

Nestlé India Limited

(CIN : L15202DL1959PLC003786)

Nestlé House
Jacaranda Marg
'M'Block, DLF City, Phase – II
Gurugram – 122002, Haryana
Phone 0124 - 3940000
E-mail: investor@IN.nestle.com
Website www.nestle.in



BM: PKR: 26:20

27.05.2020

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400 001

Scrip Code - 500790

- Subject : 1. Regulation 34 – Electronic copy of the Notice of the 61st Annual General Meeting & Annual Report for the year 2019**
2. Intimation of cut-off date of 12th June 2020 to determine the eligibility of the members to cast their vote through remote e-Voting and e-Voting during 61st Annual General Meeting

Dear Sir/ Madam,

This is further to our letter no. BM:PKR:24:20 dated 20th May 2020 regarding, inter-alia, convening of the 61st Annual General Meeting of the Company ("61st AGM") on Friday, 19th June 2020 through Video Conferencing/Other Audio Visual Means (VC/OAVM) Facility.

Please find enclosed electronic copy of the Notice of the 61st AGM and the Annual Report for the year 2019 including the Audited Financial Statements for the year ended 31st December 2019 ("Annual Report"), being sent by email to those Members whose email addresses are registered with the Company/Depository Participant(s). The requirements of sending physical copy of the Notice of the AGM and Annual Report to the Members have been dispensed with vide MCA Circular/s and SEBI Circular. The Notice of the 61st AGM and the Annual Report are also being uploaded on the website of the Company at www.nestle.in and we request you to also upload them on your website www.bseindia.com.

Also, further to the Newspaper Advertisements regarding 61st AGM through VC/OAVM Facility which was submitted to BSE Limited vide our letter no. BM:PKR:25:20 dated 22nd May 2020, Members of the Company holding shares in physical form who have not registered their email addresses with the Company can obtain the Notice of the 61st AGM, Annual Report and/or login details for joining the 61st AGM through VC/OAVM facility including e-voting, by sending scanned copy of signed request letter mentioning your name, folio number and complete address; self-attested scanned copy of the PAN Card and any document (such as AADHAR Card, Driving Licence, Election Identity Card, Passport) in support of the address of the Member as registered with the Company, to the email address of the Company at investor@in.nestle.com. Members holding shares in demat form can update their email address with their Depository Participant.

Further, in terms of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management & Administration) Rules, 2014 (as amended), the Company has fixed 12th June 2020 as the cut-off date to determine the eligibility of the members to cast their vote by electronic means and e-Voting during the 61st AGM scheduled to be held on Friday, 19th June 2020 through VC/OAVM Facility.

Please take the same on record.

Thanking you,

Yours truly,

NESTLÉ INDIA LIMITED

B. MURLI
SENIOR VICE PRESIDENT- LEGAL & COMPANY SECRETARY

NESTLÉ INDIA LIMITED

(CIN: L15202DL1959PLC003786)

Registered Office: 100 / 101, World Trade Centre, Barakhamba Lane, New Delhi - 110 001

Email: investor@in.nestle.com, Website: www.nestle.in

Phone: 011-23418891, Fax: 011-23415130

NOTICE

NOTICE IS HEREBY GIVEN THAT THE SIXTY FIRST ANNUAL GENERAL MEETING ("AGM") OF NESTLÉ INDIA LIMITED will be held on Friday, 19th June 2020 at 10:00 a.m., Indian Standard Time ("IST"), through Video Conferencing/ Other Audio Visual Means ("VC/OAVM") Facility to transact following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year 2019 including Balance Sheet as at 31st December 2019, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To confirm payment of three interim dividends, aggregating to ₹ 101/- per equity share, for the year 2019 out of current year profits and a special interim dividend of ₹ 180/- per equity share out of accumulated profits of previous years (surplus in the profit & loss account) and to declare a final dividend on equity shares for the financial year ended 31st December 2019.
3. To appoint a Director in place of Mr Martin Roemkens (DIN: 07761271), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 148 of the Companies Act, 2013 read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s. Ramanath Iyer & Co., Cost Accountants (Firm Registration No. 00019), appointed as the Cost Auditors by the Board of Directors of the Company to conduct the audit of the cost accounting records for the products falling under the specified Customs Tariff Act Heading 0402, manufactured by the Company for the financial year ending 31st December 2020 be paid, ₹ 2,07,000/- plus out of pocket expenses and applicable taxes."
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution, as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013, rules, circulars, orders and notifications issued thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013, the approval of the Members of the Company be and is hereby accorded for re-appointment of Mr Suresh Narayanan (DIN: 07246738) as Managing Director of the Company for another term of five consecutive years effective from 1st August 2020 until 31st July 2025 on the terms and conditions of re-appointment and remuneration as contained in the draft agreement, material terms of which are set out in the explanatory statement attached to this notice and the Board of Directors be and is hereby authorized to alter and vary such terms and conditions of re-appointment and remuneration so as to not exceed the limits specified in Schedule V to the Companies Act, 2013, as may be agreed to by the Board of Directors and Mr Narayanan."
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 152 and any other applicable provisions of the Companies Act, 2013 and rules, circulars, orders and notifications issued thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr David Steven McDaniel (DIN: 08662504), who has been appointed as an Additional Director of the Company by the Board of Directors with effect from 1st March 2020 in terms of Section 161(1) of the Companies Act, 2013 and Article 127 of the Articles of Association of the Company and whose term of office expires at the Annual General Meeting, be and is hereby appointed as a Director and the period of his office shall be liable to determination by retirement of directors by rotation.

RESOLVED FURTHER THAT pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and rules, circulars, orders and notifications issued thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013 and subject to the requisite approval of the Central Government, the Company hereby accords its approval to the appointment of Mr David Steven McDaniel (DIN 08662504), as the whole-time Director, designated as "Executive Director-Finance & Control and Chief Financial Officer" for a term of five consecutive years effective from 1st March 2020 until 28th February 2025 on the terms and conditions of appointment and remuneration as contained in the draft agreement, material terms of which are set out in the explanatory statement attached to this notice and the Board of Directors be and is hereby authorized to alter and vary such terms and conditions of appointment and remuneration so as to not exceed the limits specified in Schedule V to the Companies Act, 2013, as may be agreed to by the Board of Directors and Mr McDaniel."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 (“the Act”) and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Act and Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), Mr Ramesh Prathivadibhayankara Rajagopalan (DIN 01915274), who has submitted a declaration that he meets the criteria for independence as provided in the Act and Listing Regulations, be and is hereby appointed as an Independent Non-Executive Director of the Company with effect from 1st July 2020, to hold office for a term of five consecutive years i.e. upto 30th June 2025.”

By Order of the Board

B. Muri

Senior Vice President - Legal
& Company Secretary

Date : 20th May 2020

Place : Gurugram

IMPORTANT NOTES:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (“the Act”) setting out material facts concerning the business under Item Nos. 4 to 7 of the accompanying Notice, is annexed hereto. The Board of Directors of the Company at its meeting held on 12th May 2020 considered that the special business under Item Nos. 4 to 7, being considered unavoidable, be transacted at the 61st AGM of the Company.
2. **General instructions for accessing and participating in the 61st AGM through VC/OAVM Facility and voting through electronic means including remote e-Voting**
 - a. In view of the outbreak of the COVID-19 pandemic, social distancing norm to be followed and the continuing restriction on movement of persons at several places in the country and pursuant to General Circular Nos.14/2020, 17/2020 and 20/2020 dated 8th April 2020, 13th April 2020 and 5th May 2020, respectively, issued by the Ministry of Corporate Affairs (“MCA Circulars”) and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020 issued by the Securities and Exchange Board of India (“SEBI Circular”) and in compliance with the provisions of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), the 61st AGM of the Company is being conducted through VC/OAVM Facility, which does not require physical presence of members at a common venue. The deemed venue for the 61st AGM shall be the Registered Office of the Company.
 - b. In terms of the MCA Circulars since the physical attendance of Members has been dispensed with, there is no requirement of appointment of proxies. Accordingly, the facility of appointment of proxies by Members under Section 105 of the Act will not be available for the 61st AGM. However, in pursuance of Section 112 and Section 113 of the Act, representatives of the Members may be appointed for the purpose of voting through remote e-Voting, for participation in the 61st AGM through VC/OAVM Facility and e-Voting during the 61st AGM.
 - c. In line with the MCA Circulars and SEBI Circular, the Notice of the 61st AGM will be available on the website of the Company at www.nestle.com, on the website of BSE Limited at www.bseindia.com and also on the website of NSDL at www.evoting.nsdl.com.
 - d. Since the AGM will be held through VC/OAVM Facility, the Route Map is not annexed in this Notice.
 - e. National Securities Depositories Limited (“NSDL”) will be providing facility for voting through remote e-Voting, for participation in the 61st AGM through VC/OAVM Facility and e-Voting during the 61st AGM.
 - f. Members may join the 61st AGM through VC/OAVM Facility by following the procedure as mentioned below which shall be kept open for the Members from 9:30 a.m. IST i.e. 30 minutes before the time scheduled to start the 61st AGM and the Company may close the window for joining the VC/OAVM Facility 30 minutes after the scheduled time to start the 61st AGM.
 - g. Members may note that the VC/OAVM Facility, provided by NSDL, allows participation of atleast 1,000 Members on a first-come-first-served basis. The large shareholders (i.e. shareholders holding 2% or more shareholding), promoters, institutional investors, directors, key managerial personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, auditors, etc. can attend the 61st AGM without any restriction on account of first-come-first-served principle.
 - h. Attendance of the Members participating in the 61st AGM through VC/OAVM Facility shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
 - i. Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended), Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of

India (“ICSI”) and Regulation 44 of Listing Regulations read with MCA Circulars and SEBI Circular, the Company is providing remote e-Voting facility to its Members in respect of the business to be transacted at the 61st AGM and facility for those Members participating in the 61st AGM to cast vote through e-Voting system during the 61st AGM.

3. Instructions for Members for Remote e-Voting are as under:-

- a. The remote e-Voting period will commence on 16th June 2020 (9:00 am IST) and end on 18th June 2020 (5:00 pm IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 12th June 2020, may cast their vote by remote e-Voting. The remote e-Voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.
- b. A person who is not a Member as on the cut-off date should treat this Notice of 61st AGM for information purpose only.
- c. The details of the process and manner for remote e-Voting are explained herein below

Step 1: Log-in to NSDL e-Voting system at <https://www.evoting.nsd.com/>

Step 2: Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

- I. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsd.com/> either on a Personal Computer or on a mobile.
- II. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholders’ section.
- III. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.
Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsd.com/> with your existing ID as login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2, i.e. Cast your vote electronically.
- IV. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the Company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

- V. Your password details are given below:
 - i. If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
 - ii. If you are using NSDL e-Voting system for the first time, you will need to retrieve the ‘initial password’ which was communicated to you. Once you retrieve your ‘initial password’, you need to enter the ‘initial password’ and the system will force you to change your password.
 - iii. How to retrieve your ‘initial password’?
 - a) If your email ID is registered in your demat account or with the Company, your ‘initial password’ is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your ‘User ID’ and your ‘initial password’.
 - b) If your email ID is not registered, please follow steps mentioned below in process for those members whose email ids are not registered.

- VI. If you are unable to retrieve or have not received the “Initial password” or have forgotten your password click on:
 - i. “Forgot User Details/Password?” (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
 - ii. “Physical User Reset Password?” (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
 - iii. If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.
 - iv. Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
- VII. After entering your password, tick on Agree to “Terms and Conditions” by selecting on the check box.
- VIII. Now, you will have to click on “Login” button.
- IX. After you click on the “Login” button, Home page of e-Voting will open.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

- I. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
 - II. After click on Active Voting Cycles, you will be able to see all the companies “EVEN” in which you are holding shares and whose voting cycle is in active status.
 - III. Select “EVEN” of the Company.
 - IV. Now you are ready for e-Voting as the Voting page opens.
 - V. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on “Submit” and “Confirm” when prompted.
 - VI. Upon confirmation, the message “Vote cast successfully” will be displayed.
 - VII. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
 - VIII. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.
- d. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-Voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in or contact Mr. Amit Vishal, Senior Manager or Ms Pallavi Mhatre Manager, National Securities Depository Ltd., Trade World, ‘A’ Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated email IDs: evoting@nsdl.co.in or AmitV@nsdl.co.in or pallavid@nsdl.co.in or at telephone nos. : +91-22-24994360 or +91-99202 64780 or +91-22-24994545 who will also address the grievances connected with the voting by electronic means. Members may also write to the Company Secretary at the Company’s email address investor@in.nestle.com.

4. Process for those Members whose email ids are not registered for procuring user id and password and registration of email ids for e-Voting on the resolutions set out in this Notice:

- a. Those Members, who hold shares in physical form or who have not registered their email address with the Company and who wish to participate in the 61st AGM or cast their vote through remote e-Voting or through the e-Voting system during the meeting, may obtain the login ID and password by sending scanned copy of: i) a signed request letter mentioning your name, folio number and complete address; and ii) self attested scanned copy of the PAN Card and any document (such as Driving Licence, Bank Statement, Election Card, Passport, AADHAR Card) in support of the address of the Member as registered with the Company; to the email address of the Company investor@in.nestle.com.
- b. In case shares are held in demat mode, Members may obtain the login ID and password by sending scanned copy of (i) a signed request letter mentioning your name, DP ID-Client ID (16 digit DP ID + Client ID or 16 digit beneficiary ID); (ii) self attested scanned copy of client master or Consolidated Demat Account statement; and (iii) self attested scanned copy of the PAN Card, to the email address of the Company investor@in.nestle.com.

5. Instructions for Members for participating in the 61st AGM through VC/OAVM are as under:

- a. Members will be able to attend the 61st AGM through VC/OAVM Facility through the NSDL e-Voting system at <https://www.evoting.nsdl.com> under shareholders login by using the remote e-Voting credentials and selecting the EVEN for the

Company's 61st AGM. Please note that the Members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the Notice of the 61st AGM to avoid last minute rush. Further, Members can also use the OTP based login for logging into the e-Voting system of NSDL.

- b. Further, Members will be required to use Internet with a good speed to avoid any disturbance during the meeting.
- c. Please note that Members connecting from mobile devices or tablets or through laptops etc connecting via mobile hotspot, may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
- d. Members can submit questions in advance with regard to the financial statements or any other matter to be placed at the 61st AGM, from their registered email address, mentioning their name, DP ID and Client ID number /folio number and mobile number, to reach the Company's email address investor@in.nestle.com atleast 48 hours in advance before the start of the meeting i.e. by 17th June 2020 by 10:00 a.m. IST. Such questions by the Members shall be taken up during the meeting and replied by the Company suitably.
- e. Members, who would like to ask questions during the 61st AGM with regard to the financial statements or any other matter to be placed at the 61st AGM, need to register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID number/folio number and mobile number, to reach the Company's email address investor@in.nestle.com atleast 48 hours in advance before the start of the 61st AGM i.e. by 17th June 2020 by 10:00 a.m. IST. Those Members who have registered themselves as a speaker shall be allowed to ask questions during the 61st AGM, depending upon the availability of time.
- f. Institutional Investors who are Members of the Company, are encouraged to attend and vote in the 61st AGM through VC/OAVM Facility.

6. Instructions for Members for e-Voting during the 61st AGM are as under:

- a. Members may follow the same procedure for e-Voting during the 61st AGM as mentioned above for remote e-Voting.
- b. Only those Members, who will be present in the 61st AGM through VC/OAVM Facility and have not cast their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the 61st AGM.
- c. The Members who have cast their vote by remote e-Voting prior to the 61st AGM may also participate in the 61st AGM through VC/OAVM Facility but shall not be entitled to cast their vote again.
- d. The Helpline details of the person who may be contacted by the Member needing assistance with the use of technology, before or during the 61st AGM shall be the same persons mentioned for remote e-Voting and reproduced hereunder for convenience:
 - I. Mr. Amit Vishal, Senior Manager, NSDL at the designated email ID: evoting@nsdl.co.in or AmitV@nsdl.co.in or at telephone number : +91-22-24994360 or +91-99202 64780
 - II. Ms. Pallavi Mhatre, Manager, NSDL at the designated email ID: evoting@nsdl.co.in, pallavid@nsdl.co.in or at telephone number +91 22 2499 4545.

7. Other Guidelines for Members

- a. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-Voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.
- b. The voting rights of Members shall be in proportion to their share in the paid up equity share capital of the Company as on the cut-off date of 12th June 2020.
- c. Any person, who acquires shares of the Company and becomes Member of the Company after the Company sends the Notice of the 61st AGM by email and holds shares as on the cut-off date i.e. 12th June 2020, may obtain the User ID and password by sending a request to the Company's email address investor@in.nestle.com. However, if you are already registered with NSDL for remote e-Voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com.
- d. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-Voting or casting vote through e-Voting system during the meeting.

- e. Mr Abhinav Khosla, Chartered Accountant (Membership No. 087010), Partner of M/s. SCV & Co. LLP, Chartered Accountants, has been appointed as the Scrutinizer to scrutinize the remote e-Voting process and casting vote through the e-Voting system during the meeting in a fair and transparent manner.
 - f. During the 61st AGM, the Chairman shall, after response to the questions raised by the Members in advance or as a speaker at the 61st AGM, formally propose to the Members participating through VC/OAVM Facility to vote on the resolutions as set out in the Notice of the 61st AGM and announce the start of the casting of vote through the e-Voting system. After the Members participating through VC/OAVM Facility, eligible and interested to cast votes, have cast the votes, the e-Voting will be closed with the formal announcement of closure of the 61st AGM.
 - g. The Scrutinizer shall after the conclusion of e-Voting at the 61st AGM, first download the votes cast at the AGM and thereafter unblock the votes cast through remote e-Voting and shall make a consolidated scrutinizer's report of the total votes cast in favour or against, invalid votes, if any, and whether the resolution has been carried or not, and such Report shall then be sent to the Chairman or a person authorized by him, within 48 (forty eight) hours from the conclusion of the 61st AGM, who shall then countersign and declare the result of the voting forthwith.
 - h. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company at www.nestle.in and on the website of NSDL at www.evoting.nsdl.com immediately after the declaration of Results by the Chairman or a person authorized by him. The results shall also be immediately forwarded to the BSE Limited, Mumbai.
8. Pursuant to the MCA Circulars and SEBI Circular, in view of the prevailing situation, owing to the difficulties involved in dispatching of physical copies of the Notice of the 61st AGM and the Annual Report for the year 2019 including therein the Audited Financial Statements for year 2019, are being sent only by email to the Members. Therefore, those Members, whose email address is not registered with the Company or with their respective Depository Participant/s, and who wish to receive the Notice of the 61st AGM and the Annual Report for the year 2019 and all other communication sent by the Company, from time to time, can get their email address registered by following the steps as given below:-
 - a. For Members holding shares in physical form, please send scan copy of a signed request letter mentioning your folio number, complete address, email address to be registered along with scanned self attested copy of the PAN and any document (such as Driving Licence, Passport, Bank Statement, AADHAR) supporting the registered address of the Member, by email to the Company's email address investor@in.nestle.com
 - b. For the Members holding shares in demat form, please update your email address through your respective Depository Participant/s.
 9. The Notice of the 61st AGM and the Annual Report for the year 2019 including therein the Audited Financial Statements for the year 2019, will be available on the website of the Company at www.nestle.com and the website of BSE Limited at www.bseindia.com. The Notice of 61st AGM will also be available on the website of NSDL at www.evoting.nsdl.com.
 10. The Register of Members and the Share Transfer books of the Company will remain closed from 13th June 2020 to 19th June 2020, both days inclusive, for annual closing and determining the entitlement of the Members to the Final Dividend for 2019.
 11. The Board of Directors has recommended Final Dividend of ₹ 61.00 per Equity Share of ₹ 10.00 each for the year ended 31st December 2019 that is proposed to be paid on and from 6th July 2020, subject to the approval of the shareholders at the 61st AGM. During the year 2019, First Interim Dividend of ₹ 23.00 per equity share was paid on 15th May 2019; Second Interim Dividend of ₹ 23.00 per equity share out of current year profits and a Special Interim Dividend of ₹ 180.00 per equity share out of accumulated profits of previous years (surplus in the profit & loss account), both paid together on 23rd August 2019; and Third Interim Dividend of ₹ 55.00 per equity share paid on 20th December 2019.
 12. Pursuant to Finance Act, 2020, dividend income will be taxable in the hands of the shareholders w.e.f. 1st April 2020 and the Company is required to deduct tax at source ("TDS") from dividend paid to the Members at prescribed rates in the Income Tax Act, 1961 ("the IT Act"). In general, to enable compliance with TDS requirements, Members are requested to complete and / or update their Residential Status, PAN, Category as per the IT Act with their Depository Participants or in case shares are held in physical form, with the Company by sending email to the Company's email address at investor@in.nestle.com. For details, Members may refer to the "Communication on TDS on Dividend Distribution" appended to this Notice of 61st AGM.
 13. The dividend/s, if any, approved by the Members or declared by the Board of Directors of the Company from time to time, will be paid as per the mandate registered with the Company or with their respective Depository Participants.
 14. Further, in order to receive dividend/s in a timely manner, Members holding shares in physical form who have not updated their mandate for receiving the dividends directly in their bank accounts through Electronic Clearing Service or any other means ("Electronic Bank Mandate"), can register their Electronic Bank Mandate to receive dividends directly into their bank account electronically or any other means, by sending scanned copy of the following details/documents by email to reach the Company's email address investor@in.nestle.com by 10th June 2020.

- a. a signed request letter mentioning your name, folio number, complete address and following details relating to bank account in which the dividend is to be received :
 - i) Name and Branch of Bank and Bank Account type;
 - ii) Bank Account Number allotted by your bank after implementation of Core Banking Solutions;
 - iii) 11 digit IFSC Code;
- b. self attested scanned copy of cancelled cheque bearing the name of the Member or first holder, in case shares are held jointly;
- c. self attested scanned copy of the PAN Card; and
- d. self attested scanned copy of any document (such as AADHAR Card, Driving Licence, Election Identity Card, Passport) in support of the address of the Member as registered with the Company.

For the Members holding shares in demat form, please update your Electronic Bank Mandate through your Depository Participant/s.

15. In the event the Company is unable to pay the dividend to any Member directly in their bank accounts through Electronic Clearing Service or any other means, due to non-registration of the Electronic Bank Mandate, the Company shall dispatch the dividend warrant/ Bankers' cheque/ demand draft to such Member, at the earliest once the normalcy is restored.
16. Pursuant to the provisions of Section 124 of the Act, Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules") read with the relevant circulars and amendments thereto, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund ("IEPF"), constituted by the Central Government. The Company had, accordingly, transferred ₹ 28,83,288/-, ₹ 33,43,770/- and ₹ 35,97,120/- being the unpaid and unclaimed dividend amount pertaining to Final Dividend 2011, First Interim Dividend 2012; and Second Interim Dividend 2012, respectively, during the year 2019, to the IEPF.

The Company has been sending reminders to Members having unpaid/ unclaimed dividends before transfer of such dividend(s) to IEPF. Details of the unpaid/ unclaimed dividend are also uploaded on the website of the Company at www.nestle.in. Members who have not encashed Interim Dividend 2013 or any subsequent dividend declared by the Company, are advised to write to the Company immediately.
17. Pursuant to the provisions of IEPF Rules, all shares in respect of which dividend has not been paid or claimed for seven consecutive years shall be transferred by the Company to the designated Demat Account of the IEPF Authority ("IEPF Account") within a period of thirty days of such shares becoming due to be transferred to the IEPF Account. Accordingly, 5248 Equity Shares of ₹ 10/- each on which the dividend remained unpaid or unclaimed for seven consecutive years, were transferred during the year 2019, to the IEPF Account, after following the prescribed procedure.

Further, Members who have not claimed / encashed their dividends in the last seven consecutive years from 2013 are advised to claim the same. In case valid claim is not received, the Company will proceed to transfer the respective shares to the IEPF Account in accordance with the procedure prescribed under the IEPF Rules.
18. To prevent fraudulent transactions, Members are advised to exercise due diligence and notify the Company of any change in address or demise of any Member as soon as possible. Members are also advised to not leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified from time to time.
19. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
20. In terms of the Listing Regulations, securities of listed companies can only be transferred in dematerialized form with effect from 1st April 2019. In view of the above, Members are advised to dematerialize shares held by them in physical form.
21. Electronic copy of all the documents referred to in the accompanying Notice of the 61st AGM and the Explanatory Statement shall be available for inspection in the Investor Section of the website of the Company at www.nestle.in.
22. During the 61st AGM, Members may access the scanned copy of Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act and the Register of Contracts and Arrangements in which Directors are interested maintained under Section 189 of the Act, upon Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com>.
23. Details as required in sub-regulation (3) of Regulation 36 of the Listing Regulations and Secretarial Standard on General Meeting (SS-2) of ICSI, in respect of the Directors seeking appointment/ re-appointment at the 61st AGM, forms integral part of the Notice of the 61st AGM. Requisite declarations have been received from the Directors for seeking appointment/ re-appointment.

I. EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 ("THE ACT")

Item No. 4

On the recommendation of the Audit Committee, the Board of Directors at their Meeting held on 13th February 2020 approved the appointment of M/s. Ramanath Iyer & Co., Cost Accountants, New Delhi (Firm Registration No. 00019), as Cost Auditors to conduct the audit of the cost records of the Company pertaining to products (milk powder etc.), falling under the specified Customs Tariff Act Heading 0402, manufactured by the Company for the financial year ending 31st December 2020 at a remuneration of ₹ 2,07,000/- plus out of pocket expenses and applicable taxes.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, as amended, the remuneration payable to the Cost Auditors is required to be ratified by the Members of the Company. Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out at Item No. 4 of the Notice of 61st AGM for ratification of remuneration payable to the Cost Auditors for the financial year ending 31st December 2020.

None of the Directors, Key Managerial Personnel and their relatives are, in any way, concerned or interested financially or otherwise, in the proposed Resolution. The Board recommends the Ordinary Resolution as set out at Item No. 4 of the Notice of 61st AGM for approval by the Members.

Item No. 5

In terms of the Companies Act, 2013 and Rules made thereunder, the appointment of Mr Suresh Narayanan (DIN: 07246738) as Managing Director of the Company for a period of five consecutive years with effect from 1st August 2015 until 31st July 2020 was approved by the shareholders by means of postal ballot / electronic voting (e-Voting) on 17th September 2015 and thereafter approved by the Central Government on 29th October 2015.

Based on the intimation of Nestlé S.A., Switzerland under Article 118A and 106 of the Articles of Association of the Company which continues to be in force, on the recommendation of the Nomination and Remuneration Committee and subject to approval of the Members, the Board of Directors of the Company at its meeting held on 13th February 2020, approved re-appointment of Mr Suresh Narayanan as Managing Director of the Company for another term of five consecutive years effective from 1st August 2020 until 31st July 2025 on the terms and conditions of re-appointment including remuneration as set out in the draft agreement for re-appointment.

Mr Suresh Narayanan, aged 60 years, holds a Master's Degree in Economics from the Delhi School of Economics. He has a Diploma from the IMD Program for Executive Development and has participated in the Nestlé Leadership Program of the London Business School. He has over 35 years of rich and exhaustive experience in the FMCG Industry and has held senior management and top leadership roles in leading global companies. Before his appointment as a Board Member of the Company, Mr Narayanan was Chairman and CEO of Nestlé Philippines.

Mr Narayanan joined Nestlé in 1999 as Executive Vice President for Sales in India, where he spearheaded major structural and strategic changes in Sales and Customer Management and set up the chilled dairy business. He moved to Nestlé Indochina in 2003, as Executive Director for Sales, Marketing and Food-Services, covering the countries of Thailand, Cambodia, Myanmar, Laos and Vietnam. Two years later in 2005, he returned to India as Head of Sales for India, Sri Lanka, Bangladesh and Nepal. In 2008, Mr Narayanan was appointed as Managing Director of Nestlé Singapore Pte. Ltd. and remained there until 2010. During his time, the overall business in Singapore witnessed sustained growth amidst the economic downturn. He was awarded the Medal of Commendation by the Government of Singapore in 2010, for excellence in employee relations during this challenging period. He moved to Nestlé Egypt as Chairman and CEO and Head of NEAR, where his initiatives resulted in significant business growth and investments despite the turbulence and volatility faced by the region at this time.

Mr Narayanan began his career as a management trainee with Hindustan Unilever, where he held numerous positions of increasing responsibility in Sales, Marketing and General Management. He has also worked with Colgate Palmolive in India.

Mr Narayanan is Chairman of Risk Management Committee and Member of Corporate Social Responsibility Committee of the Company. He does not hold by himself or for any other person on a beneficial basis, any shares in the Company. He has attended all the Board Meetings (8) of the Company held during the year 2019. He is also an Independent Director and a Member of the Audit Committee of Asian Paints Limited.

