

# MAKING SUSTAINABLE LIVING COMMONPLACE



*Hindustan Unilever Limited*

**ANNUAL REPORT**  
**2018-19**

# BASIS OF PREPARATION AND PRESENTATION

## Summary

The terms 'HUL', 'the Company', 'your Company', 'we', 'our' and 'us' refer to Hindustan Unilever Limited. Our Integrated Annual Report encompasses the Strategic Reports, pages 2 to 80 and the Financial Statements, pages 81 to 201. The Strategic Report contains information about us, how we create value for our stakeholders and how we run our business. It also includes our strategy, business model, market outlook and key performance indicators. The Report of Board of Directors and Management Discussion and Analysis includes details of our performance under each of the strategic pillars as well as our approach to sustainability and risk management. Our Corporate Governance Report, which forms a part of the Board of Directors Report, pages 55 to 80, contains an analysis of steps taken in the area of Corporate Governance including information as required under the Securities and Exchange Board of India (SEBI), (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations). Our Financial Statements and Notes are on pages 81 to 201. Our Integrated Annual Report has been approved by the Board of Directors. The Notice of Annual General Meeting forms part of this report.

## Standards & Frameworks

The Integrated Annual Report is prepared in accordance with the guiding principles of the Integrated Reporting (IR) Framework recommended by International Integrated Reporting Council (IIRC). Statutory Reports, including the Report of Board of Directors, Management Discussion and Analysis (MD&A) and the Corporate Governance Report, are as per the regulatory requirements mandated by the Companies Act, 2013, Listing Regulations and the Secretarial Standards.

## Reporting Scope

The Integrated Annual Report including the Strategic Report and the Financial Statements provides information with respect to Company's operations for the financial year 2018-19 (unless specifically mentioned otherwise).

## Accountability Statement

The Company's Board of Directors confirm that the HUL Integrated Annual Report, taken as a whole, is true, fair, balanced and provides necessary information to shareholders on the Company's performance, business model and strategy together with a description of the material risks and opportunities.

## Cautionary Statement

Statements in this Integrated Annual Report, particularly those that relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations, may constitute 'forward-looking statements' within the meaning of applicable laws and regulations. Although the expectations are based on reasonable assumptions, the actual results might differ.

## Assurance by Independent Auditor

The enclosed standalone and consolidated Financial Statements of your Company have been audited by Independent Auditors B S R & Co. LLP Chartered Accountants.

Your Company's USLP performance is a subset of the Unilever PLC's reported USLP performance. Independent assurance has been provided by PricewaterhouseCoopers LLP over the Unilever PLC aggregated USLP and Environmental and Occupational Safety performance indicators; details of which are provided online at [www.unilever.com/investor-relations/annual-report-and-accounts/](http://www.unilever.com/investor-relations/annual-report-and-accounts/)

The Company has obtained Certificate from B S R Co. & LLP, Statutory Auditors confirming the compliance of conditions of Corporate Governance as stipulated under Listing Regulations and Certificate from S. N. Ananthasubramanian & Co., Company Secretaries confirming compliance with the Companies Act, 2013, applicable Rules made under the Act, Listing Regulations issued by SEBI. The Certificates form part of this Report.

## Materiality Determination

This Report provides fair and balanced information about the relevant matters that substantively affect your Company's ability to create value both positively and negatively, including risks, opportunities and favourable & unfavourable performance or prospects. To identify the material information or matters, your Company has taken a holistic perspective by regularly engaging with the various key stakeholders.



