

Report of Board of Directors and Management Discussion and Analysis

Our fast-changing world

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

Hindustan Unilever Limited is part of the Fast-Moving Consumer Goods (FMCG) industry which continues to be one of the biggest long-term sustainable business opportunities that our country offers. Despite being one of the fastest growing markets globally for FMCG products, India's per capita FMCG consumption is still amongst the lowest in the world. Rural markets account for more than 60% of our country's population and contribute to just about 30% of FMCG consumption; thus, offering significant headroom for growth. Rising affluence, large working population, nuclear family structures, urbanisation and rapidly increasing adoption of technology will positively impact the growth of FMCG industry in the country.

The operating environment this year continued to remain volatile and challenging. India witnessed a devastating second wave of Covid-19 during the June quarter with a significant humanitarian and economic impact. Due to the disruption in global supply chains, inflation in many key commodities like crude oil derivatives, palm oil and packaging rose to historic highs. The latter half of the year witnessed a marked moderation in the FMCG market growth with volumes being impacted due to high inflation. This was more pronounced in rural markets.

As we gradually emerged from the challenging phase of the pandemic, the consumption of hygiene products moderated. With mobility going up, there was an increase in demand for discretionary and out of home products. Consumers are also increasingly choosing brands which they see as making a positive impact on the world.

India is undergoing rapid digital transformation, new-age technologies are transforming the landscape of consumer goods market, bringing opportunities for brands, consumers, and customers alike. E-Commerce continues to gain traction as more consumers shop online and with more digital-first brands entering the market. With a technology-focused approach, retailers are reinventing their business models to stay more connected in the digital world.

The two years of pandemic has made us a stronger, better business which is much more resilient and responsive. As the economy, consumer and channel landscapes rapidly evolve, we continue to be agile to leverage our strengths, capture opportunities and navigate through the challenges. Our strategy is constantly evolving in line with the trends and forces shaping our markets and impacting our multi-stakeholders. We remain committed to delivering 4G growth - growth that is consistent, competitive, profitable, and responsible.

A. Stakeholder review

Our Compass and our business model are designed to create value for our stakeholders. Understanding their changing needs helps us make informed strategic decisions.

Our multi-stakeholder model

We have identified six stakeholder groups that are critical to our future success: consumers, our people, customers, suppliers & business partners, planet & society, and shareholders. The stakeholder review on pages 29 to 41 explains how we have worked to create value for each of our stakeholders in the financial year 2021-22 as well as how our business benefits from these vital relationships.

In light of our purpose and strategy to create long-term value as set out on page no. 20, 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. We have provided a high-level summary of how we engaged with stakeholders and had regard to their interests, when setting our strategy and taking decisions concerning the business in the last year. This has been provided in the Business Responsibility Report on pages 72 to 85.



Consumers

Our brands are evolving to meet the changing needs of consumers.

Value and values

As we gradually emerged from the challenging phase of the pandemic and Covid-related restrictions, the consumer uncertainty and anxiety started receding. Driven by high inflation and choices fuelled by digitalisation, consumers have become more conscious and selective.

The varying impact of the pandemic has also led to some shoppers treating themselves to more premium products while others are increasingly cost-conscious, looking for the best-performing products they can afford. Despite the gradual easing of restrictions and people spending more time out of their homes, online shopping and the demand for convenience stayed strong; e-everything is here to stay.

Consumers continue to be increasingly discerning – looking for highly effective and quality products, with ingredients that are good for them and good for the environment. There is compelling evidence that brands with purpose grow. Our own research shows a strong correlation between brand purpose and brand attractiveness (referred to as brand power), which, in turn, drives market share and growth.

Our three Divisions anticipated and met consumers' needs through innovative products, strong marketing capabilities including digital and performance marketing, and purpose-driven brands. We are harnessing new Artificial Intelligence (AI) powered innovation tools to spot trends early and test new product concepts. Our nano-factories provide us the flexibility to manufacture on-trend products in small batches, reducing the time from idea to shelf.

Beauty & Personal Care

We want to be the most positive beauty business for people and the planet

We believe in beauty that not only does less harm, but also does more good – beauty that's both inclusive and sustainable. To achieve our new Positive Beauty vision, we are using our scale to create positive change and drive growth through our big brands, impactful innovation and portfolio transformation.

In the Beauty & Personal Care (BPC) division, we operate in categories that play a significant role in consumers' lives and touch a vast majority of Indian households. The current nascent stage of evolution of many of our BPC categories presents an excellent opportunity to boost penetration,

consumption, and premiumisation, presenting a healthy long-term potential. With a portfolio of iconic, well-loved and purposeful brands that span the price-benefit pyramid, we ensure that our brands are accessible and aspirational for all consumers across the country.

Growing the core

We are growing our core business by investing in our purposeful brands and delivering superior products. India is a diverse country - with different climatic conditions, varied skin and hair types and even differing quality of water. We are bringing to life our product philosophy of designing for India and Winning in Many Indias (WiMI).

In our Skin Cleansing portfolio, our brands Lifebuoy and Lux have introduced winning products by regions with consumer centricity at the heart of the product design philosophy. We are also bringing this thinking of 'Design for Many Indias' into Skin Care & Hair Care with products like Pond's Light Moisturiser that is specifically designed to perform in hot and humid weather. In addition, we are leveraging our WiMI philosophy to market our products across different regions.

We continue to strengthen brand equity through consistent, purposeful communication on our iconic brands. Clinic Plus, Dove and Sunsilk were rated as the top 3 Hair Care brands in the country as per 'Kantar Brand Health Check Report'. Lifebuoy continues to build the habit of handwashing, through the 'H for Handwashing' campaign. The brand is also scaling up its telemedicine initiative through the 'Mobile Doctorni'. Similarly, Clinic Plus, launched a film under its inspiring #MeriBetiStrong campaign to educate mothers on the issue of domestic violence. We have committed to extend our reach to over one lakh women across our ecosystem and educate them on their rights as well as provide them with appropriate resources to address this issue.

Accelerating Premium Beauty and Market Development

We are energised by the huge opportunity to accelerate Premium Beauty and Lead Market Development in categories like hair conditioners, serums, body lotions, body wash and sunscreen to name a few. Our priority is to drive growth in our five big beauty master-brands, Dove,

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Pond's, TRESemmé, Lakmé and Indulekha, which span across categories. We are doing this through on-trend and relevant innovations, solutions that are designed for consumers and channels of the future, and by driving adoption of key future formats. Through compelling communication, we are addressing key category triggers and barriers, as well as scaling up education-led sampling. This year, TRESemmé launched the Thick and Full Shampoo and Conditioner with Biotin and Wheat Protein and expanded its hair care range. In Skin Care, Dove launched Love & Care, a new range of hand and body moisturisers while Pond's introduced its gold beauty range including Facewash, Serum, Day Crème, Peel off Mask and a Night Crème. Lakmé expanded its cosmetics range with volume mascara, highlighter and liquid concealer. The female intimate hygiene brand VWash, which was acquired by us in the previous year, continued to gain traction with consumers. We are also creating new capabilities for driving 'beauty' market development through salons, medical marketing and online marketing, which serves as a distinct competitive advantage.

We continue to strengthen our 'naturals' strategy by building specialist brands like Indulekha and Hamam. This year, we expanded the Indulekha franchise into relevant benefit segments like anti-dandruff, as well as e-Commerce relevant formats like masks and serums. Another pillar of our naturals strategy involves natural variants of our existing brands like Clinic Plus Egg Protein shampoo, TRESemmé Botanique, Glow & Lovely Ayurvedic Care, Lifebuoy Neem and Turmeric, Pears Naturale etc.

Winning with the consumer of the future

Since the consumers' shopping journey is increasingly moving online, e-Commerce continues to gain relevance. Last year, we had set up the Premium Beauty Business Unit (PBBU) within the Beauty & Personal Care organisation to strengthen our play in 'Masstige' beauty segment. This unit is now fully operational with three digital-first brands Simple, Love Beauty & Planet and Baby Dove. PBBU is not just about building brands but also about incubating organisation-wide capabilities fit for the fast-changing digital world. We have created an agile innovation model that enables us to pick up trends and launch the product in minimal time, scaling it up as it succeeds. We are building nano factory setups and a flexible supply chain that allow us to produce quickly and in small batch sizes. We have also developed Performance Marketing, D2C and e-Commerce capabilities required to target the digital native consumers.

Technology-driven commerce will continue to grow disproportionately, and we are investing in it ahead of the curve. Lakmé's leading Beauty Tech Solutions like virtual

try-on and Artificial Intelligence (AI) Skin Analyser on its D2C platform allow consumers to replicate their offline journeys online. Lakmé is the most followed Indian beauty brand on Instagram with around 30% of its sales now through digital channels. We continue to strengthen our content platform 'Be Beautiful' which educates consumers on their Beauty & Personal Care needs, and are also creating new ecosystems that can help us scale Influencer Marketing and lead the curve on upcoming opportunities like Social Commerce.

Home Care

Making people's homes a better world, and our world a better home

As we work to make the lives of our consumers easier, cleaner and safer, we are also leading our industry towards a cleaner future through the power of science and innovation. Last year, 'Get-Set-Clean', our online platform for housekeeping and cleaning tips, stepped up to create meaningful content to ease consumers' worries around the pandemic. Our relentless focus on serving consumer preferences and needs through our strong purposeful brands continue to fuel strong competitive growth thereby extending our market leadership.