Approval of the Members is being sought to the terms, conditions and stipulations for the re-appointment of Mr Narayanan as Managing Director of the Company and the remuneration payable to him. The terms and conditions proposed (fixed by the Board of Directors at their meeting held on 13th February 2020 based on the recommendation of Nomination and Remuneration Committee) continue to be in line with the remuneration package that is necessary to encourage good professional managers with a sound career record to important position as that occupied by Mr Narayanan.

The material terms of re-appointment and remuneration as contained in the draft agreement are given below: -

I) Salary, Allowances and Commission (hereinafter referred to as “Remuneration”):

a) Salary Comprising

- (i) Basic salary : At the rate not exceeding ₹ 2,400,000/- Per Month; and
- (ii) Allowances : Not exceeding four times the Basic salary,

with increments as per the Company’s policy and as may be determined by Board of Directors, from time to time, subject to a ceiling on increment of 30% in a year (following April to March year) over the existing Basic salary and Allowances, as on 1st April every year, commencing from 1st April 2021.

b) Commission and Performance linked incentive:

On net profits of the Company determined in accordance with the relevant provisions of the Companies Act, 2013 as per the criteria and rate to be determined by the Board of Directors, from time to time, but not exceeding an amount equivalent to the Salary in I(a) above, for the relevant period. The payment may be made on a pro-rata basis every month or on an annual basis or partly monthly and partly on an annual basis at the discretion of the Board. Commission may include elements of fixed remuneration payable based on net profits as per Rules of the Company. The performance linked incentive shall also be linked to the performance during the relevant year.

II) Perquisites

1. In addition to the Remuneration as stated above, Mr Narayanan shall be entitled, as per Rules of the Company, to perquisites like:
 - a. Rent-free furnished residential accommodation with free use of all the facilities and amenities, such as air conditioners, geysers etc. In case no accommodation is provided by the Company, he shall be entitled to House Rent Allowance as per policy of the Company.
 - b. Reimbursement of all medical expenses incurred, including premium paid on health insurance policies, whether in India or abroad, for self and family including hospitalization.
 - c. Personal Accident Insurance Premium.
 - d. Air passage and/or leave travel allowance for self and members of his family residing in India and for visit to India of the members of his family not residing in India.
 - e. Subscription to clubs.
 - f. Use of Company maintained cars with drivers for business and personal use.
 - g. Use of communication devices for business and personal use.
 - h. Education Allowance for children, whether abroad or in India.
 - i. Encashment of leave at the end of his tenure as per policy of the Company.
 - j. Contributions to provident fund, superannuation or annuity fund and any other retirement benefits.
 - k. Terminal benefits.

Air/Sea passage together with cost of transportation of household belongings to such places as may be approved by the Board of Directors at the time of leaving the service of the Company.
 - l. Expenses on shifting of residence.
 - m. Participation in any/ all employee stock option schemes/ performance stock unit plans of the Company or that of Nestlé S.A.
 - n. Such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Mr Narayanan.

The value of the perquisites evaluated as per Income-tax Rules, 1962, wherever applicable, and at cost in the absence of any such Rule, shall be subject to an overall annual ceiling of an amount not exceeding the Salary in I(a) above for the relevant period. The perquisites mentioned above from (h) to (m) shall be based on the actual amounts and excluded from the aforesaid perquisite limit.

2. The Board of Directors or Committee thereof may, on their discretion, revise/modify any of the terms from time to time, within the limits stipulated.

III) Minimum Remuneration:

Notwithstanding anything herein contained, in the event of loss or inadequacy of profits in any financial year during the period of his office as the Managing Director, the Company will, subject to applicable laws and such sanctions and approvals as may be required, pay remuneration to Mr Narayanan as provided herein above.

IV) Other Terms:

Subject to the superintendence, control and direction of the Board of Directors, Mr Narayanan shall manage and conduct the business and affairs of the Company. He shall not be paid any sitting fees for attending meetings of the Board or Committee thereof.

The appointment can be terminated by Mr Narayanan or the Company, by one party giving to the other 3(three) calendar months' notice in writing or by payment of a sum equivalent to remuneration for the notice period or part thereof in case of shorter notice or on such other terms as may be mutually agreed.

Given his expertise, knowledge and experience, the Board, considers the re-appointment of Mr Suresh Narayanan as Managing Director to be in the interest of the Company and in view of the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013, recommends the Ordinary Resolution as set out at Item No. 5 of the accompanying Notice of the 61st AGM, for the approval of the Members.

Electronic copy of the draft agreement referred to in the Resolution shall be available for inspection in the Investor Section of the website of the Company at www.nestle.in.

Except Mr Suresh Narayanan, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the accompanying Notice of the 61st AGM. Mr Narayanan is not related to any Director of the Company.

This Explanatory Statement together with the accompanying Notice may also be regarded as a disclosure under Regulation 36 of the Listing Regulations and the Secretarial Standard on General Meetings (SS-2) of Institute of Company Secretaries of India.

Item No. 6

The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, at their meeting held on 8th November 2019 appointed Mr David Steven McDaniel (DIN: 08662504) as an Additional Director of the Company with effect from 1st March 2020. Under Section 161(1) of the Companies Act, 2013 read with Article 127 of the Articles of Association of the Company, he holds office up to the date of the Annual General Meeting of the Company. A notice has been received from a Member proposing Mr McDaniel as a candidate for the office of Director of the Company.

Further, at the same meeting held on 8th November 2019, the Board of Directors appointed Mr David Steven McDaniel as a Whole-time Director designated as "Executive Director – Finance & Control and CFO" of the Company for a term of five consecutive years effective from 1st March 2020 until 28th February 2025, subject to approval of the Shareholders at the Annual General Meeting and the Central Government.

Mr McDaniel, aged 51 years, is a Chartered Management Accountant. He has over 30 years of rich and exhaustive experience in Finance and Control Division and held senior management positions in various markets during his career with Nestlé Group.

Before joining the Company, he was the Chief Financial Officer of Nestlé UK & Ireland since April 2016. Prior to this, Mr McDaniel has had relevant exposure in Asia, having worked as Division Director Finance & Control of Nestlé Korea, and Head of Finance and Control – Nestlé Indochina. He has also worked in China in varied capacities within the Finance and Control function and at Nestlé S.A. Vevey, as the Head of Financial Services with the Global Business Services organization.

Mr McDaniel is not a Director or a Committee Member of any other Company in India and he does not hold by himself or for any other person on a beneficial basis, any shares in the Company. Mr McDaniel is a Member of Risk Management Committee and Stakeholders Relationship Committee of the Company with effect from 1st March 2020.

The approval of Members is being sought to the terms, conditions and stipulations for the appointment of Mr McDaniel as a Whole-time Director for a term of five consecutive years effective from 1st March 2020 until 28th February 2025 and the remuneration payable to him. The terms and conditions proposed are keeping in line with the remuneration package that is necessary to encourage good professional managers with a sound career record to important position as that of the 'Executive Director- Finance & Control and CFO'.

The material terms of appointment and remuneration as contained in the draft agreement are given below: -

I) Salary, Allowances and Commission (hereinafter referred to as “Remuneration”):

a) Salary Comprising

- (i) Basic salary : At the rate not exceeding ₹ 1,000,000/- per month; and
- (ii) Allowances : Not exceeding four times the Basic salary,

with increments as per the Company’s policy and as may be determined by Board of Directors, from time to time, subject to a ceiling on increment of 30% in a year (following April to March year) over the existing Basic salary and Allowances, as on 1st April every year, commencing from 1st April 2020.

b) Commission and Performance linked incentive:

On net profits of the Company determined in accordance with the relevant provisions of the Companies Act, 2013 as per the criteria and rate to be determined by the Board of Directors, from time to time, but not exceeding an amount equivalent to the Salary in I(a) above, for the relevant period. The payment may be made on a pro-rata basis every month or on an annual basis or partly monthly and partly on an annual basis at the discretion of the Board. Commission may include elements of fixed remuneration payable based on net profits as per Rules of the Company. The performance linked incentive shall also be linked to the performance during the relevant year.

II) Perquisites

1. In addition to the Remuneration as stated above, Mr McDaniel shall be entitled, as per Rules of the Company, to perquisites like:

- a. Rent-free furnished residential accommodation with free use of all the facilities and amenities, such as air conditioners, geysers etc. In case no accommodation is provided by the Company, he shall be entitled to House Rent Allowance as per policy of the Company.
- b. Reimbursement of all medical expenses incurred, including premium paid on health insurance policies, whether in India or abroad, for self and family including hospitalization.
- c. Personal Accident Insurance Premium.
- d. Air passage and/or leave travel allowance for self and members of his family residing in India and for visit to India of the members of his family not residing in India.
- e. Subscription to clubs.
- f. Use of Company maintained cars with drivers for business and personal use.
- g. Use of communication devices for business and personal use.
- h. Education Allowance for children, whether abroad or in India.
- i. Encashment of leave at the end of his tenure as per policy of the Company.
- j. Contributions to provident fund, superannuation or annuity fund and any other retirement benefits.
- k. Terminal benefits.

Air/Sea passage together with cost of transportation of household belongings to such places as may be approved by the Board of Directors at the time of leaving the service of the Company.

- l. Expenses on shifting of residence.
- m. Joining allowances and other benefits.
- n. Participation in any/ all employee stock option schemes/ performance stock unit plans of the Company or that of Nestlé S.A.
- o. Such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Mr McDaniel.

The value of the perquisites evaluated as per Income-tax Rules, 1962, wherever applicable, and at cost in the absence of any such Rule, shall be subject to an overall annual ceiling of an amount not exceeding the Salary in I(a) above for the relevant period. The perquisites mentioned above from (h) to (n) shall be based on the actual amounts and excluded from the aforesaid perquisite limit.

2. The Board of Directors or Committee thereof may, in their discretion, revise/modify any of the terms from time to time, within the limits stipulated.

III) Minimum Remuneration:

Notwithstanding anything herein contained, in the event of loss or inadequacy of profits in any financial year during the period of his office as the Whole-time Director, the Company will, subject to applicable laws and such sanctions and approvals as may be required, pay remuneration to Mr McDaniel as provided herein above.

IV) Other Terms:

Subject to the superintendence, control and direction of the Board of Directors, Mr McDaniel shall manage and conduct the business and affairs of the Company relating to the Finance and Control and as Chief Financial Officer of the Company. He shall not be paid any sitting fees for attending meetings of the Board or Committee thereof.

The appointment can be terminated by Mr McDaniel or the Company, by one party giving to the other 3 (three) calendar months' notice in writing or by payment of a sum equivalent to remuneration for the notice period or part thereof in case of shorter notice or on such other terms as may be mutually agreed.

The period of office of Mr McDaniel shall be liable to determination by retirement of directors by rotation. If Mr McDaniel is re-appointed as a director, immediately on retirement by rotation he shall continue to hold office of Whole-time Director, designated as "Executive Director- Finance & Control and CFO" and such re-appointment as director shall not be deemed to constitute break in his appointment as a Whole-time Director, designated as "Executive Director- Finance & Control and CFO".

Based on the recommendation of Nomination and Remuneration Committee and given his expertise, knowledge and experience, the Board considers the appointment of Mr McDaniel as a Whole-time Director, designated as "Executive Director – Finance & Control and CFO" to be in the interest of the Company and in view of the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013, recommends the Ordinary Resolution as set out in the accompanying Notice of 61st AGM for the approval of the Members.

Electronic copy of the draft agreement referred to in the Resolution shall be available for inspection in the Investor Section of the website of the Company at www.nestle.in.

Except Mr McDaniel, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the accompanying Notice of 61st AGM. Mr McDaniel is not related to any Director of the Company.

This Explanatory Statement together with the accompanying Notice may also be regarded as a disclosure under Regulation 36 of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) of ICSI.

Item No. 7

The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, on 12th May 2020, appointed Mr Ramesh Prathivadibhayankara Rajagopalan (DIN: 01915274) ("Mr P R Ramesh") as an Independent Non-Executive Director of the Company under Section 149 of the Companies Act, 2013 for a term of five consecutive years to hold office from 1st July 2020 to 30th June 2025. His appointment is subject to the approval of the Members. A notice has been received from a Member proposing Mr P R Ramesh as a candidate for the office of Director of the Company.

Mr P R Ramesh, aged 65 years, graduated in Commerce from Osmania University, Hyderabad and is a Fellow Member of the Institute of Chartered Accountants of India ('ICAI'). Mr P R Ramesh retired as the Director of Deloitte & Touche Assurance & Enterprise Risk Services India Private Limited on 31st March 2020. He has also served as a member of Deloitte Global Board and Deloitte Asia Pacific Board and has over 40 years of the experience and served clients in manufacturing, banking and financial services, technology, media, telecommunications, energy and resources and consumer business sectors throughout his professional career.

He has been associated with various Regulatory bodies such as SEBI Committee on Disclosures and Accounting Standards; Committee for Reforming the Regulatory Environment for doing Business in India set up by Government of India; Technical Committee to review the form and presentation of the Balance Sheet of the Reserve Bank of India; Insurance Regulatory and Development Authority Standing Committee on Accounting Issues and Invitee to the Committee set up by the Reserve Bank of India ('RBI') to assist in convergence to IFRS by banks and National Advisory Committee on Accounting Standards.

He has been associated with various Industry Bodies such as Confederation of Indian Industries ('CII') representing on its National Council, Committee on Financial Reporting and its CFO Forum; National Executive Committee of the Federation of Indian Chambers of Commerce and Industry and Past President of the of the Bombay Chamber of Commerce & Industry.

He has also been member of Accounting Standards Board of ICAI, Vision and Restructuring Committee and Auditing Practices Committee of ICAI and the Secretarial Standards Boards of the Institute of Company Secretaries of India. He is a regular speaker at various programmes and workshops conducted by ICAI, the Institute of Internal Auditors, RBI, CII, SEBI on the matters of professional interest.

He has co-authored publication by CCH titled iGAAP – Financial Reporting Standards in India including a comparison with International Financial Reporting Standards (IFRS) and is a member of Board of Studies and the Faculty of Commerce of Osmania University.

Mr P R Ramesh does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Mr P R Ramesh has given a declaration that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

In the opinion of the Board, Mr P R Ramesh fulfils the conditions specified in the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 16(1)(b) of the Listing Regulations for his appointment as an Independent Non-Executive Director of the Company and is independent of the management.

Electronic copy of the draft letter for appointment of Mr P R Ramesh as an Independent Non-Executive Director setting out the terms and conditions shall be available in the Investor Section of the website of the Company at www.nestle.in.

The Board considers that his association would be of immense benefit to the Company and it is desirable to avail services of Mr P R Ramesh as an Independent Non-Executive Director for a term of five consecutive years from 1st July 2020 to 30th June 2025. Mr P R Ramesh would bring with him immense experience to the Company in the areas of financial reporting and analysis, accounting, business strategy, risk management, strategic planning, internal control and tax advisory. Accordingly, based on recommendation of Nomination and Remuneration Committee, the Board recommends Ordinary Resolution as set out at Item No. 7 of the accompanying Notice of 61st AGM for the approval by the Members.

Except Mr P R Ramesh, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 of the accompanying Notice of 61st AGM.

Mr P R Ramesh is not related to any Director of the Company.

This Explanatory Statement together with the accompanying Notice may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and the Secretarial Standard on General Meetings (SS-2) of ICSI.

II. DETAILS OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT AS REQUIRED UNDER REGULATION 36 OF THE LISTING REGULATIONS:

Re-appointment of Mr Martin Roemkens (DIN: 07761271) as a Director (Item No. 3)

In terms of Section 152(6) of the Act, Mr Martin Roemkens shall retire by rotation at the forthcoming AGM and being eligible offers himself for re-appointment.

Mr Martin Roemkens was appointed as a Whole-time Director of the Company designated as "Director- Technical" for a period of five years with effect from 1st April 2017. As per the terms of his appointment, his re-appointment at the AGM as a director retiring by rotation would not constitute break in his appointment as a Whole-time Director, designated as "Director- Technical".

Mr Roemkens is also a member of Risk Management Committee of the Company.

Mr Roemkens, aged 50 years, holds Bachelor of Engineering from the University of Western Australia. He has over 23 years of rich and exhaustive experience in Technical and Production functions and has held senior management positions during his career.

Before joining the Company, Mr Roemkens was the Technical Manager in Nestlé's North East Africa Region which he successfully led for almost four years including developing the factories in Egypt to a world-class standard. He has also served as the Factory Manager of the Moga Factory of the Company, one of the largest factories in the Region, from 2009 to 2012.

He is responsible for, amongst others, the management and conduct with respect to the technical areas of the Company including factory operations.

Mr Roemkens is not a Director in any other Company in India. Except Mr Roemkens, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 3 of the accompanying Notice of 61st AGM. He has attended all the Board Meetings (8) of the Company held during the year 2019.

Mr Roemkens is not related to any Director of the Company. Upon his re-appointment as a director, Mr Roemkens shall continue to hold office as a Whole-time Director designated as "Executive Director - Technical". Accordingly, the Board recommends his re-appointment.

Re-appointment of Mr Suresh Narayanan (DIN: 07246738) as Managing Director of the Company (Item No. 5)

For the details of Mr Suresh Narayanan, please refer to the above Explanatory Statement in respect of the Special Business set out at Item No. 5 of the accompanying Notice of 61st AGM pursuant to Section 102 of the Act.

Appointment of Mr David Steven McDaniel (DIN: 08662504) as Whole-time Director designated as Executive Director – Finance & Control and CFO of the Company (Item No. 6)

For the details of Mr McDaniel, please refer to the above Explanatory Statement in respect of the Special Business set out at Item No. 6 of the accompanying Notice of 61st AGM pursuant to Section 102 of the Act.

Appointment of Mr Ramesh Prathivadibhayankara Rajagopalan (DIN: 01915274) as Independent Non-Executive Director of the Company (Item No. 7)

For the details of Mr Ramesh Prathivadibhayankara Rajagopalan, please refer to the above Explanatory Statement in respect of the Special Business set out at Item No. 7 of the accompanying Notice of 61st AGM pursuant to Section 102 of the Act.

By Order of the Board

B. Murli
Senior Vice President - Legal
& Company Secretary

Date : 20th May 2020
Place : Gurugram

(Refer Note 12 of the Notice of 61st AGM)

COMMUNICATION ON TAX DEDUCTION AT SOURCE (TDS) ON DIVIDEND DISTRIBUTION

As you may be aware w.e.f. 1st April 2020, Dividend Distribution Tax u/s 115-O of the Income-tax Act, 1961 ("the IT Act") payable by domestic companies on declaration of dividend has been abolished. Pursuant to this amendment and certain consequential amendments brought vide Finance Act, 2020, the Company would be under an obligation to deduct tax at source ("TDS") in accordance with the provisions of the IT Act, from dividend distributed on or after 1st April 2020.

Please take note of the below TDS provisions and information/document requirements for each shareholder:

Section 1: For all Members - Details that should be completed and /or updated, as applicable

a. **All Members are requested to ensure that the below details are completed and/or updated, as applicable, in their respective demat account/s maintained with the Depository Participant/s; or in case of shares held in physical form, with the Company, by 10th June 2020. Please note that these details as available on Book Closure Date in the Register of Members/ Register of Beneficial Ownership will be relied upon by the Company, for the purpose of complying with the applicable TDS provisions:**

- I. Valid Permanent Account Number (PAN).
- II. Residential status as per the Act i.e. Resident or Non-Resident for FY 2020-21.
- III. Category of the Member:
 - i. Mutual Fund
 - ii. Insurance Company
 - iii. Alternate Investment Fund (AIF) Category I and II
 - iv. AIF Category III
 - v. Government (Central/State Government)
 - vi. Foreign Portfolio Investor (FPI) /Foreign Institutional Investor (FII): Foreign Company
 - vii. FPI/FII: Others (being Individual, Firm, Trust, AJP, etc.)
 - viii. Individual
 - ix. Hindu Undivided Family (HUF)
 - x. Firm
 - xi. Limited Liability Partnership (LLP)
 - xii. Association of Persons (AOP), Body of individuals (BOI) or Artificial Juridical Person (AJP)
 - xiii. Trust
 - xiv. Domestic company
 - xv. Foreign company.
- IV. Email Address.
- V. Address.

Section 2: TDS provisions and documents required, as applicable for relevant category of Members

Members are requested to take note of the TDS rates and document/s, if any, required to be submitted to the Company by 10th June 2020 for their respective category, in order to comply with the applicable TDS provisions.

I. For Resident Members:

- i. **Mutual Funds:** No TDS is required to be deducted as per section 196(iv) of the IT Act subject to specified conditions. Self-attested copy of valid SEBI registration certificate needs to be submitted.
- ii. **Insurance companies:** No TDS is required to be deducted as per section 194 of the IT Act subject to specified conditions. Self-attested copy of valid IRDA registration certificate needs to be submitted.

- iii. **Category I and II Alternative Investment Fund:** No TDS is required to be deducted as per section 197A (1F) of the IT Act subject to specified conditions. Self-attested copy of valid SEBI registration certificate needs to be submitted.
- iv. **Recognised Provident funds:** No TDS is required to be deducted as per Circular No.18/2017 subject to specified conditions. Self-attested copy of a valid order from Commissioner under Rule 3 of Part A of Fourth Schedule to the IT Act, or Self-attested valid documentary evidence (e.g. relevant copy of registration, notification, order, etc.) in support of the provident fund being established under a scheme framed under the Employees' Provident Funds Act, 1952 needs to be submitted.
- v. **Approved Superannuation fund:** No TDS is required to be deducted as per Circular No.18/2017 subject to specified conditions. Self-attested copy of valid approval granted by Commissioner under Rule 2 of Part B of Fourth Schedule to the IT Act needs to be submitted.
- vi. **Approved Gratuity Fund:** No TDS is required to be deducted as per Circular No.18/2017 subject to specified conditions. Self-attested copy of valid approval granted by Commissioner under Rule 2 of Part C of Fourth Schedule to the IT Act needs to be submitted.
- vii. **National Pension Scheme:** No TDS is required to be deducted as per Sec 197A (1E) of the IT Act.
- viii. **Government (Central/State):** No TDS is required to be deducted as per Sec 196(i) of the IT Act.
- ix. **Any other entity entitled to exemption from TDS:** Valid self-attested documentary evidence (e.g. relevant copy of registration, notification, order, etc.) in support of the entity being entitled to exemption from TDS needs to be submitted.
- x. **Other resident Members:**
 - a) TDS is required to be deducted at the rate of 7.5% under u/s 194 of the IT Act.
 - b) No TDS is required to be deducted, if aggregate dividend distributed or likely to be distributed during the financial year to individual shareholder does not exceed ₹ 5000. Normal dividend/s declared in the preceding financial year 2019 - 2020 would be considered as the basis to determine applicability of the said threshold for the entire financial year.
 - c) No TDS is required to be deducted on furnishing of valid Form 15G (for individuals, with no tax liability on total income and income not exceeding maximum amount which is not chargeable to tax) or Form 15H (for individual above the age of 60 years with no tax liability on total income).
 - d) TDS is required to be deducted at the rate of 20% u/s 206AA of the IT Act, if valid PAN of the shareholder is not available.
 - e) TDS is required to be deducted at the rate prescribed in the lower tax withholding certificate issued u/s 197 of the Act, if such valid certificate is provided.

II. For Non-resident Members:

- i. **FPI and FI:** TDS is required to be deducted at the rate of 20% (plus applicable surcharge and cess) u/s 196D of the IT Act.
- ii. **Any entity entitled to exemption from TDS:** Valid self-attested documentary evidence (e.g. relevant copy of registration, notification, order, etc. by Indian tax authorities) in support of the entity being entitled to exemption from TDS needs to be submitted.
- iii. **Other non-resident Members:**
 - a) TDS is required to be deducted at the rate of 20% (plus applicable surcharge and cess) u/s 195 of the IT Act.
 - b) Shareholder may be entitled to avail lower TDS rate as per Double Tax Avoidance Treaty (DTAA) between India and the country of tax residence of the shareholder, on furnishing the below specified documents
 - 1) Self-attested copy of PAN;
 - 2) Self-attested copy of valid Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the shareholder is a resident;
 - 3) Self-declaration in Form 10F; and
 - 4) Self-declaration on letterhead of having no Permanent Establishment in India, Beneficial ownership of shares and eligibility to claim treaty benefits (as per Annexure 1 to this Communication).
 - c) TDS is required to be deducted at the rate prescribed in valid lower tax withholding certificate issued u/s 197 of the IT Act, if such valid certificate is provided.

Details and / or documents as mentioned above in Section 1 and Section 2, as applicable to the Member, need to be sent, duly completed and signed, through registered email address of the Member with PAN being mentioned in the subject of the email to reach investor@in.nestle.com by 10th June 2020. Please note that no communication this regard, shall be accepted post 10th June 2020.

Section 3: Other general information for the Members:

- I. For all self-attested documents, Members must mention on the document "certified true copy of the original". For all documents being sent / accepted by email, the Member undertakes to send the original document/s on the request by the Company.
- II. In case, the dividend income is assessable to tax in the hands of a person other than the registered Member as on the Book Closure Date, the registered Member is required to furnish a declaration containing the name, address, PAN of the person to whom TDS credit is to be given and reasons for giving credit to such person.
- III. TDS deduction certificate will be sent to the Members' registered email address in due course.
- IV. Surcharge rates applicable for financial year 2020 - 21 for non-residents:

a. Non-Resident (other than FII & FPI):

- (i) Individual, HUF, AOP, BOI, AJP, Trust

Dividend Income	Rate
Upto ₹ 50 lakhs	Nil
Income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore	10%
Income exceeds ₹ 1 crore	15%

- (ii) Co-operative society or Firm, registered under applicable Indian law

Aggregate Income	Rate
Income exceeds ₹ 1 crore	12%

- (iii) Foreign company

Aggregate Income	Rate
Income exceeds ₹ 1 crore but does not exceed ₹ 10 crores	2%
Income exceeds ₹ 10 crores	5%

b. **FII & FPI:**

- (i) Individual, HUF, AOP, BOI, AJP, Trust

Aggregate Income	Rate
Upto ₹ 50 lakhs	Nil
Income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore	10%
Income exceeds ₹ 1 crore but does not exceed ₹. 2 crores	15%
Income exceeds ₹ 2 crores but does not exceed ₹ 5 crores	25%
Income exceeds ₹ 5 crores	37%

- (ii) Foreign Company

Aggregate Income	Rate
Income exceeds ₹ 1 crore but does not exceed ₹ 10 crores	2%
Income exceeds ₹ 10 crores	5%

- V. Normal dividend/s declared in the preceding financial year 2019 – 2020 would be considered as the basis to determine applicability of the surcharge rate.
- VI. Health and Education Cess of 4% is applicable for financial year 2020 – 2021 for non-residents.

- VII. Application of TDS rate is subject to necessary due diligence and verification by the Company of the shareholder details as available in register of Members on the Book Closure Date, documents, information available in public domain, etc. In case of ambiguous, incomplete or conflicting information, or the valid information/documents not being provided, the Company will arrange to deduct tax at the maximum applicable rate.
- VIII. In case TDS is deducted at a higher rate, an option is still available with the shareholder to file the return of income and claim an appropriate refund, if eligible.
- IX. In the event of any income tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided / to be provided by the Member/s, such Member/s will be responsible to indemnify the Company and also, provide the Company with all information / documents and co-operation in any appellate proceedings.

Note:

Above communication on TDS sets out the provisions of law in a summary manner only and does not purport to be a complete analysis or listing of all potential tax consequences. Shareholders should consult with their own tax advisors for the tax provisions applicable to their particular circumstances.

(Refer Section 2(III)(iii)(b)(4) of above Communication on TDS on Dividend Distribution)

Annexure 1

FORMAT FOR DECLARATION FOR CLAIMING BENEFITS UNDER DTAA

Date:

To,
Nestlé India Limited
100 / 101, World Trade Centre, Barakhamba Lane,
New Delhi - 110 001 Email: Investor@in.nestle.com

Subject: Declaration for eligibility to claim benefit under Double Taxation Agreement between Government of India and Government of <mention country of tax residency> ("DTAA"), as modified by Multilateral Instrument ("MLI"), if applicable

With reference to above, I/We wish to declare as below:

1. I / We, <Full name of the shareholder>, having permanent account number (PAN) under the Indian Income tax Act, <mention PAN >, and holding <mention number of shares held> number of shares of the Company under demat account number/ folio number as on the Book Closure Date from 13th June 2020 to 19th June 2020 (both days inclusive), am / are a tax resident of <country name> in terms of Article 4 of the DTAA as modified by MLI (if applicable) and do not qualify as a 'resident' of India under section 6 of the Indian Income-tax Act, 1961 ("the IT Act"). A copy of the valid tax residency certificate for <period>, which is valid as on the Book Closure Date, is attached herewith.
2. I/We am/are eligible to be governed by the provisions of the DTAA as modified by MLI (if applicable), in respect of the dividend income and meet all the necessary conditions to claim treaty rate.
3. I/We am/are the legal and beneficial owner of the dividend income to be received from the Company.
4. I/We do not have a Permanent Establishment ("PE") in India in terms of Article 5 of the DTAA as modified by MLI (if applicable) or a fixed base in India and the amounts paid/payable to us, in any case, are not attributable to the PE or fixed base, if any, which may have got constituted otherwise.
5. I/We do not have a PE in a third country and the amounts paid/payable to us, in any case, are not attributable to a PE in third jurisdiction, if any, which may have got constituted otherwise.
6. I/We do not have a Business Connection in India according to the provision of section 9(1)(i) of the Act and the amounts paid/payable to us, in any case, are not attributable to business operations, if any, carried out in India.