## ONLINE

You can find more information about Hindustan Unilever Limited 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)  
Annual Report 2018-19 along with other related documents can be downloaded at <https://www.hul.co.in/investor-relations/annual-reports/hul-annual-report-related-documents.html>



# INTEGRATED ANNUAL REPORT 2018-19

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# ABOUT US

## AT A GLANCE

HINDUSTAN UNILEVER LIMITED IS INDIA'S LARGEST FAST-MOVING CONSUMER GOODS (FMCG) COMPANY WITH A HISTORICAL PRESENCE IN INDIA OF OVER 80 YEARS. NINE OUT OF TEN INDIAN HOUSEHOLDS USE ONE OR MORE OF OUR BRANDS TO FEEL GOOD, LOOK GOOD AND GET MORE OUT OF LIFE, GIVING US A UNIQUE OPPORTUNITY TO CONTRIBUTE TOWARDS A BRIGHTER FUTURE FOR OUR CUSTOMERS AND CONSUMERS.

Each of our divisions – Home Care, Beauty & Personal Care and Foods and Refreshment – include a portfolio of brands that serve consumers across the length and breadth of India. With over 40 brands across 12 distinct categories including Fabric Wash, Household Care, Purifiers, Personal Wash, Skin Care, Hair Care, Colour Cosmetics, Oral Care, Deodorants, Beverages, Ice Cream & Frozen Desserts and Foods, the Company is part of the daily life of millions of consumers. Our portfolio includes leading brands such as Surf excel, Rin, Wheel, Sunlight, Vim, Pureit, Lux, Lifebuoy, Dove, Fair & Lovely, Pond's, Vaseline, Clinic Plus, Sunsilk, Indulekha, Lakmé, Pepsodent, Closeup, Axe, Brooke Bond, BRU, Kwality Wall's, Knorr and Kissan. Our products are available in over eight million outlets across India.

Your Company has around 18,000 employees working across 28 Company owned factories and nine offices. More than 1,000 suppliers work with the Company's supply chain spanning own factories and several others that manufacture on the Company's behalf. The products are stocked in warehouses dotted across the country and delivered to over 3,500 distributors. Your Company also creates employment opportunities for several thousand more across its value chain – from smallholder farmers who provide raw materials, to the distribution partners who take our products to customers and consumers.

Your Company has a clear and compelling strategy that is driven by purpose and focuses on achieving consistent, competitive, profitable and responsible growth. Our strategy focuses on Winning with Brands and Innovation, Winning in the Marketplace, Winning through Continuous Improvement and Winning with People. This is underpinned by the Unilever Sustainable Living Plan (USLP) that sets our vision to increase the size of the business, whilst decoupling it from our environmental footprint and increasing our positive social impact.

In a volatile and uncertain world, where rapid digitisation is re-shaping established business models, your Company is re-imagining itself to stay ahead. We are embedding technology across all our processes to build a business that is future-fit. We are constantly innovating across the portfolio to meet evolving consumer needs. We are focusing on building the e-commerce channel that is growing fast and driving profitability for the business.

At the same time, transformation programmes such as 'Winning In Many Indias' (WiMi) and Connected 4 Growth (C4G) are helping in faster decision-making, localised and swifter innovation delivery and increased speed-to-market, which is driving business performance.

We are committed to protecting our reputation by fostering business integrity which is non-negotiable for all employees. Our Code of Business Principles (the Code), and the 24 policies that support it (Code Policies), set out the behaviour standards required from all our people. The Code Policies cover a number of areas, including anti-bribery and corruption, respect, dignity and fair treatment of people and personal data and privacy. Together, the Code and Code Policies help us put our values of Integrity, Respect, Responsibility and Pioneering into practice.

## OUR PURPOSE

**HINDUSTAN UNILEVER LIMITED HAS A CLEAR PURPOSE – TO MAKE SUSTAINABLE LIVING COMMONPLACE. WE BELIEVE THIS IS THE BEST WAY TO DELIVER LONG-TERM SUSTAINABLE GROWTH.**

We are well placed to deliver long-term value through our strategy and the Unilever Sustainable Living Plan (USLP). Our commitment to the USLP's three big global goals of improving health and well-being of more than one billion people by 2020, halving our environmental footprint by 2030, and enhancing livelihoods for millions across the globe by 2020 has delivered responsible growth for the business. The success of our sustainable living brands is driven by the growing consumer demand for brands that have purpose at their core, substantiating our belief that 'Brands with Purpose' grow.

