



Hindustan Unilever Limited

HINDUSTAN UNILEVER LIMITED

TAX TRANSPARENCY REPORT

FY 2022-23



Hindustan Unilever Limited

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Hindustan Unilever Limited

Introduction

Hindustan Unilever Limited (**hereinafter referred as HUL, 'we', 'us', 'our', 'the Company'**) is part of the Fast-Moving Consumer Goods (FMCG) industry, with an Annual Revenue of INR 60000+ crores in FY 2022-23, Profit before Tax of INR 13000+ crore and Profit after Tax of INR 10000+ Crores. HUL has a presence in India (~99% in revenue terms) and Nepal (~1% in revenue terms) and has 28000+ employees. Our total tax contribution paid during FY 2022-23 was **INR 9,317 Crores** which includes direct taxes paid and indirect tax collected and contributed to the exchequer of India and Nepal.

Tax is a key issue for us, our stakeholders and other interested parties. The tax we pay is an important part of our wider economic and social contribution and plays a key role in the development of the countries where we operate. We regard it as a critical element of our commitment to grow in a sustainable, responsible and socially inclusive way.

We, being part of the Unilever Group ('Unilever Group' means Unilever N.V., Unilever PLC and all other group companies), follow the Unilever Code of Business Principles.

Our Code of Business Principles sets out the standards of behavior we expect all employees to adhere to. This is no different when it comes to taxation. Tax evasion is illegal. We have a clear responsibility to comply in full, with the laws in the countries in which we operate. We also choose to do this by respecting not only the letter of the law, but also the underlying tax policy intent.

We need to square our responsibilities as a co-operative, compliant taxpayer in each country where we operate, with the need to support competitive business growth. We must serve all our stakeholders, including investors, suppliers and employees. Sometimes this means that the total tax we pay in the country will decrease due to changes in our business model. For example, a decision to close a factory in the country would adversely impact the country's tax revenue. These are important business decisions taken to ensure our future competitiveness. However, without taking these decisions the overall tax raising potential of our business would decrease.

Re-building public trust in the corporate system is vital. Providing user-friendly information about the Company's tax position to a broad range of stakeholders plays an important role in this. In this report, we are pleased to provide an overview of our tax policy, risk and governance and details of total taxes contributed to the exchequer of India and Nepal.

We are pleased to announce our tax transparency report for FY 2022-23.

We recognise that there will be areas where we can improve our disclosures, or make things more easily understood. We welcome feedback and constructive inputs from our stakeholders. We would be happy to hear from you; you can share your feedback with us by writing an email to hul.tax@unilever.com.

Ritesh Tiwari
Chief Financial Officer

Shikha Gupta
Tax Head

A Ravishankar
Group Controller & Head IR



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Tax Principles

Our tax principles

We, as part of Unilever group, follow Unilever's tax principles. The tax principles are a clear articulation of our tax governance framework and, in those cases where judgements are required, they illustrate our perspective on tax risk.

1. Compliance

We act at all times in accordance with all applicable local tax laws and are guided by relevant international standards (for example OECD Guidelines). We aim to comply with the spirit as well as the letter of the law.

2. Transparency

We are transparent about our approach to tax. We regularly put forward understandable, timely and transparent communication about our tax policy and total tax payments.

3. Transfer pricing

We aim to pay an appropriate amount of tax according to where value is created within the normal course of commercial activity. Any transfer pricing is always calculated using the 'arm's-length' principle.

Our approach to transfer pricing

We try to obtain certainty. Firstly, as part of Unilever Group, we follow Group's transfer pricing policies and ensure that the said policies are consistently applied in all the transactions between the Group companies. Secondly, by entering into Advance Pricing Agreements with the relevant country tax authorities, based on full disclosure of all relevant information. We want to pay all the tax that is due, we just don't want to pay tax twice on the same profits.

4. Structure

We do not use contrived or abnormal tax structures that are intended for tax avoidance, have no commercial substance, and do not meet the spirit of local or international law.

5. Tax havens

As part of Unilever Group, secrecy jurisdictions, or so-called 'tax havens', are not used for tax avoidance. There is no universally agreed list of tax havens, so we define this meaning as jurisdictions with no or low taxes, we do not have any such legal entities in HUL Group ('HUL Group' means HUL and all other group companies).

6. Tax rulings

We only seek rulings from tax authorities to confirm the applicable treatment, based on full disclosure of the relevant facts.