I/We hereby certify that the declarations made above are true and bonafide. In case in future, any of the declarations made above undergo a change, we undertake to promptly intimate you in writing of the said event. You may consider the above representations as subsisting unless intimated otherwise.

I/we in the event of any income tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided by me, I will be responsible to pay and indemnify such income tax demand (including interest, penalty, etc.) and provide the Company with all information / documents that may be necessary and co-operate in any proceedings before any income tax / appellate authority.

For <Mention the name of the payee>

Authorised Signatory

<Name of the person signing>

<Designation of the person signing>

Building a Sustainable Future



The Board of Directors of Nestlé India Limited

(As on 31st December 2019)



(From left to right)

Martin Roemkens
(Executive Director - Technical)

Shobinder Duggal
(Executive Director - Finance &
Control and Chief Financial Officer)

Rakesh Mohan
(Non Executive Director)

Swati A. Piramal
(Non Executive Director)

Roopa Kudva
(Non Executive Director)

Suresh Narayanan
(Chairman & Managing Director)

Rama Bijapurkar
(Non Executive Director)

Rajya Vardhan Kanoria
(Non Executive Director)

B. Murli
(SVP - Legal & Company Secretary)

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| 04. Sustainable Business | 27. 10-Year Financial Highlights |
| 07. Sustainable Brands | 28. Board's Report |
| 12. Sustainable Operations | 47. Auditors' Report |
| 16. Sustainable Communities | 54. Annual Accounts |
| 20. Sustainable Environment | 137. Dividend Distribution Policy |
| 24. Sustainable Organization | |

Annexures to the Board's Report

- | | |
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| 97. Annexure 1: Report on Corporate Governance | 129. Annexure 4: Secretarial Audit Report |
| 111. Annexure 2: Annual Report on CSR Activities | 132. Annexure 5: Report on Conservation of Energy etc. |
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Dear Shareholders,

As we head into a new decade of the 21st century, I believe that a company that is able to stay the course on its purpose will remain the most resilient. If there is one word that encapsulates Nestlé's presence over ten decades in India, it is the word 'Trust'. It is a great honour for any company to celebrate a relationship with a country for more than one hundred years. For Nestlé, it is all the more so, given the rich and deep bond of trust and commitment it has with the people of India for a century.

We have been a partner in India's growth for over 107 years. In line with our commitment to 'Make in India', we have commenced construction of our newest, and ninth factory in India, at Sanand, Gujarat, which would generate employment to around 400 people. This marks a significant step in enhancing our manufacturing footprint in India.

Our founder Henri Nestlé envisioned making a contribution to a healthier future right from the start of the company's history. We were born of a societal cause, our founder Henri Nestlé developed 'Farine Lactee' (milk with wheat flour and sugar) which saved the life of a child. He embodied many of the key attitudes and values that are part and parcel of our corporate culture to this very day. Right from the birth of our company, more than 150 years ago, Nestlé's purpose remains constant: 'Enhancing quality of life and contributing to a healthier future'. Shaping a healthier world around us through education, information and intervention has always been our priority. At the core of our behavior is 'Respect'. Respect for ourselves, respect for each other, respect for diversity and respect for our future. In every sense, our determined direction on our purpose is guided with the compass of values that determines how we treat our employees, partners, stakeholders and consumers.

Although Nestlé India has increased the number of its products and its geographical reach, its passion for its existential purpose remains unchanged. Our introductions in 2019, ranged from entry into organic food category (CEREGROW Organic Selection), traditional Indian breakfasts (MAGGI Poha and Upma) to the launch of the world's no. 1 cocoa-malt beverage (MILO) in India. Nestlé's worldwide knowledge, expertise and credibility is a strength we wanted to share with our consumers, hence we introduced asknestle.in. This provides authentic, scientifically validated, credible information to our consumers on the needs of growing up children, nutritional nourishment, catering to picky eaters and tools to track a child's growth. Our aim is to have a positive impact on people's lives and create maximum value for consumers. This thought gives meaning to what we do and serves as a lighthouse for aligning our actions.

Our positive impact on society focuses on enabling healthier and happier lives for individuals and families, helping develop thriving and resilient communities, and stewarding the planet's natural resources for future generations, with particular care for water. Today, we

reach out to nearly 5 million beneficiaries (directly and indirectly) across our societal initiatives and our flagship program Nestlé Healthy Kids commemorated 10 years in 2019.

Our focus on plastic waste management and our determination to make a difference has witnessed most of our key brands like MAGGI Noodles, NESCAFÉ and KITKAT becoming plastic neutral in the year 2019. What this means is that we managed an equivalent or a higher amount of plastic waste than these brands generate through their consumption in the market.

At Nestlé, we believe our purpose is built into every aspect of the business. It speaks of a higher cause of trust and responsibility. I strongly believe that it goes far beyond the role that we play as managers and executives. People, therefore are looking for companies they can believe in, trust in, a company that has a social impact, which can positively change lives. The future will demand increased commitment from companies, making sure that business stays committed to the community, the consumer and the planet. It is my hope that Nestlé will stand tall in making its contribution to this important endeavor.



Suresh Narayanan
Chairman & Managing Director
Nestlé India Limited

C1

SUSTAINABLE
BUSINESS



Continuing our Momentum

Full Year 2019 Highlights



Reported sales growth at 9.6%

Leading market shares
~85% of portfolio



Domestic sales growth at 10.9%

Sustained profitable growth



Strong cash generation from operations

Increased Dividend Payout and
Sustained Value Creation for Shareholders

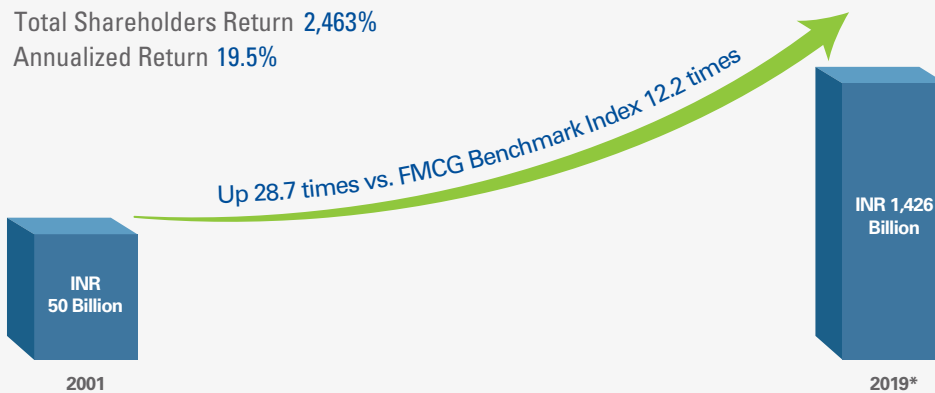


Penetration led volume & mix growth

Creating Significant Value For Shareholders

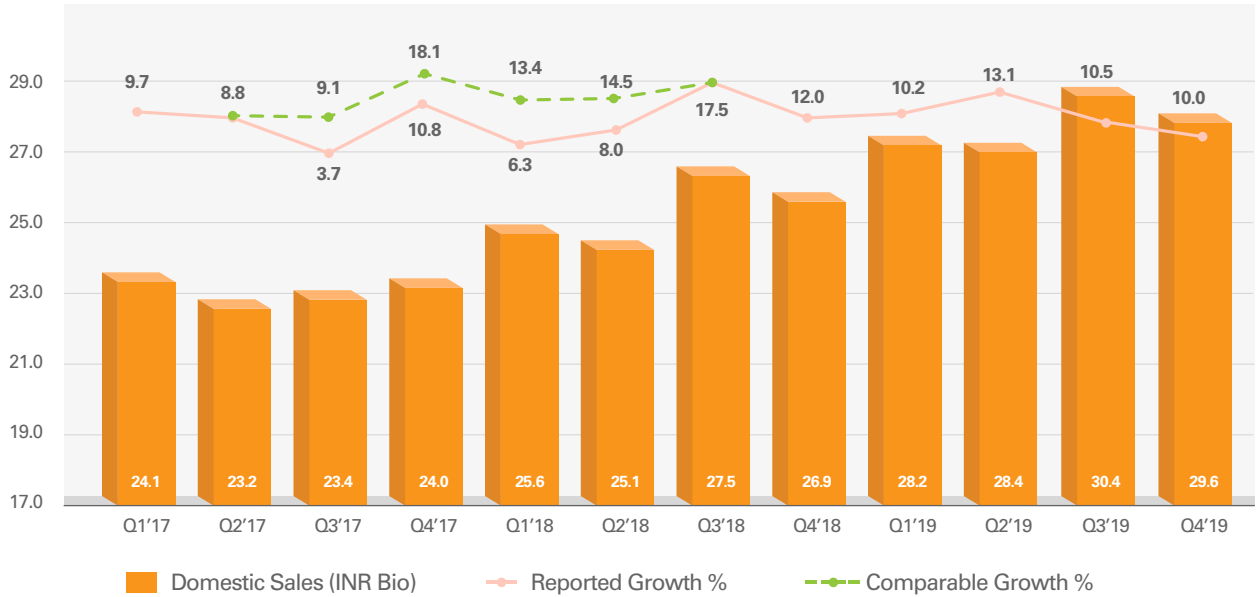
Market Capitalization

Total Shareholders Return 2,463%
Annualized Return 19.5%



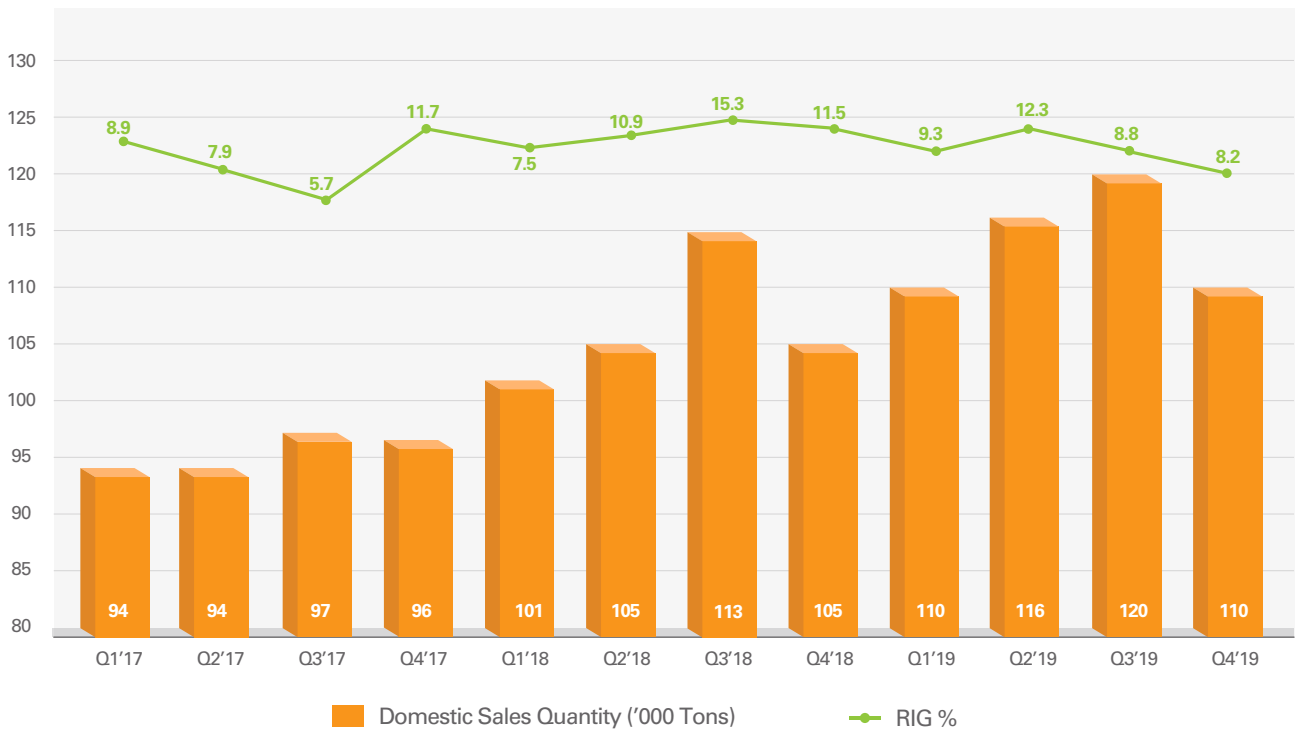
*Source : Bombay Stock Exchange, Dated 31st December 2019

Quest for Double Digit Value Growth



Reported growth rates are adversely impacted due to GST impacts

Real Internal Growth (Volume & Mix)



02

SUSTAINABLE
BRANDS



Most of our Key Brands in 2019 became Plastic Neutral








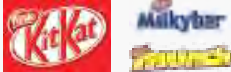



Strengthening our Trust with Consumers



Source – Relative Equity Index - Corporate Equity Monitor (Internal)

Leading Market Shares

Category	Brand	Nestlé India Position
Infant Cereals		
Infant Formula		
Tea Creamer		
Instant Noodles		
Ketchups & Sauces		
Instant Pasta		
White & Wafers		
Instant Coffee		

Source – Nielsen, YTD Dec'19

Continued focus on Innovation & Renovation

71 innovation since 2016



3.4% Contribution to Domestic Sales in 2019

Leveraging E-Commerce

Capturing our Opportunity

The top part of the block shows a Milkmaid Baking Kit box and a smaller product box. The bottom part shows a box of Nangrow, a jar of Nangrow Gold, and a black coffee machine.

Product Solutions & Kits

Category Building for Premium Brands

The top part of the block shows a Nescafé Travel Kit with a red coffee machine and a Nescafé packet. The bottom part shows several packets of Fusion.

Targeted Media & Communication

High Impact Product Launches

Harnessing the 'One Nestlé' Initiative



Currently over **450** kiosks

Average **14.5** million footfall
across all kiosks/per annum

Employment Generated:
1000+ People

Our Ambition:
1000 Kiosks



ESG

SUSTAINABLE
OPERATIONS



Nanjangud Factory

Building Enduring Relationships



3,500
Coffee Farmers



100,000
Dairy Farmers



4,600
Suppliers and
1,700
Distributors



1,200
Spice Farmers

Developing a new sourcing mindset for entry into organic food category

Organic grains from Rajasthan, Andhra Pradesh and Karnataka

Natural, real and toxin-free organic fruits

20 member supplier development team - farm to factory

India Organic, Jaivik Bharat and SGS certified products

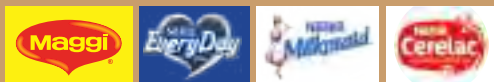
Milk from Rajasthan from cows fed with 100% organic and farm grown fodder



Committed to Make in India

98% of what we sell is 'Made in India'

Moga (1961)



Choladi (1967)



Instant Tea largely for exports

Nanjangud (1989)



Samalkha (1992)



Ponda (1995)



Bicholim (1997)



Pantnagar (2006)



Tahliwal (2012)



Make in India journey continues

Construction commenced for a dedicated MAGGI factory

Sanand, Gujarat part of our 'navratna'

State-of-the-Art:
Reinforcing our
sustainability
journey

Employment
generation
for around
400 people

Initial investment
for over two years:
Rs. 700 Crore

Our diversity
ambition - 50%
women workforce
at the factory



C4

SUSTAINABLE
COMMUNITIES



Project Vriddhi

Our Initiatives



For Individuals
and Families



For Our
Communities



For the
Planet



Project Jagriti

Encouraging Good Nutrition
and Breastfeeding Practices
through Community Action

Over **5 Mio** Beneficiaries
(Direct + Indirect)



Encouraging Adolescents
to Live Healthier

Over **300,000** Adolescents



Project Vriddhi

Enhancing the livelihoods
in Rohira village in
Nuh district

Over **1,500** Beneficiaries



Project Serve
Safe Food

20,000 Street Food Vendors



Creating Access to
Clean Drinking Water

280 water tanks



Sanitation facilities
for girl students

Over **200,000**
beneficiaries



Creating Awareness
about Water Conservation

Around **120,000** Students



Project Vriddhi: Aiming to bring a positive change in village Rohira, Nuh District, Haryana

Before Intervention



Work in Progress



Commemorating 10 Years of Nestlé Healthy Kids: Our flagship CSR initiative



CS5

SUSTAINABLE ENVIRONMENT



Hilldaari Initiative in Dalhousie

Plastic Waste Management

Nestlé India: Part of the Solution

Pioneering Alternate Materials



Transition to mono material packaging which is designed for better recycling. Already initiated for MAGGI Noodles, MUNCH.

Shaping a Waste Free Future



- Extended Producer's Responsibility Projects expanded to 20 States / UTs in 2019
- Developing integrated waste management systems in 3 hill towns

Driving New Behavior



- Employee awareness/ Volunteering our employees as ambassadors
- Empowering waste workers

Empowering and recognising waste workers as part of Hilldaari



Provision of occupational ID for waste workers



Distribution of protective equipments



Digital monitoring system



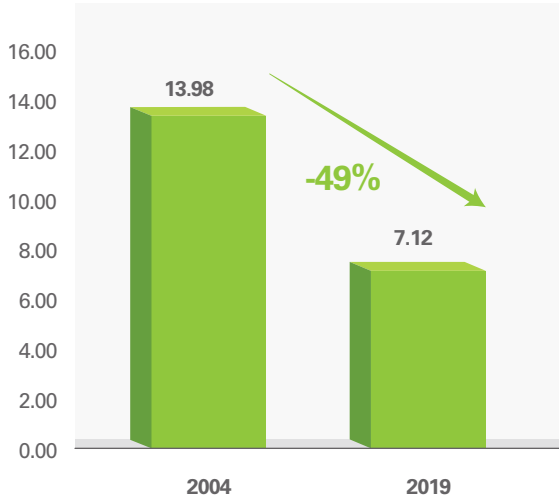
Health Camp for waste workers



Life-size portraits of waste workers

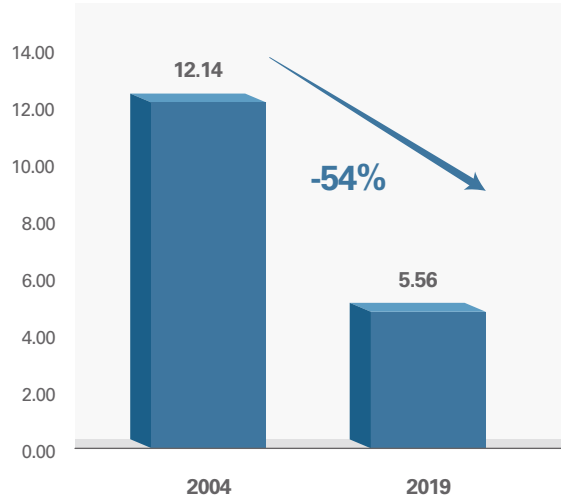
Recognized Leadership in Sustainability

Energy Use (GJ /Ton)



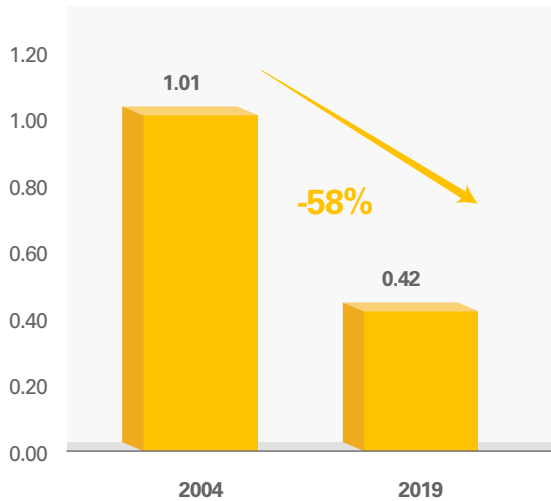
2004 -19: -49%

Water Use (m³ /Ton)



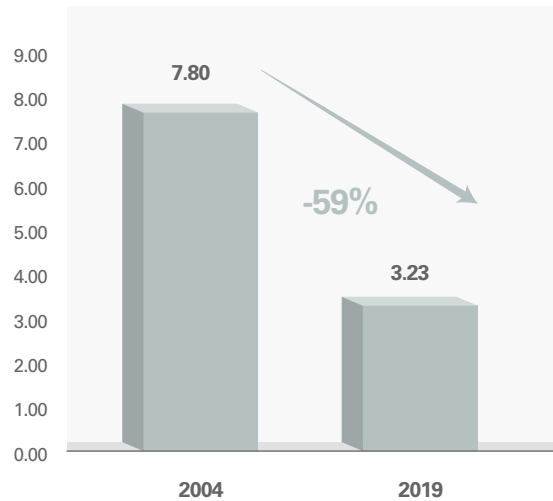
2004 -19: -54%

CO² (Tons eq. /Ton)



2004 -19: -58%

Waste Water Generation (m³ /Ton)

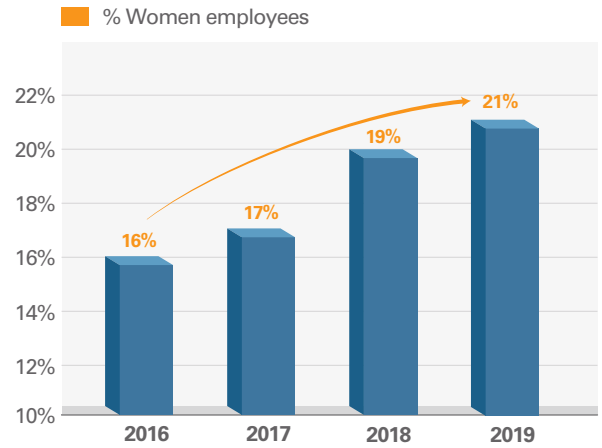
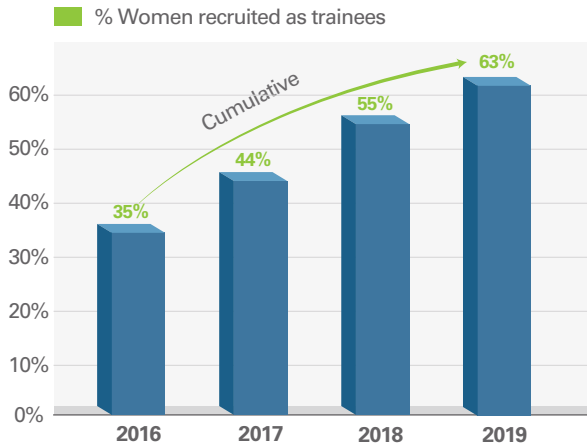


2004 -19: -59%

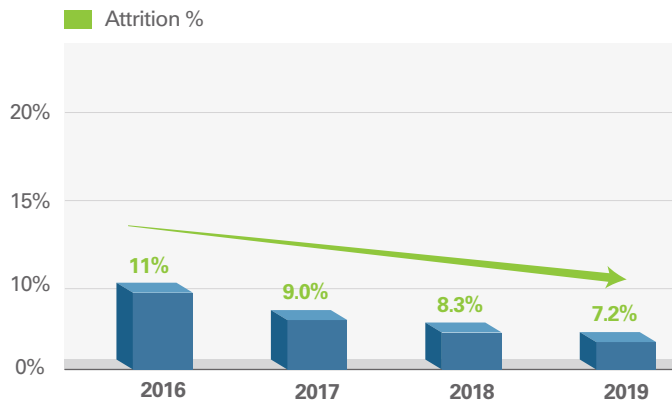
SUSTAINABLE ORGANIZATION



Gender Balance & Retention



Attrition



Key Practices & Positive Perception

Travel benefit for mothers till the child turns 2

Day Care Reimbursement Policy for kids up to 6 years

Unconscious Bias: Awareness for employees and for people managers

Breaking the Taboo: Menstrual hygiene sessions in factories

Only FMCG in Top 10 Most-attractive Employer Brands in India (Randstad Employer Brand Research 2019)

Corporate Information

BOARD OF DIRECTORS

(As on 31st December 2019)

Suresh Narayanan (DIN:07246738)	- Chairman & Managing Director
Shobinder Duggal (DIN:00039580)	- Executive Director - Finance & Control and CFO
Martin Roemkens (DIN:07761271)	- Executive Director - Technical
Rama Bijapurkar (DIN:00001835)	- Independent Non-Executive Director
Rajya Vardhan Kanoria (DIN:00003792)	- Independent Non-Executive Director
Roopa Kudva (DIN:00001766)	- Independent Non-Executive Director
Rakesh Mohan (DIN:02790744)	- Independent Non-Executive Director
Swati A. Piramal (DIN:00067125)	- Independent Non-Executive Director

BOARD COMMITTEES:

(As on 31st December 2019)

AUDIT COMMITTEE

Rajya Vardhan Kanoria	- Chairman
Roopa Kudva	- Member
Rakesh Mohan	- Member

STAKEHOLDERS RELATIONSHIP COMMITTEE

Rama Bijapurkar	- Chairperson
Rajya Vardhan Kanoria	- Member
Shobinder Duggal	- Member

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Swati A. Piramal	- Chairperson
Suresh Narayanan	- Member
Rama Bijapurkar	- Member

NOMINATION AND REMUNERATION COMMITTEE

Rajya Vardhan Kanoria	- Chairman
Roopa Kudva	- Member
Rakesh Mohan	- Member

RISK MANAGEMENT COMMITTEE

Shobinder Duggal	- Chairman
Martin Roemkens	- Member
Anurag Dikshit (AVP Treasury & M&A)	- Member

AUDITORS

B S R & Co. LLP,
Chartered Accountants,
Building No. 10, 8th Floor, Tower – B,
DLF Cyber City, Phase – II,
Gurugram – 122 002, Haryana

BANKERS

Axis Bank Limited
Bank of America N.A.
Citibank N.A.
Deutsche Bank AG
HDFC Bank Limited
HSBC Bank
ICICI Bank Limited
JP Morgan Chase Bank N.A.
Punjab National Bank
State Bank of India
Standard Chartered Bank
Yes Bank Limited

WEBSITE

www.nestle.in

INVESTOR EMAIL ID

investor@in.nestle.com

MANAGEMENT COMMITTEE

Suresh Narayanan	- Chairman & Managing Director
Shobinder Duggal	- Finance & Control and CFO
Martin Roemkens	- Technical
Amit Narain	- Human Resources
Arvind Bhandari	- Nutrition
Ashish Pande	- Supply Chain
B. Kannan	- Centre of Expertise - Sales
B. Murli	- Legal & Company Secretary
Chandan Mukherji	- Consumer Insights
Hari Nariani	- ISIT/Nestlé Business Excellence
Nikhil Chand	- Foods, Confectionery
Rashi Goel	- Communications
Ravi Ramchandran	- Sales
Sanjay Khajuria	- Corporate Affairs
Sunayan Mitra	- Beverages
Sushrut Nallulwar	- Nestlé Professional
Vineet Singh	- Dairy

CORPORATE IDENTITY NUMBER

L15202DL1959PLC003786

REGISTERED OFFICE

100/101, World Trade Centre, Barakhamba Lane,
New Delhi - 110 001

HEAD OFFICE

"Nestlé House"
Jacaranda Marg, 'M' Block,
DLF City, Phase II,
Gurugram - 122 002 (Haryana)

BRANCH SALES OFFICES

- Chimes, Plot no. 142P, Sector 44, Gurugram - 122003
- KRM Plaza, 1st Floor, North Tower No. 2, Harrington Road, Chetpet, Chennai - 600 031.
- Tower "A", 09th Floor, DLF IT Park, 08, Major Arterial Road, Block - AF, New Town, Rajarhat, Kolkata - 700 156
- 1st Floor, ICC Chambers, Near Saki Vihar Telephone Exchange, Saki Vihar Road, Powai, Mumbai - 400 072

FACTORIES

- Village Maulinguem (North), Bicholim Taluka - 403 504 (Goa)
- Plot No. 294, 297, Usgao Industrial Area, Ponda - 403 406 (Goa)
- Unit I & II - Patti Kalyana, Kiwana Road, Samalkha -132 101 Dist. Panipat (Haryana)
- Industrial Area, Tahliwal, District - Una - 174 301(Himachal Pradesh)
- Industrial Area, Nanjangud - 571 301 Mysore District (Karnataka)
- Ludhiana - Ferozpur Road, Near Kingwah Canal, Moga -142 001 (Punjab)
- P.O. Cherambadi - 643 205 Dist. Nilgiris (Tamil Nadu)
- Plot No. - 1A, Sector No.1, Integrated Industrial Estate, SIDCUL, Pantnagar - 263145, Dist. Udham Singh Nagar (Uttarakhand)

REGISTRAR & TRANSFER AGENTS

M/s Alankit Assignments Limited
1E/13, Jhandewalan Extension,
New Delhi - 110 055
Tel No : 011- 42541234, 23541234
Fax No : 011- 41540064

LISTING OF EQUITY SHARES (Listing Fees paid)

BSE Limited, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai - 400 001 (Scrip Code : 500790)

61st ANNUAL GENERAL MEETING ('AGM')

Friday, 19th June, 2020 at 10:00 a.m. IST
AGM through Video Conferencing / Other Audio Visual Means (VC/OAVM) Facility
[Deemed Venue for meeting : Registered Office: 100/101, World Trade Centre,
Barakhamba Lane, New Delhi 110 001]

FINANCIAL YEAR

1st January, to 31st December

10 - Year Financial Highlights

In millions (except otherwise stated)

	2019	2018	2017	2016	2015*	2014	2013	2012	2011	2010
Results										
Sales	122,953	112,162	101,351	94,096	81,233	98,063	90,619	83,023	74,908	62,547
Profit from Operations	25,863	23,509	18,305	16,542	13,338	17,926	16,941	15,400	13,840	11,387
as % of Sales	21.0	21.0	18.1	17.6	16.4	18.3	18.7	18.5	18.5	18.2
Profit after Tax	19,696	16,069	12,252	10,014	5,633	11,847	11,171	10,679	9,615	8,187
as % of Sales	16.0	14.3	12.1	10.6	6.9	12.1	12.3	12.9	12.8	13.1
Balance Sheet and Cash flow statement										
Shareholders Fund	19,323	36,737	34,206	32,823	28,178	28,372	23,687	17,984	12,740	8,554
Return on Average Equity (%)	70.3	45.3	36.6	32.8	19.9	45.5	53.6	69.5	90.3	114.0
Operating Cash Flow	22,337	20,525	18,178	14,659	10,981	16,440	17,964	16,934	11,582	10,368
as % of Sales	18.2	18.3	17.9	15.6	13.5	16.8	19.8	20.4	15.5	16.6
Capital Expenditure	1,522	1,628	1,959	1,133	1,493	4,044	3,282	9,744	15,552	4,459
as % of Sales	1.2	1.5	1.9	1.2	1.8	4.1	3.6	11.7	20.8	7.1
Data per Share										
Earnings per share (₹)	204.3	166.7	127.1	103.9	58.4	122.9	115.9	110.8	99.7	84.9
Dividend per share (₹)#	342.0	115.0	86.0	63.0	48.5	63.0	48.5	48.5	48.5	48.5
Market capitalisation, end December	1,425,983	1,070,913	756,381	581,367	561,535	615,113	510,738	481,153	402,314	365,917
Number of employees	7,649	7,604	7,527	7,588	7,495	7,228	7,159	7,008	6,639	5,573

Figures from 2016 onwards are as per Ind AS. Effective 1st July, 2017, Sales are not comparable due to change in structure of Indirect taxes.