Building purpose-led brands

Putting purpose at the heart of every action and communication, our brands continue to drive salience with consumers. Through its purposeful activations, our biggest brand Surf excel is spreading its philosophy of 'Daag Acche Hain' or 'Dirt is Good'. Our latest Surf excel Holi campaign encourages people to celebrate joyous moments like a child would, with family and friends, and lead fulfilling lives. Wheel continued to uphold the concept of equal partnership between husband and wife through its campaign that depicted men actively participating in household chores challenging social stereotypes. This year Rin celebrated India's Olympic fencer Bhavani Devi's story of grit, determination, and hard work, inspiring millions to keep persevering in pursuit of their dreams. Sunlight's Pujo campaign 'Tantir Rong' this year supported the handloom weavers of Bengal and decided to add back colours to their lives by generating demand and awareness for their art.

Our dishwash portfolio continued its resilient performance. Vim with its well-defined purpose of 'change your outlook, move beyond dishes' focussed on breaking the societal stereotype that dishwashing is solely a woman's responsibility. Based on a clear consumer need, our home hygiene brand Domex launched a superior product backed by a breakthrough patented Fresh Guard technology which fights malodour in toilets for 100 flushes.

Upgrading consumers to higher order benefits

Over the years, we have witnessed great success in upgrading consumers and premiumising our portfolio, and we continued this strategy during the year, where our premium products outperformed the rest of the portfolio. Through our portfolio which straddles the price-benefit pyramid, we continue to actively engage with consumers in their upgradation journey. For instance, Surf excel has been driving upgradation in detergent powders, led by Surf excel Easy Wash and Surf excel Matic. Premiumisation continues to be an important agenda for the dishwash business and with a strong and scalable consumer contact programme, Vim liquid continues to pioneer premiumisation in the country.

Creating categories of the future through market development

With the changing demographics in our country, urbanisation and nuclear families, the need for more convenient ways for cleaning and laundry continue to develop. Over the years, our Fabric Care business has developed strong expertise in seeding and scaling new categories. Led by effective market development actions we have been able to drive relevance for our liquid detergents, matic liquids and fabric conditioners portfolio. We continue to invest in newer formats like Surf excel Smart shots and Smart sprays for effective fabric care and Vim Matic range for dishwashers.

Towards a clean future

We know that consumers want sustainable products that perform just as well as conventional ones. In 2021, we embarked on our clean future journey with Rin and Surf excel. Rin has launched an environment-friendly and superior product. Surf excel's product and packaging has become environment-friendly with biodegradable actives, 100% recyclable plastic bottles, made with 50% recycled plastic and a portfolio-wide pipeline of water-saving products. Another example is the new 'Smart Fill' machine, an in-store vending model which offers consumers option to reuse plastic bottles by refilling our home care products through this machine.

We are committed to transition from fossil fuel-derived chemicals in our cleaning and laundry products by 2030. During the year, we took a step forward in this journey by partnering with 'Tuticorin Alkali Chemicals and Fertilizers Limited' and 'Carbon Clean Solutions' for Soda Ash, one of the key raw materials for our laundry products, using carbon capture technology.

Foods & Refreshment

Taste good, feel good, force for good

Our brands continue to provide great-tasting, nutritious and sustainable foods for consumers – using our world-class innovation and brand purpose to inspire change.

Grow the core

Through a combination of superior products, impactful innovations and purposeful activations, our brands continue to attract new consumers. Our market leadership position in tea was further strengthened during the year, enabled by a very strong portfolio that straddles the price-benefit segment serving the different needs of consumers. Leveraging our Winning in Many Indias (WiMI) strategy, we continue to build tea blends which are suited to the tastes and preferences of consumers. Our iconic brand Red Label is bringing to life the taste of togetherness through its 'Swad Apnepan Ka' campaign.

During the year, the Ice Cream and Frozen Desserts business recovered strongly and was significantly ahead of pre-pandemic levels. We scaled up our in-home consumption portfolio through innovative, delicious products like the Kwaliti Wall's Cadbury Crackle tub and the Trixy cup. Offering sweet delicacies to consumers during festive season, Kwaliti Wall's activated integrated campaigns to reach consumers offline as well as online. ICNOW, our digital initiative for home delivery of Ice Creams is receiving a good response from consumers.

Kissan strengthened its market leadership in ketchups and introduced new pack sizes offering more convenience and value for consumers. Building on its credentials of 'restaurant-like-food' at home, Knorr activated its campaigns on soups and Chinese gravy mixes.

Creating categories of the future through market development

Our strong brands and capabilities in the Health Food Drinks (HFD) space continue to serve the nutritional needs of our consumers. During the year, we expanded the reach of our Nutrition business by integrating it with HUL's sales systems and processes. We are now focussing on building category relevance and driving penetration through market development. Our persuasive media campaigns and extensive sampling programmes are reaching out to millions of consumers. To address nutrition needs at various stages of life we have expanded the Horlicks portfolio with the high sciences range such as Diabetes Plus, Mother's Plus, etc. All these actions are enabling us to gain market share and penetration in HFD.

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Our new product offerings in Foods portfolio viz. Hellmann's Mayonnaise, Kissan Peanut Butter are gaining traction with consumers and building scale. Strengthening our coffee portfolio we recently launched BRU Beaten Coffee, a product that is specifically designed for taste preferences of coffee lovers in North and West of India. Our functional tea portfolio which includes brands like Lipton Green Tea and Red Label Natural Care continues to do well. During the year, we expanded Lipton Darjeeling tea nationally.

Foods & Refreshment as a force for good

As one of India's largest F&R businesses, HUL is using its scale and reach in its efforts to encourage the wider food ecosystem to become healthier and more sustainable.

Over the last two years, we have launched several products that offer positive nutrition – foods that are rich in protein, fibre, fruits and vegetables, Omega-3, vitamins and minerals. Our HFD portfolio is designed

for macro and micro nutrition supplementation to help alleviate childhood malnutrition. The Horlicks Plus range addresses specific adult health issues such as protein supplementation, loss of calcium in women, and sugar and cholesterol management for diabetics.

HUL is amongst the largest buyers of agri-commodities like tomatoes, cereals, tea, coffee and dairy. We have partnered with 'Sahyadri Farms', a farmers' co-operative based in Maharashtra, for sustainable sourcing of tomatoes, helping consumers experience products made from great quality tomatoes, at affordable prices, while providing better livelihood to farmers. We are now extending this sourcing model to other agri-commodities.

We are also one of the co-founders and co-funders of Trustea – The India Sustainable Tea Programme. Trustea has played a pivotal role in achieving sustainable sourcing and zero deforestation commitments in tea.



Our people

When we take care of our people, our people take care of the business.

This year reinforced the importance of being a safe, inclusive and supportive place to work for all our employees. Health and safety of our employees, their families and the people in our extended value chain remained our #1 priority. We continued to nurture a culture in which our people can thrive, become future-fit and bring their best selves to work.

Supporting our people through the pandemic

We have continued to help our people protect themselves from Covid-19 with enhanced timely testing and vaccinations to keep our workplaces as safe and productive as possible. We ensured that our people and their families received medical care through our facilities and healthcare resources, telehealth options and connections with community resources. We increased our medical staff and infrastructure, and leveraged our strong affiliations with 200+ hospitals to provide prompt medical support to our people.

Our team of 130+ employee volunteers went above and beyond to support our Covid-19 impacted employees and their families with timely medical assistance. We created a dedicated HUL Healthcare Helpline for anytime Covid-19 assistance and also facilitated vaccination for our employees and people in our extended value chain.

Safety at work

Safety of our employees and people in our extended value chain is at the core of everything that we do. We launched a safety awareness programme "BeSafe" in 2021 and trained over 12,000 employees to further strengthen our safety culture. We have rolled out a new incident management tool to enhance faster and easier reporting.

Our Total Recordable Frequency Rate* (TRFR) was 0.31 accidents per million hours worked (1st October 2020 to 30th September 2021) as compared to 0.34 in the same period last year.

Sadly, two of our employees were involved in a fatal car accident. When fatalities occur, our first priority is to support the needs of the families of the individuals involved. Road safety is one of the focus areas for us and we have been taking several preventive measures to reduce road incidents. We have strengthened our

* (TRFR: Employee + Contractor)

Safe Travel Policy and have been training our employees as well as our extended driver network about safe on-road behaviours.

Wellbeing for all

Alongside safety at work, supporting our people's physical, mental and emotional wellbeing has never been more important. We dialled up our systematic approach on wellbeing with customised interventions for various employee segments. We provided our people a range of tools to help them to focus on their wellbeing.

In a wider focus on mental health across the business, we took this conversation to our frontline teams, training 45 blue-collar Mental Health Champions (MHCs) across 10 factory locations and we have over 850+ trained MHCs. As a result of our sustained efforts, we saw the reflections in our annual employee survey, UniVoice, with 85% office based employees and 96% factory employees sharing their belief that the Company cares for their wellbeing.

Attracting and retaining talent

In an highly competitive talent market, we made concerted efforts to attract and retain talent. We continued to build meaningful and deep engagements with students, digitally as well as on campus, to strengthen our employer brand and attract the best talent for the Company. Our purpose-led and future-fit vision and culture ensured that we cemented our position as the 'No. 1 Employer of Choice' across industries in 2021. In a resurgent talent market, our voluntary attrition continued to be well below the FMCG industry benchmarks.

Preparing for the Future of Work

The world of work is changing. Our 2021 employee survey showed that 91% of our people believe we have become simpler, faster and more agile in the last 12 months. Covid-19 has been a catalyst to expand flexible and more inclusive ways of working. We also continue to build organisational capabilities with a clear focus on functional learning to enable our people to upskill and reskill for their roles and help them prepare for the changing landscape of work. In our latest employee survey, 87% of our people in offices and 94% of our people in factories believe that the Company provides opportunities for skill development to advance them towards a successful future.

