by playing the strength of our portfolio in each channel.
- 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.
- 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.

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 TRESemmi 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.

## 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

## 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 Bhringraj 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, Amras, 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. Kwaliti 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 Degreeed, Udemy and LinkedIn learning. We have seen a shift in consumption of learning which is now bite-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)



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 Aaad, 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 Aaadat') 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, Chatkopar, 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 Quality Wall's mobile vending initiative, 'I am Wall's', has provided entrepreneurship opportunities to 15,285 people and 153 differently abled persons across India.



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<sub>2</sub> 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 VVFDs (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 Hydrofluorocarbon 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 chichory 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 have 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. TRESemé, 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 be) 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 Care lines. 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

Risk change since last year: No change

**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.**

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

Risk change since last year: Increase (In View of COVID-19)

**Our business depends on purchasing materials, efficient manufacturing and the timely distribution of products to our customers.**

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.

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.

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

	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
<b>Total</b>	<b>38,273</b>	<b>512</b>	<b>37,660</b>	<b>564</b>

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

### 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. Dermologica 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.

\*pending independent assurance

**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 through 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.

**Bhavisha 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

## 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 completion 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 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](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

Mumbai, 30th April, 2020

(DIN : 06699923)