We have launched numerous initiatives to improve hygiene and access to sanitation across India. We are creating thousands of job opportunities in remote villages, especially for women. We have also set up a system of waste management to curb plastic waste from polluting the oceans.

With our partners, we are working towards innovative solutions to help address the challenge of plastic waste in India. Your Company has made clear commitments to make 100% of our plastic packaging reusable, recyclable or compostable by 2025. Further, 25% of all the plastic we use is expected to come from recycled sources by 2025.

To address the challenge of depleting water resources, in 2010, we created a not-for-profit organisation, Hindustan Unilever Foundation (HUF), which along with its partners, creates water conservation potential and enhances water dependent livelihoods. The HUF supports programmes focussed on water conservation, community-based governance of water resources and efficient use of water in agriculture. HUF's water saving initiatives have created capacity to conserve over 700 billion litres of water. Till financial year 2018-19, HUF's water conservation capacity stood at 900 billion litres\* cumulatively. Through HUF, we also support knowledge initiatives in the area of water.

♦ Find out more about our performance under the USLP on **pages 8 and 40 to 44.**

\*pending independent assurance



# CHAIRMAN'S STATEMENT



## Dear Shareholders,

I am pleased to share with you an update on your Company's performance for 2018-19; a year which has seen remarkable all-round progress. The FMCG opportunity in India continues to remain very attractive, bolstered by ongoing structural reforms such as the Goods and Services Tax. Our deep understanding of consumers, a strong portfolio of brands and distinctive capabilities across the value chain have enabled us to deliver broad-based superior performance across all our Divisions.

We continue to place purpose at the heart of our business as we believe that brands with purpose grow, companies with purpose last and people with purpose thrive. I am delighted that the year has been a testament to the fact that embedding purpose in the business, drives superior performance.

In the year under review, we crossed several milestones. We delivered over ₹ 8,500 crores of EBITDA, our EBITDA margins are at its highest ever at 22.9% and our profit crossed the ₹ 6,000 crore mark for the first time. Our Domestic Consumer business on comparable\* basis, grew by 12% with 10% Underlying Volume Growth and Comparable\* EBITDA margin improvement was 130 bps. Profit after tax before exceptional items, PAT (beil), grew by 18% to ₹ 6,080 crores and Net Profit at ₹ 6,036 crores was up by 15%. Our strong track record of cash generation was sustained. The Board of Directors have proposed a final dividend of ₹ 13 per share, subject to the approval of the shareholders at the Annual General Meeting. Together with the interim dividend of ₹ 9 per share, the total dividend for the financial year ending 31st March, 2019 amounts to ₹ 22 per share.

In Beauty & Personal Care, the growth was driven by focusing on strengthening core brands, accelerating premiumisation of the portfolio, entering new segments and scaling up our play in naturals. Growth in Skin Care was driven by good momentum led by Fair & Lovely and Pond's. In Skin Cleansing, premium brands such as Dove and Pears delivered a strong performance. In Haircare, your Company saw robust growth in TRESemmé, Dove and Indulekha. During the year, Dove became India's No. 1 Haircare brand. Lakmé continued its dream run, growing across the portfolio with consumer-focussed innovations.

The Home Care business continued its strong volume-driven profitable growth during the year. The Fabric Wash business delivered exceptional performance on the back of continuing premiumisation with Surf excel and Rin, whilst growing the mass segment led by Wheel. During the year, flexible packs were introduced in detergent liquids and fabric conditioners to make them more affordable for consumers and further drive consumption and penetration.

The Foods & Refreshment division delivered strong growth across categories. In Foods, we continued to grow steadily in the core portfolio of Jams and Ketchups while investing in market development to drive penetration in nascent categories. In Refreshment, we delivered strong

and broad-based volume-led growth across Tea, Coffee, Ice Creams and Frozen Desserts backed by successful innovations.