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a) Becoming more agile

We are transforming how we work at HUL by introducing more flexible and agile ways of working that unlock capacity and help individuals find a meaningful and balanced way of working. Our AI-powered internal talent marketplace allows us to match people with specific skills to projects that require them. This helped us assign resources to over 500 business critical projects when teams faced capacity constraints.

b) Nurturing our growth culture

Our endeavour is to shape a Growth Culture based on three tenets: Human, Purposeful and Accountable. Using our future-fit plans, our people are shaping development and career plans based on their purpose. We sustained very high engagement levels – 85% in offices and 95% in factories – which places us in the top quartile for employee engagement compared to industry benchmark.

c) New ways of working

We implemented a best-in-class Return to Workplace programme and co-created our hybrid ways of working, keeping employee context and flexibility at the heart. We continue to create flexible working options for our people and have launched new employment models, U-Work and Open2U, built on the premise of providing flexibility combined with security.

*excluding employees onboarded with the merger of GSK CH

d) A beacon for equity, diversity & inclusion

We also want to be a workplace where everyone feels they belong and are able to thrive. This means creating an inclusive culture free from the barriers that limit people in reaching their true potential. We have identified our equity, diversity and inclusion priorities – gender, people with disabilities and LGBTQI+ communities. We are building the capabilities of our business leaders and HR practitioners to support equity advocacy, diversity awareness and psychological safety in their teams.

We continue to make progress in our commitment to be gender balanced across our managerial levels within the next few years. In calendar year 2021, we improved our gender balance from 42% to 44%*at managerial levels. Another step in our diversity journey has been the introduction of 250+ women in our extended sales ecosystem and the addition of 186 women on our shopfloor. In 2021, we also launched the HUL ProUd network as an employee resource group for LGBTQI+ employees and allies.

To support the agenda of ending the silence on domestic violence, in March 2021, we launched the #UnMute campaign. We aim to address the issues related to women safety by enabling our employees and extended value chain, to become the voice of allyship on women’s safety and domestic violence. As part of this campaign, we have raised awareness among employees and over 100,000 women in our extended value chain on safety at work, safety in public spaces and safety at home. We aim to continue this journey and reach 500,000 women by the end of 2022.



Customers

We work with our many retail partners to help them grow sustainably alongside the Company.

We have a long-standing relationship with our customers that is based on trust and mutuality of interest. We continue to work with all our partners including small family-owned stores to large organised retail and e-Commerce to serve the evolving needs of our shoppers. Our endeavour is and has always been to ensure that our brands are easily available wherever shoppers choose to shop.

Our brands are present in over 9 million retail outlets spread across the country through a network of 3500+ distributors, who are the backbone of our retail reach. We also reach our consumers through large, organised retailers, e-Commerce and omnichannel customers as well as our own D2C platforms. As a gateway to the people who buy and use our products, these customer partners are critical to our success.

Selling with purpose

Protecting lives and livelihoods of our people and of those in our extended value chain became even more important during the pandemic. During the second wave of Covid-19, we extended medical assistance via our Medical and Occupational health team as well as through Covid-19 warriors working on ground across the country. We continued to follow appropriate safety protocols while also using our learning from the previous year to ensure the smooth running of operations.

Through our Shakti initiative, which helps enhance livelihoods and financially empower rural Indian women, we have now reached over 1.6 lakh Shakti entrepreneurs. We are now working to create a larger social impact by making these Shakti entrepreneurs future-fit through sessions on nutrition awareness, waste recycling, women empowerment etc. With these inputs, they could truly become vehicles of social change and impact in their villages.

A shifting retail landscape

India’s retail landscape is rapidly evolving as technology continues to influence consumer behaviour, with shoppers’ path to purchase now spanning various channels and devices. The fast-evolving shoppers of today move seamlessly between online and offline channels, seeking convenience, value and premiumisation across categories. To service the needs of these discerning digital shoppers, we have adapted a D4C (Design for Channel) approach in launching brands and SKUs. At the same time, we also have a few premium brands going D2C through digital means.

Traditional Kirana stores, which continue to be the largest ecosystem for consumers to access their favourite brands, is witnessing the evolution of e-B2B and eB2C offerings. At the same time, organised retail is undergoing consolidation and customers are expanding with omnichannel offerings. We are seeing the rise of new models like social commerce, where people shop through social media platforms, and quick commerce, where people expect to receive their orders in less than an hour, often, within 15 minutes of the orders being placed.

Partnering for growth

As the customer landscape continues to evolve, we have been taking several steps to ensure that our partners and distributors remain future-fit. We are supporting traditional trade in their efforts to embrace technology. Shikhar – our e-B2B solution for online ordering - to give our retailers a safe, non-contact way of interacting with us at convenient times to place orders, track stock and shipments, and see prices and promotions. With a large number of our traditional trade business having access to Shikhar app, our ability to accept their orders allowed us to service the needs even during Covid-led lockdowns. This solves two main challenges that a retailer faces: capital and space, by empowering them to order online at their convenience, getting fast and reliable service and improving assortment. Not only does this create a better experience for our customers, but it also helps them increase sales. We have scaled up Shikhar by onboarding over 8 lakhs stores.

We are increasingly designing products and organising our business to suit the requirements of our Modern Trade and e-Commerce channel partners. We are collaboratively working with them to create growth plans based on shopper centric innovations and activations. We continue to enhance our capabilities such as performance marketing, deploying advanced analytical tools and executing Market Development initiatives at scale to engage shoppers both online and in-stores.

The Pharma channel offers a strategic growth opportunity and an essential platform for operating in the more premium and specialised Health & Beauty segment. This year, we piloted various initiatives to understand the product portfolio, content and in-store execution, and the route-to-market interventions needed to win in this channel. We are also engaging with medical professionals and pharmacists to educate them on products and their benefits, through our ‘Expert’ channel.

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Suppliers & business partners

We are working more closely with our many suppliers and partners to deliver our strategy.

Our supplier ecosystem is an integral part of our business delivery helping us to innovate our products and drive mutual and sustainable growth. Involving lakhs of people in India as well as around the world - from small local producers to large multinationals, we partner with around 1,300 suppliers who provide us with goods and services such as raw materials, logistics, advertising, professional services and much more.

Strengthening agility and resilience

The pandemic-induced restrictions continued to challenge supply chains, with lockdowns affecting our suppliers' businesses in many parts of the world. Commodities, packaging and transport, all experienced significantly high levels of inflation. We also experienced a marked increase in supply volatilities from the pandemic as well as by supply-demand imbalances, energy crisis, production curbs, cross border restrictions and geopolitical challenges.

To ensure business continuity, our teams acted fast by securing material supplies, onboarding many new suppliers, making strategic interventions and designing to value. We operated in a dynamic manner, shortened our planning cycles to ensure we responded quickly to the changing environment. Our R&D and Supply Chain teams worked closely with local suppliers for capability development to improve supply reliability, while also increasing value chain transparency and cost competitiveness. We localised sourcing of many of our chemicals by developing alternative supplier capacity in India and leveraged the growing domestic chemicals industry, to reduce our import dependency. We have developed manufacturing capabilities for small quantities, making the production process more agile and responsive.

We worked closely with our supply partners and made strategic interventions to manage prices and demand spikes/supply shocks, utilising multi-modal logistics. We looked at all cost lines of our P&L with a sharp focus to cut costs and minimise the impact of inflation. Further, we extended our efficiency improvement programme to our suppliers to reduce inefficiencies and wastage from their processes, thereby reducing cost and enabling growth.

Collaborative and intelligent growth

We worked alongside our suppliers to respond to the demand variations across product categories during the current volatile environment. The value of data insights, smarter sourcing and more real-time visibility of goods and logistics became clearer. This is a key focus for us - we are using increasingly sophisticated digital tools to identify new potential innovation partners, onboarding new suppliers by conducting virtual audits, monitoring and reviewing quality performance online, and tracking logistics and supply risks in real time.

Partnering with purpose

The support of our suppliers, who are the gateway to the lakhs of people in our wider supply chain, is critical to our progress towards key aims such as reducing carbon emissions, protecting nature, and improving diversity and inclusion. We can only achieve our ambitious goals by bringing our supply partners with us - in doing so, we believe we are positioning both our business and theirs for growth. Our 'Partner with Purpose' programme aims at building an open, inclusive supplier ecosystem to deliver growth, while doing good for the people and planet.

We worked extensively with our supply partners on integrating better with our supply chain. For instance, producing packaging materials closer to our factories helps us improve material availability while reducing carbon footprint. For agricultural commodities like Tea, Coffee, Tomato, Dairy and Cereals, we are developing integrated local partnerships across the value chain to help drive transparency, sustainability, competitiveness and resilience, while creating a positive social impact on smallholder farmers. Partnerships based on clear standards of responsible sourcing strengthen our supply chain and the businesses within it. Our Responsible Sourcing & Business Partner Policy (RSBPP) sets out our commitment to conduct business with integrity, and with respect for universal human and labour rights as well as environmental sustainability. It's a crucial part of the due diligence we undertake to identify and encourage remediation of issues by suppliers. We are launching a refreshed RSBPP in 2022 with an expanded focus on climate and nature - and a new requirement for suppliers to pay a living wage instead of a minimum wage, which will be introduced progressively covering all by 2030.



