



*Hindustan Unilever Limited*

**ANNUAL REPORT**

**2016-17**

MAKING  
SUSTAINABLE  
LIVING  
COMMONPLACE

# OUR PURPOSE

HINDUSTAN UNILEVER LIMITED HAS A CLEAR PURPOSE – TO MAKE SUSTAINABLE LIVING COMMONPLACE. WE BELIEVE THIS IS THE BEST WAY TO CREATE LONG-TERM VALUE FOR ALL OUR STAKEHOLDERS, ESPECIALLY IN A VOLATILE AND UNCERTAIN WORLD.

Our Purpose inspires our Vision – to accelerate growth in our business, while reducing our environmental footprint and increasing our positive social impact. We want our business to grow, but we recognise that growth, at the expense of people or the environment, is both unacceptable and commercially unsustainable. Sustainable growth is the only acceptable model for our business.

Our Purpose and Vision combine a commercial imperative to succeed against competition, with the changing attitudes and expectations of consumers. This Annual Report and Accounts explains how, in 2016-17, we have continued to pursue our Purpose and work towards making our Vision a reality. During the year, we continued to deliver growth that is consistent, competitive, profitable and responsible. This track record of long-term success is underpinned by the Unilever Sustainable Living Plan (USLP), which helps us manage risk, inspires brand purpose and innovation, drives down costs to improve returns and builds trust among consumers across our categories and operations.

Our success depends on the expertise and talent of our people. They are constantly challenged by an environment that remains volatile, uncertain, complex and ambiguous. Digitisation is impacting all aspects of life. At the same time, it is getting easier to enter our industry. The market is fragmenting as a result of changes in consumer habits, sales channels and the media. This is why the Company is also changing through the business transformation programme, Connected 4 Growth, which we started to implement during 2016. It is creating a business which is more consumer and customer-centric, faster, more efficient and empowered so that our people can meet these challenges with the necessary resources.

As part of this change, we are adopting new ways of working to be more entrepreneurial to complement our existing category strategies. In turn, these clearly-defined strategies across our four categories ensure that the Company has a well-balanced and resilient portfolio relevant to meeting our Purpose and Vision.

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## ONLINE

You can find more information about Hindustan Unilever Limited online at [www.hul.co.in](http://www.hul.co.in). For further information on the Unilever Sustainable Living Plan (USLP) visit [www.hul.co.in/sustainable-living](http://www.hul.co.in/sustainable-living)

## ABOUT US

NINE OUT OF TEN INDIAN HOUSEHOLDS USE OUR PRODUCTS EVERYDAY TO FEEL GOOD, LOOK GOOD AND GET MORE OUT OF LIFE.

### OUR CATEGORIES AND BRANDS

Each of our categories - Home Care, Personal Care, Foods and Refreshments, includes a portfolio of brands that aim to deliver consistent, competitive, profitable and responsible growth. Our endeavour is supported by consistent investment in product innovation and marketing activities. With over 35 brands spanning 20 distinct categories including soaps, detergents, shampoos, skin care, toothpastes, deodorants, cosmetics, tea, coffee, packaged foods, ice cream, frozen desserts and water purifiers, the Company is a part of the everyday life of millions of consumers across India. Our portfolio includes leading household brands such as Lux, Lifebuoy, Surf excel, Rin, Wheel, Fair & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, Axe, Brooke Bond, BRU, Knorr, Kissan, Kwality Wall's and Pureit.

### WHERE WE OPERATE

Hindustan Unilever Limited operates across the length and breadth of India. We have over 18,000 employees working across our factories and offices. Conducting our operations with integrity and respect for the many people, organisations and the environment that our business touches, has always been at the heart of our corporate responsibility.

#### ₹ 1,000 CRORE + BRANDS

1. Lux
2. Dove
3. Clinic Plus
4. Pond's
5. Vim

#### ₹ 2,000 CRORE + BRANDS

1. Surf excel
2. Brooke Bond
3. Wheel
4. Rin
5. Lifebuoy
6. Fair & Lovely

## OUR STRATEGIC FOCUS

OUR CATEGORIES HAVE CLEARLY DEFINED STRATEGIES WITH THE COMMON GOAL OF GROWTH THAT IS CONSISTENT, COMPETITIVE, PROFITABLE AND RESPONSIBLE.

Further binding the category strategies together are our Compass pillars which define how Unilever wins with consumers. They are:

- Winning with Brands and Innovation
- Winning in the Marketplace
- Winning through Continuous Improvement
- Winning with People

Underpinning the Compass is the USLP which is the foundation of our business. By delivering social and environmental benefits throughout our business, we drive our growth, which in turn drives our ability to improve the lives and opportunities of people, everywhere.

