HINDUSTAN UNILEVER LIMITED

TAX TRANSPARENCY REPORT

FY 2021-22

Hindustan Unilever Limited

Contents

Introduction

Hindustan Unilever Limited **(hereinafter referred as HUL, 'we', 'us', 'our', 'the Company')** is part of the Fast-Moving Consumer Goods (FMCG) industry, with an Annual Revenue of INR 52,000+ crores in FY 2021-22, Profit before Tax of INR 11,800+ crore and Profit after Tax of INR 8800+ Crores. HUL has a presence in India (~99% in revenue terms) and Nepal (~1% in revenue terms) and has ~21000 employees. Our total tax contribution during FY 2021-22 was **INR 8446 crores** which includes direct taxes paid and indirect tax collected and contributed to the exchequer.

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

We, being part of the Unilever Group, follow the Unilever Code of Business Principles.

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

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

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

We are pleased to announce our first tax transparency report for FY 2021-22.

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

Ritesh Tiwari	**Shikha Gupta**	**A Ravishankar**
Chief Financial Officer	Tax Head	Group Controller & Head IR

Hindustan Unilever Limited

Tax Principles

Our tax principles

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

1. Compliance

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

2. Transparency

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

3. Transfer pricing

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

Our approach to transfer pricing

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

4. Structure

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

5. Tax havens

Secrecy jurisdictions, or so-called 'tax havens', are not used for tax avoidance. We, as part of Unilever group, use the OECD definition of tax havens. HUL does not have any operations in the notified tax havens.

6. Accountability & governance

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

We report to our Board's Audit Committee on tax strategy and provide updates on tax regulation and key tax challenges we are facing. The Audit Committee receives an annual update on the HUL's effective tax rate, tax provisions, key tax issues, and compliance with the Tax Principles.

Hindustan Unilever Limited

TAX STRATEGY

Our tax strategy

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

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

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

This means that we must:

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

Sensitivity: Public

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

TAX RISK FRAMEWORK

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

Managing our tax risk

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

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

Our risk appetite

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

How we manage our tax risk

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

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

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

We monitor the filing of all corporate income tax returns across entities and related tax payments.
As part of Unilever Group, the Tax Risk Framework being followed, sets out the key tax risks and the mitigating actions that we take to manage and monitor those risks.

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

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

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

Total Tax Contribution

✓ **Entities in scope:**

HUL, Unilever India Limited, Ponds' Exports Limited, Lakme Lever Private Limited, Unilever India Limited, Jamnagar Properties Private Limited, Daverashola Estates Private Limited, Hindustan Unilever Foundation, Bhavishya Alliance Child Nutrition Initiatives, Hindlever Trust Limited, Levindra Trust Limited, Levers Associated Trust Limited, Unilever Nepal Limited

✓ **Basis of preparation:**

- The amounts reported under 'Total Tax Contribution' are for the period 1 April 2021 to 31 March 2022
- The information has been reported at a country level by relying upon the tax payments made during the aforesaid period by entities in scope
- The tax contribution in Nepal jurisdiction has been converted from NPR to INR using an average FX of NPR 0.63/INR
- **Our total tax contribution consists of –**
    - Taxes borne are the company's own contribution in taxes that impact their results, e.g., corporate taxes computed as a basis of taxable income
    - Taxes collected are those administered by the company on behalf of government and collected from others, e.g., tax deduction at source from employees' salary and in-turn deposited with the government

India & Nepal
INR 8446 Crores

Summary of HUL's Total Tax Contribution for FY 2021-22:

INR Crores

Sr. No.	Country	Total Taxes borne	Total Taxes collected	Total Taxes contributed
1.	India	3394	4930	8324
2.	Nepal	76	46	122
	Total	**3470**	**4976**	**8446**