During the year, we acquired Aditya Milk to expand our ice creams business. This acquisition will also enable us to pilot low-cost business models and enhance our ice cream supply chain and 'go to market' capabilities. As you are aware, last year we also proposed a merger of GlaxoSmithKline Consumer Healthcare (GSK CH) business into HUL, subject to obtaining requisite approvals. This is in line with our ambition to build one of the largest Foods & Refreshment businesses in the country. GSK CH India is the market leader in the Health Food Drinks category, with iconic brands such as Horlicks and Boost. The amalgamation of the two Companies - the combined knowledge and the strong portfolio, will give us a strong competitive edge.

Our brands continued to live our purpose of making sustainable living commonplace. Brands such as Lifebuoy, Domex and Pureit with their initiatives in the areas of hygiene, sanitation and safe drinking water, have cumulatively reached over 150 million people across the country. Recognising the significant role we can play in driving behaviour change in communities, we launched the campaign, 'Start a Little Good'. Through this initiative, we urged consumers to take small actions in the areas of water conservation, plastic waste management, and teaching good hygiene habits. Our brands such as Surf excel, Brooke Bond Red Label and Hamam continued to drive positive social change through their purpose-driven and impactful advertising.

We remain committed to Unilever Sustainable Living Plan's (USLP) vision of reducing our environmental footprint and at the same time, creating a positive social impact. During the year, we took significant steps to further reduce waste, water consumption, energy usage and CO<sub>2</sub> emissions in our factories and offices. We increased the renewable energy share in our manufacturing to 43%. To address the challenges of depleting water resources, Hindustan Unilever Foundation, along with its partners, has created a cumulative water conservation potential of over 700 billion litres. During the year, your Company, along with its partner, has been able to process approximately 15,000 tonnes of plastic waste and convert it into electricity. In addition to this, approximately 5,000 tonnes of post-consumer use plastic waste was collected with the help of NGOs and disposed safely.

Your Company continued to focus and drive 'Project Shakti', aimed at providing livelihood opportunities as micro-entrepreneurs in rural India. Your Company now has more than one lakh Women Shakti Entrepreneurs across the country, who make a living by distributing HUL products.

Our world-class supply chain maintained its relentless focus on driving quality, customer service and cost effectiveness across the value chain. Our belief remains firmly embedded in 'delighting consumers everyday'. During the year, our On-Shelf-Quality improved by 30% over the previous year.

Leveraging technology and data-led decision-making continues to be a big thrust for HUL. We are 're-imagining HUL' by embedding technology across the value chain to make us future-ready. Our e-commerce channel continued its strong growth trajectory with a dedicated team working closely with our key partners to create competitive advantage for the business.

I would like to take this opportunity to thank each and every employee as well as those working with our partners across our value chain for their commitment and service to HUL.

Most importantly, I would like to thank you, our shareholders, for your overwhelming trust, support and confidence in Hindustan Unilever Limited.

Warm regards,

**Sanjiv Mehta**

Chairman and Managing Director

\* Comparable basis: Reflecting accounting impact of GST (Excise duty and net input taxes adjusted from sales of base quarter and GST refunds to the reported sales of current quarter)



## BOARD OF DIRECTORS



**Mr. Sanjiv Mehta**  
Chairman and Managing Director



**Mr. Srinivas Phatak**  
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



**Mr. Leo Puri**  
Independent Director

For detailed Profile of Directors, refer pages 212 to 215 of this Report.