The USLP contributes directly to consistent growth by helping manage risk, for example, through the supply of sustainably-grown agricultural raw materials, such as vegetables in our Foods brands. This is especially important as climate change affects rainfall. It drives growth that is competitive, by stimulating innovation to create brands that meet the growing consumer demand for sustainable products. Profitable growth is achieved by reducing costs through sustainable production methods in our factories, which reduce waste, use fewer raw materials and consume less energy. Responsible growth is an outcome of the trust that we earn by acting ethically and responsibly.

Each of our four category strategies includes specific priorities aimed at growing sales and delivering improved financial metrics, such as margin and cash flow.

Our categories face numerous and increasingly complex challenges as the industry experiences rapid fragmentation and disruption. However, our Compass pillars provide strategic responses to help drive growth ahead of the market.

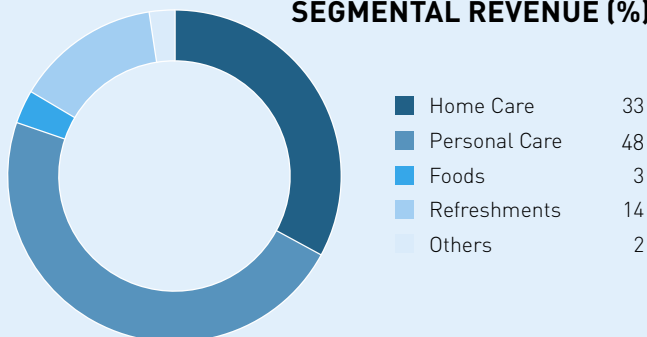
Our success as an organisation depends on our ability to identify and mitigate the risks generated by our business. In doing so, we take an embedded approach to risk management, which puts risk and opportunity assessment at the core of the leadership team agenda, which is where, we believe, it should be.

## OUR PERFORMANCE

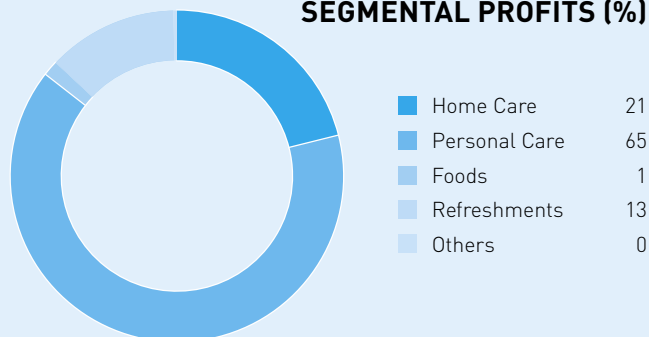
THE BENEFITS THAT OUR VISION AND STRATEGY DELIVERS, TRANSLATE INTO GROWTH ORIENTED PERFORMANCE FOR SHAREHOLDERS AND SOCIETY AT LARGE

### SEGMENT PERFORMANCE

#### SEGMENTAL REVENUE (%)



#### SEGMENTAL PROFITS (%)



### FINANCIAL

#### NET REVENUE

2016-17

₹ 34,487

crores

The Domestic Consumer business grew by 4% with 1% underlying volume growth in a challenging environment

#### EBITDA

2016-17

₹ 6,047

crores

Earning Before Interest Tax Depreciation and Amortisation (EBITDA) improved by 38 bps

#### EPS (BASIC)

2016-17

₹ 20.75

Last year basic EPS: ₹ 19.12 per share

#### CASH FROM OPERATIONS

2016-17

₹ 6,500+

crores

Cash from operations was up ₹ 1079 crores over the previous year

### NON-FINANCIAL

#### MANUFACTURING

2016

49%

Reduction in CO<sub>2</sub> emissions (kg/tonne of production) in our manufacturing operations compared to 2008 baseline

2016

53%

Reduction in water consumption (m<sup>3</sup>/tonne of production) in our manufacturing operations compared to 2008 baseline

2016

45%

Reduction in total waste (kg/tonne of production) generated from factories compared to 2008 baseline

#### BETTER LIVELIHOODS

2016

72,000

Shakti Entrepreneurs empowered

#### SUSTAINABLE SOURCING

2016

100%

Tomatoes used in Kissan ketchup sourced sustainably

#### HEALTH AND WELL-BEING

2016

>130 million

People reached through our health and hygiene programmes

## UNILEVER SUSTAINABLE LIVING PLAN

### IMPROVING HEALTH AND WELL-BEING

By 2020, Unilever will help more than a billion people take action to improve their health and well-being.

#### HEALTH AND HYGIENE

##### TARGET

By 2020, Unilever will help more than a billion people globally to improve their health and hygiene. This will help reduce the incidence of life-threatening diseases like diarrhoea.