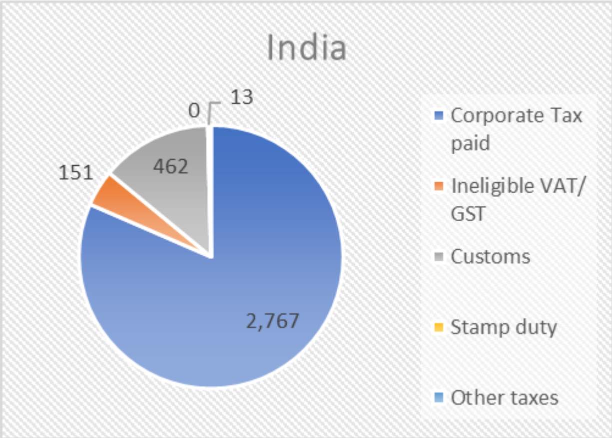
A) **TAXES BORNE**

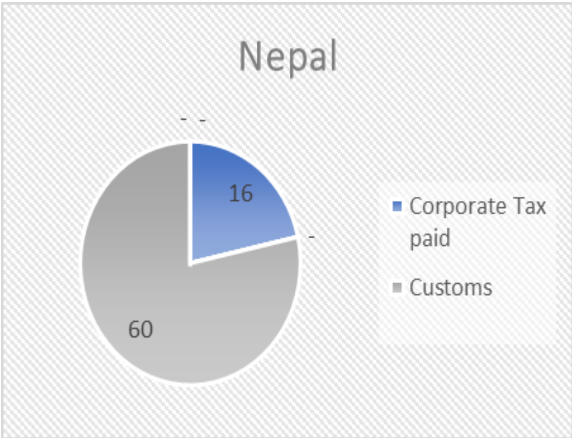
- **Corporate Tax** – taxes payable on profits of the company including the taxes withheld by the third parties on payments made to us and deposited on our behalf with the government. The amount also includes any taxes paid in cash as self-assessment tax(es), relating to prior period or cash tax paid against a tax demand raised. Further, wherever the past year(s) tax refund was received during the year, it has been netted off against tax paid to reflect the actual cash tax outflow
- **Custom Duty** - Duties paid by us on the import of goods across a border
- **Property Tax** - Property tax is an ad valorem tax assessed on real estate by a local government and paid by the property owner. These reflect the taxes paid by us as a result of occupation of land and/ or property in the countries where we conduct our operations
- **Ineligible GST/ VAT –** Refers to GST/ VAT paid but not eligible for setoff / credit
- **Others** - Includes other taxes borne by the company in relation to business operations performed in the countries where we operate

B) **TAXES COLLECTED**

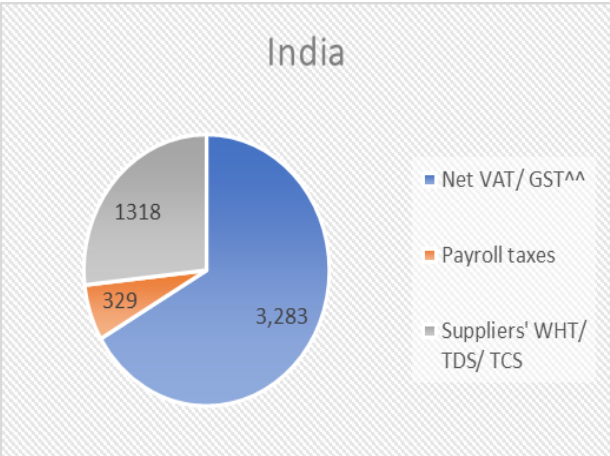
- **GST/ VAT:** Goods and Service Tax (GST)/ Value Added Tax (VAT) is a consumption tax that is levied on the added value. GST/ VAT represents the tax billed by us to the customers which was collected by us from customers and eventually, paid to the respective jurisdictional governments. We also incur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

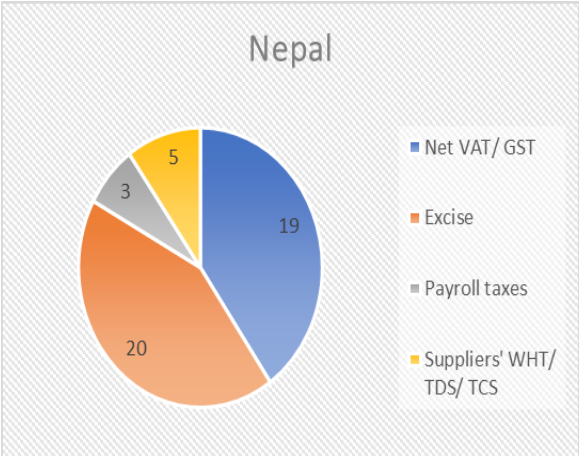
Breakup of Taxes Borne:





Breakup of Taxes collected:





^^ Output GST collected - INR 17346 Crores net off Input Tax Credit – INR 14063 Crores

Other Financial Information:

		INR Crores				
Tax jurisdiction	**Nature of activities in country**	**Average Employees**	**Revenue**	**Profit before Tax**	**Corporate tax accrued**	**Profit after tax**
India	Manufacturing and sale of fast-moving consumer goods, saloon business, others	20593	52005	11794	2969	8825
Nepal	Manufacturing and sale of fast-moving consumer goods	239	441	83	16	67
Total		**20823**	**52446**	**11877**	**2985**	**8892**