*Impacted by MAGGI Noodles issue

#In 2019, special interim dividend of ₹180 per share paid out of accumulated profits of previous years.

Key Financial Ratios

As per the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the key financial ratios are given below:

Particulars	2019	2018
Operating Profit Margin(%) (Profit From Operations/Sale of Products)	21.0	21.0
Net Profit margin (%) (Profit After Tax/Sale of products)	16.0	14.3
Return on Net Worth (%) (Profit After Tax/Average Equity)	70.3	45.3
Current Ratio (Current Assets/Current liabilities)	1.8	2.6
Inventory turnover Ratio (Sale of products/Average Inventories)	10.9	12.0
Debtors Turnover Ratio (Sale of products/Average trade receivables)	98.8	105.0

Notes:

1. Interest coverage ratio and Debt Equity Ratio are not relevant for the company as it has negligible debt.

2. Significant change (i.e. 25% or more over previous year) in Current ratio and Return on Net worth is attributable to payment of special interim dividend of Rs. 180 per share out of previous year's accumulated profits on 23rd August, 2019. This had an impact on cash and cash equivalents and retained earnings of 2019. Adjusted Ratios of 2019 without considering the impact of special interim dividend: Current Ratio: 2.8, Return on Net worth (%): 51.2

Board's Report - 2019

Dear Members,

Your Directors are pleased to present their report and financial statements for the year ended 31st December, 2019.

Financial Results and State of Company's Affairs

(₹ in Million)

Particulars	2019	2018
Sale of products	122,952.7	112,162.3
Add : Other operating revenues	736.3	760.4
Add : Other Income	2,468.8	2,589.2
Total Income	126,157.8	115,511.9
Less : Total Expense	99,407.9	91,222.4
Profit before tax	26,749.9	24,289.5
Less: Tax expense	7,054.4	8,220.2
Profit after tax	19,695.5	16,069.3
Add : Other Comprehensive Income	(1,547.7)	(404.1)
Total Comprehensive Income	18,147.8	15,665.2

Opening balance in Retained Earnings	27,688.1	25,054.5
Amount available for appropriation	45,870.2	40,821.8
Interim dividends 2019: ₹ 101.00 per share 2018: ₹ 90.00 per share	9,738.0	8,677.4
Special interim dividend paid out of accumulated profits of previous years (surplus in the profit & loss account) 2019: ₹ 180.00 per share 2018: Nil	17,354.8	
Final dividends 2018: ₹ 25.00 per share 2017: ₹ 23.00 per share	2,410.4	2,217.6
Less: Dividend distribution tax	6,059.4	2,238.7
Closing balance in Retained Earnings	10,307.6	27,688.1

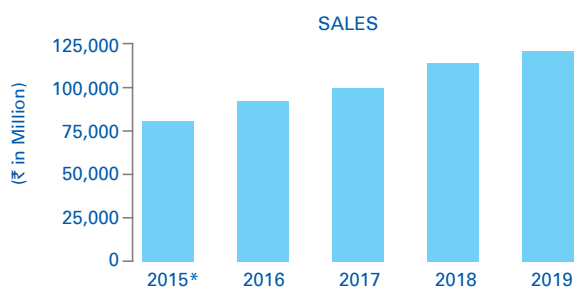
Key ratios:			
Earnings per share (₹)	204.28	166.67	
Dividend per share (₹)	Interim Proposed - Final	281.0* 61.0	90.0 25.0

Additional Information:		
Profit from operations	25,862.5	23,508.6

* includes special interim dividend of ₹180/- per equity share of Rs. 10/- each paid out of accumulated profits of previous years (surplus in the profit & loss account)

Total Sales and Domestic Sales for the year increased by 9.6% and 10.9% respectively. Domestic Sales growth is broad based largely driven by volume and product mix. Export Sales

decreased by 9.9% due to lower exports of coffee to Turkey.

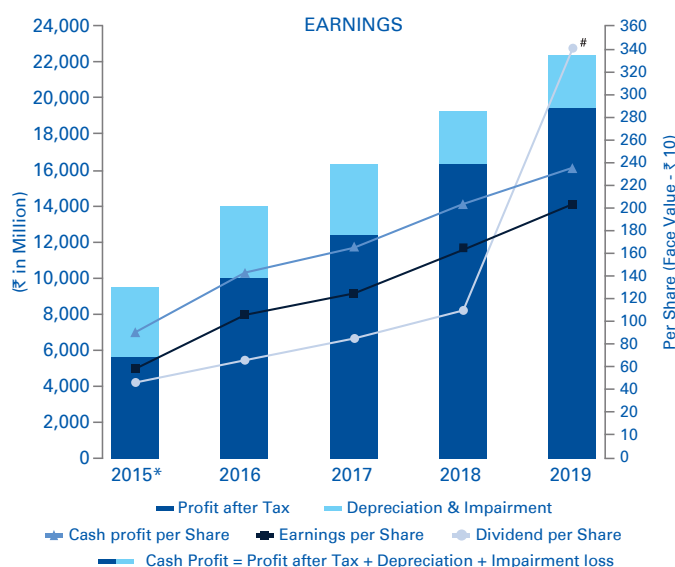


* Impacted by MAGGI Noodles issue
Figures from 2016 onwards are stated as per Ind AS

Sales from 2017 onwards are impacted due to implementation of Goods and Service tax

Other Income has decreased due to lower average liquidities post payment of special interim dividend on 23rd August, 2019.

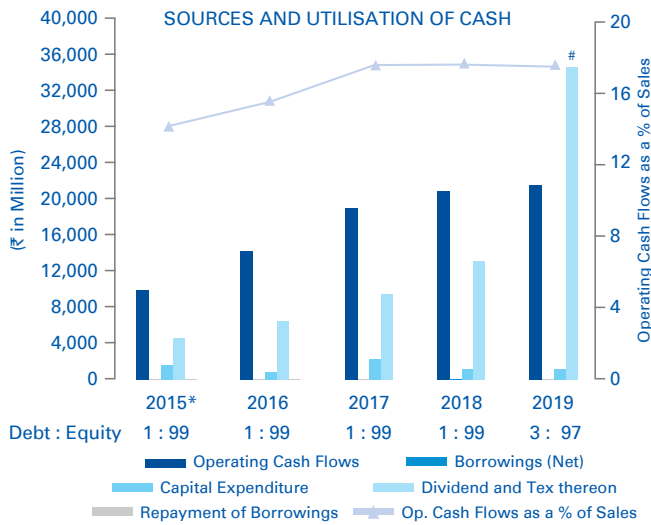
Tax Expense (including revaluation of deferred tax assets & liabilities) from 1st April, 2019 to 31st December, 2019 has been computed at the rates introduced by the Taxation Laws (Amendment) Ordinance, 2019 dated 20th September, 2019. Accordingly, Net Profit after Tax and Earnings per share for the year have been positively influenced by the lower tax rates.



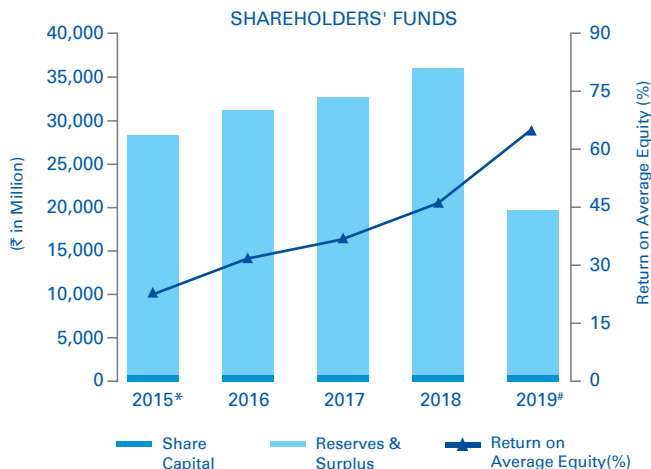
* Impacted by MAGGI Noodles issue
Figures from 2016 onwards are stated as per Ind AS

Includes special interim dividend of ₹180 per share paid in 2019 out of accumulated profits of previous years

Your Company has created a contingency provision of ₹ 1,163.4 million (Previous year ₹ 1,242.5 million) for various contingencies resulting mainly from matters, which are under litigation / related disputes and other uncertainties requiring management judgement. Your Company has also reversed, utilised/settled contingency provision of ₹ 914.6 million (Previous year ₹ 205.6 million) due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required.



* Impacted by MAGGI Noodles issue
 Figures from 2016 onwards are stated as per Ind AS
 Ratios in % of sales from 2017 onwards are impacted due to implementation of Goods and Service tax
 # Includes special interim dividend of ₹180 per share paid in 2019 out of accumulated profits of previous years



* Impacted by MAGGI Noodles issue
 Figures from 2016 onwards are stated as per Ind AS
 # Reserves & Surplus impacted by payment of Special interim dividend of ₹180 per share in 2019 out of accumulated profits of previous years



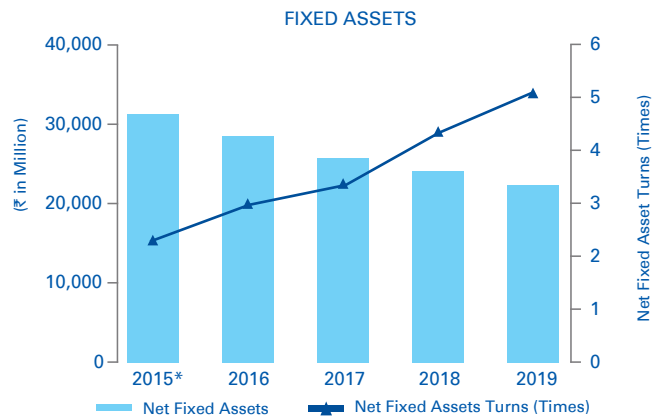
Market Capitalisation is based on year end closing share price quoted on the Bombay Stock Exchange.

Book Value per share is based on the total shareholder's funds as at the year end.

* Impacted by MAGGI Noodles issue

Figures from 2016 onwards are stated as per Ind AS

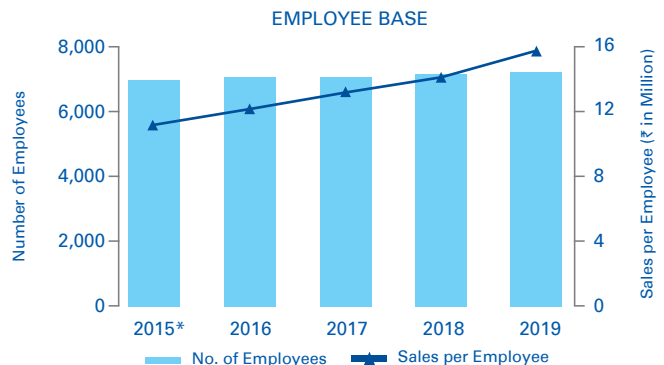
Book value impacted by payment of Special interim dividend of ₹180 per share in 2019 out of accumulated profits of previous years



* Impacted by MAGGI Noodles issue

Figures from 2016 onwards are stated as per Ind AS

Ratios in terms of sales from 2017 onwards are impacted due to implementation of Goods and Service tax



* Impacted by MAGGI Noodles issue

Figures from 2016 onwards are stated as per Ind AS

Ratios in terms of sales from 2017 onwards are impacted due to implementation of Goods and Service tax

Dividends

The Board of Directors have recommended a final dividend of ₹ 61.00 per equity share amounting to ₹ 5,881.4 million for the year 2019. The total dividend for 2019 aggregates to ₹ 342.00 per equity share which includes first interim dividend of ₹ 23.00 per equity share paid on 15th May, 2019; second interim dividend of ₹ 23.00 per equity share for 2019 out of current year profits and a special interim dividend of Rs. 180/- per equity share out of accumulated profits of previous years (surplus in the profit & loss account) both paid together on 23rd August, 2019; and the third interim dividend ₹ 55.00 per equity share paid on 20th December, 2019.

The dividend recommendation is in accordance with the Dividend Distribution Policy of the Company which is annexed and forms part of the Annual Report and the same is available on the Company's website and can be accessed at <https://www.nestle.in>

Material changes affecting the Company

There have been no material changes and commitments affecting the financial position of the Company between the end of the financial year and date of this report. There has been no change in the nature of business of the Company.

Amount Transfer to Reserves

Your Directors do not propose to transfer any amount to the reserves.

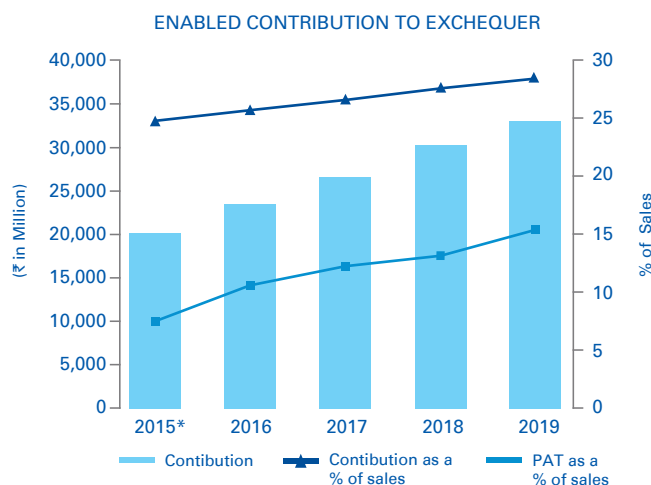
Exports

In 2019, the exports of your Company to South Asia (Nepal, Bhutan, Bangladesh and Sri Lanka) registered a double-digit growth primarily driven by categories such as, Milk Products, Instant Coffee, Instant Noodles and Infant Nutrition. Your Company's brand continued to have a high level of trust. United Kingdom registered high double-digit growth. Total exports, however, de-grew by 9.9% as a result of lower coffee exports to Turkey in 2019. The balance portfolio continued to grow because of a well-diversified mix of export markets. With the focus on range extension and channel

proliferation, brand MAGGI continued to grow amongst the Indian diaspora. United States and Canada remained the biggest destination for culinary exports. Your Company is striving to enhance distribution in key markets and explore new territories. The Instant Tea exports registered another year of credible growth on the back of strong demand for its premium grades in the markets of East Asia. Your Company's endeavor in exploring new markets has delivered good results in the confectionery category with exports to Malaysia and Thailand in 2019.

Contribution to the Exchequer

Your Company over the years has been enabling significant contribution to various taxes. During the year 2019, the Company through its business, enabled tax collections at Central and State level close to ₹ 35.8 billion, in aggregate.



* Impacted by MAGGI Noodles issue
 Figures from 2016 onwards are stated as per Ind AS
 Ratios from 2017 onwards are impacted due to implementation of Goods and Service tax

Business Development

In 2019, your Company steadfastly continued its nutrition, health and wellness journey through strong volume and mix-led growth and strengthened its commitment towards a sustainable future, through its brands, its factories, its employees and its partners by taking collective action.

Your Company stayed in its path of growth, by investing in cutting-edge science and innovation and taking decisive steps towards renovation. It has attractive product portfolio and in 2019, your Company launched several new products. By driving greater agility and rapidly adapting to the changing preferences of consumers, your Company brought meaningful differentiation, by improving taste, convenience and nutritional qualities of its products, that saw an increase in consumer trust.

This commitment for innovation was also seen in the way your Company does business. Through the cluster-based approach, that is powered by data and technology, your Company made deeper penetration into newer markets, unleashed growth potential and created a transparent planning process. This has led to an increased engagement with the consumers. In 2019, your Company was leading with strong market shares in 7 out of the 8 categories. Your Company continued to strengthen its business focus through Nestlé Business Excellence, by simplifying processes that reduces administrative cost by increasing the penetration of its shared services.

Your Company further leveraged e-commerce, through targeted communication, range selling, consumer base sampling, which led to a growing contribution of e-commerce to domestic sales. In 2019, your Company has continued to focus on its traditional trade and modern trade, to further strengthen its strategic priorities and build a more agile network of product delivery to its consumers.

Improving the nutritional profile of products is at the very heart of your Company's business and is linked to United Nations Sustainable Development Goal, 3. In line with its 'Purpose', your Company continued to work towards reducing sodium, sugars and saturated fats and adding healthful ingredients like whole grain, vegetables and micro-nutrients to its foods and beverages making them more nutritious. The total micro-nutrient fortified servings sold in 2019 in India is equivalent to 6.7 billion serves, across several product lines.

Your Company launched asknestle.in, a website that provides real-time and personalized advice on nutrition that can be customized for the audience. It aims to make nutrition education more accessible, so that parents can inculcate

better food practices and make informed decisions about food choices and nutrition. With AskNestlé, parents can access a 'Growth Tracker' that enables them to track how their children are growing. The service also offers 'Custom Meal Plans' personalized for regional preferences and generates a daily nutrition score.

As a recognized leader in sustainability, your Company has taken several steps towards protecting the environment and addressing climate change. By driving new behavior and expanding waste management programs, specifically in the hill states of India, your Company, played an instrumental role in shaping a waste free future. In 2019, MAGGI noodles, NESCAFÉ and KITKAT became plastic neutral, by managing an equivalent or higher amount of plastic waste, than that generated through the consumption of the brands. Committed to manage resources sustainably; your Company reduced its energy use by 49%, carbon emissions by 58%, water use by 54% and water waste by 59% from 2004 to 2019. Your Company continued to contribute to local communities and build enduring relationships with about 4,600 suppliers, 1,700 distributors, 100,000 dairy farmers, 3,500 coffee farmers and over 1,200 spice farmers.

With traceability, food safety and sustainability at its core and staying true to its Purpose and Values, your Company reinforced its commitment to the consumer, community and the planet, by creating value for all its stakeholders and establishing that business benefits and societal impact are mutually inclusive. Your Company, by incorporating sustainability into every aspect of its business, has reaffirmed its commitment as business as a force for good.

Innovating and Renovating Prepared Dishes and Cooking Aids



The 'Prepared Dishes and Cooking Aids' business continued its strong performances across MAGGI range of products. MAGGI Noodles, in the instant noodles category further strengthened its leadership position in 2019, through a strong double-digit volume growth. A disciplined regional

intervention consisting of media, on-ground activation led to penetration growth and distribution ramp-up. MAGGI Noodles continued its focus on innovating and renovating its portfolio with the launch of MAGGI Nutrilicious Atta Noodles made with a blend of 20 spices and herbs.

Your Company also launched MAGGI Fusian Noodles, a range of Asian flavours inspired MAGGI Noodles, available in flavours such as Bangkok Sweet Chilli, Hong Kong Spicy Garlic, Singaporean Tangy Pepper.



MAGGI expanded its offering in the ready-to-eat segment with the launch of **MAGGI Upma and MAGGI Poha**, providing convenience and

taste to its consumers, especially millennials. The cooking aids received encouraging consumer response for MAGGI Masala-ae-Magic Seasonings with integrated media campaign, where consumers were encouraged to engage with the brand and experience the product. The simple, natural ingredients inspire the consumers to cook delicious, balanced meals. Reflecting your Company's core purpose, the product, helps provide affordable nutrition for the whole family. Your Company's Sauces business too expanded its portfolio to cater to the increasing level of experimentation in accompaniment through the launch of Chilli Garlic Sauce under MAGGI Fusian range.

MAGGI also launched a website maggi.in, that positioned the brand as an 'ally in everyday cooking' under the platform MAGGI Consumer Connections, engaging closely with the brand and delivering on variety, convenience and balance to the food.

Building Breakfast Cereals



Your Company's breakfast cereals business under the NESPLUS brand retailed a range of products aiming to provide high quality

nutritious options to the Indian consumer. Each of these products are made with four grains: wheat, rice, oats and the traditional Indian millet, jowar. The variants include - Koko, Choco - Burst Fillows, Strawberry-Burst Fillows and Nutty Honey Granola as

well as cereal bars. The products grew in modern trade and e-commerce, saw tremendous on-ground activation, with plans underway for innovation, renovation and new launches.

Strengthening of Milk Products and Nutrition Portfolio

The Milk Products and Nutrition business focuses on nurturing a healthier generation, enabling a healthier future, through scientific and nutritional expertise for individuals and families at all stages of life.

The Milk Product and Nutrition business delivered strong results despite external challenges linked to commodity price inflation. Your Company was able to mitigate some of these challenges, amongst others, by a relentless focus on identifying efficiencies across the value chain, passing on price increases where necessary, as well as innovation in the portfolio.

Your Company expanded its presence in the Health Food Drinks category by bringing to India the world's number 1 cocoa malt beverage MILO. Launched in powder form in select markets, MILO has gained positive response from consumers and retailers. Your Company also introduced Nestlé a+ Banglar Mishti Doi inspired by the regional delicacy of West Bengal.



Your Company continued to inspire enthusiasts to try their hand at baking desserts by offering recipe options with their trusted **MILKMAID**.

In its Healthcare Nutrition Business, marketed under the umbrella of Nestlé Health Science, your Company consolidated its portfolio and delivered growth. This growth was driven by brand RESOURCE High Protein and RESOURCE Diabetic. Specialised nutrition brand PEPTAMEN in the critical care segment also enabled an increase in market share. Your Company also made an entry in Weight Management Category with the launch of OPTIFAST, a first of its kind scientifically designed meal replacement diet for people with weight concerns. This is an example of benefits from the continuous access to, amongst other things, research and development.

Your Company believes breast milk provides the

best nutrition for babies, and every child should be exclusively breastfed for six months, followed by introduction of age appropriate complementary feeding and breast milk until two years and beyond. In the Infant Formula category, your Company re-launched LACTOGEN 1 with L. reuteri (probiotics). In the specialized formula segment, Pre-NAN was relaunched with DHA (Docosahexaenoic Acid) and ARA (Arachidonic Acid) and for the first time manufactured in the Samalkha manufacturing factory of the Company.

In the Baby Foods Category, and in keeping with our line with the consumer trend towards traditional millets becoming the modern super grains, your Company has launched the first ever 'Ragi' variant under the brand CERELAC. In line with the growing Organic food trend your Company launched a range of Organic Cereals under the CERELAC and CEREGROW brands. Since two years, your Company has been providing support to farms where organic practices are in place. The products are made from 100 percent organic ingredients and have the 'India Organic' and 'Jaivik Bharat' certification. The CEREGROW Branded organic cereals launch was supported with communication positioned on 'CEREGROW ka Poshan, Organic ki Tasalli'.

Growing Coffee and Beverages Portfolio

Year 2019 was an exciting year for the Coffee and Beverages business as your Company continued to focus on growing Coffee and Beverages market.

NESCAFÉ led the journey of bringing in new consumers into coffee category through several initiatives and activations. This resulted in robust brand growth through the year that was reflected in strong gains in category household penetration for NESCAFÉ and in its market share. NESCAFÉ Classic continued its journey of building strong connections with consumers. The campaign "Badal Life ki Raftaar" was leveraged to continue building relevance for coffee amongst the youth. On-ground, activations such as sampling and college festivals enabled the brand to connect with youth in a relevant and experiential manner.

NESCAFÉ SUNRISE moved ahead in its journey of driving a differentiated brand in the core

coffee market in the southern part of India.



NESCAFÉ continued its, premiumisation journey with NESCAFÉ Gold and NESCAFÉ É, a smartphone-connected coffee-making mug, which is compatible with products from

the NESCAFÉ portfolio, by reaching out to consumers seeking premium products across the country through stores as well as e-commerce. To provide a delightful café-like coffee experience, your Company renovated NESCAFÉ Cappuccino range with an indulgent frothy recipe and a premium look.

NESCAFÉ also launched several packs to leverage the e-commerce channel. These packs included trendy merchandise like NESCAFÉ branded portable travel flask, foamer, the iconic red mug, a special cold coffee mason jar to elevate the coffee experience of the consumers and build relevance for coffee. The brand entered new spaces of gifting during the festival of Rakshabandhan with the "NESCAFÉ Coolest Cold Coffee Kit" and during Diwali with the "NESCAFÉ Ultimate Coffee Kit" and the "NESCAFÉ Gold Coffee Connoisseur's Kit".

The strong consumer acceptance and category transformation impact of NESCAFÉ Ready-to-Drink cold coffee and milk beverage was recognised when it was awarded the Breakthrough Innovations Awards for India in the Emerging Play category by Nielsen, a global retail measurement and data analytics company.

Further building on brand NESTEA, your Company launched NESTEA Ready-to-Drink Iced Tea in tetra-pack format in Peach and Lemon flavours.

More offerings in the Chocolate and Confectionery Portfolio

The Chocolates and Confectionery business delivered double digit growth and market share gains in 2019. This was aided by a combination of rapid acceleration on the premium segment and continued momentum in the core mainstream segment with increase in availability.



The focus on innovation continued with multiple 'category first'

launches across key brands. KITKAT accelerated its premiumisation journey with the launch of the most indulgent variant **KITKAT DESSERT DELIGHT** Rich chocolate fudge. This will enable the brand to tap new opportunities in the gifting and sharing space.



By leveraging your Company's access to global research and development MUNCH set another innovation benchmark in the coated wafer category with the launch of MUNCH CRISP-POP. MUNCH CRISP-POP combines the exciting taste of caramel popcorn with the crunch of MUNCH. **MILKYBAR MOOSHA** Cocoa Crispies builds on to the familiar creamy taste of MILKYBAR with added crispy cocoa crispies giving a unique combination of creamy and crispy.

Your Company continued its focus on portionability with packs/formats that helped consumers make informed choices. Most of the products per serve provide approximately under 100kcal of energy. The 'light treat' wafer segment witnessed fastest growth in the portfolio.

With continued investments in visi-coolers and distribution infrastructure, your Company increased its distribution reach in both urban and rural markets improving access of its brands to consumers.

Nestlé Professional — Out-of-Home

business continued to grow steadily in 2019 with a near double digit growth. This growth was driven by improved performance of products across key Out of Home channels such as educational institutes, airlines, offices as well as the food service channels such as hotels and restaurants.

Significant steps were taken by the beverages business to premiumise the portfolio through the launch of advanced and versatile beverage solutions offering widest range of beverage menu in the industry based on NESCAFÉ GOLD. The launch of new NESCAFÉ Office corner, with premium hot and cold beverages at affordable prices, was recognized as a unique proposition in the industry.