##### PERFORMANCE

In India, over 130 million people were reached by December 2016 through programmes on handwashing, safe drinking water and sanitation.

#### NUTRITION

##### TARGET

By 2020, Unilever will double the proportion of its portfolio across the globe, that meets the highest nutritional standards, based on globally recognised dietary guidelines. This will help hundreds of millions of people to achieve a healthier diet.

##### PERFORMANCE

46% of HUL's Foods and Refreshments portfolio met the highest nutritional standards in 2016, based on globally recognised dietary guidelines.

### ENHANCING LIVELIHOODS

By 2020, Unilever will enhance the livelihoods of millions of people as it grows its business.

#### FAIRNESS IN THE WORKPLACE

##### TARGET

By 2020, Unilever will advance human rights across global operations and extended supply chain.

##### PERFORMANCE

HUL continued to embed human rights with a focus on eight salient human rights issues identified by Unilever which are documented in the 2015 Human Rights Report.

The Total Recordable Frequency Rate (TRFR) reduced to 75% in 2016 compared to 2008 baseline for accidents in HUL's factories and offices.

#### OPPORTUNITIES FOR WOMEN

##### TARGET

By 2020, Unilever will empower five million women across the globe.

##### PERFORMANCE

HUL's Shakti programme empowered 72,000 Shakti Entrepreneurs by December 2016.

#### INCLUSIVE BUSINESS

##### TARGET

By 2020, Unilever will have a positive impact on the lives of 5.5 million people across the world.

##### PERFORMANCE

HUL is running 113 livelihood and outreach centres offering over 20 courses as part of the Prabhat initiative around its manufacturing locations. As of December 2016, over 17,000 people have been successfully certified and over 12,000 people have already been linked to employment opportunities.

### REDUCING ENVIRONMENTAL IMPACT

By 2030, Unilever's goal is to halve the environmental footprint of the making and use of its products as it grows its business.

#### GREENHOUSE GASES

##### TARGET

Halve the greenhouse gas impact of Unilever's products across the lifecycle by 2030.

##### PERFORMANCE

CO<sub>2</sub> emissions (kg/tonne of production) in HUL's manufacturing operations reduced by 49% compared to 2008 baseline.

#### WATER

##### TARGET

Halve the water associated with the consumer use of Unilever's products by 2020.

##### PERFORMANCE

Water consumption (in m<sup>3</sup>/tonne of production) in HUL's manufacturing operations reduced by 53% compared to 2008 baseline.

#### WASTE

##### TARGET

Halve the waste associated with the disposal of Unilever's products by 2020.

##### PERFORMANCE

Total waste generated (kg/tonne of production) from HUL's factories reduced by 45% over 2008 baseline.

#### SUSTAINABLE SOURCING

##### TARGET

By 2020, Unilever will source 100% of its agricultural raw materials for global operations, sustainably.

##### PERFORMANCE

In India, a total of 46% of tea sourced for Unilever's brands is from sustainable sources. Nearly 99% of paper and board used for packing HUL's products is from sustainable sources.

Our USLP commitments and targets are subject to internal verification. For details of the definitions and reporting periods used in the preparation of these commitments and targets, see our Sustainable Living Section at [www.hul.co.in/sustainable-living](http://www.hul.co.in/sustainable-living)

# FINANCIAL PERFORMANCE

## 10 YEAR RECORD

### STANDALONE

(₹ crores)

Statement of Profit & Loss Account	IGAAP									IND AS	
	2007	2008-09 (15 months)	2009-10	2010-11 <sup>^</sup>	2011-12 <sup>^</sup>	2012-13 <sup>^</sup>	2013-14 <sup>^</sup>	2014-15 <sup>^</sup>	2015-16 <sup>^</sup>	2015-16 <sup>##</sup>	2016-17
Gross Sales*	14,715	21,650	18,220	20,285	22,800	26,680	28,947	32,086	33,856	32,929	33,895
Other Income	432	590	350	627	659	1,211	1,232	1,254	1,063	1,126	1,118
Interest	(25)	(25)	(7)	(0)	(1)	(25)	(36)	(17)	(0)	(15)	(22)
Profit Before Taxation @	2,146	3,025	2,707	2,730	3,350	4,349	4,800	5,523	5,910	5,977	6,155
Profit After Taxation @	1,743	2,501	2,103	2,153	2,599	3,314	3,555	3,843	4,078	4,116	4,247
Earnings Per Share of ₹ 1	8.73	11.46	10.10	10.58	12.46	17.56	17.88	19.95	18.87	19.12	20.75
Dividend Per Share of ₹ 1	9.00 <sup>#</sup>	7.50	6.50	6.50	7.50	18.50 <sup>#</sup>	13.00	15.00	16.00	16.00	17.00