7. Relationships with governments

We respect the right of governments to determine their own tax structures, rates of tax and collection mechanisms.



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8. Relationships with tax authorities

We seek to develop strong, mutually respectful relationships with national tax authorities, based on transparency and trust. Where countries have weak or poorly constructed fiscal regulation and/or institutions, we support work to help develop the capability of tax authorities and systems.

We promote open, transparent working relationships with tax authorities and early engagement in advance of undertaking transactions and filing tax returns.

In India, we do meet the tax authorities to seek clarity on the law and/ or undertake advocacy and representation on the tax law changes. Such constructive engagement results in transparency as well as faster and greater clarity on HUL Group's and ensures working as much as possible in real time.

Our open approach helps us with our goal of achieving certainty over tax positions. However, this approach is not always possible. In some cases, we face significant challenges in reaching agreements as also, we find regional and national tax authorities taking different views on the same issue.

As well as engaging with tax authorities directly, we also talk to them as part of trade bodies like FICCI (Federation of Indian Chamber of Commerce and Industry), BCCI (Bombay Chamber of Commerce and Industry), etc. We take part in working groups, such as those set up to engage on new legislation arising from BEPS including Pillars 1 and 2. We help tax authorities develop expertise and understanding of our industry.

9. Accountability & governance

We ensure that as a business, we have the mechanisms in place to adhere to the above principles and provide both relevant training and opportunities for employees to raise any issues of concern confidentially, consistent with our Code of Business Principles.

We report to our Board's Audit Committee on tax strategy and provide updates on tax regulation and key tax challenges we are facing. The Audit Committee receives an annual update on the HUL Group's effective tax rate, tax provisions, key tax issues, and compliance with the Tax Principles. We have a tax principles scorecard to assess whether material transactions or changes in the way we do business comply with our tax principles. The scorecard is completed by our Tax managers and reviewed by senior members of our Tax team. Material transactions must be scored against the various tax principles, and the transactions will not be approved unless they achieve a certain score. During FY 2022-23, 4 scorecards for significant transactions were prepared.

TAX STRATEGY

Our tax strategy

Paying the right amount of tax, at the right time, and in the right countries

Corporate income tax is payable on the profits made by the companies in the Unilever Group and HUL Group being part of the Unilever Group is committed to this. Profits are calculated after deducting business expenses and the legislated tax reliefs, as provided by the tax laws of the countries where we operate.

The foundations of our tax strategy

Our tax principles are a clear articulation of our tax strategy and governance framework. We aim to pay the right amount of tax at the right time, on the profits we make, and in the countries where we create the value that generates those profits.

Centralising parts of our business means we can offer consumers innovative products quickly. By bringing together activities in one location, we create efficiencies and economies of scale, which create value for our consumers and our shareholders. As a result, there are many transactions between Unilever Group companies, and the transfer pricing for these transactions must reflect an arm's-length or market price. Our pricing is driven by the activities undertaken and the value created in each part of our business and is in accordance with the OECD transfer pricing guidelines and the transfer pricing rules and regulations prevailing in each country in which we operate.



This means that we must:

- Respect the tax laws applicable in each country, including not only the letter of the law but the tax policy intent underlying the tax law



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- Ensure that the transactions with related parties or associated enterprises meet the arm's length test and that the transfer prices are in accordance with the generally acceptable transfer pricing rules and regulations prevailing in the countries, in which we operate
- Prepare and file all tax returns in the form specified and at the time required
- Prepare and retain the documentation required by the tax laws or which will be needed to answer any questions raised by tax auditors
- Employ appropriately qualified and trained tax professionals with the right levels of tax expertise and understanding of Unilever's business and tax principles

TAX RISK FRAMEWORK

Tax evasion is illegal. We do not condone tax evasion and acting in this way is in clear contravention of our Code of Business Principles. We maintain a zero-tolerance approach to dealing with such behavior. We continue to adopt reasonable prevention procedures, which are proportional to the risks inherent in our business.

Managing our tax risk

We, as part of Unilever group, follow Unilever's tax principles. We have adopted a set of Unilever tax principles covering areas such as transfer pricing, use of tax havens and relationships with tax authorities. Exercising judgement on tax sensitive items consistently across the Unilever Group means our employees need a common understanding of Unilever's perspective on tax risk. In those cases where judgements are required, they illustrate our perspective on tax risk.