Your Company's 'Out of Home' business extended its foods portfolio by launching new products in the 'Ready to eat' and 'Food Solutions' segment. With the launch of MAGGI Poha and MAGGI Upma, in an

'on the go' format, your Company added Indian snacking options for the consumers targeting the transport and education channel.

New products like MAGGI Liquid Seasoning and MAGGI PROFESSIONAL Thai Curry Pastes (100% Vegetarian Red & Green Curry Pastes) were also launched as food solutions to strengthen presence in the Pan-Asian Restaurant segment. Your Company also engaged with 200+ budding chefs from various reputed hotel management institutions through events like Young Culinary Talent, Chef Master Classes and culinary contests. Your Company strengthened engagement with 3000+ key opinion leaders. Your Company under the umbrella of ONE (One Nestlé Experience) made a new beginning with the setting up of NESCAFÉ & MAGGI kiosks in various channels. Your Company, through a franchise business model operates in approximately 476 Kiosks that are visited by over 14.4 million consumers every year.

To address the issue of plastic waste, your Company has introduced wooden forks, kotka paper cups and paper bowls at the kiosks.

Awards and Recognitions

Your Company received awards at various industry platforms in the area of corporate management, marketing, advertising, digital engagement, packaging, human resource development and corporate social responsibility. Some awards are listed below:

- Mr. Suresh Narayanan recognized as the Best CEO in the FMCG category by Business Today.
- Nestlé India won "Best Overall Excellence in CSR" at the National CSR Leadership Awards 2019.
- Three awards won at Nielsen Breakthrough Innovation Awards for NESCAFÉ Ready-to-Drink (Emerging Play), MAGGI Masalas of India and KIT KAT Strawberry Duo (both Short Term Play).
- NESCAFÉ bagged Effie, silver for its campaign 'Badal Life Ki Raftar'.
- 'AskNestlé / NINA' won Gold for Most Innovative Mobile Campaign of the year at MOBEXX Awards 2019.
- RESOURCE High Protein, won The Global Emerald Award, from the Nestlé Health Science Global Recognition Program.
- Nestlé Health Science won Nutrition and

Wellness Awards 2019 by CIMS Medical

- MAGGI won at the 3rd edition of The Advertising Club's MARQUEES Awards 2019 in the FMCG (Foods) category.
- Nestlé India Supply Chain won Leadership Awards 2019 during 13th ELSC Leadership Conclave in the category of "Customer Intimacy & Service Excellence" Company of the Year.
- NESCAFÉ É won Gold at The Great Lifestyle Brands Awards.
- Pantnagar Factory, Ponda Factory and NQAC Lab in the Moga Factory of the Company were awarded by Confederation of Indian Industries for Excellence in Food Safety and Food Testing.
- Moga Factory of the Company was awarded The Golden Peacock National Quality Awards held at Dubai (UAE).
- Moga Factory of the Company received "Golden Peacock Occupational Health & Safety Award" for the year 2019.
- Samalkha Factory of the Company won the first prize in the 6th CII Safety competition 2019 for the Northern region.
- Ponda Factory of the Company won the "Gomant Suraksha Puraskar" Award.
- Tahliwal Factory of the Company won Gold Award in the 6th National Awards for Manufacturing Competitiveness.

Employee Focus

In order to build a sustainable profitable business, your Company invested in programmes equipped to adopt new skills that can adapt to the fast-changing market place. Your Company also took significant steps in the area of diversity and inclusivity.

Your Company was recognized as one of the top three FMCG Companies in business schools. Your Company also launched 'SustainÉ', a first of its kind innovation challenge to encourage ideas on sustainable packaging solutions for a better tomorrow.

In 2019, your Company made successful lateral hires and strengthened its position as an 'Equal Opportunity Employer'. Your Company also saw

a strong representation of women both as managers and in the field force.

In 2019 Women force constituted 22% of the total field force, 78% of the management trainees, 54% of the technical trainees, 75% of the sales trainees.

In keeping with its commitment to diversity and inclusivity, your Company organized 'Unconscious Bias' programs for employees, created provision of sanitary pad dispenser and disposal units in all factories and sales offices and organised sessions on menstrual health in factories. Your Company enhanced travel benefits for mothers and instituted crèche reimbursement policy all of which contributed towards the creation of an inclusive environment that led to an increase in representation of women employees.

Sales

Your Company has strengthened its urban distribution and services to channel partners for all its brands and SKUs. To drive visibility and efficiency, your Company focused on high quality channel-level service requirements and ensured market coverage to meet the needs of retailers and partners. In house subject matter experts were trained with global expertise to strengthen the field sales force. Festivals provided business opportunities to engage directly with shoppers and consumers through activation at stores.

The Indian rural market created opportunities for robust route to market model. The project 'Unlocking rural market' helped in building rural footprint by reaching the customers directly, the usage of various point of sale material improved the visibility at retail outlets. Participation in local Haat activities helped in engaging rural consumers, through customized plans. The urban and rural push on direct distribution enabled your Company in its promise of continuous excellence.

E-Commerce channels were leveraged for high impact product launches, category building for premium brands through targeted media and communications.

Your Company promised the customer product freshness on the shelves by ensuring quality in value chain. The entire route to market from distribution center to distributor warehouse to retailer shelf was monitored and quality in

service was improved.

Your Company used technology for efficient and effective operations. It helped in building the sales enablers like productivity, SKU per call. The geo tagging of retailer and geo compact salesman market coverage plan, helped reducing the waste in route to market.

Management Analysis

Review of economic scenario and outlook

India has gained substantially in the World Bank's Ease of Doing Business rankings by moving up from the 142nd position in 2014 to the 63rd position in 2019, thereby progressing on seven out of the ten parameter. This is despite the fact that in 2019, private consumption, private investments and exports slowed down. Rural wages, tightening of lending conditions and rising unemployment contributed to low demand for goods and services. Exports also remained volatile as a result of global uncertainties around trade and investments and geopolitical issues. Credit to micro, small and medium enterprises was affected. Uncertainty on employment impacted consumer, investor and corporate confidence.

The fall in domestic demand and low international crude oil kept the current account deficit under control and FDI picked up for a few quarters as India remained an attractive investment destination.

In response to the slowdown, the Government made policy announcements to boost supply and demand and the investment climate.

Additionally, the Reserve Bank of India cut its benchmark rates by 0.85% to stimulate private investment. The government reduced corporate tax rates. Steps were taken towards bank consolidation, to add robustness to the banking system and improve flow of credit to private sector.

These included liberalization of FDI norms for select sectors, rollback of surcharge on foreign portfolio investors, incentives to support several industries, bank consolidation to increase capital inflows and reinvigorate private investments and hiring for boosting the economy.

Opportunities and Risks

With multiple product offerings and brands, your Company operates in a dynamic environment,

where the food and beverages industry is transforming rapidly.

With the consumer at the core, it is your Company's effort to meet the changing preferences of the diverse consumers. There is greater demand for healthier products that are locally inspired. The emerging millennial consumer is not only technology savvy, but is more discerning, especially with respect to health and wellness. Our endeavor is to spot trends, market products suiting consumer needs and to communicate with them regularly through a media platform of their choice. Your Company has been actively introducing new products, with a focused social media and digital marketing approach. The Company's access to global research and development and expertise is invaluable in these endeavors.

With increasing internet penetration and tech savvy consumer, embedding technology in the organizational processes is important. With sales automation and specialised digital acceleration, your Company has taken significant steps to provide solutions for its diverse consumer base. "AskNestlé" is one such app-based initiative for child nutrition needs.

Your Company is impacted by the constant fluctuations in commodity and fuel prices. It is your Company's endeavor to source the right material, that is of high quality and constantly keep track of emerging costs to take corrective action at the right time.

Economic slowdown impacts consumer demand. However, your Company has managed to show steady growth by deploying strategies suited for the times, thus bucking the trend.

Building brand community through innovative marketing strategies are adopted to reach consumers who also have similar social and cultural preferences. Changing consumer behavior poses a constant challenge and proactive steps are being taken to maintain brand loyalty and market share. Your Company has strong focus on consumer safety and health and has robust supply chain management to ensure proper handling, storage and transportation, ensuring traceability along the chain as well as ensuring the freshest stocks reach the consumer in the best conditions.

The technological advancement and IOT (Internet of things) has changed the supply chain process completely in today's world. This is a boon for the FMCG space since it helps to prevent situations wherein stocks at retailer are exhausting or a new product needs to be made available immediately. Your Company ensures process optimization at its core operations improving growth prospects, removing bottlenecks and ultimately enhancing bottom line of the Company.

Your Company takes climate change and environmental protection seriously. As mentioned in other sections of the Board's Report, your Company has undertaken considerable work on conserving resources like energy, water, and ensured minimized impact on the environment. With depleting natural resources due to increased consumption, safeguarding the environment is necessary. Climate change is one of the biggest threats we face as a society and is also one of the greatest risks to the future of business. To address this issue, your Company is transforming its business to reduce Green House Gases emissions, end deforestation, reduce food loss and waste and improve soil health. Your Company is continuously reducing waste and emissions while simultaneously optimizing on the production measures.

Your Company also maintains a BCP (Business Continuity Planning) process to prevent and to recover from any future potential threat or disaster to ensure smooth functioning of the business. Proper drills and advance planning is undertaken with inputs from all the key stakeholders associated with it.

Quality and Safety

Quality and Food Safety are highest priority for your Company. The health of consumers is of paramount importance. To ensure this, your Company has systems and processes in place that ensures all products undergo stringent quality checks. In line with zero defect mindset, during 2019, a special focus was given towards upstream raw material vendors for products such as wheat flour, tomato and chilly paste and sugar, as well as at your Company's factories ensuring right quality and compliant product. Your Company developed a comprehensive and systematic programme on machinery safety for the benefit of the employees to prevent any

untoward incident. All the offices and factories of your Company are certified under Safety and Health Management System that complies with ISO 45001:2018 & Environment Management System that complies with ISO 14001:2015.

Your Company has also taken considerable measures to promote road safety by conducting awareness campaigns for the employees as well as third party transport service drivers. Taking a holistic approach towards employee wellness, your Company introduced several health initiatives for its employees such as early screening and programs that support healthier lifestyle choices and also provide health risk assessment.

Environment

The aim of your Company is to develop business while improving its environmental performance in order to create a more sustainable future. In order to achieve this, your Company continues to focus on measures for the conservation and optimal utilization of energy in all the areas of its operations. Factories are encouraged to consistently improve operational efficiencies, minimize consumption of natural resources and reduce water usage, energy usage and carbon emissions while maximizing production volumes. From the period, 2004-2019, for every tonne of production, your Company has reduced the usage of energy by around 49%, reduced water usage by around 54%, reduced greenhouse gases generation by around 58% and the generation of waste water by around 59%.

Waste for Disposal: Your Company is continuously working towards reduction in waste for disposal. In 2019, two more factories converted to zero waste to landfill. Now all eight factories have proudly achieved the coveted status of "zero waste to landfill."

Reduction in Green House Gases emissions: The Nanjangud Factory in the State of Karnataka has entered into long term power purchase agreements with two solar power developers to supply 24.7 Mio KWH (units) per annum, which is 71% of the total energy requirement. This initiative has reduced Green House Gases emissions by 22,500 tonnes per annum in 2019 and also saved costs.

Packaging and Plastic waste management: Plastics play a key role in preventing food wastage



and ensuring the quality and safety of food products. However, the leakage of plastic waste into the environment has become a significant environment challenge. Your Company is strongly committed to minimizing

the impact that plastic has on the environment and ensuring right disposal or reuse of packaging. Your Company is determined to look at every option to solve complex packaging challenges by embracing multiple solutions. The vision of your Company is that none of its product packaging, including plastics, should end up in landfill or as litter and that 100% of packaging is reusable or recyclable by 2025.

Collaboration and collective action are key for transforming how packaging is managed today. Recognizing this, your Company is working with various stakeholders and partners to shape a waste-free future. Your Company is one of the founder members of the Industry Consortium WECARE (Waste Efficient Collection and Recycling Efforts) that is represented by environmentally conscious businesses. Your Company has also fulfilled its Extended Producers Responsibility (EPR) towards responsibly managing the post-consumer plastic waste generated by the products. In 2019, your Company extended its EPR projects to 20 states and union territories, such as Goa, Gujarat, Madhya Pradesh, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand, West Bengal, Maharashtra, Andhra Pradesh, Delhi, Kerala, Orissa, Assam, Bihar, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka and Punjab. It responsibly managed 15,979 MT of post-consumer plastic waste for its end of life.

Your Company launched, 'Plastic Express' a mobile van, that collects dry plastic waste from 'MAGGI Points' in



Mussoorie and Dehradun. Your Company then responsibly disposes the dry waste for its end of

life. The year-long project aims at engaging around 200 'MAGGI Points' in the hill town for collecting and disposing plastic waste responsibly.

In order to bring about a behavioural change to dispose plastic waste responsibly, your Company introduced an integrated communications campaign titled '2 Minute Safaai Ke Naam'

(2 minutes for cleanliness) in 2018, that was extended in 2019 to the 'Kumbh Mela'. This campaign brought together multiple stakeholders to address the issue of proper plastic waste disposal and also provided consumers with samplings in an used MAGGI Cup, that were given in exchange for empty MAGGI Cuppa Noodles pack.



Hilldaari
HUMARA KODHA HUMARI ZIMMEDAARI

Achieving waste segregation at source is key to establish sustainable waste management systems. Your Company has initiated a project titled

"HILLDAARI" in Mussoorie, Dalhousie, and Nainital that aims at empowering waste workers and also focuses on working collectively with local stakeholders like urban local bodies, institutions, residents, households, waste generators, and waste workers to raise awareness about anti-littering and segregation at source.

Supply Chain

Your Company in 2019 intensified its commitment towards customer and consumer centrality, operational efficiencies, waste reduction and delivery of fresh products.

By embracing digital transformation in operations, your Company has adopted various forms of digital tools, such as consumer app to drive engagement with partners leading to speed of response to customers and transparency of information in the value chain processes and making product delivery simpler and faster.

In 2019, your Company has introduced web based mobile App that monitors and provides real time data on product availability and freshness from retail outlets that are geo-mapped to the network.

Nestlé Business Excellence

Your Company continued to strengthen its business through Nestlé Business Excellence to simplify and standardize processes to drive efficiency and provide high quality services in an integrated and seamless manner. In 2019, your Company, by using technology and data further eased processes and added speed to how it does business. Your Company invested in its people to enhance their capabilities. A new Centre of Competence was setup to support

end-to-end activities for Order to Cash - from customer order to invoice payment, Source to Pay - from sourcing materials and services to paying vendors, Record to Report - from recording transactions to financial and performance reporting, Hire to Retire - from attracting talent to enabling employees on their Nestlé journey.

The initiative of Nestlé Continuous Excellence (NCE) enabled successful transitions through people: alignment, leadership development and Lean ways of working. Technology, data and systems were key enablers within each end-to-end activity to deliver speed and quality of execution. Your Company is constantly working towards transforming end-to-end processes and leveraging technology to simplify operations and enhance its capabilities to retain the competitive edge.

Cautionary Statement

Statements in this Report, particularly those which relate to Management Discussion and Analysis as explained in the Corporate Governance Report, describing the Company's objectives, projections, estimates and expectations may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied in the statement depending on the circumstances.

Directors' Responsibility Statement

The Directors state that:

- a) in the preparation of the annual accounts for the year ended 31st December, 2019, the applicable accounting standards have been followed and no material departures have been made from the same.
- b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2019 and of the profits of the Company for that period.
- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- d) they have prepared the annual accounts on a going concern basis.
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively and
- f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Directors and Key Managerial Personnel

Pursuant to the Retirement Policy of the Non-Executive Directors of the Company, Mr. Ashok Kumar Mahindra, Independent Non-Executive Director of the Company had retired with effect from 31st March, 2019. The Directors wish to place on record their appreciation for the contribution made by Mr. Mahindra for over a decade as a distinguished Independent Non-Executive Director of the Company. During the year, Ms. Roopa Kudva was appointed, as an independent director of the Company for five consecutive years with effect from 1st January, 2019 until 31st December, 2023 and Mr. Rajya Vardhan Kanoria was re-appointed as Independent Non-Executive Director for another term of five years with effect from 13th May, 2019 to 12th May, 2024. The members approved the aforesaid appointment of Ms. Roopa Kudva and re-appointment of Mr. Rajya Vardhan Kanoria at the 60th Annual General Meeting held on 25th April, 2019.

The members of the Company re-appointed Mr. Shobinder Duggal as a whole-time Director, designated as Executive Director-Finance & Control and Chief Financial Officer, of the Company from 10th May, 2019 until 31st December, 2019 through postal ballot. Your Board of Directors at its meeting held on 8th November, 2019 noted that the term of Mr. Duggal as a Whole-time Director will come to an end on 31st December, 2019 and on the recommendation of the Nomination and Remuneration Committee, approved Mr. Duggal's continuation as the Key Managerial Personnel, designated as Chief Financial Officer, of the Company upto 29th February, 2020. The Directors wish to place on record their appreciation for the contribution made by

Mr. Duggal during his long association of over a decade and a half as distinguished whole-time director on the Board of the Company. The term of Mr. Suresh Narayanan, as Managing Director, which was for a period of five years from 1st August, 2015 is to expire on 31st July, 2020. Mr Suresh Narayanan was also appointed as the Chairman of the Company with effect from 29th October, 2015 in addition to his responsibility as the Managing Director of the Company by the Board of Directors. On the recommendation of Nomination and Remuneration Committee, the Board of Directors has recommended the re-appointment of Mr. Suresh Narayanan as Managing Director of the Company for a period of five years from 1st August, 2020 till 31st July, 2025 for the approval of the shareholders in its forthcoming Annual General Meeting.

In terms of the Articles of Association of the Company, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors, at its Meeting held on 8th November, 2019, appointed Mr. David Steven McDaniel as an Additional Director and whole-time Director, designated as "Executive Director - Finance & Control and Chief Financial Officer" of the Company with effect from 1st March, 2020 for a term of five consecutive years upto 28th February, 2025, subject to approvals.

Mr. David McDaniel holds office from 1st March, 2020 upto the date of the forthcoming Annual General Meeting and is eligible for the appointment.

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors has recommended the appointment of Mr. David McDaniel as Whole-time Director designated as "Executive Director - Finance & Control and CFO" for a term of five years from 1st March, 2020 till 28th February, 2025 for the approval of the shareholders in its forthcoming Annual General Meeting. The same shall be subject to approval of the Central Government, as he is non-resident in India. Mr. Martin Roemkens shall retire at the forthcoming Annual General Meeting by rotation and being eligible offers himself for re-appointment. Details of the proposal for appointment / re-appointment of Directors are mentioned in the Explanatory Statement of the Notice of the 61st Annual General Meeting of the Company pursuant to Section 102 of the Companies Act, 2013. Their appointments are appropriate and in the best interest of the Company.

All the Independent Directors of your Company have submitted the declaration confirming that they meet the criteria of independence as prescribed under the Act and the Listing Regulations are not disqualified from continuing as Independent Directors. The Board is of the opinion that the Independent Directors of the Company possess requisite qualifications, experience and expertise and they hold highest standards of integrity. The Independent Directors of the Company have confirmed compliance of relevant provisions of Rule 6 of the Companies (Appointments and Qualifications of Directors) Rules, 2014. The Nomination and Remuneration Committee had adopted principles for identification of Key Managerial Personnel, Senior Management including the executive directors which are based on "The Nestlé Management and Leadership Principles" and "Nestlé Leadership Framework". The Appointment and Remuneration Policy of the Company includes criteria for determining qualifications, positive attributes and independence of a director and policy relating to the remuneration of Directors, Key Managerial Personnel and other employees is framed with the object of attracting, retaining and motivating talent which is required to run the Company successfully. The same is available on the website of the Company at the link: <https://www.nestle.in/investors/policies>

The details of familiarization programmes to Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are available on the website of the Company at the link:

<https://www.nestle.in/investors/directorsandofficers/familiarisation-programme>

The Company has devised a formal process for annual evaluation of performance of the Board, its Committees and Individual Directors ("Performance Evaluation") which include criteria for performance evaluation of non-executive directors and executive directors as laid down by the Nomination and Remuneration Committee and the Board of Directors of the Company. It covers the areas relevant to the functioning as Independent Directors or other directors, member of the Board or Committee of the Board. The Independent Directors carried out

annual performance evaluation of the Chairman and Executive Directors. The Board carried out annual performance evaluation of its own performance. The performance of each Committee was evaluated by the Board, based on report on evaluation received from respective Committees. The Company engaged a leading HR Consulting Firm for compilation of the report and feedback received from the Board members, Committee members and directors in the questionnaires circulated and for identifying key inferences and observations with respect to Performance Evaluation. A consolidated report was shared with the Chairman of the Board for his review and giving feedback to each Director.

Corporate Social Responsibility

During the year under review, the Corporate Social Responsibility Committee comprised of Dr. (Mrs.) Swati A. PIRAMAL (Chairperson), Ms. Rama Bijapurkar, Independent Non-executive Director and Mr. Suresh Narayanan, Chairman and Managing Director of the Company. The terms of reference of the Corporate Social Responsibility Committee is provided in the Corporate Governance Report. Your Company has also formulated a Corporate Social Responsibility Policy (CSR Policy) which is available on the website of the Company at <https://www.nestle.in/investors/policies> Annual Report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been appended as Annexure 2 and forms part of this Report.

In terms of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended ("CSR Rules") and in accordance with the CSR Policy, during the year 2019, the Company has spent above two percent of the average net profits of the Company during the three immediately preceding financial years. The details are provided in the Annual Report on CSR activities. In addition to the above, the Company has been implementing societal activities since many decades under umbrella of Creating Shared Value activities which have not been reckoned for arriving at the spends as per CSR Rules.

Some key initiatives that your Company has been engaged in are as follows:

NESTLÉ HEALTHY KIDS Programme: The Nestlé

Healthy Kids Programme has been developed with a focus to raise nutrition, health and wellness awareness among adolescents. The programme contributes towards overall development of adolescents as well as encourages healthier lifestyle, by arming them with knowledge that impacts them in a meaningful way. The programme is being conducted since 2009 and is helping raise awareness regarding good nutritional and cooking practices, good hygiene and promoting physical fitness. The programme is implemented through two modes, one is in partnership with six regional universities and the second is with NGO Magic Bus India Foundation. The programme celebrated its 10th year of implementation and has expanded significantly since its inception, incorporating pertinent elements like plastic waste management etc. in the existing curriculum as well as including parents and teachers as direct beneficiaries in the programme.

Till year 2019, over 300,000 adolescents across 23 states have been encouraged to live healthier lives through Nestlé Healthy Kids Programme.

Project Jagriti: As part of the commitment to inspiring people to lead healthier lives and providing educational programmes, your Company, in partnership with MAMTA Health Institute for Mother and Child, implemented Project Jagriti. The project focuses on developing community support for improved health and nutrition outcomes among adolescents, young couples and caregivers while improving the uptake of public health services. In 2019, your Company moved to a system-led approach with a focus on counseling and development of front-line workers such as Accredited Social Health Activists (ASHA) and Anganwadi Workers etc. This approach is useful in populations that are deficient in knowledge and unaware of their health needs and rights. Till year 2019, the programme has reached out to 5 million beneficiaries - 1.7 million direct and impacting 3.3 million beneficiaries indirectly across 8 States/Union Territories.

Project SERVE SAFE FOOD: Recognizing the potential of street food vending as an important source of livelihood, your Company joined hands with NGO Nidan and National Association of Street Vendors of India (NASVI), to develop programmes to train street food vendors on subjects such as health, hygiene, food handling, food safety, personal hygiene, cart hygiene and garbage disposal. Till 2019, this programme has been implemented across 17 states/Union Territories

reaching over to 20,000 street food vendors.

Project Vriddhi: Strengthening your Company's commitment towards building a healthier society and positively impacting the lives of people in marginalised communities, your Company in collaboration with S M Sehgal Foundation, launched Project 'Vriddhi', an initiative towards village adoption. The three-year project is aimed at improving the livelihoods of 1,500 people in the village of Rohira in Nuh district, Haryana, for bringing a positive change in the lives of the locals.

The project focuses on improving access to clean drinking water for communities, promoting water-saving irrigation practices, increasing awareness on nutrition, enhancing farm productivity and providing healthy learning environment in schools by improving hygiene and sanitation practices.

Business Responsibility Report

Nestlé's approach to business is Creating Shared Value as used by your Company and it is about the impact of the business and engagement through it. Your Company is mindful of the needs of the communities and works to make a positive difference and create maximum value for the society. It has been conducting business in a way that delivers long-term shareholder value and benefits society.

As stipulated under the Listing Regulations, the Business Responsibility Report describing the initiatives taken by the Company from an environmental, social and governance perspective is attached in the format prescribed as Annexure 3 and forms integral part of the Annual Report.

Statutory Auditors and Auditors' Report

In terms of Section 139 of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, Members of the Company in 58th Annual General Meeting held on 11th May, 2017 approved the appointment of M/s. B S R and Co. LLP, Chartered Accountants (ICAI Registration No-101248W/W-100022), as the Statutory Auditors of the Company for an initial term of 5 years i.e. from the conclusion of 58th Annual General Meeting till the conclusion of 63rd Annual General Meeting of the Company. The Statutory Auditors have confirmed they are not disqualified from continuing as Auditors of the Company.

The Report given by M/s. B S R and Co. LLP, Chartered Accountants on the financial statement of the Company for the year 2019 is part of the Annual Report. The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation, adverse remark or disclaimer. During the year under review, the Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

Cost Accounts and Cost Auditors

The Company is required to make and maintain cost records for milk powder products as specified by the Central Government under sub-section (1) of section 148 of the Act. Accordingly, the Company has been making and maintaining the records as required.

In terms of Section 148 of the Act read with Companies (Cost Records and Audits) Rules, 2014, the Audit Committee recommended and the Board of Directors appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi (Registration No. 00019) being eligible, as Cost Auditors of the Company, to carry out the cost audit of milk powder products manufactured by the Company falling under the specified Customs Tariff Act Heading in relation to the financial year ending 31st December, 2020. The Company has received their written consent that the appointment is in accordance with the applicable provisions of the Act and rules framed thereunder. The Cost Auditors have confirmed they are not disqualified to be appointed as the Cost Auditors of the Company for the year ending 31st December, 2020.

The remuneration of Cost Auditors has been approved by the Board of Directors on the recommendation of Audit Committee and in terms of the Companies Act, 2013 and Rules thereunder requisite resolution for ratification of remuneration of the Cost Auditors by the members has been set out in the Notice of the 61st Annual General Meeting of your Company.

Secretarial Auditors and Secretarial Standards

The Secretarial Audit was carried out by M/s.

S.N. Ananthasubramanian & Co., Company Secretaries (PCS Registration No. 1774) for the financial year ended on 31st December, 2019. The Report given by the Secretarial Auditors is annexed as Annexure 4 and forms integral part of this Report. The Secretarial Audit Report is self-explanatory and do not call for any further comments. The Secretarial Audit Report does not contain any qualification, reservation, adverse remark or disclaimer. During the year under review, the Secretarial Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

In terms of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Audit Committee recommended and the Board of Directors appointed M/s. S.N. Ananthasubramanian & Co., Company Secretaries (PCS Registration No. 1774) as the Secretarial Auditors of the Company in relation to the financial year ending 31st December, 2020. The Company has received their written consent that the appointment is in accordance with the applicable provisions of the Act and rules framed thereunder. The Secretarial Auditors have confirmed they are not disqualified to be appointed as the Secretarial Auditors of the Company for the year ending 31st December, 2020.

During the Financial Year, your Company has complied with applicable Secretarial Standards i.e. SS-1 and SS-2, relating to "Meetings of the Board of Directors" and "General Meetings", respectively.

Meetings of the Board

Eight Meetings of the Board of Directors were held during the year. The particulars of the meetings held and attended by Directors are detailed in the Corporate Governance Report.

Extract of Annual Return

The extract of annual return in Form MGT 9 as required under Section 92(3) of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014 is available on the website of the Company at the link:

<https://www.nestle.in/investors/stockandfinancials/annualreturns>

Details of Loans and Investments

Details of the loans given by your Company under Section 186 of the Act during the financial year ended 31st December, 2019 are as follows: Purina PetCare India Private Limited (Fellow Subsidiary): Rs. 150 Million at the interest rate of 6.48 % per annum for general business purpose (Loan outstanding at the end of the year was Nil). For details of investments, please refer note no. 9 forming part of financial statements.

Related Party Transactions

Your Company has formulated a policy on related party transactions which is also available on Company's website at <https://www.nestle.in/investors/policies> This policy deals with the review and approval of related party transactions. The Board of Directors of the Company has approved the criteria to grant omnibus approval by the Audit Committee within the overall framework of the policy on related party transactions. Prior omnibus approval is obtained for related party transactions which are of repetitive nature and entered in the ordinary course of business and at arm's length. All related party transactions are placed before the Audit Committee for review and approval.