\*Sales before Excise Duty Charge @ Before Exceptional/Extraordinary items <sup>^</sup>Based on Revised Schedule VI/Schedule III <sup>#</sup>Includes special dividend

<sup>##</sup>Figures are restated as per IND AS

Balance Sheet	IGAAP									IND AS	
	2007	2008-09 (15 months)	2009-10	2010-11 <sup>^</sup>	2011-12 <sup>^</sup>	2012-13 <sup>^</sup>	2013-14 <sup>^</sup>	2014-15 <sup>^</sup>	2015-16 <sup>^</sup>	2015-16 <sup>##</sup>	2016-17
Fixed Assets	1,708	2,079	2,436	2,458	2,363	2,509	2,742	2,937	3,300	3,300	4,227
Investments	1,441	332	1,264	1,261	2,438	2,330	3,094	3,278	2,967	2,780	3,779
Net Deferred Tax	213	255	249	210	214	205	162	196	231	168	160
Net Assets (Current and Non-current)	(1,834)	(183)	(1,365)	(1,269)	(1,502)	(2,370)	(2,721)	(2,686)	(2,811)	31	(1,676)
	<b>1,528</b>	<b>2,483</b>	<b>2,584</b>	<b>2,660</b>	<b>3,513</b>	<b>2,674</b>	<b>3,277</b>	<b>3,725</b>	<b>3,687</b>	<b>6,279</b>	<b>6,490</b>
Share Capital	218	218	218	216	216	216	216	216	216	216	216
Reserves & Surplus	1,221	1,843	2,366	2,444	3,297	2,458	3,061	3,509	3,471	6,063	6,274
Loan Funds	89	422	-	-	-	-	-	-	-	-	-
	<b>1,528</b>	<b>2,483</b>	<b>2,584</b>	<b>2,660</b>	<b>3,513</b>	<b>2,674</b>	<b>3,277</b>	<b>3,725</b>	<b>3,687</b>	<b>6,279</b>	<b>6,490</b>

<sup>^</sup>Based on Revised Schedule VI/ Schedule III <sup>##</sup>Figures are restated as per IND AS

Key Ratios and EVA	IGAAP									IND AS	
	2007	2008-09 (15 months)	2009-10	2010-11 <sup>^</sup>	2011-12 <sup>^</sup>	2012-13 <sup>^</sup>	2013-14 <sup>^</sup>	2014-15 <sup>^</sup>	2015-16 <sup>^</sup>	2015-16 <sup>##</sup>	2016-17
EBITDA (% of Gross Sales)	14.1	14.0	15.1	13.2	14.4	15.0	15.5	16.2	16.9	17.5	17.8
Fixed asset Turnover [No. of Turnover]	8.6	8.3*	7.5	8.3	9.6	10.6	10.6	10.9	10.3	10.0	8.0
PAT / Gross Sales (%)	11.8	11.6	11.5	10.6	11.4	12.4	12.3	12.0	12.0	12.5	12.5
ROCE (%)	78.0	107.5*	103.8	87.5	96.8	109.1	130.2	127.7	128.4	105.8	105.9
RONW (%)	80.1	103.6*	88.2	74.0	77.7	94.7	104.1	99.5	88.7	72.8	76.6
Economic Value Added (EVA)(₹ crores)	1,314	2,154	1,791	1,750	2,250	2,926	3,147	3,380	3,526	3,438	3,498

