Unilever

TAX REPORT AUSTRALIA

FOR YEAR ENDED 31 DECEMBER 2017

Unilever Australia Group Pty Ltd

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INTRODUCTION

Our great range of products, including more than 400 brands globally, are used by 2.5 billion people a day, giving us a unique place in the lives of people all over the world. Whatever the brand, wherever it is bought, we're working to ensure that it plays a part in helping fulfil our purpose as a business – *To Make Sustainable Living Commonplace.*

The tax we pay is an important part of our wider economic and social impact and plays a key role in the development of the countries we operate in. We regard it as a critical element of our commitment to grow in a sustainable, responsible and socially inclusive way.

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. While Unilever has 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.

Re-building public trust in the corporate tax system is vital - when broader taxpayer trust in the system is damaged people become less willing to comply and all taxpayers suffer as a result. Providing user-friendly information about a company's tax position to a broad range of stakeholders plays an important role in this.

We promote open, transparent working relationships with tax authorities. In Australia, we engage co-operatively with the Australian Taxation Office in regard to international related party dealings using the process for Advance Pricing Arrangements.

We are pleased to provide, in this report, an overview of Unilever's global tax policy, risk and governance which we fully endorse and comply with in Australia. Further we have provided a summary of our total tax contribution for Unilever Australia Group Pty Ltd and its subsidiaries (collectively, the "Group") for the period ended 31 December 2017 as per the guidelines set out in the tax transparency code recommended by the Australian Board of Taxation.

James Stepto
Chief Financial Officer
Unilever Australia and New Zealand

TAX STRATEGY

Our brands are important assets used in our business, and managing them effectively requires a global strategy. 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.

Corporate income tax is payable on the profits made by the companies in the Unilever Group after deducting business expenses and legislated tax reliefs - such as depreciation on equipment and R&D incentives - as provided by the tax laws in the countries we operate in. 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. 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

- Understand how and where the different companies in the Unilever Group contribute to creating value, and ensure that our transfer prices – the prices paid on transactions between companies in the Unilever Group - properly reflect where value is created

- 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

TAX PRINCIPLES

1. **Compliance**
   We act at all times in accordance with all applicable 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.

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.

6. **Tax rulings**
   We only seek rulings from tax authorities to confirm the applicable treatment based on full disclosure of the relevant facts.

7. **Relationships with government**
   We respect the right of governments to determine their own tax structures, rates of tax and collection mechanisms.

8. **Relationships with tax authorities**
   We seek to develop strong, mutually respectful relationships with national tax authorities based on transparency and trust. Where countries have weak or poorly constructed fiscal regulation and/or institutions we support work to help develop the capability of tax authorities and systems.

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9. **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 the Unilever Code of Business Principles.

TAX RISK FRAMEWORK

As Unilever operates a global business, we are subject to taxation in the many countries in which we operate. The tax legislation in these countries differs and 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 we operate in and this creates added uncertainty.

The risks are managed through our Tax Risk Framework and monitored through a web-based tool for collecting details of corporate income tax exposures and provisions. We also have an Annual Compliance Checklist, in which the confirmation is given on complying with statutory tax obligations and Unilever Tax Principles and control effectiveness.

In 2015, we also introduced a tax compliance tracking tool to centrally monitor the filing of all corporate income tax returns and related tax payments.

The Tax Risk Framework, detailed below, sets out the key tax risks and the mitigating actions that Unilever takes to manage and monitor those risks. There are five key risk areas covered by the tax risk framework – policy, governance & organisation, people, compliance & documentation, reporting & risk management.

Tax Risk Framework – examples of a risk and mitigating action for each of 5 key risk areas

	RISK	MITIGATING ACTION
POLICY	Transactions and behaviours not in line with Tax Principles	Annual compliance confirmation and completion of scorecard for certain transactions
GOVERNANCE & ORGANISATION	Lack of right organisational stutucture to implement tax strategy	Organisational structure regularly reviewed by Tax Leadership Team
PEOPLE	Insufficient tax training	Regular Global, regional and local training sessions, plus individual development plans
COMPLIANCE & DOCUMENTATION	Failure to comply with statutory tax obligations	Annual compliance checklists plus online compliance tracking tool
REPORTING & RISK MANAGEMENT	Tax positions not accurately reflected in reporting	Online tool to collect and approve direct tax exposures and provisions

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RELATED PARTY TRANSACTIONS

The ultimate parent company of the Group is Unilever PLC, a public company registered in the United Kingdom. Transactions with related parties are conducted in accordance with agreed transfer pricing policies. Transactions include sale and purchase of goods, receipt and provision of services, and related party loans.

TOTAL TAX CONTRIBUTION

In Australia, we pay corporate income tax and pay and collect various other taxes, including employment taxes, transaction taxes, withholding taxes, property taxes and customs duties.

During 2017, the total tax contributions were A$76.0 million, comprising A$31.3 million of taxes borne by Unilever, and A$44.7 million of taxes collected on behalf of the Australian government.