As a business, we're subject to taxation in India and Nepal. The tax legislation in these countries differs, is often complex and subject to interpretation by management and the government authorities. Recent developments in the international tax arena have increased the likelihood of changes to tax systems in the countries where we operate, and this creates added uncertainty. We continue to engage with the tax authorities and promote open, transparent working relationships.

Our risk appetite

We maintain a limited appetite for tax risk as evidenced by our tax principles where we ensure we comply with the spirit as well as the letter of the law and do not use any contrived or abnormal tax structures.

How we manage our tax risk

Risks are managed through Unilever's Tax Risk Framework. They are monitored through a web-based tool for collecting details on a quarterly basis of all our corporate income tax exposures and provisions. The tool has an approval process for any new provisions or changes to existing provisions.

It also includes an Annual Compliance Checklist, in which the tax lead in the countries concerned confirms that all their statutory tax obligations have been met, their controls are operating effectively, and all tax positions are in compliance with our tax principles.

We monitor proposed changes in tax legislation and ensure these are taken into account when we consider our future business plans.

We monitor the filing of all corporate income tax returns across entities and related tax payments. A quarterly certification is provided by the Tax Head to the Audit Committee on the tax compliances. As part of Unilever Group, the Tax Risk Framework being followed, sets out the key tax risks and the mitigating actions that we take to manage and monitor those risks.

There are five key risk areas covered by the Tax Risk Framework – policy, governance & organisation, people, compliance & documentation, and reporting & risk management.



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Examples of a risk and mitigating action for each of the five key risk areas:

Policy	Governance & Organisation	People	Compliance & Documentation	Reporting & Risk Management
Risk: Transactions and behaviours not in line with Tax Principles	Risk: Lack of right organisational structure to implement strategy	Risk: Insufficient tax training	Risk: Failure to comply with statutory obligations	Risk: Tax positions not accurately reflected in reporting
Mitigating action: Annual compliance confirmation and completion of scorecard for certain transactions	Mitigating action: Organisational structure regularly reviewed by Tax Leadership Team	Mitigating action: Regular global, regional and local training sessions, plus individual development plans	Mitigating action: Annual compliance checklists plus online compliance tracking tool, supported by tax controls governing operational tax compliance	Mitigating action: Online tool to collect and approve direct tax exposures and provisions



Total Tax Contribution

✓ **Entities in scope:**

The entities in scope include Hindustan Unilever Limited and its subsidiaries as below:

Subsidiaries in India - Unilever India Exports Limited, Ponds' Exports Limited, Lakme Lever Private Limited, Unilever India Limited, Jamnagar Properties Private Limited, Daverashola Estates Private Limited, Hindustan Unilever Foundation, Bhavishya Alliance Child Nutrition Initiatives, Hindlever Trust Limited, Levindra Trust Limited, Levers Associated Trust Limited and Zywie Ventures Private Limited.

Subsidiary in Nepal - Unilever Nepal Limited.

The above excludes Nutritionalab Private Limited, Comfund Consulting Limited and Aquagel Chemicals (Bhavnagar) Private Limited since they are not subsidiary companies of Hindustan Unilever Limited.

✓ **Basis of preparation:**

- The amounts reported under 'Total Tax Contribution' are the amounts paid (by way of cash / tax credits), net of refunds, by the Entities in scope during the period 1 April 2022 to 31 March 2023 (for Zywie Ventures Private Limited the period considered is from 10 January 2023 to 31 March 2023)
- The information has been reported at a country level by relying upon the tax payments made during the aforesaid period by the respective Entities in scope.
- The tax contribution in Nepal jurisdiction has been converted from Nepalese Rupee ("NPR") to Indian Rupee ("INR") using an average foreign exchange rate of NPR 0.63 /INR
- **Our total tax contribution consists of –**
 - Taxes borne are the respective entity's own contribution in taxes that impact their results, e.g., corporate taxes computed as a basis of respective entity's taxable income.
 - Taxes collected are those administered by the respective entity on behalf of government and collected from others, e.g., tax deduction at source from employees' salary and in-turn deposited with the government.