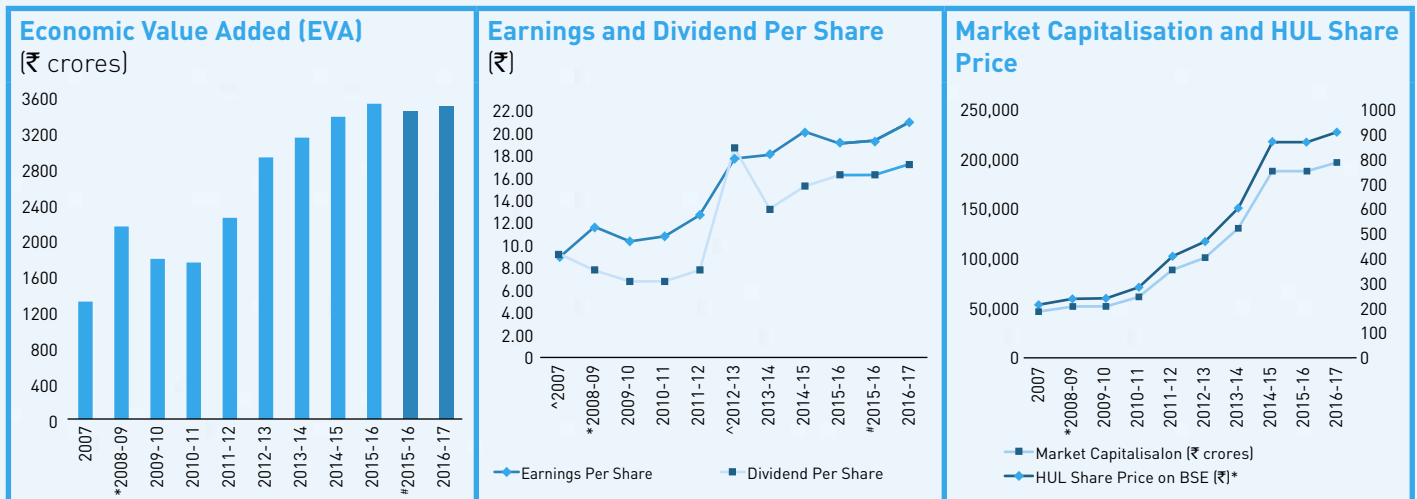
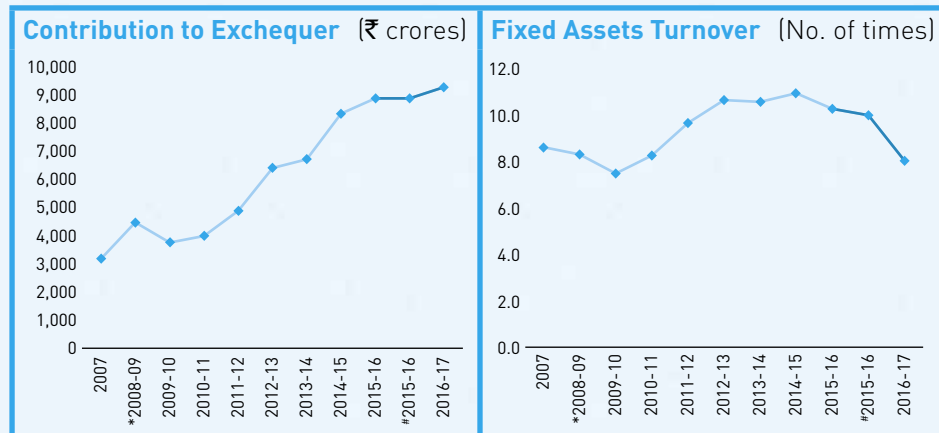
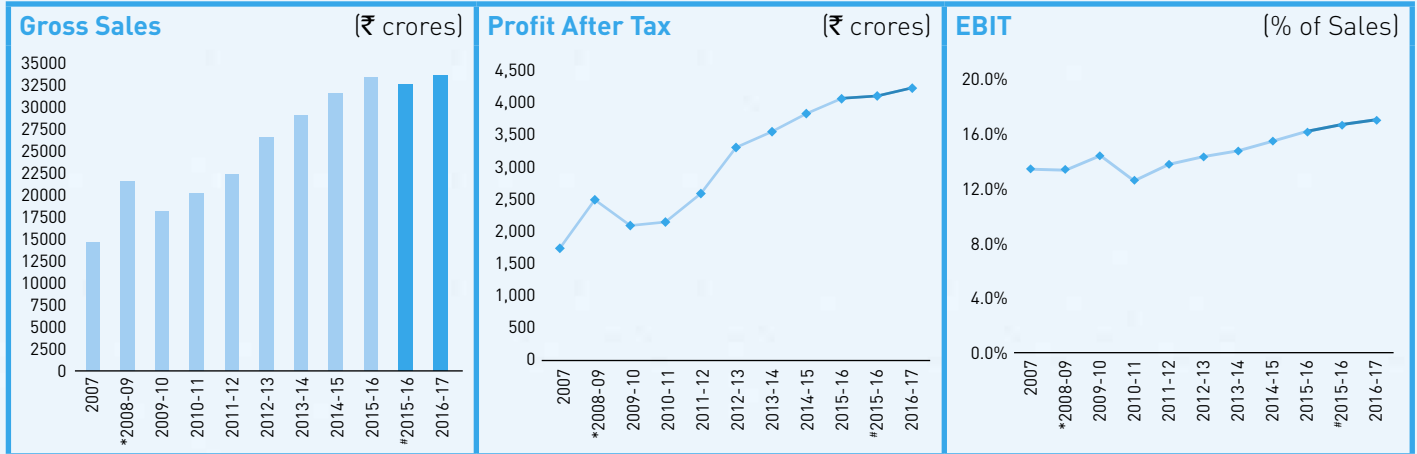
\* Shown on annualised basis <sup>##</sup>Figures are restated as per IND AS

Return metrics (ROCE and RONW) are lower in IND AS compared to IGAAP since under IND AS final dividend including taxes are accounted after approval in AGM only; whereas in IGAAP such dividends were recognised in the same year to which they relate to. The final final dividend for the financial year 2015-16 was ₹ 2,474 crores.