Total Tax Contributions

	$A million
Tax Borne	**2017**
Corporate Income tax	10,944
Fringe benefits tax	1,780
Payroll taxes	8,899
Property taxes	330
Stamp duties	1,397
Customs/importation duties	114
Net GST	7,847
Tax Collected	
Tax withheld from employees (PAYG)	42,538
Interest withholding tax	2,158
Total Tax Contibution	**76,006**

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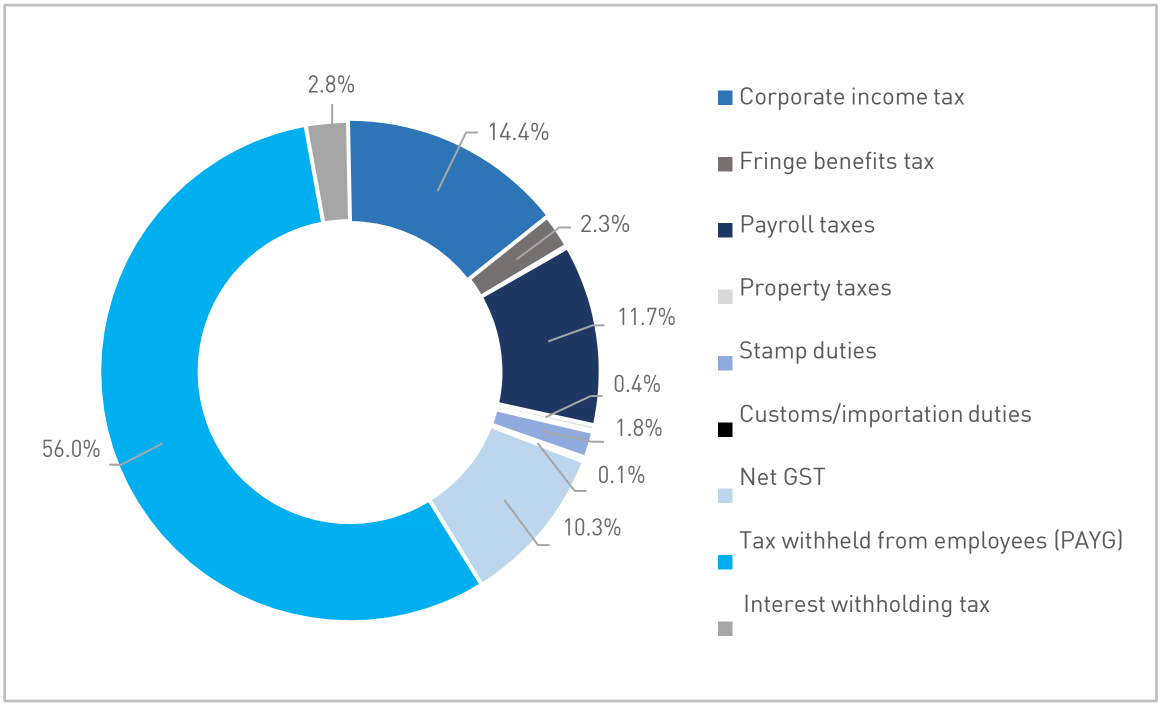
Tax Paid by Category – 2017



EFFECTIVE TAX RATE

The Effective Tax Rate (ETR) for the Group in 2017 was 28%. The table below provides the calculation of the ETR:

	2017 A$'000
Income tax expense	8,858
Accounting profit before tax (PBT)	31,787
Effective tax rate (ETR)	**28%**

The Unilever Global Effective Tax Rate (ETR) in 2017 was 21%. For further details, refer to the Unilever Global Annual Report note 6.

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Table 1:

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE

	2017 A$'000
Profit for the year before income tax	**31,787**
Income tax calculated at 30%	9,536
Amounts recognised in profit but not included in taxable income (tax effected):	
Non Deductible	1,118
Employee Benefits	183
Unearned Income	(6)
Doubtful debts	76
Provision for Redundancy	(1,215)
Other provisions and accruals	2,356
Inventories and consumables	374
Depreciable fixed assets and intangibles amortised	2,975
Retirement Benefit obligation	108
Current tax expense / (income)	15,505
(Over) /under provision of current tax in prior periods	(3,968)
Deferred tax expense (current year adjustments)	(4,851)
Deferred tax expense (prior period adjustments)	2,172
Income Tax Expense	**8,858**

Table 2:

RECONCILIATION OF INCOME TAX PAYABLE

	2017 A$'000
Income taxes payable at beginning of financial year	**4,482**
Less: Income tax paid during the year	(10,944)
Income taxes payable for current financial year	15,505
Under/ (over) provision of current tax in prior periods	(3,968)
Income taxes payable as at 31 December	**5,073**

Table 3:

DEFERRED TAX

	2017 A$'000	
	Consolidated statement of financial position: **DT Asset/ DT (Liabilities)**	**Consolidated statement profit or loss and other comprehensive income:** **Income/(Expense)**
Employee Benefits	9,835	(990)
Unearned Income	808	6
Doubtful debts	255	(76)
Provision for redundancy	4,463	1,215
Other provision and accruals	8,217	(742)
Inventories and consumables	(1,081)	(333)
Depreciation fixed assets and intangibles amortised	(10,120)	(2,357)
Retirement benefit obligation	(1,057)	598
Deferred tax Benefit		**(2,679)**
Net deferred tax assets	**11,320**	