# MANAGEMENT COMMITTEE



**Mr. Sanjiv Mehta**  
Chairman and Managing Director



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



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



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



**Mr. Sudhir Sitapati**  
Executive Director,  
Foods & Refreshment



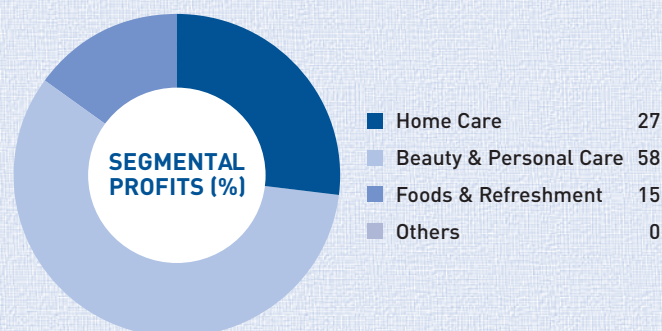
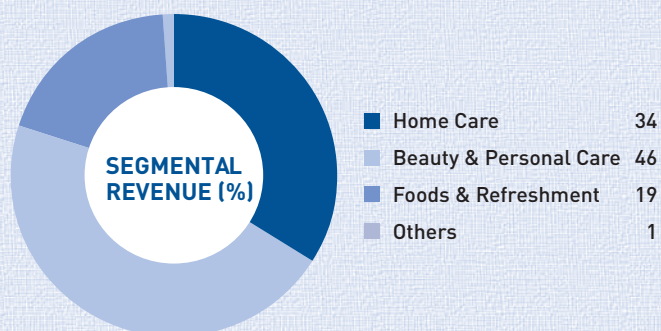
**Mr. Srinandan Sundaram**  
Executive Director,  
Sales and Customer Development



# OUR PERFORMANCE

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

## SEGMENT PERFORMANCE



## FINANCIAL

NET REVENUE 2018-19	EBITDA 2018-19	EPS (BASIC) 2018-19	CASH FROM OPERATIONS 2018-19
<b>₹ 38,224 crores</b>	<b>₹ 8,637 crores</b>	<b>₹ 27.89</b>	<b>₹ 8,000+ crores</b>
Comparable Domestic Consumer business grew 12% with 10% underlying volume growth	Comparable Earning Before Interest Tax Depreciation and Amortisation (EBITDA) improved by 130 bps	Last year's basic EPS: ₹ 24.20 per share	Cash from operations was up ₹ 312 crores over the previous year

## NON - FINANCIAL

### MANUFACTURING

<b>2018</b> <b>59%</b> <b>2017: 54%</b> Reduction in CO <sub>2</sub> emissions (kg/tonne of production) in our manufacturing operations compared to 2008 baseline	<b>2018</b> <b>55%</b> <b>2017: 55%</b> Reduction in water consumption (m <sup>3</sup> /tonne of production) in our manufacturing operations compared to 2008 baseline	<b>2018</b> <b>58%</b> <b>2017: 54%</b> Reduction in total waste (kg/tonne of production) generated from factories compared to 2008 baseline
<b>BETTER LIVELIHOODS</b> <b>2018-19</b> <b>~1,09,100</b> <b>2017: 80,000</b> Shakti entrepreneurs empowered	<b>SUSTAINABLE SOURCING</b> <b>2018</b> <b>65%</b> <b>2017: 52%</b> Tea sourced from sustainable sources for Unilever brands	<b>HEALTH AND WELL-BEING</b> <b>2018</b> <b>&gt;150</b> million <b>2017: &gt; 140 million</b> People reached through our Water, Sanitation and Hygiene (WASH) initiatives



# FINANCIAL PERFORMANCE

## STANDALONE

(₹ crores)

Statement of Profit & Loss Account	2016-17	2017-18	2018-19
Gross Sales	33,895	34,619	37,660
Other Income (includes other operating income)	1,118	1,168	1,228
Interest	[22]	[20]	[28]
Profit before Taxation <sup>a</sup>	6,155	7,347	8,749
Profit After Taxation <sup>a</sup>	4,247	5,135	6,080
Earnings per share of ₹ 1	20.75	24.20	27.89
Dividend per share of ₹ 1	17.00	20.00	22.00