All related party transactions entered during the financial year 2019 were in ordinary course of the business and were on an arm's length basis. In terms of the Act, no material related party transactions were entered during the Financial Year by your Company. The disclosure of related party transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC 2 is not applicable to your Company. Members may refer to note no. 44 to the financial statement which sets out related party disclosures pursuant to IND AS-24.

In terms of Regulation 23(4) and other applicable provisions of the Listing Regulations, the members of the Company at its 60th Annual General Meeting held on 25th April, 2019 approved the Ordinary Resolution ('Ordinary Resolution'), inter alia, for continuation of the payment of general licence fees (royalty) by the Company to Société des Produits Nestlé S.A. ("the Licensor"), being a related party, at the rate of 4.5% (four and a half percent), net of taxes, of

the net sales of the products sold by the Company as per the terms and conditions of the existing General Licence Agreements (“GLAs”), notwithstanding that the transaction(s) involving payments to the Licensor with respect to general licence fees (royalty), during any financial year including any part thereof, is considered material related party transaction(s) being in excess of the limits specified under Regulation 23(1A) of the Listing Regulations at any time. In terms of the Listing Regulations, no related party voted on the Ordinary Resolution. The Ordinary Resolution is effective from 1st July, 2019 and approval of members shall be sought every 5 (five) years in compliance with the applicable laws and regulations.

Risk Management

The Board of Directors had constituted Risk Management Committee (RMC) to identify elements of risk in different areas of operations and to develop policy for actions associated to mitigate the risks.

The RMC on timely basis informed members of board of directors about risk assessment and minimization procedures. In the opinion of the RMC, there are no such risks, which may threaten the existence of the Company. The details of Risk Management Committee are included in the Corporate Governance Report.

Public Deposits

Your Company has not accepted any Public Deposits under Chapter V of the Companies Act, 2013.

Significant and Material orders passed by the Regulators / Courts / Tribunals

No significant or material orders were passed by the Regulators or Courts or Tribunals which impacts the going concern status and Company’s operations in future.

Complaint filed in National Commission

The Union of India, Department of Consumer Affairs in 2015 had filed a complaint before the National Consumer Dispute Redressal Commission on the allegation that by selling MAGGI Noodles in the past, your Company has indulged in unfair trade practice, sold defective

goods to the public and sold goods which will be hazardous. Complaint seeks compensation of Rs. 2,845.5 million and punitive damages of Rs. 3554.1 million. Your Company has challenged the complaint. The court proceedings are currently ongoing.

Internal Financial Controls and their adequacy

The Directors had laid down internal financial controls to be followed by the Company and such policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. The Audit Committee evaluates the internal financial control system periodically.

Audit Committee

During the year 2019, Mr. Rajya Vardhan Kanoria, Independent Non-Executive Director was appointed as the Chairman of Audit Committee, effective from 1st April, 2019, in place of Mr. Ashok Kumar Mahindra, who ceased to be Chairman of the Audit Committee upon his retirement as a Director of the Company. The Audit Committee was reconstituted and Ms Roopa Kudva, Independent Non-Executive Director, was appointed as member of the Audit Committee with effect from 14th February 2019. Dr. Rakesh Mohan, Independent Non-Executive Director is other member of the Committee. Accordingly, Audit Committee comprises Independent Non-Executive Directors, namely, Mr. Rajya Vardhan Kanoria (Chairman), Dr. Rakesh Mohan and Ms. Roopa Kudva. Powers and role of the Audit Committee are included in Corporate Governance Report. All the recommendations made by the Audit Committee were accepted by the Board of Directors.

Vigil Mechanism

The Vigil Mechanism of the Company is governed by significant documents “The Nestlé Corporate Business Principles”, “The Nestlé Management and Leadership Principles”, “Nestlé Code of Business Conduct” and “Nestlé India Vigil

Mechanism/ Whistle-blower Policy". The documents are available on Company's website at <https://www.nestle.in/investors/policies>

The said mechanism is available to the Director(s)/ Employee(s), who can report to the Company Secretary, on a confidential basis, any practices or actions believed to be inappropriate or illegal under the Nestlé India Code of Business Conduct ("the Code"). The Code/ Policy provides for adequate safeguards against victimization of director(s)/ employee(s) who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee in exceptional cases. It is affirmed that no person has been denied access to the Audit Committee. As an additional facility to all the Directors and Employees of the Company, the Company under the Code provides Integrity Reporting System ("IRS"), an independent third party operated free phone and web based facility for the directors and employees of the Company across all locations. The details of IRS along with FAQs are available to the Directors and Employees on the Company's intranet portal. Further, the Company has appointed Ombudsman for Infant Code, under which employees can report Infant Code violations directly to the Ombudsman, with adequate safeguard to protect the employee reporting. The Company also provides an independent third party operated free phone and web based facility, "Tell us", to all internal and external stakeholders with a dedicated communication channel for reporting potential instances of non-compliance with Nestlé Corporate Business Principles. Details of the link to "Tell Us" are available on www.nestle.in

The Company sensitizes the availability of the above vigil mechanism from time to time to the directors and employees of the Company.

Information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information required under Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 for the financial year ended 31st December, 2019 in relation to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in the Annexure 5 forming integral part of this report.

Information regarding employees and related disclosures

Your Company considers people as its biggest assets and 'Believing in People' is at the heart of its human resource strategy. It has put concerted efforts in talent management and succession planning practices, strong performance management and learning and training initiatives to ensure that your Company consistently develops inspiring, strong and credible leadership. During the year, the focus of your Company was to ensure that young talent is nurtured and mentored consistently, that rewards and recognition are commensurate with performance and that employees have the opportunity to develop and grow.

Your Company has established an organization structure that is agile and focused on delivering business results. With regular communication and sustained efforts it is ensuring that employees are aligned on common objectives and have the right information on business evolution. Your Company strongly believes in fostering a culture of trust and mutual respect in all its employees and seeks to ensure that Nestlé values and principles are understood by all and are the reference point in all people matters.

The statement of Disclosure of Remuneration under Section 197 of the Act and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ("Rules"), is appended as Annexure 6 to the Report. The information as per Rule 5 of the Rules, forms part of this Report. However, as per second proviso to Section 136(1) of the Act and second proviso of Rule 5 of the Rules, the Report and Financial Statements are being sent to the Members of the Company excluding the statement of particulars of employees under Rule 5(2) of the Rules. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

As per the requirement of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH), your Company has a robust mechanism in place to redress complaints reported under it. The Company has complied with provisions relating to the constitution of Internal Complaints Committee

under POSH. The Internal Committee (IC) was composed of internal members and an external member who has extensive experience in the field. In 2019, seven cases of sexual harassment were reported, which have been investigated and resolved as per the provisions of the POSH. During the course of 2019, several initiatives were undertaken to demonstrate the Company's zero tolerance philosophy against discrimination and sexual harassment, which included creation of comprehensive and easy to understand training and communication material which are also made easily accessible. In addition, workshops were also run for the employees to enhance awareness and knowledge of other biases that may influence thinking and actions by running the unconscious bias session.

Statement on Investor Education and Protection Fund

Pursuant to the provisions of Section 124 of the Act, Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules") read with the relevant circulars and amendments thereto, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund (IEPF), constituted by the Central Government. The Company had, accordingly, transferred ₹ 28,83,288, ₹ 33,43,770 and ₹ 35,97,120 being the unpaid and unclaimed dividend amount pertaining to Final Dividend 2011; First Interim Dividend 2012; and Second Interim Dividend 2012 on 23rd May, 2019, 13th September, 2019 and 17th January, 2020, respectively, to the IEPF. Pursuant to the provisions of IEPF Rules, all shares in respect of which dividend has not been paid or claimed for seven consecutive years shall be transferred by the Company to the designated Demat Account of the IEPF Authority ('IEPF Account') within a period of thirty days of such shares becoming due to be transferred to the IEPF Account. Accordingly, the Company has transferred such equity shares on which the dividend remained unpaid or unclaimed for seven consecutive years to the demat account of IEPF Authority, after following the prescribed procedure.

Credit Rating

The Company has been awarded AAA credit rating for its bank credit facilities by CRISIL.

It is the highest rating and indicates a stable outlook for the Company. The rating reflects that the Company has serviced its financial obligations on time. As regards the short term facility provided by the bank, the Company has been awarded the credit rating of A1+. The rated instrument reflects strong degree of safety and lowest credit risk.

Trade Relations

The Company maintained healthy, cordial and harmonious industrial relations at all levels. Despite severe competition, the enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the Industry.

Your Company continued to receive co-operation and unstinted support from the distributors, retailers, stockist, suppliers and others associated with the Company as its trading partners. The Directors wish to place on record their appreciation for the same and your Company will continue in its endeavor to build and nurture strong links with trade, based on mutuality, respect and co-operation with each other and consistent with consumer interest.

Appreciation

Your Company has been able to operate efficiently because of the culture of professionalism, creativity, integrity and continuous improvement in all functions and areas as well as the efficient utilization of the Company's resources for sustainable and profitable growth.

The Directors hereby wish to place on record their appreciation of the efficient and loyal services rendered by each and every employee, without whose whole-hearted efforts, the overall satisfactory performance would not have been possible. Your Directors look forward to the long term future with confidence.

On behalf of the Board of Directors

Date : 13th February, 2020
Place : Gurugram

Suresh Narayanan
Chairman and
Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NESTLÉ INDIA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nestlé India Limited("the Company"), which comprise the balance sheet as at 31 December 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

See note 2 and 32 to the financial statements

The key audit matter	How the matter was addressed in our audit
<p>Revenue from the sale of goods is recognized at the moment when control has been transferred to the customer and is measured net of trade discounts, rebates and pricing allowances to customers (collectively 'trade spends').</p> <p>There is a risk that revenue may be overstated because of fraud, resulting from the pressure local management may feel to achieve performance targets. Revenue is also an important element of how the company measures its performance, upon which management is incentivized.</p> <p>The Company focuses on revenue as a key performance measure, which could create an incentive for revenue to be recognized before control has been transferred.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of the revenue recognition accounting policies by comparing with applicable accounting standards. • We evaluated the design, tested the implementation and operating effectiveness of key internal controls including general IT controls and key IT application controls over recognition of revenue. • We performed substantive testing by selecting samples of revenue transactions recorded during the year by testing the underlying documents which included invoices, good dispatch notes, customer acceptances and shipping documents (as applicable). • We carried out analytical procedures on revenue recognised during the year to identify unusual variances. • We tested, on a sample basis, specific revenue transactions recorded before and after the financial year end date to determine whether the revenue had been recognised in the appropriate financial period. • We tested manual journal entries posted to revenue to identify unusual items.

Provision for Contingencies

See note 2, 19, 23 and 36 to the financial statements

The key audit matter	How the matter was addressed in our audit
<p>Provisions for Contingencies are recognized after evaluation of facts and legal aspects of the matter involved. Provisions are recognized when the Company has a present obligation (legal/constructive) as a result of a past event for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation.</p> <p>Provision for contingencies requires the Management to make judgements and estimates in relation to the issues and exposures arising from a range of matters relating to direct tax, indirect tax, claims, general legal proceedings and other eventualities arising in the regular course of business.</p> <p>The key judgement lies in determining the likelihood and magnitude of an unfavorable outcome where the same may differ from the future obligations. By nature, it is complex and includes many variables.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • We tested the effectiveness of key controls around the recording and assessment of provisions for contingencies. • We used our subject matter experts, wherever required, to assess the value of material provisions in light of the nature of the exposures, applicable regulations and related correspondence with the authorities. • We challenged the assumptions and critical judgements made by management which impacted their estimate of the provisions required, considering judgements previously made by the authorities in the relevant jurisdictions or any relevant opinions given by the Company's advisors and assessing whether there was an indication of management bias. • We inquired the status in respect of significant provisions with the Company's internal tax and legal team.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibilities for the Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and

timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
 - (A) As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on 31 December 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2019 from being appointed as a director in terms of Section 164(2) of the Act.
 - (B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at 31 December 2019 on its financial position in its financial statements - Refer Note 36 and 43 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 December 2019.
 - (C) With respect to the matter to be included in the Auditor's Report under section 197(16) of the Act:

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) of the Act which are required to be commented upon by us.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

For **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W-100022

Place: Gurugram
Date: 13 February, 2020

Jiten Chopra
Partner
Membership No.: 092894
UDIN: 20092894AAAABV6340

Annexure - A to the Independent Auditor's Report of even date on the financial statements of Nestlé India Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) The inventory, except goods in transit and stock lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. Confirmations have been obtained for stock lying with third parties at the year end. According to the information and explanations given to us, the discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, clause 3(iii) of the order is not applicable.
- iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not entered into any transactions in respect of loans, investments, guarantees, and security which are covered under section 185 of the Companies Act, 2013.

The Company has complied with the provisions of Section 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

- (v) According to the information and explanations given to us, the Company has not accepted any deposits covered under section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under. Accordingly, clause 3(v) of the Order is not applicable.
- (vi) We have broadly reviewed the records maintained by the Company pursuant to the rules prescribed by Central Government for maintenance of cost records under sub section (1) of Section 148 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Duty of Customs, Goods and Services Tax, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Duty of customs, Goods and Services Tax, Cess and other material statutory dues were in arrears as at 31 December 2019 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, except as stated in Appendix 1, there are no dues of Income-tax, Goods and Services tax, Sales tax, Service tax, Duty of customs, Duty of excise or Value added tax which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any dues payable to any financial institutions, government or debentures holders during the year.
- (ix) The Company has not raised any money by way of initial public offer, further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable to the Company.
- (x) According to the information and explanations given to us, no material fraud by the Company or no material fraud on the Company by its officers or employees, has been noticed or reported during the year.

- (xi) According to the information and explanations given to us and based on our examination of the records, the Company has paid or provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examinations of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable. The details of such related party transactions have been disclosed in the financial statements as required by applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential

allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3(xiv) of the Order is not applicable.

- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, clause 3(xv) of the Order is not applicable.

- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W-100022

Place: Gurugram
Date: 13 February, 2020

Jiten Chopra
Partner
Membership No.: 092894
UDIN: 20092894AAAABV6340

Appendix 1 to the statement on the matters specified in paragraph vii(b) of the Companies Auditors Report Order, 2016

(₹ in Million)

Name of the Statute	Nature of Dues	Amount*	Amount Paid under protest	Period to which amount relates	Forum where case is pending
Central excise Act, 1944	Duty of Excise	61.2	15.5	1996-2004	Supreme Court
Central excise Act, 1944	Duty of Excise	0.9	-	1994	High Court
Central excise Act, 1944	Duty of Excise	0.5	-	2000	Commissioner
Customs Act 1962	Custom Duty	105.8	6.7	2008-2013	Commissioner
Goods and Services Tax Act	Goods and Services Tax	731.5	-	Nov-17 to Jun-18	National Anti-Profitteering Authority
The Finance Act, 1994	Service Tax	417.1	4.6	2005-2007, 2008, 2010-2011	High Court
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	114.1	2.5	1997-1998, 2000-2006, 2007-2009, 2014-2015	High Court
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	52.8	46.7	2004-2005, 2006-2007, 2010-2013, 2014-15	Tribunal
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	178.8	-	2005-2010	Appellate & Revisional Board
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	7.5	1.9	2005- 2007, 2008-2009, 2011-2012, 2014-15	Commissioner (Appeals)
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	81.0	1.1	2004- 2005, 2010-2012, 2013-2014	Commissioner
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	25.0	1.0	2014-15	Joint Commissioner (Appeals)
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	88.3	5.2	2008-10, 2013-16	Joint Commissioner
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	9.5	2.4	2008-2009, 2010-2011, 2012-2014, 2015-16	Additional Commissioner
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	1.1	0.2	2007-2008	Assessing Officer
Income Tax Act, 1961	Income Tax	1,253.2	-	1996-2001, 2004-2008	Supreme Court
Income Tax Act, 1961	Income Tax	298.6	-	2000-2004	High Court
Income Tax Act, 1961	Income Tax	3,594.1	33.4	2006-2007, 2008-2015	Income Tax Appellate Tribunal

* As per Demand orders

Annexure B referred to in our Independent Auditor's Report of even date on the financial statements of Nestlé India Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Opinion

We have audited the internal financial controls with reference to financial statements of Nestlé India Limited ("the Company") as of 31 December 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 December 2019, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013 to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and

their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Financial Statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W-100022

Place: Gurugram
Date: 13 February, 2020

Jiten Chopra
Partner
Membership No.: 092894
UDIN: 20092894AAAAABV6340

BALANCE SHEET AS AT 31 DECEMBER 2019

	NOTES	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
ASSETS			
Non-current assets			
Property, Plant and Equipment	4	22,267.1	24,006.2
Capital work-in-progress		1,433.0	1,052.0
Financial Assets			
Investments	5	7,436.0	7,333.6
Loans	6	469.8	401.4
Other non-current assets	7	804.4	718.1
		<u>32,410.3</u>	<u>33,511.3</u>
Current assets			
Inventories	8	12,830.7	9,655.5
Financial Assets			
Investments	9	10,074.5	19,251.3
Trade receivables	10	1,243.3	1,245.9
Cash and cash equivalents	11	12,931.6	15,987.7
Bank Balances other than cash and cash equivalents	12	148.9	112.9
Loans	13	124.6	178.9
Other financial assets	14	557.9	524.9
Current tax assets		-	188.5
Other current assets	15	260.2	223.9
		<u>38,171.7</u>	<u>47,369.5</u>
		<u>70,582.0</u>	<u>80,880.8</u>
Total Assets			
EQUITY AND LIABILITIES			
EQUITY			
Equity Share Capital	16	964.2	964.2
Other Equity	17	18,358.4	35,773.2
		<u>19,322.6</u>	<u>36,737.4</u>
LIABILITIES			
Non-current liabilities			
Financial Liabilities			
Borrowings	18	531.4	351.4
Provisions	19	29,069.1	24,649.2
Deferred tax liabilities (net)	20	179.5	588.2
Other non-current liabilities	21	4.3	5.1
		<u>29,784.3</u>	<u>25,593.9</u>
Current liabilities			
Financial Liabilities			
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	46	340.2	107.7
Total outstanding dues of creditors other than micro enterprises and small enterprises		14,606.7	12,296.0
Other financial liabilities	22	4,314.8	3,161.8
Provisions	23	854.6	1,572.6
Current tax liabilities		19.2	-
Other current liabilities	24	1,339.6	1,411.4
		<u>21,475.1</u>	<u>18,549.5</u>
		<u>70,582.0</u>	<u>80,880.8</u>
Total Equity and liabilities			

See accompanying notes 1 to 47 forming part of the financial statements

As per our report of even date attached
For B S R & CO. LLP
Chartered Accountants
Firm's Registration No. - 101248W/W-100022

For and on behalf of the Board of Directors

JITEN CHOPRA
Partner
Membership No. - 092894

SURESH NARAYANAN
Chairman and Managing Director
(DIN-07246738)

SHOBINDER DUGGAL
Chief Financial Officer

B. MURLI
Sr. VP - Legal &
Company Secretary

13 February 2020
Gurugram

13 February 2020
Gurugram

**STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	NOTES	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
A INCOME			
Domestic Sales		116,567.9	105,075.4
Export Sales		6,384.8	7,086.9
Sale of products	32	122,952.7	112,162.3
Other operating revenues	25	736.3	760.4
i Revenue from operations		123,689.0	112,922.7
ii Other Income	26	2,468.8	2,589.2
Total Income		126,157.8	115,511.9
B EXPENSES			
i Cost of materials consumed	27	51,503.0	43,656.8
ii Purchases of stock-in-trade		2,178.1	2,305.6
iii Changes in inventories of finished goods, work-in-progress and stock-in-trade	28	(1,441.9)	(60.1)
iv Employee benefits expense	29	12,629.5	11,241.5
v Finance costs (including interest cost on employee benefit plans)	30	1,198.3	1,119.5
vi Depreciation and Amortisation	4	3,163.6	3,356.7
vii Other expenses	31	29,545.4	28,181.1
viii Impairment loss on property, plant and equipment	4	-	110.8
ix - Operations		248.8	621.7
x - Others		-	415.1
xi Corporate social responsibility expense	37	383.1	273.7
Total Expenses		99,407.9	91,222.4
C PROFIT BEFORE TAX (A-B)		26,749.9	24,289.5
D Tax expense			
Current tax	38	7,470.0	8,848.7
Deferred tax	38	(415.6)	(628.5)
E PROFIT AFTER TAX (C-D)		19,695.5	16,069.3

**STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	NOTES	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
F OTHER COMPREHENSIVE INCOME			
(a) (i) Items that will not be reclassified to profit or loss			
Re-measurement of retiral defined benefit plans	33	(2,036.7)	(464.0)
Changes in fair value of equity instruments		(30.0)	(100.0)
(ii) Income taxes relating to Items that will not be reclassified to profit or loss		523.3	162.0
		<u>(1,543.4)</u>	<u>(402.0)</u>
(b) (i) Items that will be reclassified to profit or loss			
Changes in fair value of cash flow hedges		(8.0)	(3.2)
(ii) Income taxes relating to Items that will be reclassified to profit or loss		3.7	1.1
		<u>(4.3)</u>	<u>(2.1)</u>
TOTAL OTHER COMPREHENSIVE INCOME (a + b)		<u><u>(1,547.7)</u></u>	<u><u>(404.1)</u></u>
G TOTAL COMPREHENSIVE INCOME (E + F)		<u><u>18,147.8</u></u>	<u><u>15,665.2</u></u>
Weighted average number of equity shares outstanding	Nos.	96,415,716	96,415,716
Basic and Diluted Earnings Per Share (Face value ₹ 10)	₹	204.28	166.67
ADDITIONAL INFORMATION (Refer Note 2):			
PROFIT FROM OPERATIONS		25,862.5	23,508.6
[C - A(ii) + B(v) + B(x) + B(xi)]			

See accompanying notes 1 to 47 forming part of the financial statements

As per our report of even date attached
For B S R & CO. LLP
Chartered Accountants
Firm's Registration No. - 101248W/W-100022

JITEN CHOPRA
Partner
Membership No. - 092894

13 February 2020
Gurugram

SURESH NARAYANAN
Chairman and Managing Director
(DIN-07246738)

13 February 2020
Gurugram

For and on behalf of the Board of Directors

SHOBINDER DUGGAL
Chief Financial Officer

B. MURLI
Sr. VP - Legal &
Company Secretary

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
A CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	26,749.9	24,289.5
Adjustments for :		
Depreciation and Amortisation	3,163.6	3,356.7
Impairment loss on property, plant and equipment	-	110.8
Deficit/ (Surplus) on property, plant and equipment sold/scrapped/written off (net)	(15.6)	(10.3)
Other income	(2,468.8)	(2,589.2)
Interest on bank overdraft and others	16.9	40.5
Allowance for impairment on financial assets	18.3	-
Unrealised exchange differences	(31.1)	11.6
Operating profit before working capital changes	27,433.2	25,209.6
Adjustments for working capital changes:		
Decrease/(increase) in trade receivables	(0.4)	(359.0)
Decrease/(increase) in inventories	(3,175.2)	(630.8)
Decrease/(increase) in loans, other financial assets & other assets	(66.9)	59.1
Increase/(decrease) in trade payable	2,533.3	2,572.7
Increase/(decrease) in other financial liabilities & other liabilities	676.0	518.7
Increase/(decrease) in provision for contingencies	248.8	1,036.8
Increase/(decrease) in provision for employee benefits	1,416.4	930.5
Cash generated from operations	29,065.2	29,337.6
Income taxes paid (net of refunds)	(6,728.5)	(8,813.1)
Net cash generated from operating activities	22,336.7	20,524.5
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,545.2)	(1,659.8)
Sale of property, plant and equipment	23.2	32.0
Purchase of tax free long term bonds and Tbills	(158.6)	(1,603.9)
Decrease/(increase) in loans to employees	1.2	150.4
Income from mutual funds	129.2	185.4
Loans given to related parties	(150.0)	-
Loans repaid by related parties	150.0	-
Interest received on bank deposits, investments, tax free bonds, employee loans etc.	2,380.1	2,371.8
Net cash generated from/(used in) investing activities	829.9	(524.1)
C CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deferred VAT liabilities under state government schemes	180.0	-
Interest on bank overdraft and others	(16.9)	(40.5)
Dividends paid	(29,503.2)	(10,895.0)
Dividend distribution tax paid	(6,059.4)	(2,238.7)
Net cash used in financing activities	(35,399.5)	(13,174.2)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	(12,232.9)	6,826.2

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
Cash and cash equivalents (Refer note 11)	15,987.7	14,476.9
Current investments (Refer note 9)	19,251.3	13,935.9
Total cash and cash equivalents at the beginning of the year (as per Ind AS 7)	35,239.0	28,412.8
Cash and cash equivalents (Refer note 11)	12,931.6	15,987.7
Current investments (Refer note 9)	10,074.5	19,251.3
Total cash and cash equivalents at the end of the year (as per Ind AS 7)	23,006.1	35,239.0
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,232.9)	6,826.2

Notes:

The above Statement of Cash flows has been prepared under the "Indirect Method" as set out in Ind AS 7 on 'Statement of Cash Flows'.

As per our report of even date attached
For B S R & CO. LLP
Chartered Accountants
Firm's Registration No. - 101248W/W-100022

JITEN CHOPRA
Partner
Membership No. - 092894
13 February 2020
Gurugram

SURESH NARAYANAN
Chairman and Managing Director
(DIN-07246738)
13 February 2020
Gurugram

For and on behalf of the Board of Directors

SHOBINDER DUGGAL
Chief Financial Officer

B. MURLI
Sr. VP - Legal &
Company Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(₹ in million)

A) EQUITY SHARE CAPITAL

Balance as at 31 December 2017	964.2
Movement during the year	-
Balance as at 31 December 2018	964.2
Movement during the year	-
Balance as at 31 December 2019	964.2

(₹ in million)

B) OTHER EQUITY⁽¹⁾

	Reserves and Surplus		Items of Other Comprehensive Income		Total
	General Reserve	Retained Earnings	Equity Instrument through Other Comprehensive Income	Effective portion of Cash Flow Hedges	
Balance as at 31 December 2017	8,374.3	25,054.5	(200.0)	12.9	33,241.7
Profit after tax	-	16,069.3	-	-	16,069.3
Other comprehensive income	-	(302.0)	(100.0)	(2.1)	(404.1)
Total comprehensive income	-	15,767.3	(100.0)	(2.1)	15,665.2
Dividend (Refer note 47)	-	(10,895.0)	-	-	(10,895.0)
Dividend Distribution tax	-	(2,238.7)	-	-	(2,238.7)
Total appropriations	-	(13,133.7)	-	-	(13,133.7)
Balance as at 31 December 2018	8,374.3	27,688.1	(300.0)	10.8	35,773.2
Profit after tax	-	19,695.5	-	-	19,695.5
Other comprehensive income	-	(1,513.4)	(30.0)	(4.3)	(1,547.7)
Total comprehensive income	-	18,182.1	(30.0)	(4.3)	18,147.8
Dividend (Refer note 47)	-	(29,503.2)	-	-	(29,503.2)
Dividend Distribution tax	-	(6,059.4)	-	-	(6,059.4)
Total appropriations	-	(35,562.6)	-	-	(35,562.6)
Balance as at 31 December 2019	8,374.3	10,307.6	(330.0)	6.5	18,358.4

(1) Description of purpose of each reserve within Other Equity has been disclosed under Note 17.

As per our report of even date attached
For B S R & CO. LLP
Chartered Accountants
Firm's Registration No. - 101248W/W-100022

For and on behalf of the Board of Directors

JITEN CHOPRA
Partner
Membership No. - 092894

SURESH NARAYANAN
Chairman and Managing Director
(DIN-07246738)

SHOBINDER DUGGAL
Chief Financial Officer

B. MURLI
Sr. VP - Legal &
Company Secretary

13 February 2020
Gurugram

13 February 2020
Gurugram

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Nestle India Limited ("the Company") is a company domiciled in India, with its registered office situated at 100/101, World Trade Centre, Barakhamba Lane, New Delhi – 110 001. The Company has been incorporated under the provisions of Indian Companies Act and its equity shares are listed on the BSE Limited in India. The Company is primarily involved in Food business which incorporates product groups viz. Milk Products and Nutrition, Prepared dishes and Cooking aids, Powdered and Liquid Beverages and Confectionery.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION AND MEASUREMENT

Statement of compliance

The financial statements of the Company have been prepared in accordance with and to comply in all material aspects with the Indian Accounting Standards (Ind AS) as notified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Act, as applicable.

Basis of measurement

The financial statements have been prepared on accrual and going concern basis under the historical cost convention except for certain class of financial assets/ liabilities, share based payments and net liability for defined benefit plans that are measured at fair value. The accounting policies have been consistently applied by the Company unless stated otherwise.

Financial Year

The Company has opted the period of 1st day of January to 31st day of December, each year as its financial year for the purpose of preparation of financial statements under the provisions of Section 2(41) of the Companies Act, 2013, which the Company Law Board has allowed.

