Annexure D

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REPORT OF THE AUDIT COMMITTEE OF GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED, HINDUSTAN UNILEVER LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

December 3, 2018

Present:

Mr. Kunal Kashyap	-	In the Chair, Independent Director
Mr. S. Madhavan	-	Independent Director
Ms. Sangeeta Talwar	-	Independent Director

Permanent Invitees:

Mr. Navneet Saluja	-	Managing Director
Mr. Vivek Anand	-	Director Finance& CFO
Mr. Anup Dhingra	-	Director – Operations

Present by Invitation:

Mr. P Dwarakanath	-	Non-Executive Director
Mr. Naresh Dayal	-	Independent Director

In Attendance:

Ms. Shanu Saksena	-	Company Secretary

1. Background

1.1. A meeting of the Audit Committee of GlaxoSmithKline Consumer Healthcare Limited (**"Company"** or **"Transferor Company"**) was held on December 3, 2018, to consider and recommend to the Board of Directors of the Company, the draft scheme of amalgamation (**"Scheme"**) amongst the Company, Hindustan Unilever Limited (**"Transferee Company"**) and their respective shareholders and creditors, to be implemented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

1.2. The Company is a public company incorporated in India under the provisions of the Companies Act, 1956 having its registered office at Patiala Road, Nabha, District Patiala –

GlaxoSmithKline Consumer Healthcare Ltd.

CIN: L24231PB1958PLC002257
Registered Office
Patiala Road
Nabha (Punjab), India 147201

147 201, Punjab. The equity shares of the company are listed on BSE Limited and National Stock Exchange of India Limited ("**Stock Exchanges**").

1.3. The Transferee Company is a public company incorporated in India under the provisions of the Indian Companies Act, VII of 1913 having its registered office at Unilever House, B. D. Sawant Marg, Chakala, Andheri (E), Mumbai – 400 099, Maharashtra. The equity shares of the company are listed on BSE Limited and National Stock Exchange of India Limited.

1.4. The Audit Committee has issued this report in order to comply with the requirements of Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017, issued by the Securities and Exchange Board of India, as amended from time to time ("**SEBI Merger Circular**").

1.5. The following documents were placed before the Audit Committee:

1.5.1. Draft of the Scheme;

1.5.2. Valuation report dated December 3, 2018, issued by the independent valuer, Walker Chandiok & Co LLP ("**Valuation Report**"); and

1.5.3. Fairness opinion on the Valuation Report, dated December 3, 2018 issued by Axis Capital Limited, an independent Category – I Merchant Banker ("**Fairness Opinion**").

2. Proposed Scheme of Amalgamation

2.1. The facts, benefits and rationale of the proposed Scheme were noted by the Audit Committee which are, *inter alia*, as follows:

2.1.1. The Transferor Company is primarily engaged in the business of manufacturing, marketing, distribution and/or sales of health food drinks products, in certain territories.

2.1.2. The Transferee Company is engaged, *inter alia,* in the business of manufacturing, marketing, distribution and/or sales of fast-moving consumer goods.

2.1.3. The rationale and benefits for the amalgamation of the Company into the Transferee Company are, *inter alia*, as follows:

(i) The Transferor Company is one of the key players in the Foods and Refreshment ("**F&R**") category with iconic brands such as Horlicks and Boost and comprises of a wide product portfolio. Pursuant to the strategic review of the Horlicks and other consumer healthcare nutrition products business in India, the Transferor Company has decided to undertake amalgamation of the business of the Transferor Company with the Transferee Company.

(ii) The proposed amalgamation is in line with the strategy to build a sustainable and profitable F&R business in India. The Transferor Company and the Transferee Company expect significant synergies through supply chain opportunities and operational improvements, go-to-market and distribution network optimisation, scale efficiencies in cost areas such as marketing, and optimisation of overlapping infrastructure.

(iii) The amalgamation will result in consolidation of the businesses of the Transferor Company and the Transferee Company resulting in expansion of the consolidated business and creation of greater value for shareholders and all other stakeholders;

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(iv) The amalgamation would be in the best interest of the shareholders of the Transferor Company, as they would continue to play a part in the Indian consumer growth through one of India's leading fast moving consumer goods companies i.e. the Transferee Company.

2.1.4. The Scheme shall not in any manner be prejudicial to the interests of the concerned shareholders, creditors or general public at large.

2.2. The salient features of the Scheme are as follows:

2.2.1. The Scheme provides for the amalgamation of the Transferor Company into the Transferee Company.

2.2.2. Pursuant to the Scheme, the shareholders of the Transferor Company ("**Transferor Company Shareholders**") whose name appear in the register of members of the Transferor Company and/or whose name appears as the beneficial owner of the Transferor Company shares in the record of depositories (or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognised by the Board of the Transferee Company) as on the record date, determined in accordance with the Scheme, will be allotted 4.39 equity shares of INR 1 each fully paid in the capital of the Transferee Company ("**Merger Shares**") in respect of every 1 equity share of INR 10 each fully paid, held by such Transferor Company Shareholders in the Transferor Company.

2.2.3. Fractional entitlements if any shall be consolidated and all such fractional entitlements shall be allotted directly to an individual trust or a board of trustees or a corporate trustee or a SEBI registered merchant banker nominated by the Transferee Company (the "**Trustee**"), who shall hold such equity shares with all additions or accretions thereto in trust for the benefit of the respective shareholders, to whom they belong and their respective heirs, executors, administrators or successors for the specific purpose of selling such equity shares in the market at such price or prices and on such time or times within 60 (sixty) days from the date of allotment, as the Trustee may in its sole discretion decide and on such sale, pay to the Transferee Company, the net sale proceeds (after deduction of applicable taxes and costs incurred) thereof and any additions and accretions, whereupon the Transferee Company shall, subject to withholding tax, if any, distribute such sale proceeds to the concerned Transferor Company Shareholders in proportion to their respective fractional entitlements. The Merger Shares will be listed and admitted to trading on the Stock Exchanges, subject to listing and trading approvals received by the Transferee Company in respect of such Merger Shares.

2.2.4. Upon the Scheme becoming effective, all assets, liabilities, contracts, rights, obligation, etc. of the Transferor Company shall transfer to the Transferee Company. Further, with effect from the appointed date the Transferee Company shall account for the amalgamation of the Transferor Company in its books of account in accordance with the applicable accounting standards prescribed under the Companies Act, 2013 and the rules issued thereunder, as amended from time to time.

2.2.5. The effectiveness of the Scheme is contingent upon certain conditions precedent as mentioned in the Scheme.

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2.3. The Audit Committee also reviewed the Valuation Report and Fairness Opinion and noted any observations and recommendations therein.

3. Recommendation of the Audit Committee

3.1. The Audit Committee has considered, reviewed and noted the aforementioned documents and on the basis of the benefits and rationale of the Scheme, Valuation Report and Fairness Opinion, recommends the Scheme to the Board of Directors of the Company, SEBI and Stock Exchanges for their favourable consideration and approval.

For GlaxoSmithKline Consumer Healthcare Limited

Kunal Kashyap

(Chairperson, Audit Committee)

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