<sup>a</sup> Before Exceptional items

Balance Sheet	2016-17	2017-18	2018-19
Property, Plant and Equipment and Intangible Assets	4,227	4,572	4,716
Investments	3,779	3,111	2,949
Cash and Other Bank Balances	1,671	3,373	3,688
Net Assets (Current and Non-current)	(3,187)	(3,981)	(3,694)
	<b>6,490</b>	<b>7,075</b>	<b>7,659</b>
Share Capital	216	216	216
Other Equity	6,274	6,859	7,443
	<b>6,490</b>	<b>7,075</b>	<b>7,659</b>

Key Ratios and EVA	2016-17	2017-18	2018-19
EBITDA (% of Gross Sales)	17.8	21.0	22.9
Fixed Asset Turnover (No. of Times)	8.0	7.6	8.0
PAT <sup>a</sup> / Gross Sales (%)	12.5	14.8	16.1
Return on Capital Employed (%)	105.9	118.9	131.2
Return on Net Worth (%)	76.6	84.5	90.5
Economic Value Added (EVA) (in ₹ crores)	3,498	4,258	5,291

<sup>a</sup> Before Exceptional items

Others	2016-17	2017-18	2018-19
HUL Share Price on BSE (₹ Per Share of ₹ 1)*	910	1,336	1,708
Market Capitalisation (₹ crores)	1,96,902	2,89,159	3,69,688

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

For information on 10 years record of Financial Performance is available at Company's website at <https://www.hul.co.in/investor-relations/annual-reports/hul-annual-report-related-documents.html>.



# UNILEVER SUSTAINABLE LIVING PLAN

## IMPROVING HEALTH & WELL-BEING

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

HEALTH AND HYGIENE	NUTRITION
<b>TARGET</b> 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.	<b>TARGET</b> 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 achieve a healthier diet.
<b>PERFORMANCE</b> In India, over 150 million people were reached by December 2018 through programmes on handwashing, safe drinking water and sanitation.	<b>PERFORMANCE</b> 46% of HUL's Foods and Refreshment portfolio met the highest nutritional standards in 2018, 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	OPPORTUNITIES FOR WOMEN	INCLUSIVE BUSINESS
<b>TARGET</b> By 2020, Unilever will advance human rights across global operations and extended supply chain.	<b>TARGET</b> By 2020, Unilever will empower five million women.	<b>TARGET</b> By 2020, Unilever will enhance the livelihoods of millions of people.
<b>PERFORMANCE</b> HUL continued to embed human rights with a focus on eight salient human rights issues identified by Unilever globally.	<b>PERFORMANCE</b> HUL's Shakti programme has empowered 1,09,100 Shakti Entrepreneurs as of March 2019.	<b>PERFORMANCE</b> HUL has positively impacted over 2.9 million people through Project Prabhat initiatives across 30 locations. These initiatives focus on enhancing livelihoods, water conservation, health and hygiene.

## 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	WATER	WASTE	SUSTAINABLE SOURCING
<b>TARGET</b> Halve the greenhouse gas impact of Unilever's products across the lifecycle by 2030.	<b>TARGET</b> By 2020, water abstraction by Unilever's global factory network will be at or below 2008 baseline despite significantly higher volumes.	<b>TARGET</b> By 2020, total waste sent for disposal globally, will be at or below 2008 baseline despite significantly higher volumes.	<b>TARGET</b> By 2020, Unilever will source 100% of its agricultural raw materials sustainably.
<b>PERFORMANCE</b> CO <sub>2</sub> emissions (kg / tonne of production) in HUL's manufacturing operations reduced by 59% compared to 2008 baseline.	<b>PERFORMANCE</b> Water consumption (in m <sup>3</sup> / tonne of production) in HUL's manufacturing operations reduced by 55% compared to 2008 baseline.	<b>PERFORMANCE</b> Total waste generated (kg / tonne of production) from HUL's factories reduced by 58% over 2008 baseline.	<b>PERFORMANCE</b> In India, a total of 65% of tea sourced for Unilever's brands is from sustainable sources. 100% of tomatoes used in Kissan ketchup were sourced sustainably.

Our USLP performance given in the table above pertains to the calendar year 2018 (except mentioned otherwise). 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).