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Summary of Total Tax Contribution for FY 2022-23:

Sr. No.	Country	Total Taxes borne (A)	Total Taxes collected (B)	'INR Crores'
				Total Taxes contributed (A+B)
1.	India	3,307	5,843	9,150
2.	Nepal	102	65	167
	Total	3,409	5,908	9,317

A) TAXES BORNE

- **Corporate Tax** – taxes payable on profits of the respective entity including the taxes withheld by the third parties on payments made to us and deposited on our behalf with the government. The amount also includes any taxes paid in cash as self-assessment tax(es), interest, taxes paid in relation to prior period or cash tax paid against a tax demand raised. Further, wherever the past year(s) tax refund was received during the year, it has been netted off against tax paid to reflect the actual cash tax outflow. Corporate Tax pertains to Income Tax paid in India as per the provisions of the Income Tax Act, 1961 and in Nepal as per the provisions of the Income Tax Act, 2058.
- **Custom Duty** – Net duties paid by us on the import of goods across a border.
- **Property Tax** - Property tax is an ad valorem tax assessed on real estate by a local government and paid by the property owner. These reflect the taxes paid by us as a



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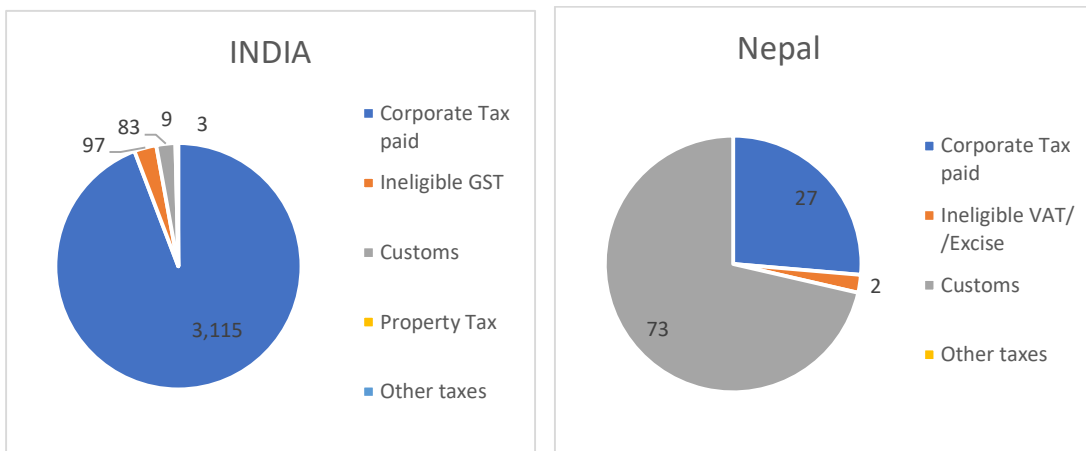
result of occupation of land and/ or property in the countries where we conduct our operations.

- **Ineligible GST/ VAT** – Refers to GST/ VAT paid but not eligible for setoff / credit.
- **Others** – Represents Municipal Taxes borne by the respective entities in relation to business operations performed in the countries where we operate.

B) TAXES COLLECTED

- **GST/ VAT:** Goods and Service Tax (GST)/ Value Added Tax (VAT) is a consumption tax that is levied on the added value. GST/ VAT represents the tax billed by us to the customers which was collected by us from customers and eventually, paid to the respective jurisdictional governments. We also incur GST / VAT when purchasing certain goods and services. In the countries where we operate, the GST / VAT collected are offset against the GST / VAT incurred with the net being paid to the government. We have shown the net GST/ VAT discharged by us during the period after utilisation of GST credit / VAT credit.
- **Tax withheld on behalf of suppliers:** These represent taxes withheld by us on vendor bill payments and paid to the government on behalf of such vendors.
- **Taxes collected at source:** These represent taxes collected by us from our customers on specified transactions and paid to the government on behalf of such vendors.
- **Payroll Taxes:** Payroll Taxes represent taxes withheld on salary payments to individuals employed with us and paid to the governments on their behalf.

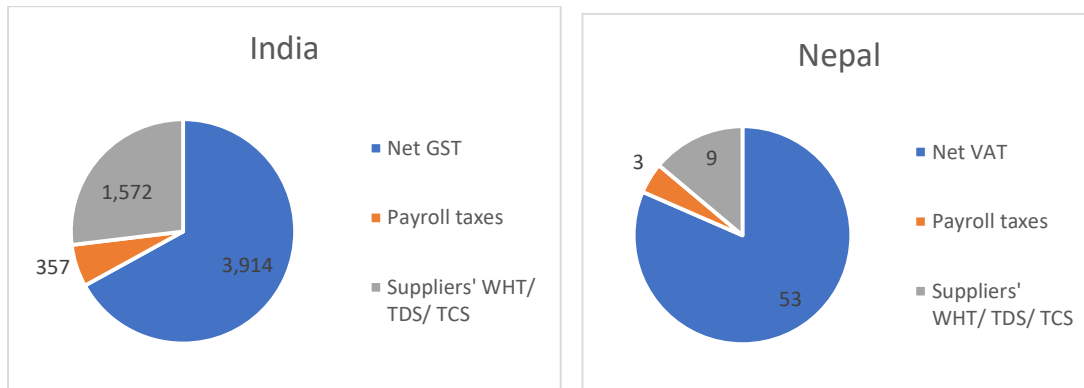
Breakup of Taxes Borne:





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Breakup of Taxes collected:



^^ Output GST collected - INR 20,283 Crores net off Input Tax Credit – INR 16,316 Crores



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Other Financial Information:

Tax jurisdiction	Nature of activities in country	INR Crores				
		Average No. of Employees	Revenue	Profit before Tax	Corporate tax accrued	Profit after tax
India	Manufacturing and sale of fast-moving consumer goods, saloon business, others	18,970	600,45	13,185	3,173	10,012
Nepal	Manufacturing and sale of fast-moving consumer goods	223	535	159	28	131
Total		19,193	60,580	13,344	3,201	10,143

B S R & Co. LLP

Chartered Accountants

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Private and confidential

The Board of Directors
Hindustan Unilever Limited
Unilever House
B D Sawant Marg
Chakala, Andheri - East
Mumbai 400 099

03 August 2023

Independent Auditor's Certificate in relation to the section titled "Total Tax Contribution" contained in Hindustan Unilever Limited's Tax Transparency Report during the financial year 2022-2023.

1. This Certificate is issued in accordance with the terms of our engagement letter dated 29 July 2019 and addendums to the engagement letter dated 20 July 2020, 19 October 2020, 16 June 2021, 26 July 2022, 08 December 2022, 17 April 2023, 12 May 2023, 22 May 2023 and 19 July 2023.
2. We are the statutory auditors of Hindustan Unilever Limited ("the Company"), a Company within the meaning of the Companies Act, 2013 and having registered office at Unilever House, B D Sawant Marg Chakala, Andheri East, Mumbai - 400099 and its subsidiaries namely Unilever India Exports Limited, Ponds' Exports Limited, Lakme Lever Private Limited, Unilever India Limited, Jamnagar Properties Private Limited, Daverashola Estates Private Limited, Hindustan Unilever Foundation, Hindlever Trust Limited, Levindra Trust Limited, Levers Associated Trust Limited and Zywie Ventures Private Limited (together referred to as 'the Entities'). The Company and the Entities hereinafter referred to as the HUL Group.
3. We have been requested by the Management / Board of Directors of the Company to issue a certificate on the "Total Tax Contribution" section contained in the Company's Tax Transparency Report for the financial year 2022-23 and total tax borne and total taxes collected during the same year.

Independent Auditor's Certificate in relation to the section titled "Total Tax Contribution" contained in Hindustan Unilever Limited's Tax Transparency Report during the financial year 2022-2023.
(continued)

Management's Responsibility

4. The management of the Company is responsible for providing all the information in relation to the Tax Transparency Report for the financial year 2022-23, including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the Tax Transparency Report and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

5. Pursuant to the request received by the Management, our responsibility is to provide a reasonable assurance on whether the amounts of Total Tax Borne and Total Taxes Collected/Paid during the period 1 April 2022 to 31 March 2023 pertaining to the HUL Group included in the section titled "Total Tax Contribution" contained in the Company's Tax Transparency Report, have been accurately extracted from the audited standalone financial statements of the Company and audited financial statements of the respective Entities for the years ended 31 March 2022 and 31 March 2023 and from the respective audited books and records of the Company and the Entities.
6. In relation to paragraph 6 above, we have examined the following records, documents and performed the following procedures:
 - a. Obtained the Tax Transparency Report and traced the information pertaining to the Company and the Entities contained in Total Tax Contribution section to the audited standalone financial statements of the Company and the audited financial statements of the Entities for the years ended 31 March 2022 and 31 March 2023 and from the respective audited books and records of the Company and the Entities.
 - b. With respect to the Total Tax Borne amount reported in the Total Tax Contribution section contained in the Company's Tax Transparency Report:
 - i. For Corporate tax – Traced the amount paid from quarterly advance tax challans, refund orders and Form 26AS of the Company and the Entities.
 - ii. For Custom Duty - Traced the amount paid from challans of the Company and the Entities.
 - iii. For property tax- Traced the amount paid from challans of the Company and the Entities.
 - iv. For Ineligible GST- Traced the amount from monthly GSTR-1 and GSTR-3B returns of the Company and the Entities.
 - v. For Municipal taxes- Traced the amount paid from challans of the Company and the Entities.