Planet & society

Our Business will not prosper without a healthy planet and society.

Our approach to sustainability continues to recognise the interconnection of the planet and society - and that sustainability can be a driver of business performance.

Improving the health of our planet

India has seen several incidents linked to global warming in 2021 alone, from a glacier collapse in the Himalayas, to a sweltering heat wave and three cyclones that occurred within a few days of each other causing considerable damage to lives and livelihoods. The urgency to tackle climate change, reduce plastic waste and protect nature has never been greater.

Climate action

Climate Action is at the heart of our business strategy. We are committed to the Unilever Climate Transition Action Plan that sets out the steps that will be taken to reduce emissions and achieve net zero in our operations by 2030.

A waste-free world

Your Company has achieved plastic neutrality by collecting and responsibly processing over 1.16 lakh tonnes plastic in 2021. We have a framework called 'Less Plastic, Better Plastic, No Plastic' with which we evaluate our plastic footprint. For instance, we have reduced virgin plastic usage by replacing them with Post-Consumer Recycled (PCR) plastic for Vim Dishwash, Surf excel Matic, Surf excel Easy Wash, Rin Matic and Comfort etc.

We are working with leading organisations such as UNDP and Xynteo to change consumer behaviour of plastic segregation at source to build a better ecosystem for post consumer recycle uses and it's circularity. So far, the project has reached out to more than 75,000 households.

Protect and regenerate nature

We continue to work towards a deforestation-free supply chain. Unilever's People & Nature Policy enhances supplier requirements around no deforestation and human rights for our key commodities. Our Regenerative Agriculture Principles guides our suppliers and farmers, including smallholders, on how to nourish soil and water, capture carbon and restore land. We are sourcing nearly 95% of tomatoes used in Kissan ketchup sustainably. We have sourced and procured over 68% of tea from sustainable

sources and by the end of 2021, 100% of the chicory was sourced sustainably.

Through the Hindustan Unilever Foundation (HUF), a not-for-profit company that works in the area of water management, we reached over 10,000 villages. Along with its partners, the foundation has delivered a cumulative and collective water potential of over 1.9 trillion litres through improved supply and demand water management, over 1.3 million tonnes of agricultural and biomass production, and over 60 million person-days of employment in financial year 2020-21.

A fairer, more inclusive world

We are helping to build more resilient and equitable communities by raising living standards, advancing equity, diversity and inclusion.

Raising living standards

Growing inequality in society has direct impact on consumption and India has one of the highest gap. We have taken an ambitious target to ensure everyone in our value chain who directly provide goods/services to us shall earn a living wage by 2030. Through Prabhat, our community development initiative around HUL's sites, we have trained women and youth in employable and future-fit skills such as IT, electrical, plumbing, solar technician, tailoring, beauty and more. In our journey to build a fairer and more inclusive future, we have been training people with disabilities, transgenders, sex workers, widows and other vulnerable communities, through Project Prabhat's 18 livelihood centres.

Equity, diversity and inclusion

We believe that until social justice and fairness become commonplace, it is our responsibility to drive equity and create a fairer, more socially inclusive society. We have achieved 44%* gender diversity in 2021 across our managerial base and have a strong roadmap to be gender balanced by 2025. Through several programmes we are striving to enhance women representation on the shop floor. Samavesh is our project to improve women participation in our factory shop floors. With our Ahilya initiative, we are empowering women to become sales professionals. Our ambition is to achieve 5% of our workforce to be made up of people with disabilities by 2025.

* excluding employees onboarded with the merger of GSK CH

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Improving health, confidence and wellbeing

Through our brands and our operations, we continue to promote health and wellbeing, inclusive beauty and positive nutrition – finding ways to power growth through purpose.

Health and wellbeing

Lifebuoy’s purpose is preventing illness and saving lives through handwashing with soap. Its ‘H for Handwashing’ education campaign has been teaching children the importance of handwashing since its inception. To drive awareness on Covid Prevention in communities, Lifebuoy and the Federation of Indian Chambers of Commerce and Industry (FICCI) partnered for a new public service campaign called ‘It’s In Your Hands’. The campaign made a humble appeal to the people of the country, asking them to play their part in fighting the virus by practising proper hygiene, wearing a mask in the right way, maintaining social distancing, getting vaccinated and washing hands with soap.

Based on our learning from 2020, we took steps to augment health infrastructure in Covid-19 hotspots during the second Covid-19 wave. In response to the severe shortage of medical oxygen and to reduce the pressure on healthcare infrastructure, we airlifted over 5,500 oxygen concentrators from across the world. Under Mission HO₂PE, these were made available in the most impacted areas in the country. We initiated a partnership through which we executed a model that delivers oxygen concentrators to Covid-19 patients at home through a borrow-use-return model.

During the year, we launched three more Suvidha centres with the centre in Dharavi, Mumbai being one of the largest community toilets in India. ‘Suvidha’ is a first-of-its-kind urban water, hygiene and sanitation community centre,

that was first set up at Ghatkopar, one of the largest slums in Mumbai. Inspired by the success of the first seven Suvidha centres, along with Municipal Corporation of Greater Mumbai & HSBC. We have announced the plan for establishment of 10 more Suvidha centres across the city.

Positive nutrition

Your Company’s ‘Future Foods’ ambition demonstrates our commitment to being a force for good. Your Company is continuously working to improve its products to help people transition towards healthier diets. Your Company’s aim is to help people make the transition to healthier eating by providing positive nutrition. Foods that deliver positive nutrition are defined as products containing impactful amounts of vegetables, fruits, proteins, fibre, unsaturated fatty acids or micronutrients such as vitamins, zinc, iron and iodine. Your Company has committed to double the number of products sold that deliver positive nutrition by 2025.

Respecting and promoting human rights

We aim to advance and promote respect for human rights in everything we do – within our workplaces, through our supply and distribution chains and through our brands. With our suppliers, peers, industry bodies, trade unions and civil society we are working to address human rights impact and ensure that all those connected to our value chain are treated with respect, dignity and fairness.

In addition to this, our Code of Business Principles (‘the Code’) upholds the principles of human rights and fair treatment. The Code also conforms to the International Labour Organisation (ILO) principles. The principles of human rights are followed in the same spirit within and outside the organisation when engaging with business partners.



Shareholders

We are focusing on our strategic choices to deliver 4G growth i.e. consistent, competitive, profitable and responsible growth

This financial year was unpredictable and challenging with continued pressure from Covid-19 and unprecedented cost inflation. As global supply chains were disrupted, firstly, due to the pandemic and then later due to the geopolitical crisis, inflation in many commodities like crude oil derivatives, vegetable oils, packaging, etc. rose to historic highs resulting in significant input cost pressures. High inflation also resulted in a marked moderation in FMCG market growth with volumes declining in second half of the year.

Our performance

In a challenging environment, we have shown resilience and agility to deliver strong all-round performance. Our reported turnover and net profit grew 11% and 11% respectively in financial year 2021-22. We further cemented our leadership position with highest YoY market share gains* in more than a decade. More than 75% of our business is winning market share, both value and volume. We have gained market shares in all our divisions, across price segments and across regions.

In our divisions, Home Care delivered a strong performance, growing 19% led by double-digit growth in both Fabric Care and Household Care. Beauty & Personal Care grew 8% with Skin Cleansing and Hair Care performing well on a strong base comparator. Skin Care and Colour Cosmetics portfolio which was impacted due to Covid-19 led mobility restrictions recovered during second half of the year and was ahead of pre-pandemic levels in the latter half of the year. Foods & Refreshment continued to perform well and grew 7% on an exceptionally high base. Ice Cream made a strong comeback and was significantly ahead of pre-pandemic levels. Tea delivered another year of strong performance, strengthening value and volume market leadership.

Our dynamic financial management, a strong savings programme and calibrated pricing actions helped protect our business model against rising input costs as we kept our EBITDA margins at a healthy 25%. Our cash from operations (after taxes) was at ₹11,684 crores.

* As per Nielsen Market Report (for HUL relevant categories)

Your Directors are pleased to recommend a final dividend of ₹19/- per equity share of face value of ₹1/- for the year ended 31st March, 2022. The interim dividend of ₹15/- per share was paid on 12th November, 2021. The total dividend for the financial year ended 31st March, 2022 amounts to ₹34/- per share of face value of ₹1/- each.

Our strategic choices for growth

Last year we set out in detail the Compass strategy to deliver our vision. The five clear choices we have made in our strategy – portfolio, brands, channels, structure & capabilities, and culture – the continued delivery of our five Growth Fundamentals, have been playing an important role in building momentum across the business.

Developing our portfolio

We continue to invest in building a future-fit portfolio and create long-term value. We are strengthening our core, creating categories of the future through market development, and driving premiumisation by upgrading consumers to higher order benefits.

We are driving growth in our core portfolio by focusing on product superiority and building purposeful brands. Our biggest brand Surf excel, for instance continued to build its relevance through the iconic campaign ‘Dirt is Good’ and has been delivering strong results for us.

With a wide and resilient portfolio that straddles the price-benefit pyramid our consumers are able to choose their trusted brands at various price points. Even our highly penetrated categories like Fabric Wash and Tea offer opportunities to grow through premiumisation. Our brands like Surf excel, Dove, TRESemmé, Brooke Bond are responding to the needs of the consumers and leading premiumisation in their respective categories. In early 2021, we also setup the Premium Beauty Business unit (PBBU) to strengthen our play in the fast growing ‘Masstige’ beauty segment. Overall, these actions have yielded good results as our premium portfolio grew ahead of the rest of the portfolio during the financial year 2021-22.