Functional and Presentation Currency

The financial statements have been prepared and presented in Indian Rupees (₹), which is also the Company's functional currency.

Rounding off

All amounts in the financial statement and accompanying notes are presented in ₹ million and have been rounded-off to one decimal place unless stated otherwise.

Current and Non-current Classification

The Company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities. This is based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents.

Measurement of Profit from Operations

For better understanding of the financial performance, the Company has chosen to present "Profit from Operations" as an additional information in the Statement of Profit and Loss. "Profit from Operations" is arrived from 'Profit before Tax' after reducing Other Income and adding back Finance Costs (including interest cost on employee benefit plans), Net provision for contingencies (others) and corporate social responsibility expense.

Use of Estimates and Judgement

The preparation of financial statements requires management to exercise judgement and make estimates and assumptions that affects the reported amounts of revenue, expenses, assets and liabilities. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

results may differ from these estimates. These estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the results are known/materialise.

The areas involving significant estimates and judgement include determination of useful life of property, plant and equipment (Refer note 4), measurement of defined benefit obligations (Refer Note 33), recognition and measurement of provisions and contingencies (Refer note 36) and recognition of deferred tax assets/liabilities (Refer Note 38).

Approval of financial statements

The financial statements of the Company were approved for issue by the Board of Directors on 13 February 2020.

REVENUE RECOGNITION

Effective 1 January 2019, the Company has applied Ind AS 115: Revenue from Contracts with Customers which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue. The impact of the adoption of the standard on the financial statements of the Company is insignificant.

Revenue from sale of goods is recognised on transfer of control of goods to the buyer. Revenue is measured at the price charged to the customer and are recorded net of returns (if any), trade discounts, rebates, other pricing allowances to trade/consumer, when it is probable that the associated economic benefits will flow to the Company.

The Performance obligation in contracts are considered as fulfilled in accordance with the terms agreed with the respective customers.

Revenue is presented net of Goods and Services Tax (GST).

Interest income is recognised using effective interest rate (EIR) method.

Dividend income on investments is recognized when the right to receive the payment is established.

GOVERNMENT GRANTS

Government grant in relation to fixed asset is treated as deferred income and is recognised in the statement of profit and loss on a systematic basis over the useful life of the asset.

Government grant in relation to investment outlay is recognised as income in the statement of profit & loss on fulfillment of the underlying attached conditions.

INVENTORIES

Inventories are stated at cost or net realisable value, whichever is lower. However, raw materials, packing materials and other supplies held for use in the production of inventories are not written down below cost if the finished goods in which they will be included are expected to be sold at or above cost. The bases of determining cost for various categories of inventories are as follows:

Raw and packing material	:	First-in-first out
Stock-in-trade (Goods purchased for resale)	:	Weighted average
Stores and spare parts	:	Weighted average
Work-in-progress and finished goods	:	Material cost plus appropriate share of production overheads, wherever applicable

EMPLOYEE BENEFITS

Employee benefit plans

The Company makes contributions to Provident Fund, Employee State Insurance, National Pension System etc. for eligible employees and these contributions are charged to statement of profit and loss on accrual basis.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Liability for defined benefit plans i.e. gratuity and unfunded pension is determined based on the actuarial valuation carried out by an independent actuary as at the year-end. As these liabilities are relatively long term in nature, the actuarial assumptions take in account the requirements of the relevant Ind AS coupled with a long term view of the underlying variables / trends, wherever required.

Service cost and net interest cost on the defined benefit liabilities/assets are recognized in the statement of profit and loss as employee benefit expense and finance costs respectively. Gains and losses on remeasurement of defined benefits liabilities/plan assets arising from changes in actuarial assumptions and experience adjustments are recognised in the other comprehensive income and are included in retained earnings in the balance sheet.

Long term employee benefits such as compensated absences and long service awards are charged to statement of profit and loss on the basis of an actuarial valuation carried out by an independent actuary as at the year-end. Actuarial gains and losses are recognised in full in the statement of profit and loss during the year in which they occur.

Other employee benefits

Short term employee benefits including performance incentives, are charged to statement of profit and loss on an undiscounted, accrual basis during the period of employment.

SHARE BASED PAYMENT

Nestlé Restricted Stock Unit (RSU) Plan/ Performance Share Unit (PSU) Plan of Nestlé S.A., whereby select employees of the Company are granted non-tradable units with the right to obtain Nestlé S.A. shares or cash equivalent, is a Cash-Settled Share based payment as per the requirement of Ind AS 102 - Shared based Payment. Liability under the plan is initially measured at the fair value and charged to statement of profit and loss over the vesting period. The Company remeasures the outstanding units at each balance sheet date at their fair values taking into account the Nestlé S.A. share price and exchange rate as at the balance sheet date. The resultant gain/ (loss) on remeasurement is recognised in the statement of profit and loss over the vesting period.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant & equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost is inclusive of freight, duties, taxes or levies (net of recoverable taxes) and any directly attributable cost of bringing the assets to their working condition for intended use.

Property, plant and equipment which are not ready for intended use as on the date of Balance Sheet are disclosed as "Capital work-in-progress".

Profit or loss on disposal/ scrapping/ write off/ retirement from active use of an item of property, plant and equipment is recognised in the statement of profit and loss.

DEPRECIATION / AMORTISATION

The Company has assessed the useful lives of property, plant and equipment as per Schedule II to the Companies Act, 2013. Accordingly, depreciation has been computed on useful lives based on technical evaluation of relevant class of assets including components thereof. Useful lives and residual values are reviewed annually. Depreciation is provided as per the straight line method computed basis useful lives of fixed assets as follows:

Buildings	:	25 - 40 years
Plant & Machinery	:	5 - 25 years
Office Equipments	:	5 years
Furniture and fixtures	:	5 years
Vehicles	:	5 years
Information Technology (IT) equipment	:	3 - 5 years

Freehold land is not depreciated. Leasehold land and related improvements are amortized over the period of the lease.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each balance sheet date, items of property, plant and equipment are reviewed to determine whether there is any indication of impairment. For the purpose of assessing impairment, assets are grouped at the levels for which there are separately identifiable cash flows (cash generating unit). If any impairment indicator exists, estimate of the recoverable amount of the property, plant and equipment /cash generating unit to which the asset belongs is made. An impairment loss is recognised whenever the carrying amount of an asset/ cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount rate.

Reversal of impairment losses recognised in earlier years is recorded when there is an indication that the impairment losses recognised for the asset/cash generating unit no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset/cash generating unit in earlier years.

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset/s and the arrangement conveys a right to use the asset/s, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Payments made under operating leases are recognised as an expense in the statement of profit and loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, in which case the same is recognised as an expense in line with the contractual term.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are initially recorded in the functional currency i.e. Indian Rupees (₹) using the exchange rate at the date of transaction.

Monetary items (i.e. receivables, payables, loans etc.) denominated in foreign currency are reported using the closing exchange rate as on each balance sheet date.

The exchange difference arising on the settlement or reporting of monetary items at rates different from rates at which these were initially recorded / reported in previous financial statements, are recognised in the statement of profit and loss in the period in which they arise.

Also refer to accounting policy on 'Derivatives and Hedge accounting'.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions for Contingencies/ Contingent liabilities are recognised/disclosed after evaluation of facts and legal aspects of the matter involved, in line with Ind AS 37 on Provisions, Contingent Liabilities and Contingent Assets. Provisions are recognised when the Company has a present obligation (legal/constructive) and on management judgement as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. As the timing of outflow of resources is uncertain, being dependent upon the outcome of the future proceedings, these provisions are not discounted to their present value.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be accrued/ realised.

BORROWING COSTS

Borrowing costs directly attributable to acquisition or construction of items of property, plant and equipment which take substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. All other borrowing costs are charged to the statement of profit and loss in the period in which they are incurred.

FINANCIAL INSTRUMENTS

a) Recognition and Initial measurement

The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities which are carried at fair value through profit or loss (FVTPL), are charged to the statement of profit and loss.

b) Classification and subsequent measurement of financial assets

i) Debt Instruments

For the purpose of subsequent measurement, financial assets in the nature of debt instruments are classified as follows:

Amortised cost - Financial assets that are held within a business model whose objective is to hold the asset in order to collect contractual cash flows that are solely payments of principal and interest are subsequently measured at amortised cost less impairments, if any. Interest income calculated using effective interest rate (EIR) method and impairment loss, if any are recognised in the statement of profit and loss.

Fair value through other comprehensive income (FVOCI) - Financial assets that are held within a business model whose objective is achieved by both holding the asset in order to collect contractual cash flows that are solely payments of principal and interest and by selling the financial assets, are subsequently measured at fair value through other comprehensive income. Changes in fair value are recognized in the other comprehensive income (OCI) and on derecognition, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss. Interest income calculated using EIR method and impairment loss, if any are recognised in the statement of profit and loss.

Fair value through profit or loss (FVTPL) - A financial asset which is not classified in any of the above categories are subsequently measured at fair valued through profit or loss. Changes in fair value and income on these assets are recognised in the statement of profit and loss.

ii) Equity Instruments

The Company has made investment in equity instruments that are initially measured at fair value. These investment are strategic in nature and held on a long-term basis. Accordingly, the company has elected irrevocable option to measure such investments at FVOCI. The Company makes such election on an instrument-by-instrument basis. Pursuant to such irrevocable option, changes in fair value are recognised in the OCI and is subsequently not reclassified to the statement of profit and loss.

c) Classification and subsequent measurement of financial liabilities

For the purpose of subsequent measurement, financial liabilities are classified as follows:

Amortised cost - Financial liabilities are classified as financial liabilities at amortised cost by default. Interest expense calculated using EIR method is recognised in the statement of profit and loss.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Fair value through profit or loss (FVTPL) - Financial liabilities are classified as FVTPL if it is held for trading, or is designated as such on initial recognition. Changes in fair value and interest expense on these liabilities are recognised in the statement of profit and loss.

d) Derecognition of financial assets and financial liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows including risks and rewards of ownership.

A financial liability is derecognised when the obligation under the liability is discharged or expires.

e) Impairment of financial assets

Financial assets that are carried at amortised cost and fair value through other comprehensive income (FVOCI) are assessed for possible impairments basis expected credit losses taking into account the past history of recovery, risk of default of the counterparty, existing market conditions etc. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

For Trade receivables, the Company provides for expected credit losses based on a simplified approach as per Ind AS 109 – Financial Instruments. Under this approach, expected credit losses are computed basis the probability of defaults over the lifetime of the asset.

f) Derivatives and hedge accounting

Derivative instruments used by the company include forward contracts. The Company formally establishes a hedge relationship between such forward contracts ('hedging instrument') and recognized financial asset/liabilities ('hedged item') through a formal documentation at the inception of the hedge. Forward contracts are designated as hedging instruments against changes in fair value of recognised assets and liabilities (fair value hedges) and against highly probable forecast transactions (cash flow hedges). The effectiveness of hedge instruments is assessed at the inception and on an ongoing basis.

Derivatives instruments such as forward contracts are initially measured at fair value. When a forward contract is designated as a cash flow hedge, the effective portion of change in the fair value of the contract is recognised in the other comprehensive income and accumulated in other equity under "effective portion of cash flow hedges". Amount recognised in other equity is subsequently reclassified to the statement of profit and loss upon occurrence of the related forecasted transaction. Any ineffective portion of the change in the fair value of the contract is recognised immediately in the statement of profit and loss.

Changes in fair value of forward contracts designated as fair value hedge are recognised in the statement of profit and loss.

g) Fair value measurement

Fair value of financial assets and liabilities is normally determined by references to the transaction price or market price. If the fair value is not reliably determinable, the company determines the fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

INCOME TAX

Income tax expense comprises of current tax and deferred tax. Income tax expense is recognised in the statement of profit and loss, except when it relates to items recognised in the other comprehensive income or items recognised directly in the equity. In such cases, the income tax expense is also recognised in the other comprehensive income or directly in the equity as applicable.

Provision for current tax for the period comprises of

- a) estimated tax expense which has accrued on the profit for the period 1 April 2019 to 31 December 2019 and,

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

- b) the residual tax expense for the period 1 April 2018 to 31 March 2019 arising out of the finalisation of fiscal accounts (Assessment Year 2019-2020), under the provisions of the Indian Income tax Act, 1961.

Deferred taxes are recognised basis the balance sheet approach on temporary differences, being the difference between the carrying amount of assets and liabilities in the Balance Sheet and its corresponding tax base, that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which such assets can be utilized.

EARNINGS PER SHARE

Basic earnings per share is computed by dividing the net profit for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of Statement of Cash Flows include bank balances, cheques and drafts on hand including remittances in transit, demand deposits with banks where the original maturity is three months or less and other short term highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included as a component of cash and cash equivalents for the purpose of Statement of Cash flows.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

All material events occurring after the balance sheet date upto the date of approval of financial statements by the Board of Directors on 13 February 2020, have been considered, disclosed and adjusted, wherever applicable, as per the requirements of Ind AS 10 - Events after the Reporting Period.

3. RECENT ACCOUNTING PRONOUNCEMENTS

IND AS 116 Leases

The Ministry of Corporate Affairs has notified Ind AS 116 'Leases' which will replace the existing standard, Ind AS 17 'Leases'. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet accounting model for lessees. A lessee recognizes right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard also contains enhanced disclosure requirements for lessees.

The Standard is applicable to the Company with effect from 1 January 2020. The Company has elected to adopt Ind AS 116 using the full retrospective method. The estimated impact of Ind AS 116 is as follows:

Balance Sheet as at 1 January 2019:

The Company estimates that the adoption of Ind AS 116 will result in an increase in total assets of approximately ₹1,250 million. Liabilities are expected to increase approximately by ₹1,400 million. The net impact of ₹150 million shall be adjusted to retained earnings.

Statement of Profit and Loss for 2019:

Increase in depreciation of approximately ₹550 million. Operating lease expenses will decrease by approximately ₹625 million. Finance costs are expected to increase by approximately ₹100 million due to the interest on lease liabilities.

Statement of Cash flows for 2019:

Cash flows from operating activities will increase by approximately ₹625 million with a corresponding increase in cash used in financing activities on account of lease payments.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Appendix C to Ind AS 12 Income Taxes

The Ministry of Corporate Affairs issued 'Appendix C to Ind AS 12 Income Taxes'. This appendix is applicable to the Company with effect from 1 January 2020. The effect on the financial statements is being evaluated by the Company.

4 - Property, Plant and Equipment

(₹ in million)

	GROSS CARRYING VALUE				DEPRECIATION/ AMORTISATION					NET CARRYING VALUE
	Cost as at 31 December 2018	Additions	Deletions / adjustments	Cost as at 31 December 2019	As at 31 December 2018	For the year	Impairment loss ⁽¹⁾	On deletions / adjustments	As at 31 December 2019	As at 31 December 2019
Freehold land	174.1	-	-	174.1	-	-	-	-	-	174.1
Leasehold land	1,231.0	-	-	1,231.0	38.9	13.1	-	-	52.0	1,179.0
Buildings	9,124.0	101.0	0.1	9,224.9	1,154.9	405.1	-	0.1	1,559.9	7,665.0
Plant and equipment	22,795.6	1,132.2	151.1	23,776.7	8,615.0	2,524.2	-	143.1	10,996.1	12,780.6
Furniture and fixtures	708.9	9.8	22.5	696.2	615.5	47.0	-	22.5	640.0	56.2
Office equipment	148.5	34.3	2.0	180.8	77.1	31.4	-	1.7	106.8	74.0
IT equipment	647.8	154.6	19.7	782.7	331.6	139.0	-	19.4	451.2	331.5
Vehicles	24.3	1.2	-	25.5	15.0	3.8	-	-	18.8	6.7
Total	34,854.2	1,433.1	195.4	36,091.9	10,848.0	3,163.6	-	186.8	13,824.8	22,267.1

	GROSS CARRYING VALUE				DEPRECIATION/ AMORTISATION					NET CARRYING VALUE
	Cost as at 31 December 2017	Additions	Deletions / adjustments	Cost as at 31 December 2018	As at 31 December 2017	For the year	Impairment loss ⁽¹⁾	On deletions / adjustments	As at 31 December 2018	As at 31 December 2018
Freehold land	174.0	0.1	-	174.1	-	-	-	-	-	174.1
Leasehold land	1,231.0	-	-	1,231.0	25.8	13.1	-	-	38.9	1,192.1
Buildings	9,032.0	96.2	4.2	9,124.0	780.4	375.9	-	1.4	1,154.9	7,969.1
Plant and equipment	21,804.1	1,013.6	22.1	22,795.6	5,750.7	2,758.6	110.8	5.1	8,615.0	14,180.6
Furniture and fixtures	707.9	11.5	10.5	708.9	567.5	57.1	-	9.1	615.5	93.4
Office equipment	132.5	22.6	6.6	148.5	56.2	27.5	-	6.6	77.1	71.4
IT equipment	477.6	189.6	19.4	647.8	231.6	119.1	-	19.1	331.6	316.2
Vehicles	25.2	-	0.9	24.3	10.3	5.4	-	0.7	15.0	9.3
Total	33,584.3	1,333.6	63.7	34,854.2	7,422.5	3,356.7	110.8	42.0	10,848.0	24,006.2

(1) Refer Note 35.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
5 - NON-CURRENT INVESTMENTS		
At amortised cost		
Quoted		
Tax free Bonds	7,247.2	7,114.8
At fair value through Other Comprehensive Income		
Unquoted		
Equity shares of Sahyadri Agro and Dairy Private Limited (2019, 2018 : Fully paid up 1,415,050 equity shares of face value ₹10 each)	188.8	218.8
	<u>7,436.0</u>	<u>7,333.6</u>
Market value of quoted investments	7,655.8	7,278.1
6 - NON-CURRENT LOANS		
Secured, considered good		
Loans to employees	0.5	1.1
Unsecured, considered good		
Security deposits	360.8	327.5
Loans to employees	108.5	72.8
	<u>469.3</u>	<u>400.3</u>
	<u>469.8</u>	<u>401.4</u>
7 - OTHER NON-CURRENT ASSETS		
Capital advances	179.4	28.6
Payments under protest with government authorities	625.0	689.5
	<u>804.4</u>	<u>718.1</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
8 - INVENTORIES		
(at cost or net realisable value, whichever is lower)		
Raw materials	4,813.3	3,235.6
{Includes in transit ₹ 293.5 million (2018: ₹ 162.8 million)}		
Packing materials	481.2	378.7
{Includes in transit ₹ 13.9 million (2018: ₹ 9.3 million)}		
Work-in-progress	1,233.8	1,132.6
Finished goods	5,199.0	3,873.8
Stock-in-trade (goods purchased for resale)	379.5	364.0
{Includes in transit ₹ 65.4 million (2018: ₹ 65.5 million)}		
Stores and spares	723.9	670.8
{Includes in transit ₹ 17.6 million (2018: ₹ 8.7 million)}		
	<u>12,830.7</u>	<u>9,655.5</u>

During the year, an amount of ₹ 569.8 million (net of reversals) [2018: ₹ 520.5 million] was charged to the statement of profit and loss on account of obsolete, damage and slow moving inventories.

9 - CURRENT INVESTMENTS

At amortised cost

Quoted

Treasury Bills - Government Securities	5,475.1	11,668.2
Certificate of Deposits with banks	745.8	1,341.5
Commercial Papers	744.6	1,495.8
Short Term Bonds	-	846.2

At fair value through profit and loss

Quoted

Mutual Funds - Debt	3,109.0	3,899.6
	<u>10,074.5</u>	<u>19,251.3</u>
Considered as 'Cash and cash equivalents' for the purpose of 'Statement of Cash Flows' in line with the requirements of Ind AS-7	10,074.5	19,251.3
Market value of quoted investments	10,073.9	19,251.3

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
10 - TRADE RECEIVABLES (UNSECURED)		
Trade Receivables considered good ⁽¹⁾	1,243.3	1,245.9
Trade Receivables with significant increase in credit risk	33.9	23.2
	<u>1,277.2</u>	<u>1,269.1</u>
Less: Loss allowance (Refer Note 39)	(33.9)	(23.2)
	<u>1,243.3</u>	<u>1,245.9</u>
 (1) Include receivables from related parties (Refer Note 44)		
11 - CASH AND CASH EQUIVALENTS		
Balances with banks		
on current accounts	236.0	188.3
on deposit accounts	12,671.0	15,691.2
Cheques, drafts on hand including remittances in transit	24.6	108.2
	<u>12,931.6</u>	<u>15,987.7</u>
12 - BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS		
Unpaid dividend accounts	148.9	112.9
	<u>148.9</u>	<u>112.9</u>
13 - CURRENT LOANS		
Secured, considered good		
Loans to employees	0.6	1.1
Unsecured, considered good		
Security deposits	11.4	29.4
Loans to employees	112.6	148.4
	<u>124.0</u>	<u>177.8</u>
Unsecured, credit impaired		
Security deposits, Loans to employees	8.5	8.5
Less: Allowance for impairment	(8.5)	(8.5)
	<u>124.6</u>	<u>178.9</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
14 - OTHER CURRENT FINANCIAL ASSETS		
Recoverable from related parties	146.7	77.5
Derivative assets - forward contracts	21.8	46.8
Interest accrued on bank deposits/ tax free long term bonds etc.	377.1	391.3
Others	12.3	9.3
	<u>557.9</u>	<u>524.9</u>
15 - OTHER CURRENT ASSETS		
Unsecured, considered good		
Advances given to suppliers, employees etc.	73.4	116.1
Balances with government authorities	85.9	31.0
Prepaid expenses	100.9	76.8
	<u>260.2</u>	<u>223.9</u>
Unsecured, credit impaired		
Advances given to suppliers, Balances with government authorities etc.	30.9	23.3
Less: Allowance for impairment	<u>(30.9)</u>	<u>(23.3)</u>
	<u>260.2</u>	<u>223.9</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2019		As at 31 December 2018	
	No. of shares	Amount (₹ in million)	No. of shares	Amount (₹ in million)
16 - EQUITY SHARE CAPITAL				
Authorised				
Equity shares of face value ₹ 10 each	100,000,000	1,000.0	100,000,000	1,000.0
Issued, subscribed and fully paid up				
Equity shares of face value ₹ 10 each	96,415,716	964.2	96,415,716	964.2

a) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year

Shares outstanding as at the beginning of the year	96,415,716	964.2	96,415,716	964.2
Movement during the year	-	-	-	-
Shares outstanding as at the end of the year	96,415,716	964.2	96,415,716	964.2

b) Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares with face value of ₹ 10 each, ranking pari passu.

c) Equity shares held by holding companies

Nestlé S.A.	33,051,399	33,051,399
Maggi Enterprises Limited	27,463,680	27,463,680
(Ultimate holding company being Nestlé S.A.)		

d) Shareholders holding more than 5% of equity shares

Serial No.	Name of the shareholder	No. of shares	% of holding	No. of shares	% of holding
1	Nestlé S.A.	33,051,399	34.28	33,051,399	34.28
2	Maggi Enterprises Limited	27,463,680	28.48	27,463,680	28.48

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
17 - OTHER EQUITY		
General reserve	8,374.3	8,374.3
Retained earnings	10,307.6	27,688.1
Items of Other Comprehensive Income		
Effective portion of cash flow hedges	6.5	10.8
Equity Instruments through other comprehensive income	(330.0)	(300.0)
	<u>18,358.4</u>	<u>35,773.2</u>

Nature and description of reserve

- (i) **General Reserve** - General reserve are free reserves of the company which are kept aside out of company's profits to meet the future requirements as and when they arise. The Company had transferred a portion of the profit after tax (PAT) to general reserve pursuant to the earlier provisions of Companies Act, 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013.
- (ii) **Retained Earnings** - Retained earnings are the accumulated profits earned by the Company till date, less transfer to general reserves, dividend (including dividend distribution tax) and other distributions made to the shareholders.
- (iii) **Effective portion of cash flow hedges** - The Company uses forward contracts to hedge its risks associated with foreign currency transactions relating to firm commitments and highly probable forecast transactions. This reserve represents the cumulative changes in fair value of forward contracts that are designated as Cash Flow Hedges. These will be reclassified to statement of profit and loss upon occurrence of the underlying forecasted transactions.
- (iv) **Equity instruments through other comprehensive income** - This represents the cumulative gains and losses arising on fair valuation of equity instruments measured at fair value through other comprehensive income under an irrevocable option.

18 - NON-CURRENT BORROWINGS

Unsecured loans

Deferred VAT liabilities		
State of Karnataka ⁽¹⁾	384.2	204.2
State of Himachal Pradesh ⁽²⁾	147.2	147.2
	<u>531.4</u>	<u>351.4</u>

(1) Interest free, repayable after 7 years from the date of disbursement in 10 equal annual installments commencing from year 2021.

(2) Interest free, repayable after 8 years from the year of deferment commencing from year 2021.

19 - NON-CURRENT PROVISIONS

Employee benefits:

Pension and gratuity (Refer note 33)	18,937.7	15,860.2
Other incentives and welfare benefits ⁽¹⁾	<u>1,442.0</u> 20,379.7	<u>1,196.1</u> 17,056.3
Contingencies (Refer note 36)	8,689.4	7,592.9
	<u>29,069.1</u>	<u>24,649.2</u>

(1) Includes compensated absences, restricted stock unit plans/ performance share unit plans, long service awards and ceremonial gifts.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
20 - DEFERRED TAXES (NET) ⁽¹⁾		
Deferred tax liabilities		
Property, Plant and Equipment	1,579.2	2,379.1
Financial Instruments	-	8.2
	<u>1,579.2</u>	<u>2,387.3</u>
Deferred tax assets		
Contingencies	1,063.0	1,376.5
Employee benefits - Compensated absences and Gratuity	289.2	359.6
Allowance for credit impaired assets and Trade receivables	20.0	21.1
Other items deductible on payment	25.6	41.9
Financial Instruments	1.9	-
	<u>1,399.7</u>	<u>1,799.1</u>
	<u>179.5</u>	<u>588.2</u>

(1) Refer note 38

21 - OTHER NON-CURRENT LIABILITIES

Deferred Government Grants	4.3	5.1
	<u>4.3</u>	<u>5.1</u>

22 - OTHER CURRENT FINANCIAL LIABILITIES

Payables for capital expenditure	888.5	469.8
Customers' credit balances and payables	1,648.6	1,082.0
Employee costs and reimbursements	1,556.9	1,379.6
Book Overdraft	0.9	0.9
Unpaid dividends ⁽¹⁾	148.9	112.9
Security deposits	65.3	60.6
Derivative liabilities - forward contracts	5.7	56.0
	<u>4,314.8</u>	<u>3,161.8</u>

(1) No amount due and outstanding to be credited to Investor Education and Protection Fund.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
23 - CURRENT PROVISIONS		
Employee benefits:		
Pension (Refer note 33)	295.1	240.8
Other incentives and welfare benefits ⁽¹⁾	<u>327.1</u> 622.2	<u>251.7</u> 492.5
Contingencies (Refer note 36)	<u>232.4</u>	<u>1,080.1</u>
	<u>854.6</u>	<u>1,572.6</u>

(1) Includes compensated absences, restricted stock unit plans/ performance share unit plans, long service awards and ceremonial gifts.