Independent Auditor's Certificate in relation to the section titled "Total Tax Contribution" contained in Hindustan Unilever Limited's Tax Transparency Report during the financial year 2022-2023.
(continued)

Auditor's Responsibility (continued)

- c. With respect to the Total Taxes Collected amount reported in the Total Tax Contribution section contained in the Company's Tax Transparency Report:
 - i. For GST – Traced the amount paid from monthly GSTR-1 and GSTR-3B returns of the Company and the Entities.
 - ii. For Taxes withheld on behalf of suppliers- Traced the amount paid from monthly challans and quarterly returns of the Company and the Entities.
 - iii. For Taxes collected at source - Traced the amount from monthly challans of the Company and the Entities.
 - iv. For Payroll Taxes- Traced the amount paid from monthly challans or quarterly returns of the Company and the Entities.
 - d. Performed necessary inquiries with the Management and obtained appropriate representations from the management of the Company.
7. The audited standalone financial statements of the Company for the financial years ended 31 March 2022 and 31 March 2023 referred above, have been audited by us on which we issued an unmodified audit opinion vide our reports dated 27 April 2022 and 27 April 2023 respectively. Our audit of these financial statements was conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("ICAI"). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.
8. The audited financial statements of the subsidiaries - Ponds' Exports Limited, Daverashola Estates Private Limited, Jamnagar Properties Private Limited, Levindra Trust Limited, Hindlever Trust Limited, Hindustan Unilever Foundation, Unilever India Exports Limited, Limited, Lakme Lever Private Limited, Unilever India Limited, Levers Associated Trust Limited for the financial years ended 31 March 2022 and 31 March 2023 referred above, have been audited by us on which we issued an unmodified audit opinion vide our reports dated 21 April 2022, 22 April 2022, 25 April 2022 and 21 April 2023, 26 April 2023, 24 April 2023, 25 April 2023 and 26 April 2023. The audited financial statements of subsidiary - Zywie Ventures Private Limited for the financial year ended 31 March 2023 has been audited by us on which we issued an unmodified audit opinion vide our report dated 02 June 2023. Our audit of these financial statements was conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("ICAI"). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

Independent Auditor's Certificate in relation to the section titled "Total Tax Contribution" contained in Hindustan Unilever Limited's Tax Transparency Report during the financial year 2022-2023.
(continued)

Auditor's Responsibility (continued)

9. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI ("Guidance Note"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
10. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

11. Based on the procedures performed, as above, we are of the opinion that the amounts of Total Tax Borne and Total Taxes Collected / Paid during the period 1 April 2022 to 31 March 2023 pertaining to the HUL Group included in the section titled "Total Tax Contribution" contained in the Company's Tax Transparency Report, has been accurately extracted from the audited standalone financial statements of the Company and audited financial statements of the Entities for the years ended 31 March 2022 and 31 March 2023 and from the respective audited books and records of the Company and the Entities.

Other Matters

12. The financial statements of Zywie Ventures Private Limited for the year ended 31 March 2022, Unilever Nepal Limited for the years ended 31 March 2022 and 31 March 2023, and Bhavishya Alliance Child Nutrition Initiatives for the year ended 31 March 2023 were audited by another auditors. We have not performed any work on amounts reported in respect of Unilever Nepal Limited and Bhavishya Alliance Child Nutrition Initiatives. Our certificate is not modified in respect of this matter.
13. We have applied the procedures listed above only to the taxes mentioned in the Total Tax Contribution section of the Tax Transparency Report. We have not ensured completeness in respect of all taxes paid by the Company and the Entities.

Independent Auditor's Certificate in relation to the section titled "Total Tax Contribution" contained in Hindustan Unilever Limited's Tax Transparency Report during the financial year 2022-2023.
(continued)

Restriction on use

14. This certificate has been issued at the request of the Board of Directors of the Company for inclusion in its Tax Transparency Report for the financial year 2022-2023 and should not be used for any other purpose or by any other person. Accordingly, we do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **B S R & Co. LLP**

Chartered Accountants

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

Aniruddha Godbole

Partner

Place: Mumbai

Date: 03 August 2023

Membership No: 105149

UDIN: 23105149BGYFRQ4900