We have a strong track record of seeding and building scale in new categories through market development activities.

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For instance, our liquid detergents and fabric conditioners grew 4 times in last 5 years to become a ₹1,700 crores business. We are also covering portfolio white spaces through Mergers & Acquisitions. Indulekha, a specialist natural hair care brand with strong Ayurveda credentials has grown 6x since its acquisition in 2016. VWash, a female intimate hygiene brand acquired in 2020 is gaining good traction with consumers. With the merger of GSK CH, we acquired strong brands and capabilities in the functional nutrition space. Overall, our market development portfolio performed well in the financial year 2021-22.

Winning with our brands as a force for good, powered by purpose and innovation

We see an increasing number of consumers preferring trusted brands that not only deliver great products, but also positively impact people and planet. With more than 100 PhD scientists working across three R&D centres in India and access to the work done by 5,000 people in Global R&D function of Unilever, we have the largest R&D function across FMCG companies in India. Using world-class technology, we continuously strive to bring superior products which are also good for the planet. For instance, our brand Surf excel has launched a new formulation for its liquid detergent with biodegradable actives, packed in 100% recyclable plastic bottles made with 50% recycled materials. Horlicks has launched Diabetes Plus which is scientifically made to support dietary management of at-risk and diabetic individuals. By harnessing digital, artificial intelligence (AI) capabilities, as well as the latest IT solutions, our newly set up Agile Innovation Hub is transforming HUL's speed of innovation using a unique digital innovation workflow.

Leading in the channels of the future

Advancement in technology is increasingly influencing consumer behaviour. While traditional Kirana stores continue to be the largest ecosystem for consumers to access their favourite brands, e-Commerce is growing at a fast pace. There is also consolidation amongst customers, evolution of the e-B2B firms and omnichannel ecosystems. With quick commerce, shoppers now have a choice of express/instant deliveries in many places. As the distribution landscape is rapidly transforming, we are clearly focussed in ensuring that our brands are available wherever shopper wants to shop.

Design for Channel has been one of the strategic thrusts for us and we are designing products and organising our business for organised retail by collaborating with our customers and partners. Shikhar, our e-B2B online ordering solution is a real gamechanger for us. We believe that by

helping smaller retailers engage with the digital economy through Shikhar, we can help them build more resilient and profitable businesses that also grow our sales. We have now scaled Shikhar to cover more than 8 lakhs stores.

We are also expanding our digital presence through D2C platforms – we now have D2C websites for our premium brands like Lakmé, Indulekha, Simple and a multi-brand platform UShop. This allows consumers access to their favourite brands directly from our platforms and get it home delivered giving them a unique shopping experience. All these initiatives have now enabled us to capture more than 20% of our demand digitally and gives us a unique ability to run our demand generation and demand fulfilment activities in a disruptive way.

Building differentiated structure and capabilities

Rapid digitalisation in our country has transformed the market dynamics across sectors. This has led to fragmentation of consumer choice, new channel shifts and the creation of service ecosystems. Our Reimagine HUL journey continues to help us accelerate our shift towards becoming an “Intelligent Enterprise”. Subsequent to the digitalisation of our process, we are now focussing on creating connected ecosystem across consumer, customer and operation, supported by data, technology and analytics at its core.

As part of the consumer ecosystem, we are focused on faster-better innovation, leveraging next generation media tools to reach consumers effectively and efficiently, and building consumer engagement platforms. In the customer ecosystem, we are building competitive moats across demand capture, demand fulfilment and demand generation by digitalising our operations and leveraging data-driven analytics. To drive agility and resilience for our business, optimise costs with a focus on sustainable growth, our supply chain is undergoing a transformation. We continue to treat data as an enterprise asset and are enabling data-led decision making in all parts of our business. We are integrating data from disparate internal and external data sources and are analysing them to enable better and faster data-led decision making across the business.

Winning in Many Indias (WiMI) has been a cornerstone of our strategy. Looking at the diverse nature of our country we have de-averaged India into 15 consumer clusters. This brings us close to the consumers and allows us to capture consumer trends at a granular level. With the help of these rich granular insights, we are able to deploy customised strategies to drive growth. As consumers increasingly become more discerning our WiMI strategy will continue to keep us future-fit.

Building a purpose-led, future-fit organisation and growth culture

We believe that when employees are clear on their purpose in life and how this connects to the work they do, they are more engaged and willing to go the extra mile. Working with purpose is at the heart of our culture. This also helps us attract the best talent, as evidenced by our status as number one employer of choice across industries in the country. We are transforming how we work at HUL by introducing more flexible and agile ways of working. We continue on our journey to build a diverse and inclusive organisation through our progressive policies. We are reskilling and upskilling our people, and embracing hybrid ways of work to prepare for the future of work. We continue to build organisational capabilities with clear focus on functional learning priorities and embedding digital-first mindset to make our people future-fit.

Technology absorption

The 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, Bengaluru and Gurgaon 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.

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.

We have an existing Technical Collaboration Agreement (TCA) and a Trademark License Agreement (TMLA) with Unilever since 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.

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B. Our risks and opportunities
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 generated by our business and the markets we operate in. 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 (Code) and Code Policies;
- Our ambition 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 and Board & Board Committees including, where appropriate, the Chief Executive Officer and Managing Director, Chief Financial Officer, Audit Committee, Risk Management Committee.

For each of our principal risks we have a risk management framework detailing the internal 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 short and long term as well as internal and external risks including financial, operational, sectoral, sustainability (particularly Environment, Social and Governance related risks), information, cyber security, legal & compliance and any other risks as may be determined by the Company Leadership teams. How the identified risks are changing as well as emerging risk areas are reviewed on an ongoing basis, and formally by Risk Management Committee and the Board at least twice a year.

Processes

HUL engages in 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

In 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.

Our principal risks have not changed this year. However the Macro economic and Geopolitical movements, rapidly evolving business transformation, heightened ESG focus and increasing vulnerability of systems and information have accentuated the risks in these areas. Much of our risk mitigation focus during the year has been on managing these risks.

Key areas where we believe there is an increased level of risk compared to last year are as under–

1. **Macro-economic and geopolitical volatility**
Heightened risk due to inflationary and supply chain pressures, geopolitical and Covid-19 uncertainties.
2. **Systems & Information**
Greater exposure to Cyber risks with increased digitisation of business and the cyber attacks being increasingly active and sophisticated.

3. Rapidly changing Business Models

Rapidly evolving consumer behaviour, new-demand spaces and changing shopping habits; Transforming retail channel landscape; Pandemic accelerated reconfiguration of work protocols-hybrid models; Heightened ESG focus.

The potential impact and likelihood of certain principal risks remain heightened due to the Covid-19 pandemic. These risks are the safety and wellbeing of our employees and the extended value chain, continuity of operations, and IT availability.

We regularly review our risk areas and the Company leadership retains the responsibility for determining the nature and extent of significant risks and drawing out commensurate mitigation plans. We identify the most relevant risks for our business and reflect on whether the level of risk associated with each of our principal risks is increasing or decreasing.

We set out below our principal risks, certain mitigating actions that we believe help us to manage our risks and the increase/decrease corresponding to each of these.

Risk	Risk Description	Management of Risk	Level of risk
Brand preference	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. We see a growing trend for consumers preferring brands which both meet their functional needs and have an explicit social or environmental purpose. Under indexation of product portfolio in segments where substantial market is moving to, may lead to loss of market share and long-term competitive disadvantage. Our ability to create innovative products that continue meeting the needs of consumers and deploy the right communication, both in terms of messaging content and medium is critical to the continued strength of our brands. The Covid-19 pandemic has driven significant changes in consumer habits and demands which requires rapid evolution of portfolio and continued innovations to remain relevant and competitive.	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 R&D function actively identifies ways to translate trends in consumer preferences into new technologies for incorporation in 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. Our brand teams are driving social purpose into their brand’s proposition and communications.	↔ No Change
	Legal & Regulatory 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, data privacy, corporate governance, listing & disclosure, food quality compliance, labour laws, consumer communications, imports among others, 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 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.	

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Risk	Risk Description	Management of Risk	Level of risk
Supply chain	<p>Our business depends on purchasing materials, efficient manufacturing and the timely distribution of products to our customers.</p> <p>Our supply chain network is exposed to potentially adverse events such as physical disruptions, environmental and industrial accidents, labour unrest, trade restrictions or disruptions at a key supplier, which could impact our ability to deliver orders to our customers.</p> <p>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.</p> <p>Covid-19 and geopolitical uncertainty around the world has challenged and continues to challenge the resilience and continuity of our supply chain. Maintaining manufacturing and logistics operations will continue to require ongoing focus and flexibility.</p>	<p>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.</p> <p>Commodity price risk is actively managed through forward buying of traded commodities, other hedging mechanisms and product pricing. Trends are monitored and modelled regularly and integrated into our forecasting process.</p> <p>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.</p>	<p>↑ Increased</p>
Business transformation	<p>Successful execution of business transformation projects is key to delivering their intended business benefits and avoiding disruption to other business activities.</p> <p>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. Ineffective execution of strategic business transformation projects could result in under-delivery of the expected benefits/synergies, inability to unlock growth opportunities and a significant negative impact on the value of the business.</p> <p>Continued digitalisation of our business models and processes, together with enhancing data management capabilities, is a critical part of our transformation.</p>	<p>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.</p> <p>The digitalisation of our business is led by a dedicated specialist team together with representatives from all parts of the business to ensure an integrated and holistic approach. New ways of working and business models are constantly being explored to manage our business optimally in changing times.</p>	<p>↔ No Change</p>
Macro-Economic Volatility	<p>Uncertain macro-economic outlook coupled with geopolitical uncertainties may impact consumer demand for our products, disrupt sales operations and/or impact the profitability of our operations.</p> <p>Prolonged and accentuated inflationary pressure; rise in unemployment, fall in disposable incomes could lead to a demand shock.</p>	<p>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 market conditions have given us experience of operating and developing our business successfully during periods of economic & political instability.</p>	<p>↑ Increased</p>