Others	2007	2008-09 (15 months)	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
HUL Share Price on BSE (₹ Per Share of ₹ 1)*	214	238	239	285	410	466	604	873	870	910
Market Capitalisation (₹ crores)	46,575	51,770	52,077	61,459	88,600	1,00,793	1,30,551	1,88,849	1,88,154	1,96,902
Contribution to Exchequer (₹ crores)	3,133	4,429	3,704	3,953	4,839	6,365	6,680	8,309	8,856	9,249

\*Based on year-end closing prices quoted in the BSE Limited

# PERFORMANCE TRENDS



\*Figures are for 15 months period ^Includes Special Dividends #Figures are restated as per IND AS

\*Based on year-end closing prices quoted in the BSE Limited

# CHAIRMAN'S STATEMENT

## Dear Shareholders,

It gives me great pleasure to share with you an update on the overall performance of your Company in 2016-17. It was yet another difficult year for the global economy, characterised by low growth and geopolitical uncertainties. In India, rural demand continued to be sluggish in the early part of the year on the back of two consecutive poor monsoons. The overall market showed signs of recovery in the latter half of the year but faced a temporary slowdown in November due to demonetisation.

In this challenging business environment, Hindustan Unilever Limited (HUL) delivered a resilient performance in 2016-17. This was enabled by our 4G model of growth - consistent, competitive, profitable and responsible growth. We believe that this model, particularly in times of uncertainty, is in the best long-term interest of all our stakeholders and a good indication of a robust strategy.

In the year under review, our Domestic Consumer business grew 4% with 1% underlying volume growth. EBITDA margin expanded by 38 bps and saw an improvement for the sixth consecutive year. Profit after tax before exceptional items, PAT (bei), grew by 3% to ₹ 4247 Crores and Net Profit at ₹ 4490 Crores was up 9%. The strong track record of cash generation was sustained. The Board of Directors have proposed a final dividend of ₹ 10 per share, subject to the approval of the shareholders at the Annual General Meeting. Together with an interim dividend of ₹ 7 per share, the total dividend for the financial year ended 31st March, 2017 amounts to ₹ 17 per share.

Each of our businesses had an important role to play in delivering these strong results. In Home Care, growth was driven by premium Fabric Wash as Surf excel sustained its volume-led growth momentum and remains the biggest brand in the Company portfolio. Vim liquid continued to drive market development of the emerging premium household cleaning segment. The Water portfolio was expanded with the launch of the Reverse Osmosis (RO) range and was well-received by consumers.

The Personal Care business continued to lead trends across all categories with a particularly strong performance in Hair Care and Lakmé colour cosmetics. In addition to driving our core business, we strengthened our presence in fast-growing segments of the market. We led the premiumisation of the Skin Care market with new launches on all our skin brands - Lakmé, Fair & Lovely and Pond's. In the growing 'naturals' segment, we launched a new and expanded range of authentic Ayurvedic Personal Care products under the LEVER Ayush brand name. Similarly, we entered the Baby segment with the launch of Baby Dove.

Our Foods business continued its focus on strong market building initiatives. To extend our appeal to young adults, Kissan launched a new range of 'khatta meetha' jams in Berry, Strawberry and Orange flavours. Knorr expanded its international range with the launch of Italian Mushroom soup, Hong Kong Manchow Noodles soup and Shanghai Hot & Sour Chicken soup.

In the Refreshments category, Tea sustained broad-based growth by differentially leveraging its portfolio across the country. Coffee continued on its premiumisation agenda with BRU, while Ice Creams and Frozen Desserts exited the year with robust innovation led growth.

One of the major strengths of your Company is the relentless focus on execution and productivity and this helped us to sustain brand investments at competitive levels, while significantly improving margins. Our 'Winning in Many Indias' (WIMI) organisational initiative has made us even more agile and responsive to a rapidly evolving marketplace with intensified competition, channel fragmentation and an increasingly segmented consumer base.

Technology and mobile connectivity are rapidly changing consumer behaviour and business processes. We continued to lead the digital

transformation within our organisation and leverage our IT capabilities to drive competitive advantage. We grew strongly in the fast emerging e-commerce channel even as we adopted sophisticated IT solutions to improve our reach and service to millions of small retailers across the length and breadth of India. Technology is also enabling us to better understand our consumers. For instance, our Consumer and Market Insights group has created a People Data Centre that analyses trends from social media, consumer care-lines and digital marketing to turn millions of 'conversations' into business decisions that optimise sales and revenue.

