



HINDUSTAN UNILEVER LIMITED INTERNAL AUDIT CHARTER

Mission of Internal Audit

Help management achieve their strategic objectives by bringing a systematic, risk-based approach to evaluating and improving corporate governance, risk management and internal controls.

1. Purpose of the Charter

The purpose of this Charter is to define the nature, role, responsibilities, status, and authority of the Internal Audit function within Hindustan Unilever Ltd.

2. Ownership, Maintenance and Authorization of the Charter

The owner of this Charter is the General Manager – Control Assurance Department (referred to as GM - CAD). The Audit Committee of the Board of Directors of HUL approved the Charter on October 19, 2021. This Charter will be reviewed once in three years by the GM - CAD and updated as required. Any change to this Charter will require approval from the Audit Committee. An abridged version of the updated and approved Internal Audit Charter shall be disclosed on the Company's website at www.hul.co.in.

3. Objective of Internal Audit

Internal Audit function assists management in protecting HUL's assets, reputation, and sustainability by independently and objectively evaluating the design, implementation and effectiveness of internal controls, risk management and governance processes.

The activities of Internal Audit function consist of but are not limited to, assessing the combined effectiveness of governance, organization, policies, procedures, and systems.

Internal Audit function may provide consulting services where the nature and scope of the services intend to add value and improve HUL's governance, risk management and control processes. When performing consulting services, Internal Audit function must maintain objectivity and must not assume management responsibility.

4. Internal Audit function Structure

GM - CAD shall preferably be a Finance Professional with commensurate experience and knowledge.

HUL has an outsourced model where external Audit Firms – Big 4s (excluding. Statutory Auditors) and Tier 2 firms are hired to execute audits.

GM – CAD shall ensure that the team’s strength shall be adequate to ensure coverage of the annual plan and the objectives to be achieved during the year. GM – CAD shall also ensure that the firms deploy audit staff with sufficient knowledge, skills, experience, and professional certifications. Subject Matter Experts (SMEs) with requisite blend of Finance, Technical, Data & Analytics knowledge are onboarded for complex/special audit assignment.

The external audit firms shall comply with the principles of this Charter.

Guest Auditors from various functions of HUL with relevant knowledge/expertise are onboarded to assist in Internal Audit work for specific assignments.

5. Authority

Internal Audit function derives its authority from the Audit Committee and is authorized to:

- have full, free, and unrestricted access to all HUL records, functions, physical properties, and personnel, including where appropriate outsourced operations. Any limitation in the scope of Internal Audit function needs to be disclosed to Audit Committee.
- allocate resources, set frequencies, determine scope of work, and apply the techniques required to accomplish audit objectives.

6. Independence and Objectivity

GM – CAD reports functionally to the Chairman of the Audit Committee and administratively to the CFO. Internal Audit function must not participate in any activity or relationship that has the potential to impair its objectivity and must avoid conflicts of interest. Where such a conflict occurs, GM – CAD must report this to the Audit Committee. GM – CAD shall confirm annually the organizational independence to Audit Committee.

7. Governance

Management is responsible for the design, implementation and operation of a governance and control framework which supports the achievement of strategic business objectives.

Three lines of Defence model

HUL’s approach to risk management will follow the principle of three lines of defence – 1) risk ownership, 2) risk management and compliance, and 3) independent assurance.

The first line of defence is the business and consists primarily of the risk owners. The second line of defence facilitates risk management and compliance. The third line of defence, Internal Audit function, provides independent assurance on the adequacy and effectiveness of the systems of internal control, risk management and governance.

Based on the assurance, Internal Audit function recommends improvements that are agreed with management and pursue corrective actions on identified issues until implementation.

Positioning of Internal Audit function in the Organization

Internal Audit function is independent of senior management, which has responsibility for the first and second lines of defence. Internal Audit function is not responsible for any management decisions or activities. This positioning enables Internal Audit function to provide independent assurance on the effectiveness of the systems of internal control, risk management and governance.

Committees

GM – CAD shall meet periodically with Audit Committee to report activities since the previous meeting including significant audit findings, update on past audit findings, future activities relating to regular audits and special projects, acts of fraud, theft or misconduct, and other matters believed to be of sufficient magnitude and importance. Additionally, GM – CAD shall also meet privately with the Audit Committee, as part of the periodical Internal Audit update.

GM – CAD is authorized to communicate directly in confidence with the Audit Committee and Management Committee of HUL, including but not limited to the CEO, CFO and General Counsel.

8. Responsibilities

To realize the objective of the function, Internal Audit function supports the Management and Audit Committee to improve the control environment through independent review of effectiveness of controls, risk management and governance. This includes the following responsibilities:

- Prepare and execute a risk-based audit plan which is approved by the Audit Committee.
- Identify, and agree with management, opportunities to improve internal controls, risk management and governance processes and verify that such improvements are implemented within a reasonable period. Ensure that these are brought to the attention of the Audit Committee, as appropriate.
- Issue periodic reports to management and the Audit Committee, summarizing the progress and results of the annual audit plan, as well as on the sufficiency of Internal Audit function budget and resources.
- Provide periodic reporting on issue and action tracking based on Management Information.
- Conduct special audits or investigations as directed by Audit Committee, Management, or suo-moto in case of matters of suspected fraud, irregularity, or failure of internal control system.

- On a periodic basis, discuss the audit plan and findings with the external / Statutory Auditors of the Company.
- Consider the scope of work of the external auditors, Unilever Corporate Audit, UniOps and Controllers teams, as appropriate, to provide optimal audit coverage.
- Include Subsidiaries/Joint Ventures in audit scope.

9. Additional Notes

Professional Practice

Internal Audit function executes its duties freely and objectively in accordance with the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors (IIA). Internal Audit function shall also adhere to the Code of Ethics of The Institute of Internal Auditors. Internal Audit's methodology shall also align with the local professional auditing standards and guidance.

Confidentiality

Internal Audit function will maintain appropriate confidentiality while discharging its duties, knowing Internal Audit function has access to highly sensitive data and information.

Quality Assurance

GM – CAD shall ensure that high standards are sustained in the Internal Audit function process and towards this, he/she shall:

- Ensure an Independent/Peer Review of the Internal Audit function is carried out at intervals not exceeding 5 years.
- Establish quality assurance and improvement program that covers all aspects of Internal Audit activities including its conformance to standards of IIA.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.