Risk	Risk Description	Management of Risk	Level of risk
Plastic packaging	<p>We use a significant amount of plastic to package our products. A reduction in the amount of virgin plastic we use, the use of recycled plastic and an increase in the recyclability of our packaging are critical to our future success.</p> <p>Consumer and customer responses to environmental impact of plastic waste and emerging regulations by Government 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 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.</p>	<p>We are working on three different streams to address the risk:</p> <p>Advocacy: We are working with Government and Industry bodies on packing substitutes, central regulation for all States, improving recycling infrastructure for plastics, framing of EPR regulation framework.</p> <p>Collection and Recovery: We are driving waste management pilots through tie-ups with various companies/NGOs deploying mass collection, processing and disposal models. We are also helping consumers to understand waste segregation and disposal methods. In 2021, we achieved plastic neutrality by collecting and responsibly processing over 1.16 lakh tonnes plastic.</p> <p>Design and development of alternative packaging: We are committed to make 100% of our plastic packaging reusable, recyclable or compostable by 2025 and are working on innovative solutions for accelerated development of alternative packaging and associated Supply Chain capability in order to reduce usage of virgin plastic.</p>	<p>↔ No Change</p>
Systems & information	<p>Your Company's operations are increasingly dependent on IT systems and the management of information.</p> <p>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.</p> <p>Increasing digital interactions with customers, suppliers and consumers place greater emphasis on the need for secure and reliable IT infrastructure and careful management of the information that is in our possession to ensure data privacy.</p> <p>Given the changes in ways of working of all our employees as well as our customers and suppliers, with increased activities online, there has been a greater reliance on certain elements of our IT infrastructure. We are particularly reliant on third party experts in this space and thus the impact of any disruptions on their operations also poses a risk for us. Accelerated pace of digitisation of our operations also gives rise to the need to detect and mitigate risks arising from technological advancements such as deployment of AI, Robotics Process Automation, Machine Learning.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>We are increasingly putting in place review and monitoring frameworks for new age automations to assess inherent open risks and mitigate the same.</p>	<p>↑ Increased</p>

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Risk	Risk Description	Management of Risk	Level of risk
Quality and safety	<p>The quality and safety of our products are of paramount importance for our brands and our reputation.</p> <p>The risk that raw materials are accidentally or maliciously contaminated throughout 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.</p>	<p>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.</p>	<div>↔</div> <p>No Change</p>
Talent	<p>Ensuring employee safety and wellbeing is a key priority for us. A skilled workforce and agile ways of working are essential for the continued success of our business</p> <p>Covid-19 has had a significant impact on people's lives, therefore helping our employees manage this impact and their ability to work effectively require continued focus.</p> <p>Covid-19 accelerated the shift to remote working. We are now working in an interweaving ecosystem of physical and virtual work spaces and our ability to manage hybrid ways of working will be the key to operational effectiveness. There is an imminent need to re-engage and redeploy our workforce to pre-covid levels.</p> <p>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.</p> <p>Our ability to attract, develop and retain a diverse range of skilled people is critical if we are to compete and grow effectively.</p> <p>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.</p>	<p>In light of Covid-19, we have been proactive and swift in ensuring safe working conditions and providing the necessary infrastructure and equipment across all operations to strictly adhere to government guidelines on Covid-19 safety measures.</p> <p>Our working spaces have been reconfigured with renewed protocols in line with return to work requirements post Covid-19.</p> <p>We constantly invest in upskilling, reskilling, redeployment and dynamic allocation of our talent. We regularly review our ways of working to drive speed and simplicity through our business in order to remain agile and responsive to marketplace trends. We are adopting flexible ways of working to unlock internal capacity and optimise talent deployment.</p> <p>Over the years we have developed a good equity to attract top talent. 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 and niche talent and we actively monitor our performance in retaining a diverse talent pool within HUL.</p>	<div>↔</div> <p>No Change</p>

Risk	Risk Description	Management of Risk	Level of risk
Ethics	<p>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.</p> <p>Acting in an ethical manner, consistent with the expectations of customers, consumers and other stakeholders, is essential for the protection of the reputation of HUL and its brands. Any significant breach to our Code by employees or extended enterprises would lead to damage to HUL's corporate reputation and business results.</p>	<p>Our Code and our 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 and our Code Policies are clearly defined and regularly communicated throughout HUL. Data relating to such breaches is reviewed by HUL Management Committee and by relevant Board Committees that help to determine the allocation of resources for future policy development, process improvement, training and awareness initiatives. Our Responsible Sourcing Business Partner Policy help us improve the lives of the people in our supply chains by ensuring human rights are protected and makes a healthy and safe workplace a mandatory requirement for our suppliers</p> <p>We have detailed safety standards and monitor safety incidents at the highest level. Through our Brands with Purpose agenda, a number of our brands are taking action on societal issues such as fairness and equality</p>	<div>↔</div> <p>No Change</p>
Climate change	<p>Climate change and governmental actions to reduce such changes may disrupt our operations and/or reduce consumer demand for our products.</p> <p>Climate change may impact our business in various ways through increased costs or reduced growth and profitability. Physical environment risks such as water scarcity could impact our operations, reduce demand for our products that require water during consumer use or decrease 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.</p> <p>Increased frequency of extreme weather events such as high temperatures, hurricanes or floods could cause increased incidence of disruption to our supply chain, manufacturing and distribution network.</p> <p>Market risks associated with the energy transition and rising energy prices could disrupt our operations and increase costs.</p> <p>Our inability to reduce our carbon footprint and meet conscious consumption agenda across consumer segments may be detrimental to our reputation and growth in the long term.</p>	<p>As part of our sustainability targets, we monitor climate change and are responding by ensuring that we reduce the environmental impact of our operations to the extent possible.</p> <ul style="list-style-type: none">Remove as much carbon from our operations and supply chain as we canSustainably source all our key commoditiesEnsure deforestation-free supply chain <p>In order to deal with the water scarcity and quality problems in the country, we are making water saving formulations available for seasonal deployment across portfolios. We also have ongoing plans to de-seasonalise our product portfolios to deal with extreme unfavourable seasonal swings. We monitor governmental developments around actions to combat climate change and take proactive action to minimise the impact on our operations.</p>	<div>↑</div> <p>Increased</p>

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Opportunities

Opportunities	What We are doing to respond to	
Growing in channels of the future	<p>With the 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. Covid-19 has caused rapid digitisation of purchase behaviours which require us to accelerate development of our e-Commerce and e-RTM capabilities.</p> <p>Strategically designed and flawlessly executed e-RTM, B2B solutions and E2E Supply Chain transformation would open up a huge opportunity to tap into the new age channels and drive business growth.</p>	<p>While HUL continues to drive growth in the traditional trade and route to market, it is also critical to increase the Company's footprint in emerging channels. Covid-19 has accelerated the shift of consumers to online with the trend of e-everything becoming highly discernible. Your Company is working on rapid proliferation of technology enabled distribution models to engage key customers and consumers strategically.</p> <p>Several new initiatives have been piloted which include digitisation of general trade through our eB2B app Shikhar, smart demand capture, leveraging opportunities in Omni channel, B2B2C and e-Commerce.</p>
Future-fit portfolio	<p>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 spaces such as masstige, health and hygiene, digital first brands, naturals and therapeutics.</p>	<p>Our strategy and our business plans are designed to ensure that resources are prioritised towards high growth segments. As an outcome of Covid-19 there has been an upswing in categories like health, hygiene and nutrition. We have a strong pipeline of relevant innovations and are staying close to consumers by proactively spotting consumer insights and capturing potential trends to adapt to the emerging demand patterns in the short term and prepare for any structural changes in the medium term. We are also focused on making brands aspirational and driving premiumisation across the breadth of the product portfolio. HUL has significantly enhanced brand propositions and marketing investments to increase adoption in under-penetrated categories.</p>
Digital transformation	<p>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. The ability to keep our operations future-fit through building digital capabilities in systems, workforce and business models will help us stay agile and respond in time to evolving stakeholder requirements.</p>	<p>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 'Reimagine HUL' to capture the digital opportunity. Pre-empting the imminent disruption, we have established a sharp digitalisation agenda in each function. These 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 with strong focus on external orientation and partnerships across large IT Companies/Industry Bodies. We are also invested to make sure that our talent is digitally enabled and future-fit to ride the digital transformation wave.</p>
ESG focus	<p>The effects of climate change and nature loss are becoming ever more apparent and increasingly urgent. Our stakeholders recognise that responsible business practices are critical to generating long term value.</p> <p>Your Company is committed to operate and grow the business in a responsible way. Our Compass commitments guide our purpose and vision. Your Company has the opportunity to leverage its ESG credentials for a consumer perception benefit.</p>	<p>HUL is a frontrunner in sustainable business practices. Through the Compass we have integrated our sustainability and business strategies. We aim to demonstrate that robust financial results are not contrary to sustainable business; in fact, they are complementary.</p> <p>The Company has a strong governance mechanism in place consisting of cross functional steering committees to action our ESG commitments. We are constantly driving advocacy around sustainability and getting broader industry participation to lead the change.</p>