Our Sales and Marketing initiatives were ably supported by our world-class Supply Chain. In 2016, we set up a new state-of-the-art manufacturing facility in Doom Dooma, Assam. This project, christened 'Project Rhino', went from concept to commissioning in just ten months and is an excellent example of operational excellence and a relentless bias for action.

Even as we expand our operations, we remain equally committed to the Unilever Sustainable Living Plan (USLP) and driving our environmental and social agenda through our brands and corporate actions. Lifebuoy, Domex and Pureit continued to lead our initiatives in the areas of hygiene, sanitation and safe drinking water. Through our 'Swachh Aadat, Swachh Bharat' programme, we supported the Indian government's Swachh Bharat Abhiyan (Clean India Mission) and promoted good health and hygiene practices in communities across the country. Our efforts in the area of health and well-being reached over 130 million people by the end of 2016.

In line with our USLP goals, we took significant steps to further reduce waste, water consumption and energy usage in our factories and offices. The share of renewable energy used by us increased to 28% through several innovative initiatives such as converting our agricultural process waste into consumable fuel. In our Sumerpur unit, we are using solar energy that meets 80% of power requirement for most of the daylight hours. This increase in use of renewable energy and reduction in energy consumption has helped in reducing the carbon foot-print of our manufacturing locations by 13% over the previous year. Equally, initiatives such as reuse of treated effluent water and rain water utilisation have helped in lowering water consumption across our factories by 9% over the previous year. In the last five years, per tonne of production, our energy consumption has reduced by over 30% and water consumption has reduced by 40%.

None of these achievements would have been possible without the passion and commitment of our employees - our biggest asset. During 2016, we launched a major initiative - 'Connected 4 Growth', which strives to further empower our people and creates an organisation that is even more consumer and customer-centric, faster and more efficient.

I am pleased to report that our focus on Human Resources development, yet again, ensured that we are chosen as the 'No. 1 Employer of Choice' by students across premier B-schools in the Nielsen survey. We have been ranked in the Top 10 by 'The Best Companies for Women in India' (BCWI) Study 2016. These are all recognitions of our ability to attract and retain the best talent and our commitment to a diverse and inclusive work culture.

I would like to take this opportunity to thank each and every employee as well as those who work with us across the value chain for their unstinting support and hard work in the service of our Company. I would also like to thank you, our shareholders, for your continued trust in the business.

Best Regards,

**Harish Manwani**  
Chairman



## BOARD OF DIRECTORS

**Mr. Harish Manwani**  
Chairman

**Mr. Sanjiv Mehta**  
Managing Director and Chief Executive Officer

**Mr. P. B. Balaji**  
Executive Director, Finance & IT and Chief Financial Officer

**Mr. Pradeep Banerjee**  
Executive Director, Supply Chain

**Mr. Dev Bajpai**  
Executive Director, Legal & Corporate Affairs and Company Secretary

**Mr. Aditya Narayan**  
Independent Director

**Mr. S. Ramadorai**  
Independent Director

**Mr. O. P. Bhatt**  
Independent Director

**Dr. Sanjiv Misra**  
Independent Director

**Ms. Kalpana Morparia**  
Independent Director

## MANAGEMENT COMMITTEE

**Mr. Sanjiv Mehta**  
Managing Director and Chief Executive Officer

**Mr. P. B. Balaji**  
Executive Director, Finance & IT and Chief Financial Officer

**Mr. Pradeep Banerjee**  
Executive Director, Supply Chain

**Mr. Dev Bajpai**  
Executive Director, Legal & Corporate Affairs and Company Secretary

**Ms. Geetu Verma**  
Executive Director, Foods

**Mr. B. P. Biddappa**  
Executive Director, Human Resources

**Ms. Priya Nair**  
Executive Director, Home Care

**Mr. Sandeep Kohli**  
Executive Director, Personal Care

**Mr. Sudhir Sitapati**  
Executive Director, Refreshments

**Mr. Srinandan Sundaram**  
Executive Director, Sales and Customer Development

## OUR BUSINESS MODEL

WE BELIEVE THAT SUSTAINABLE AND EQUITABLE GROWTH IS THE ONLY LONG-TERM BUSINESS MODEL. THAT IS WHY WE HAVE PLACED THE UNILEVER SUSTAINABLE LIVING PLAN AT THE HEART OF OUR BUSINESS MODEL.

Our sustainable business model drives growth that is consistent by reducing risks, is more competitive through inspiring innovations that help us grow, is more profitable by reducing costs and is more responsible – leading to enhanced trust in our business.