Financial Review

Results

	₹ in crores	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Turnover	50,336	45,311
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	12,503	11,324
Profit before exceptional items and tax	11,773	10,717
Profit for the year	8,818	7,954

Division Wise Turnover

	₹ in crores	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
	Turnover	Others*
Home Care	16,470	108
Beauty & Personal Care	19,157	303
Foods & Refreshment	14,020	85
Others (including Exports and consignment sales)	689	361
Total	50,336	857
	45,311	685

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

Summarised Profit and Loss Account

	₹ in crores	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Turnover	50,336	45,311
Other operational income	857	685
Total Revenue from operations	51,193	45,996
Operating Costs	38,690	34,672
Profit before Depreciation, Interest, Tax (PBDIT)	12,503	11,324
Depreciation	1,025	1,012
Profit before Interest & Tax (PBIT)	11,478	10,312
Other Income (net)	295	405
Profit before exceptional items	11,773	10,717
Exceptional items	(34)	(227)
Profit before Tax (PBT)	11,739	10,490
Taxation	2,921	2,536
Profit for the year	8,818	7,954
Basic EPS (₹)	37.53	33.85

Key Financial Ratios:

Particulars	2021-22	2020-21
Return on Net Worth (%)	18.6	17.0
Return on Capital Employed (%)	107.8	113.0
Basic EPS (after exceptional items)	37.53	33.85
Debtors Turnover	28.1	30.2
Inventory Turnover	13.8	14.0
Interest Coverage Ratio	129.2	108.8
Debt Service Coverage Ratio	21.4	20.2
Current Ratio	1.3	1.3
Debt Equity Ratio	0.02	0.02
Operating Profit Margin (%)	22.8	22.8
Net Profit Margin (%)	17.5	17.6

The calculation for above ratios (including restatement of prior year ratios, wherever necessary) is in accordance with formula prescribed by Guidance note on Schedule III issued by the Institute of Chartered Accountants of India.

Opening balances for FY 2020-21 have been adjusted for GSK CH merger

Increase in Return on Net Worth is led by PAT growth

There is no significant change (i.e. change of 25% or more as compared to the FY 2020-21) in the other key financial ratios.

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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 by average shareholder's equity.
- (ii) **Return on Capital Employed**
Return on Capital Employed (ROCE) indicates the ability of a Company's management to generate returns for both the debt holders and the equity holders. It measures a Company's profitability and the efficiency with which its capital is used. It is calculated by dividing profit before exceptional items, interest and tax by capital employed. Capital Employed = tangible net worth + total debt + deferred tax liability.
- (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**
Debtors Turnover measures the efficiency at which the firm is managing the receivables. 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 measures the efficiency with which a Company utilises or manages its inventory. It establishes the relationship between sales and average inventory held during the 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 earnings available for debt service by interest payments.
- (vii) **Debt Service Coverage Ratio**
Debt Service coverage ratio is used to analyse the firm's ability to pay-off current interest and instalments. It is calculated by dividing earnings available for debt service by debt service.
- (viii) **Current Ratio**
The Current Ratio indicates a Company's overall liquidity position. It 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.
- (ix) **Debt Equity Ratio**
Debt Equity 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 total debt by shareholder's equity.
- (x) **Operating Profit Margin (%)**
Operating Profit Margin is used to calculate the percentage of profit a Company produces from its operations. It is calculated by dividing EBIT by turnover.
- (xi) **Net Profit Margin (%)**
The net profit margin is equal to how much net profit is generated as a percentage of revenue. It is calculated by dividing net profit by turnover.

Other Financial Disclosures

There were no material changes and commitments affecting the financial position of the Company which occurred between the end of the financial year to which this financial statement relates on the date of this Integrated Annual Report.

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

Capital Expenditure (including Intangible Assets)during the financial year was at ₹919 crores (₹4,051 crores in the previous financial year).

During the financial year, your Company did not accept any public deposits as defined 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 cash and bank balance of ₹3,618 crores (financial year 2020-21: ₹4,321 crores), as on

31st March, 2022. 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:

	₹ in crores)	
	For the year ended 31st March, 2022	For the year ended 31st March, 2021
Foreign Exchange earnings	1,527	1,407
Foreign Exchange outgo	3,131	2,698

Includes all Indian subsidiaries, excludes Unilever Nepal Limited

Performance of subsidiaries

The summary of performance of the subsidiaries is provided as below:

Unilever India Exports Limited
Unilever India Exports Limited is a wholly owned subsidiary of the 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, Horlicks, Boost and to effectively provide cross-border sourcing of FMCG products to other Unilever companies across the world.

The topline growth of the Company was driven by robust growth in Personal Wash, Personal care, and Culinary products portfolio. Brands like Dove, Vaseline, Lakmé, Glow & Lovely, Horlicks, Lifebuoy, Knorr and Kissan have registered healthy growth in the focused markets.

Lakme Lever Private Limited
Lakme Lever Private Limited is a wholly owned subsidiary of the Company. The Company is engaged in Salons business and also operates a manufacturing unit at Gandhidham which carries out job work operations for your Company by manufacturing toilet soaps, bathing bars and detergent bars.

The company delivered robust topline and bottom line growth led by recovery in the salon business which was impacted by Covid-19 during the previous financial year. With focus on safety, quality of operations, expert treatments and prudent cost optimisation, the salon business continues to perform well in the beauty services category. Job work business continues its strong top line and bottom line growth momentum.

It has over 400 owned/managed and franchisee salons. At Lakmé Salon, safety and wellbeing of our experts and consumers have always been the topmost priority. This is assured by detailed Lakmé SOPs, rigorous training and high-quality products. The stringent safety and hygiene protocols rolled out after the first wave were strengthened when salons reopened post wave 2. The extended team comprising the housekeeping staff, experts, salon managers and business partners have been trained and audited continuously to ensure complete adherence to protocols. The safety standards were communicated in an authentic and credible manner leveraging walk throughs and client testimonials with the Safer than Home campaign. This has improved company's 'Net Promoter Score' which is in the healthy range of 85 to 90%.

Innovations like Free Spirits – vibrant colours, Beautysutra facials and manicure/pedicure treatments and Tresplex hair treatments added excitement to our comprehensive Runway Secrets portfolio. Thematic campaigns – Good Hair Day, Happy New You and Hair Tech helped gain new clients and sustain existing ones. Lakmé Salon was awarded several awards notable amongst which are Best Franchisor – Beauty and Wellness at the Franchise India Summit and Best National Salon Chain at the Salon Congress.

Hindustan Unilever Foundation
Hindustan Unilever Foundation (HUF) is a not-for-profit company that anchors water management related community development and sustainability initiatives of Hindustan Unilever Limited. The company 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 currently reach over 10,000 villages* in 46 Districts in 8 States and 2 Union Territories across India in partnership through 15 NGO partners and multiple co-funders. The Company also supports several knowledge initiatives in water conservation, governance and behaviour change.

By the end of financial year 2020-21, the cumulative and collective achievements through partnered programmes of the Company (independently assured) include:

- Water Conservation: Over 1.9 trillion litres of water potential created;
- Crop Yield: Additional agriculture production of over 1.3 million tonnes has been generated;
- Livelihoods: Over 60 million person-days of employment have been created though water conservation and increased agriculture production*.

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

During the year, UNL enhanced its growth trajectory which was broad based across all categories. UNL has maintained its bottom-line performance, driven by mix, judicious price management and by leveraging the current manufacturing capability. Transformation programmes such as Distributor Management System and SAP migration

*The significant reach and livelihood impact are on account of HUF's support to MGNREGS programme partnership in West Bengal with PRADAN, a reputed non-profit organisation. This programme reaches out to over 7,000 villages across 54 blocks in 6 districts.

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are helping in faster decision-making, localised and swifter innovation delivery and increased speed-to market.

Unilever India Limited

Unilever India Limited is a wholly owned subsidiary of your Company that had been incorporated to leverage the growth opportunities in a fast-changing business environment. Presently, it is in the process of setting up its manufacturing facility at Sumerpur, Uttar Pradesh. It is proposed to manufacture detergent powder at this facility.

This company is on-track to commission its factory and start commercial production in the financial year 2022-23.

Other Subsidiaries

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

Bhavishya Alliance Child Nutrition Initiatives is a not-for-profit subsidiary of your Company and has discontinued operations.

Daverashola Estates Private Limited is a subsidiary of your Company which currently has no business activity. There is an ongoing litigation on the property owned by the company in Tamil Nadu.

Jamnagar Properties Private Limited is a subsidiary of your Company and has currently discontinued operations.

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.

The Scheme for merger of Ponds Exports Limited and Jamnagar Properties Private Limited into Unilever India Exports Limited was filed with the Hon'ble National Company Law Tribunal, Mumbai on 1st July, 2021. As on date, the final order on the company petition for merger is awaited.

During the year, your Company has obtained a certificate from the Statutory Auditors certifying that the Company is in compliance with the Foreign Exchange Management Act with respect to the downstream investment made in its subsidiary company i.e. Unilever India Limited.

C. 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/>. No employee has been issued share options during the year equal to or exceeding one percent 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 23rd July, 2012, the Company adopted the '2012 HUL Performance Share Scheme'. In accordance with the terms of the Performance Share Scheme, 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 2021-22.