The three big goals\* of the USLP – to help more than one billion people improve their health and well-being by 2020; to halve the environmental impact of our products across the value chain by 2030; and to enhance the livelihoods of millions as we grow our business by 2020 – are integrated into our business model. From sustainable sourcing of our agricultural raw materials to sustainable manufacturing, to marketing brands with purpose – the USLP is our blueprint for achieving our Vision.

We invest in innovation and brands, which create profitable volume growth. Our scale spreads fixed overheads, improving profitability further, and this profitable growth allows us to reinvest, generating more free cash flow which can be further invested in brands and innovation which in turn drives more profitable volume growth.

### CONSUMER INSIGHT

Our business model begins with consumer insight which informs brand innovation. Accurate insight is critical to understanding how markets are changing. We forge relationships with consumers through insights from focus groups, quantitative studies and regular market visits. Digital research adds one-on-one sophistication while new lines of communication are opening through direct-to-consumer channels, allowing closer relationships. Our Consumer and Market Insight (CMI) group helps us prioritise growth opportunities. Through CMI, we monitor data about consumption patterns and social media dialogue to inform action, including sustainability insights, which drive product innovations and behaviour change programmes.

### COLLABORATION

Collaboration is critical to our success. We are open to external ideas and adept at capturing and integrating their benefits. The USLP involves working with government and NGOs. Our Supply Chain operates the Partner to Win programme to encourage innovations from suppliers. This furthers innovation-led growth and helps us in our USLP commitment to halve the environmental impact of our products across their lifecycle.

### INNOVATION

Our innovations use insights and technologies to deliver brand-led benefits which meet the latest trends. Our innovation is increasingly responsive to local needs, landing results faster into the market.

### SOURCING

Our procurement teams are responsible for purchasing goods and services. They are central to driving efficiencies to enhance profitability, delivering savings, and also implementing our USLP.

### MANUFACTURING

HUL operates 30 factories across the country. Your Company's Supply Chain agenda is centered on five core areas - Customer Service Excellence, Creating Consumer Delight by dedicated end-to-end Quality Focus, Creating Value through cost savings programme, Sustainability and Supplier Partner to Win Programme.

### LOGISTICS

Our Logistics Team is responsible for moving the goods produced at our factories and delivering them to our customers. We are now investing in automation and modernisation of our warehouses. Our centralised Ultra control tower is now fully operational to manage our logistics operations which will help in optimisation of cost, improve service, conserve cash and reduce our carbon footprint. Given the vast distribution and Supply Chain network, Goods and Services Tax (GST) is likely to unlock huge value potential and hence, as a first phase, we are fully ready with the logistics road map to optimise warehousing and inventory carrying cost.

### MARKETING

We have been mapping consumers' purchase journeys in the digital world, using data to delve deeper and segment consumers more accurately. This enables us to deliver more relevant, authentic and effective marketing content in real-time using the full range of digital communications. Sustainability is an integral part of our brand strategies. We want all of our top brands to be Sustainable Living brands, which combine a strong purpose delivering a social or environmental benefit, with products contributing to at least one of our USLP goals.

### CUSTOMER DEVELOPMENT

Our Customer Development eco-system encompasses capturing the demand, fulfillment of demand and generation of demand. As far as demand capturing is concerned, our focus has been on driving quality of coverage and increasing the assortment using data centric and analytical approach. With respect to demand fulfillment, process and technology interventions have been used for improving service and efficiencies. For demand-generation, our strategy encompasses winning in traditional trade in both open and closed formats, winning in 'route to market' as well as winning in emerging channels like Modern Trade and e-commerce. We work closely with retailers, online through e-commerce and in stores. Our teams ensure our brands are always available, properly displayed and in the right recommended price bracket. We strive to be supplier of choice for customers and trade partners, through strong joint business planning and in-store execution applying our Perfect Store programme. We have derived the benefits of tailor-made consumer and customer plans across categories as part of 'Winning in Many Indias' agenda due to strengthened connect with customers, consumers and shoppers. This will continue to be our source of competitive advantage.

### DELIVERING VALUE FOR OUR STAKEHOLDERS

Key to our sustainable business model is our stakeholders. To succeed, we need to engage and work in partnership with them. They include customers and consumers; investors; suppliers; governments, regulators and legislators; NGOs and charities; scientific institutions and academia; and other organisations in the business world, including peer companies and trade associations. Some of our stakeholders are direct participants in our value chain and are integral to our ability to deliver consistent, competitive, profitable and responsible growth. Others influence how we do business by setting the laws and norms in our country. In turn, we deliver value to our stakeholders in various forms. Stakeholder engagement is essential in delivering our Compass strategy and in tackling the issues addressed by the USLP. We also combine action in our business with external advocacy and by jointly working with governments, NGOs and others through 'transformational change' partnerships. By working together, we believe that fundamental change is possible in the near-term.

\*These are global goals of Unilever