The employees of the Company are eligible for Unilever share award plans, namely Performance Share Plan (PSP) and the SHARES plan. Through PSP, all managers are eligible to receive a conditional grant of Unilever shares on an annual basis. The Target PSP share award is equivalent to 50% of the Target Bonus for Managers and 100% of the Target Bonus for Senior Leaders. The actual share grant is determined by the line manager basis the employees' sustained impact, leadership and future-fit talent profile. These shares vest after a 3 year period with vesting being determined by Company performance against metrics.

Under the SHARES Plan, eligible employees can invest in the shares of Unilever PLC (Holding Company) up to 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 plan. 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(12) 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 an Annexure to this Integrated Annual Report. Details of employee remuneration as required under provisions of Section 197(12) of the Companies Act, 2013 and Rule 5(2) and 5(3) of the Rules are available on the Company's website at <https://www.hul.co.in/investor-relations/annual-reports/hul-annual-report-related-documents/>.

Dividend

Your Directors are pleased to recommend a final dividend of ₹19/- per equity share of face value of ₹1/- each for the year ended 31st March, 2022. The interim dividend of ₹15/- per equity share was paid on Friday, 12th November, 2021.

The final dividend, subject to the approval of Members at the Annual General Meeting on Thursday, 23rd June, 2022, will be paid on or after Monday, 27th June, 2022 to the Members whose names appear in the Register of Members, as on the Book Closure date, i.e. from Friday, 17th June, 2022 to Thursday, 23rd June, 2022 (both days inclusive). The total dividend for the financial year, including the proposed final dividend, amounts to ₹34/- per equity share and will absorb ₹7,989 crores. 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, ₹12.11 crores of unpaid/unclaimed dividends were transferred during the financial year to the Investor Education and Protection Fund.

Mergers and Acquisitions

There were no mergers/acquisitions during the year.

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 2021-22 are appended as an Annexure to this Integrated Annual 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 of Business Principles (Code) and Code Policies. Our employees undertake mandatory annual training on these Policies via online learning modules and sign an annual Business Integrity Pledge. Our Business Integrity governance framework includes clear processes for dealing with Code breaches.

During the financial year, we closed 52 incidents across all areas of our Code and Code Policies, with 21 confirmed breaches. During the year, we terminated the employment

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of 7 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 through 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 Code Policies have been reviewed to align them with the changes in the internal and the external environment.

Our Responsible Sourcing 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (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.

Pursuant to Section 92(3) read with Section 134(3)(a) of the Act, the Annual Return as on 31st March, 2022 is available on the Company's website on <https://www.hul.co.in/investor-relations/annual-reports/>.

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). Your Company's POSH Policy is now inclusive and gender neutral, detailing the governance mechanisms for prevention of sexual harassment issues relating to employees across genders including employees who identify themselves with LGBTQI+ community.

While maintaining the highest governance norms, the Company has appointed external independent persons who have prior experience in the areas of women empowerment and prevention of sexual harassment, as Chairpersons of each of the Internal Committees. During the year, 2 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. During the year, your Company organised offline training sessions on the topics of Gender Sensitisation and Code Policies including POSH for all office and factory based employees.

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/investor-relations/corporate-governance/>. The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties.

All Related Party Transactions and subsequent material modifications 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, as per the materiality threshold adopted by the Board of Directors, 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, based on the recommendation of Nomination and Remuneration Committee, the Board of the Directors approved the appointment of Ms. Ashu Suyash (DIN: 00494515) as an Additional Director - Independent Director, of the Company, with effect from 12th November, 2021, which was subject to shareholders approval.

Securities Exchange Board of India vide Third Amendment Regulations, 2021 read with the corrigendum to Listing Regulations has stipulated the requirement of attaining approval of shareholders by means of a special resolution, for appointment of an Independent Director on the Board of Directors either at the next general meeting or within a

time period of three months from the date of appointment, whichever is earlier, effective from 1st January, 2022. Even though the requirement of obtaining shareholder approval was effective only from 1st January, 2022, as part of good Corporate Governance practice, the Company has received approval of the Members of the Company by means of Special Resolution through Postal Ballot for appointment of Ms. Ashu Suyash as an Independent Director of the Company for a period of 5 (five) years with effect from 12th November, 2021 to 11th November, 2026.

The Board of Directors based on the recommendation of the Nomination and Remuneration Committee appointed Mr. Nitin Paranjpe (DIN: 00045204) as an Additional Director - Non-Executive Director designated as Chairman of the Company with effect from 31st March, 2022, subject to approval of shareholders. Mr. Sanjiv Mehta will continue as the Chief Executive Officer and Managing Director of the Company with effect from 31st March, 2022. The Board of Directors had expressed their deep sense of appreciation and gratitude to Mr. Sanjiv Mehta for the immense contribution made by him as Chairman of the Board and the Company and the manner in which he had led the Board and the Company.

Members at the 83rd Annual General Meeting of the Company held on 30th June, 2017 had approved the appointment of Mr. Dev Bajpai (DIN: 00050516), as the Whole-time Director of the Company for a period of five years with effect from 23rd January, 2017 till 22nd January, 2022. The Board of Directors had based on the recommendation of Nomination and Remuneration Committee and subject to approval of the Members, approved the re-appointment of Mr. Dev Bajpai, as a Whole-time Director and Company Secretary of the Company for a further period of 5 years, with effect from 23rd January, 2022 to 22nd January, 2027.

The Company has received approval of the Members of the Company on 16th April, 2022 through Postal Ballot for appointment of Mr. Nitin Paranjpe as Non-Executive Director and re-appointment of Mr. Dev Bajpai as a Whole-time Director.

As per the provisions of the Act, the Independent Directors are 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 in 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, five meetings of the Board of Directors were held. The details of meetings held and Director's attendance are provided in the Corporate Governance Report, which forms part of this Integrated Annual Report.

Management Committee

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

During the year, the Board of Directors approved the appointment of Mr. Srinandan Sundaram, Executive Director, Customer Development as Executive Director, Foods and Refreshment in succession of Mr. Sudhir Sitapati, who had decided to pursue an external opportunity.

Further, the Board of Directors approved the appointment of Mr. Kedar Lele as Executive Director, Customer Development and a Member of Management Committee replacing Mr. Srinandan Sundaram. Ms. Priya Nair, currently, Executive Director Beauty & Personal Care has been appointed Chief Marketing Officer, Beauty & Wellbeing at Unilever. Accordingly, the Board of Directors approved the appointment of Mr. Madhusudhan Rao as Executive Director, Beauty & Personal Care and a Member of Management Committee of the Company in succession to Ms. Priya Nair.

Ms. Prabha Narasimhan, Executive Director, Home Care decided to leave the Company to pursue an external opportunity. The Board of Directors of the Company approved the appointment of Mr. Deepak Subramanian as Executive Director, Home Care and a Member of Management Committee of the Company, in succession to Ms. Prabha Narasimhan.

The Board places on record its appreciation for the leadership and invaluable contribution made by Mr. Sudhir Sitapati, Ms. Priya Nair and Ms. Prabha Narasimhan during their tenure as Members of Management Committee of the Company.

Report of Board of Directors
and Management Discussion and Analysis

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 Integrated Annual 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 has appointed M/s. R A & Co., Cost Accountants as Cost Auditors for the financial year 2022-23.

The Board of Directors had appointed M/s. S. N. Ananthasubramanian & Co., Company Secretaries to conduct Secretarial Audit for the financial year 2021-22.

The Secretarial Audit Report forms part of this Integrated Annual Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Disclosure

The details in relation to Internal Financial Controls, Director's Remuneration Policy and the composition of Audit Committee, establishment of Vigil Mechanism for raising concerns by Directors, employees, any other persons including vendors, contractors, sub-contractors, consultants, trainees, shareholders, former employees or any other third parties, is provided in the Corporate Governance Report forming part of this Integrated Annual Report.

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

Compliance with Secretarial Standards

The Company has complied with all the applicable provisions of Secretarial Standard on Meetings of Board of Directors (SS-1), Revised Secretarial Standard on General Meetings (SS-2), Secretarial Standard on Dividend (SS-3) Secretarial Standard on Report of the Board of Directors (SS-4) 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 are essential to grow your Company's business and to reach the ambitious targets set out in the Compass sustainability commitments. The Code of Business Principles, 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 our partners, suppliers, customers, employees, shareholders, Government, Non-Governmental Organisations (NGOs), trade associations and industry bodies. Through the underlying standards set in Code and Code Policies, your Company is committed to transparency, honesty, integrity and openness in all its engagements with the various stakeholders. Details on stakeholder engagement is provided in the Business Responsibility Report on pages 72 to 85.

Outlook

Our overarching goal remains the delivery of 4G growth – that is, growth which is consistent, competitive, profitable and responsible. In the backdrop of a challenging operating environment in this fiscal, we dynamically managed our business to deliver strong bottomline performance whilst growing our consumer franchise and made significant progress on our strategic priorities.

We will continue to take this approach in financial year 2022-23 where operating environment is expected to remain challenging with further input cost inflation and soft FMCG market growth. Our strategic clarity, the strength of our brands, our execution prowess, agility and adaptability will continue to hold us in good stead. We remain confident of outpacing FMCG market growth and maintaining margins at healthy levels.

Notwithstanding these near-term challenges, Indian FMCG sector offers significant potential for growth. In the mid-long term, we will continue to create value for all our stakeholders by growing ahead of the market, delivering modest margin expansion and through disciplined use of capital.

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 all employees 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.

The Directors regret the loss of lives and are deeply grateful, share their immense respect for every person who risked their life and safety to fight this pandemic.

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

On behalf of the Board

Nitin Paranjpe
Chairman
(DIN: 00045204)

Mumbai, 27th April, 2022