24 - OTHER CURRENT LIABILITIES

Statutory liabilities (Goods & Services tax, TDS etc.)	554.8	519.1
Advance from customers	366.5	407.9
Others	<u>418.3</u>	<u>484.4</u>
	<u>1,339.6</u>	<u>1,411.4</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
25 - OTHER OPERATING REVENUES		
Export incentives	516.4	558.2
Other operating income (includes scrap sales)	219.9	202.2
	<u>736.3</u>	<u>760.4</u>
26 - OTHER INCOME		
Interest on bank deposits, investments and employee loans etc. ⁽¹⁾	1,832.5	1,929.2
Interest on tax free long term bonds ⁽¹⁾	507.1	474.6
Dividend on mutual funds	128.4	183.8
Net Gain on financial assets at fair value through profit & loss	0.8	1.6
	<u>2,468.8</u>	<u>2,589.2</u>
(1) as per effective interest rate method		
27 - COST OF MATERIALS CONSUMED		
Raw materials	43,031.0	35,986.6
Packing materials	8,472.0	7,670.2
	<u>51,503.0</u>	<u>43,656.8</u>
28 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Opening stock		
Finished goods	3,873.8	3,881.7
Work-in-progress	1,132.6	1,148.1
Stock-in-trade	364.0	280.5
	<u>5,370.4</u>	<u>5,310.3</u>
Closing Stock		
Finished goods	5,199.0	3,873.8
Work-in-progress	1,233.8	1,132.6
Stock-in-trade	379.5	364.0
	<u>6,812.3</u>	<u>5,370.4</u>
Net (increase)/ decrease in opening and closing stock	<u>(1,441.9)</u>	<u>(60.1)</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
29 - EMPLOYEE BENEFITS EXPENSE		
Salaries, wages, bonus, pension, performance incentives etc. (Refer note - 33)	10,860.1	9,654.0
Contribution to provident and other funds	798.4	857.9
Share based payments (Refer note - 34)	332.9	117.0
Staff welfare expenses	638.1	612.6
	<u>12,629.5</u>	<u>11,241.5</u>
30 - FINANCE COSTS		
Interest cost on employee benefit plans	1,181.4	1,079.0
Interest on bank overdraft and others	16.9	40.5
	<u>1,198.3</u>	<u>1,119.5</u>
31 - OTHER EXPENSES		
Finished goods handling, transport and distribution	5,523.5	5,256.0
Advertising and sales promotion	7,853.4	7,294.4
Power and fuel	3,405.3	3,441.8
General licence fees (net of taxes)	5,472.0	4,926.5
Information technology and management information systems	869.8	840.6
Maintenance and repairs	928.0	925.3
Rates and taxes	63.6	75.0
Travelling	852.0	799.3
Rent	578.5	560.3
Contract manufacturing charges	358.0	364.3
Consumption of stores and spare parts	527.5	538.8
Training	406.1	490.2
Withholding tax on general licence fees	547.3	492.6
Laboratory (quality testing)	200.8	214.2
Market research	258.9	301.8
Milk collection and district development	158.4	156.4
Security charges	135.5	133.9
Exchange difference (net)	11.5	134.7
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	(15.6)	(10.3)
Insurance	57.9	53.8
Miscellaneous	1,353.0	1,191.5
	<u>29,545.4</u>	<u>28,181.1</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
32 (i). Class-wise details of Sales of products

Product groups	Year ended 31 December 2019		Year ended 31 December 2018	
	Quantity (MT)	Amount (₹ in million)	Quantity (MT)	Amount (₹ in million)
Milk Products and Nutrition (includes dairy whitener, condensed milk, UHT milk, yoghurt, maternal and infant formula, baby foods, health care nutrition)	138,941	56,518.1	137,066	51,876.3
Prepared dishes and cooking aids (includes noodles, sauces, seasonings, pasta, cereals)	264,072	34,981.8	240,879	31,052.5
Powdered and Liquid Beverages (includes instant coffee, instant tea, ready to drink beverage)	26,380	15,017.9	27,013	15,226.1
Confectionery (includes bar countlines, tablets, sugar confectionery)	49,033	16,434.9	42,197	14,007.4
Sale of Products	478,426	122,952.7	447,155	112,162.3

(ii) Reconciliation of Revenue from sale of products with the contracted price

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
Contracted Price	126,903.1	115,508.9
Less: Rebates, discounts, allowances etc.	3,950.4	3,346.6
Sale of products	122,952.7	112,162.3

33. Employee Benefit Plans

- (i) The Company makes contributions to the Provident Fund, Employee State Insurance, National Pension System etc. for eligible employees. Under these plans, the Company is required to contribute a specified percentage of payroll costs. The Company has recognised ₹ 493.4 million (Previous year ₹ 421.4 million) as expense in the statement of profit and loss during the year towards contribution to these funds.

Out of the total contribution made for Provident Fund, ₹ 206.3 million (Previous year ₹ 169.5 million) is made to the Nestlé India Limited Employees Provident Fund Trust. The members of the Provident Fund Trust are entitled to the rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952. The shortfall, if any, is made good by the Company in the year in which it arises. The Trustees of Nestlé India Limited Employees Provident Fund Trust are responsible for the overall governance of the plan and to act in accordance with the provisions of the trust deed and the relevant provisions prescribed under the law. Pattern of investment followed by the Trust is in accordance with the rules prescribed by the Government of India.

The total plan liabilities under the Nestlé India Limited Employees Provident Fund Trust as at 31 December 2019 as per the unaudited financial statements are ₹ 3,996.2 million (Previous year ₹ 3,531.4 million) as against total plan assets of ₹ 3,950.2 million (Previous year ₹ 3,532.2 million). The funds of the Trust have been invested under various securities in accordance with the rules prescribed by the Government of India.

- (ii) Pension and Gratuity Plans: The Company provides pension and gratuity to eligible employees under defined benefit plans. The gratuity plan provides for a lump sum payment to employees upon vesting at retirement, death while in employment or on termination of employment. Gratuity vesting occurs upon completion of five years of service.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The Company makes contributions to the Nestlé India Limited Employees' Gratuity Trust Fund. The Trustees of Nestlé India Limited Employees Gratuity Trust Fund are responsible for the overall governance of the plan and to act in accordance with the provisions of the trust deed and the relevant provisions prescribed under the law. Pattern of investment followed by the Gratuity Trust fund is in accordance with the rules prescribed by the Government of India. The Company aims to keep annual contributions to the trust relatively stable at a level such that no significant gap arises between plan assets and liabilities. Defined benefit pension is a discretionary, unfunded plan. These benefit plans expose the Company to risks, such as interest rate risk, inflation risk, price risk, longevity risk etc.

a) Movement in defined benefit obligations and Plan assets

	31 December 2019 (₹ in million)		31 December 2018 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
(i) Change in defined benefit obligation (DBO):				
Present Value of obligation, as at the beginning of the year	1,644.3	15,923.6	1,240.0	14,655.3
Current service cost	108.8	701.3	90.6	650.8
Past service cost	-	(37.4)	345.9	(388.8)
Interest cost	110.9	1,098.1	81.8	1,010.5
Actuarial loss/(gain)	195.4	1,893.4	28.7	434.4
Actual benefits paid	(120.6)	(472.5)	(142.7)	(438.6)
Present Value of obligation, as at the end of the year	1,938.8	19,106.5	1,644.3	15,923.6
(ii) Change in plan assets:				
Plan assets, as at the beginning of the year	1,466.9	-	1,071.8	-
Expected return on plan assets	109.1	-	85.9	-
Contribution by the Company	305.0	-	452.8	-
Return on plan assets, greater/(lesser) than expected return	52.1	-	(0.9)	-
Actual benefits paid	(120.6)	-	(142.7)	-
Plan assets, as at the end of the year	1,812.5	-	1,466.9	-
Net Liability recognised in the balance Sheet	126.3	19,106.5	177.4	15,923.6
<i>of which accounted as:</i>				
Non-current provisions	126.3	18,811.4	177.4	15,682.8
Current provisions	-	295.1	-	240.8
(iii) Constitution of plan assets				
Quoted				
Corporate Bonds	599.5	-	484.2	-
Government of India securities	52.3	-	143.2	-
State Government/State Government guaranteed securities	864.9	-	601.6	-
Mutual funds	155.6	-	104.0	-
Funding with insurance Companies	116.2	-	105.4	-
Unquoted				
Deposits with Banks	21.6	-	25.9	-
Cash at bank and receivables	2.4	-	2.6	-
Total plan assets	1,812.5	-	1,466.9	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	31 December 2019 (₹ in million)		31 December 2018 (₹ in million)	
	Gratuity Scheme	Pension Scheme	Gratuity Scheme	Pension Scheme
	Funded Plan	Unfunded Plan	Funded Plan	Unfunded Plan
(iv) Cost recognised in the statement of profit and loss				
Current service cost (net of recoveries)	104.7	691.5	90.1	633.7
Past service cost	-	(37.4)	345.9	(388.8)
Interest cost ⁽¹⁾	110.9	1,098.1	81.8	1,010.5
Expected return on plan assets	(109.1)	-	(85.9)	-
Net cost	106.5	1,752.2	431.9	1,255.4
(v) Re-measurements recognised in other comprehensive income				
Actuarial loss/(gain)				
Change in financial assumptions	80.6	1,202.8	47.6	480.7
Change in demographic assumptions	-	740.4	-	-
Experience adjustments	114.8	(49.8)	(18.9)	(46.3)
Return on plan assets, (greater)/lesser than expected return	(52.1)	-	0.9	-
Net cost	143.3	1,893.4	29.6	434.4

(1) Total Interest cost on employee benefit plans recognised in statement of profit and loss is ₹ 1,181.4 million (Previous year ₹ 1079.0 million). This includes ₹ 1,099.9 million (Previous year ₹ 1,006.4 million) towards pension and gratuity and balance amount ₹ 81.5 million (Previous year ₹ 72.6 million) towards compensated absences and long service awards.

b) Key Actuarial Assumptions

	31 December 2019		31 December 2018	
	Gratuity Scheme	Pension Scheme	Gratuity Scheme	Pension Scheme
	Funded Plan	Unfunded Plan	Funded Plan	Unfunded Plan
Discount Rates (%)	6.75	6.75	7.0	7.0
Expected rate of salary increases (%)				
First 5 years	7.7 to 12.6	7.7 to 12.6	7.1 to 12.6	7.1 to 12.6
Beyond five years	5.5	6.5	5.5	6.5
Expected rate of Pension increases (%)	-	3.25	-	3.25

Mortality assumptions

in service	Indian Assured Lives Mortality (modified 2006-08) Ultimate rates	Indian Assured Lives Mortality (modified 2006-08) Ultimate rates
in retirement (for pension scheme)	Mortality for annuitants - LIC (1996-98) Ultimate rates with flat 10% mortality improvement and additional 0.25% p.a. future mortality improvement	Mortality for annuitants - LIC (1996-98) Ultimate rates

The estimates of future salary increases considered in actuarial valuation, take account of inflation, performance, promotion and other relevant factors such as demand and supply in the employment market.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

As defined benefits obligations are of relatively long term in nature, the actuarial assumptions take in account the requirements of the relevant Ind AS coupled with a long term view of the underlying variables / trends, wherever required.

c) Sensitivity Analysis

Sensitivity of the defined benefit obligation to changes in key actuarial assumptions

	31 December 2019 (₹ in million)		31 December 2018 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
Present Value of obligation - Reported	1,938.8	19,106.5	1,644.3	15,923.6
Discount rates				
Increase of 50 basis point	1,842.0	17,553.4	1,563.3	14,667.3
Decrease of 50 basis point	2,044.5	20,874.2	1,732.6	17,347.1
Expected rate of salary increases				
Increase of 50 basis point	2,021.7	20,107.7	1,716.3	16,763.7
Decrease of 50 basis point	1,860.8	18,174.4	1,576.6	15,145.1
Expected rate of Pension increases				
Increase of 50 basis point	-	20,075.2	-	16,671.7
Decrease of 50 basis point	-	18,218.1	-	15,234.2
Life expectancy				
Increase by 1 year	-	19,487.7	-	16,248.7
Decrease by 1 year	-	18,717.9	-	15,592.1

Sensitivities are calculated using the same actuarial method as applied for the calculation of present value of the defined benefit obligation. Sensitivity calculations are based on change in the respective assumption while keeping other assumptions constant.

d) Weighted average duration of the defined benefit obligation	12 years	18.4 years	11 years	18 years
e) Expected contribution to the Trust	248.0	-	120.0	-

34. Restricted Stock Unit (RSU)/ Performance Share Unit (PSU) Plan

The Company participates in the Nestlé Restricted Stock Unit (RSU)/ Performance Share Unit (PSU) Plan of Nestlé S.A., whereby select employees are granted non-tradable units with the right to obtain Nestlé S.A. shares or cash equivalent. Restricted Stock Units (RSU)/ Performance Share Units (PSU) granted to employees vest, subject to certain conditions, after completion of three years. Upon vesting Nestlé S.A. determines, whether shares, free of charge or cash equivalent to the value of shares, is to be transferred to the employee. The Company has to pay Nestlé S.A. an amount equivalent to the value of Nestlé S.A. shares on the date of vesting, delivered to the employee.

The details are as under:-

	31 December 2019 (₹ in million)	31 December 2018 (₹ in million)
Outstanding, non-vested RSU/ PSU grants as at year end	382.5	282.4
RSU/ PSU grants vested during the year	232.8	129.1
Recognised in statement of profit and loss	332.9	117.0

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

35. Total impairment loss on property, plant and equipment for the year ended 31 December 2019 is Nil (Previous Year ₹ 110.8 million). Impairment loss relates to various items of plant and machinery and building that have been brought down to their recoverable values upon evaluation of future economic benefits from their use.

36. Net provision for contingencies

The Company has created a contingency provision of ₹ 1,163.4 million (Previous year ₹ 1,242.5 million) for various contingencies resulting mainly from matters, which are under litigation / related disputes and other uncertainties requiring management judgement. The Company has also reversed, utilised/settled contingency provision of ₹ 914.6 million (Previous year ₹ 205.6 million) due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required.

The movement of provisions is given below:

Description	31 December 2019 (₹ in million)			31 December 2018 (₹ in million)		
	Provisions for contingencies			Provisions for contingencies		
	Litigations and related disputes	Others	Total	Litigations and related disputes	Others	Total
Opening balance	7,482.2	1,190.8	8,673.0	7,083.0	553.2	7,636.2
New provisions	589.2	574.2	1,163.4	429.9	812.6	1,242.5
Utilisation/Settlement during the year	(36.6)	(200.0)	(236.6)	-	(175.0)	(175.0)
Reversals	(95.0)	(583.0)	(678.0)	(30.7)	-	(30.7)
Recognised in statement of profit and loss*	457.6	(208.8)	248.8	399.2	637.6	1,036.8
Closing balance	7,939.8	982.0	8,921.8	7,482.2	1,190.8	8,673.0

*out of this, ₹ 248.8 million (Previous year ₹ 621.7 million) has been recognised as "Net provision for contingencies (from operations) and balance amount of ₹ Nil (Previous year ₹ 415.1 million) as "Net provision for contingencies (others)".

Notes:

- Litigations and related disputes** - represents estimates made mainly for probable claims arising out of litigations / disputes pending with authorities under various statutes (i.e. Income Tax, Excise Duty, Service Tax, Entry tax, Value Added Tax, Sales and Purchase Tax, Goods and Service Tax etc.). The probability and the timing of the outflow with regard to these matters depend on the ultimate settlement /conclusion with the relevant authorities.
- Others** - includes estimates made for products sold by the Company which are covered under free replacement warranty on crossing the best before date for consumption and other uncertainties requiring management judgement. The timing and probability of outflow with regard to these matters will depend on the external environment and the consequent decision/ conclusion by the Management.

37. Corporate Social Responsibility Expense

	31 December 2019 (₹ in million)	31 December 2018 (₹ in million)
Prescribed CSR expenditure as per Section 135 of the Companies Act, 2013	380.7	273.4
(a) Total amount planned to be spent during the year	382.7	273.4
(b) Actual expenditure incurred during the year	383.1	273.7
(c) Paid in Cash ⁽¹⁾		
- Pertaining to current year	357.5	259.8
- Pertaining to previous year	13.9	8.5
(d) Expenditure incurred during current year and remaining unpaid	25.6	13.9

(1) Includes amount paid for acquisition/ construction of assets - 2019: Nil, 2018: Nil

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

38. (a) Tax expense

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
i Recognised in the statement of profit and loss		
Current Tax	7,470.0	8,848.7
Deferred Tax	(415.6)	(628.5)
	<u>7,054.4</u>	<u>8,220.2</u>
ii Recognised in other comprehensive income		
Current Tax	(533.9)	(160.2)
Deferred Tax	6.9	(2.9)
	<u>(527.0)</u>	<u>(163.1)</u>
Of which:		
on re-measurement of retiral defined benefit plans	(523.3)	(162.0)
on changes in fair value of cash flow hedges	(3.7)	(1.1)
Total Taxes		
Current Tax	6,936.1	8,688.5
Deferred Tax	(408.7)	(631.4)
	<u>6,527.4</u>	<u>8,057.1</u>

iii Reconciliation of tax expense recognised in the statement of profit and loss with Profit before tax (PBT) multiplied by the Statutory tax rate:

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
Profit before Tax	26,749.9	24,289.5
Statutory Income tax rate ⁽¹⁾	27.62%	34.85%
Tax expense @ Statutory Income tax rate	7,388.3	8,464.9
Tax effect of permanent adjustments made for computing taxable income		
Non-deductible expenses	90.6	222.6
Tax Incentives	(109.0)	(246.9)
Income exempt from tax	(175.5)	(229.5)
Adjustment of change in statutory tax rate (Revaluation of Deferred tax asset/liability)	(140.0)	9.1
Tax expense recognised in the statement of profit and loss	<u>7,054.4</u>	<u>8,220.2</u>

(1) 2019 : Statutory Income Tax rate for the period 1 January 2019 to 31 March 2019 was 34.94% and for the period 1 April 2019 to 31 December 2019 was 25.17%.

2018 : Statutory Income Tax rate for the period 1 January 2018 to 31 March 2018 was 34.61% and for the period 1 April 2018 to 31 December 2018 was 34.94%.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(b) Movement in deferred taxes

As at 31 December 2019

(₹ in million)

Particulars	Opening balance	Recognised in the statement of profit and loss	Recognised in other comprehensive income	Closing balance
Deferred tax liabilities				
Property, plant and equipment	2,379.1	(799.9)	-	1,579.2
Sub-Total (A)	2,379.1	(799.9)	-	1,579.2
Deferred tax assets				
Contingencies	1,376.5	(313.5)	-	1,063.0
Employee benefits- compensated absences and gratuity	359.6	(59.9)	(10.5)	289.2
Allowance for credit impaired assets and Trade receivables	21.1	(1.1)	-	20.0
Other items deductible on payment basis	41.9	(16.3)	-	25.6
Financial Instruments	(8.2)	6.5	3.6	1.9
Sub-Total (B)	1,790.9	(384.3)	(6.9)	1,399.7
Total (A-B)	588.2	(415.6)	6.9	179.5

As at 31 December 2018

(₹ in million)

Particulars	Opening balance	Recognised in the statement of profit and loss	Recognised in other comprehensive income	Closing balance
Deferred tax liabilities				
Property, plant and equipment	2,533.5	(154.4)	-	2,379.1
Inventories	208.7	(208.7)	-	-
Financial Instruments	12.4	(3.1)	(1.1)	8.2
Sub-Total (A)	2,754.6	(366.2)	(1.1)	2,387.3
Deferred tax assets				
Contingencies	1,143.8	232.7	-	1,376.5
Employee benefits- compensated absences and gratuity	331.9	25.9	1.8	359.6
Allowance for credit impaired assets and Trade receivables	20.6	0.5	-	21.1
Other items deductible on payment basis	38.7	3.2	-	41.9
Sub-Total (B)	1,535.0	262.3	1.8	1,799.1
Total (A-B)	1,219.6	(628.5)	(2.9)	588.2

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

39. Financial Instruments

(a) Financial instruments by category

	Note	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
Financial assets			
i Measured at Amortised Cost			
Investments			
Long Term Tax free Bonds	5	7,247.2	7,114.8
Treasury Bills - Government Securities	9	5,475.1	11,668.2
Certificate of Deposits with banks	9	745.8	1,341.5
Commercial Papers	9	744.6	1,495.8
Short Term Bonds	9	-	846.2
Trade receivables	10	1,243.3	1,245.9
Cash and cash equivalents	11	12,931.6	15,987.7
Bank Balances other than cash and cash equivalents	12	148.9	112.9
Loans	6,13	594.4	580.3
Other financial assets	14	536.1	478.1
		<u>29,667.0</u>	<u>40,871.4</u>
ii Measured at Fair Value through Other Comprehensive Income			
Investment in Equity Shares	5	188.8	218.8
		<u>188.8</u>	<u>218.8</u>
iii Measured at Fair Value through Profit & Loss			
Investment in Mutual Funds	9	3,109.0	3,899.6
Derivative assets - forward contracts	14	21.8	46.8
		<u>3,130.8</u>	<u>3,946.4</u>
		<u>32,986.6</u>	<u>45,036.6</u>
Financial Liabilities			
i Measured at Amortised Cost			
Borrowings	18	531.4	351.4
Trade payables		14,946.9	12,403.7
Others financial liabilities	22	4,309.1	3,105.8
		<u>19,787.4</u>	<u>15,860.9</u>
ii Measured at Fair Value through Profit & Loss			
Derivative liabilities - forward contracts	22	5.7	56.0
		<u>5.7</u>	<u>56.0</u>
		<u>19,793.1</u>	<u>15,916.9</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(b) Fair value hierarchy

	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
(i) Financial assets/liabilities at amortised cost		
The carrying amount of financial assets and financial liabilities measured at amortised cost are a reasonable approximation of their fair values except Investments for which the fair value are as follows:		
Fair value of Investments measured at amortised cost (Level 1)	14,620.7	22,629.8
(ii) Financial assets at fair value through other comprehensive income		
Investment in Equity Shares (Level 3)	188.8	218.8
(iii) Financial assets at fair value through profit & loss		
Investment in Mutual Funds (Level 1)	3,109.0	3,899.6
Derivative assets - forward contracts (Level 2)	21.8	46.8
(iv) Financial liabilities at fair value through profit & loss		
Derivative liabilities - forward contracts (Level 2)	5.7	56.0

The Company determines the fair value of its financial instruments on the basis of the following hierarchy:

Level 1: The fair value of financial instruments that are quoted in active markets are determined on the basis of quoted price for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques based on observable market data.

Level 3: The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). Fair value of investment in unquoted equity shares is determined using discounted cash flow technique.

There are no transfers between different fair value hierarchy levels in 2018 and 2019.

(c) Financial Risk Management

In the course of its business, the Company is exposed to a number of financial risks: liquidity risk, credit risk, market risk. This note presents the Company's objectives, policies and processes for managing its financial risk.

(i) Liquidity risk

Liquidity risk refers to risk that the Company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled in cash or other financial assets. The Company regularly monitors the rolling forecasts to ensure that sufficient liquidity is maintained on an ongoing basis to meet operational needs. The Company manages the liquidity risk by planning the investments in a manner such that the desired quantum of funds could be made available to meet any of the business requirements within a reasonable period of time. In addition, the Company also maintains flexibility in arranging the funds by maintaining committed credit lines with various banks to meet the obligations.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Maturities of financial liabilities:

	(₹ in million)		
	Carrying amount	Less than 1 year	Beyond 1 year
As at 31 December 2019			
Borrowings	531.4	-	531.4
Trade payables	14,946.9	14,946.9	-
Others financial liabilities	4,309.1	4,309.1	-
Derivative liabilities - forward contracts	5.7	5.7	-
	<u>19,793.1</u>	<u>19,261.7</u>	<u>531.4</u>
As at 31 December 2018			
Borrowings	351.4	-	351.4
Trade payables	12,403.7	12,403.7	-
Others financial liabilities	3,105.8	3,105.8	-
Derivative liabilities - forward contracts	56.0	56.0	-
	<u>15,916.9</u>	<u>15,565.5</u>	<u>351.4</u>

(ii) Credit risk

Credit risk refers to risk of financial loss to the Company if a customer or a counter-party fails to meet its contractual obligations. The Company has following categories of financial assets that are subject to credit risk evaluation:

Investments

The Company has made investments in tax free long term bonds, treasury bills, certificate of deposits, commercial papers, short term bonds, deposit with banks, mutual funds etc. Funds are invested in accordance with the Company's established Investment policy that includes parameters of safety, liquidity and post tax returns. Company avoids the concentration of credit risk by spreading them over several counterparties with good credit rating profile and sound financial position. The Company's exposure and credit ratings of its counterparties are monitored on an ongoing basis. Based on historical experience and credit profiles of counterparties, the company does not expect any significant risk of default.

Trade receivables

Credit risk arising from trade receivables is managed in accordance with the Company's established policy with regard to credit limits, control and approval procedures. The Company provides for expected credit losses on trade receivables based on a simplified approach as per Ind AS 109. Under this approach, expected credit losses are computed basis the probability of defaults over the lifetime of the asset. This allowance is measured taking into account credit profile of the customer, geographical spread, trade channels, past experience of defaults, estimates for future uncertainties etc.

Movement in expected credit loss allowance on trade receivables:

	31 December 2019 (₹ in million)	31 December 2018 (₹ in million)
Balance as at the beginning of the year	23.2	21.0
Movement during the year	10.7	2.2
Balance as at the end of the year	<u>33.9</u>	<u>23.2</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Other financial assets

Other financial assets include employee loans, security deposits etc. Based on historical experience and credit profiles of counterparties, the Company does not expect any significant risk of default.

The Company's maximum exposure to credit risk for each of the above categories of financial assets is their carrying values as at the reporting dates.

(iii) Market Risk

Interest rate risk

Interest rate risk refers to risk that the fair value of future cash flows of a financial instrument may fluctuate because of changes in market interest rates. The Company is not exposed to any significant interest rate risk as its investments are primarily in fixed rate instruments. Also, there are no significant borrowings as at the balance sheet date.

Price risk

Price risk refers to risk that the fair value of a financial instrument may fluctuate because of the change in the market price. The Company is exposed to the price risk mainly from investment in mutual funds and investment in equity instruments. Investment in mutual funds are made primarily in units of liquid funds and are not exposed to significant price risk. Further, Equity investment is strategic in nature and held on a long-term basis.

Foreign currency risk

Foreign currency risk refers to risk that the fair value of future cash flows of an exposure may fluctuate due to change in the foreign exchange rates. The Company is exposed to foreign currency risk arising out of transactions in foreign currency. Foreign exchange risks are managed in accordance with Company's established policy for foreign exchange management. The Company enters into forward contracts as per the hedging policy to hedge against its foreign currency exposures. The impact of strengthening/weakening of foreign currencies on the outstanding exposure remaining unhedged at the year-end is not significant.

The foreign currency exposure of the Company as at the year end basis the closing exchange rates is as under:

	Currency	(₹ in million)			
		As at 31 December 2019		As at 31 December 2018	
		Hedged ⁽¹⁾	Unhedged	Hedged ⁽¹⁾	Unhedged
Against exports	USD	1,811.8	-	1,431.0	-
	EUR	-	-	-	7.2
	CHF	-	27.9	-	9.0
Against imports (Including Capital imports)	USD	606.1	64.6	550.8	-
	EUR	391.5	113.2	443.9	-
	AUD	139.9	22.2	295.8	-
	CHF	-	155.3	-	129.6
	GBP	-	12.5	-	8.7
	SGD	-	23.6	-	11.8
	JPY	-	8.7	-	25.8

(1) All the forward contracts are for hedging foreign currency exposures relating to the underlying transactions and firm commitments or highly probable forecast transactions.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(d) Derivative financial instruments

Derivative instruments used by the Company include forward contracts. All the forward contracts entered into are for the purpose of hedging foreign currency exposures relating to the underlying transactions and firm commitments or highly probable forecast transactions.

	31 December 2019 (₹ in million)	31 December 2018 (₹ in million)
(i) Fair value of cash flow hedges		
Derivative assets	21.8	46.8
Derivative liabilities	5.7	56.0
(ii) Notional value of cash flow hedges	2,982.6	2,785.1
(iii) Movement in respect of designated cash flow hedges is summarised below:		
Balance as at the beginning of the year	10.8	12.9
Add : Gains/ (loss) recognised in other comprehensive income	(6.8)	(118.4)
Less: Gains/ (loss) reclassified to statement of profit and loss	1.2	(115.2)
Less: Net deferred taxes on the movement	(3.7)	(1.1)
Balance as at the end of the year	6.5	10.8

40. Capital Management

The Company's capital management objective is to ensure that a sound capital base is maintained to support long term business growth and optimise shareholders value. Capital includes equity share capital and other equity reserves.

The Company's operations are funded primarily through internal accruals. Return to shareholders through dividend is monitored as per the laid down dividend distribution policy.

41. Operating Leases

The Company's significant leasing arrangements are primarily in respect of operating leases for premises (office, residential, warehouses etc.) and vehicles. The aggregate lease rentals charged to the statement of profit and loss account under different revenue accounts are ₹ 630.6 million (Previous year ₹ 661.4 million).

Future minimum lease rentals payable are as under:

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
Not later than one year	515.9	487.2
Later than one year and not later than five years	955.0	918.2
Later than five years	196.3	222.3

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

42. Auditors Remuneration⁽¹⁾

{included under Miscellaneous expense (Refer Note-31)}

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
(i) Auditors' remuneration and expenses in respect of:		
a) Statutory audit	9.6	9.6
b) Audit of accounts for fiscal year and tax audit	3.2	3.2
c) GST Audit	2.6	2.5
d) Limited review of quarterly un-audited results	1.8	1.8
e) Certifications	0.7	0.6
f) Certification of tax holiday benefits	0.1	0.3
g) Audit of employee trust accounts	0.2	0.1
h) Out of pocket expenses for statutory audit and other matters	1.9	1.3
	20.1	19.4
(ii) Cost auditors' remuneration and expenses in respect of:		
a) Cost audit fees (including out of pocket expenses)	0.3	0.2
b) Certifications	0.1	-
	0.4	0.2

(1) excluding applicable taxes

43. Contingent liabilities and commitments

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
(i) Contingent liabilities		
Claims against the Company not acknowledged as debts:		
Indirect Taxes	11.7	11.7
(ii) Capital Commitments		
Capital expenditure commitments remaining to be executed and not provided for [net of advances ₹ 179.4 million (Previous year ₹ 28.6 million)]	3,933.1	467.4
(iii) The Hon'ble Supreme court of India in February 2019 passed a judgement relating to the definition of wages under the Provident Fund Act, 1952. However, there are interpretative aspects related to the judgement and the effective date from which it applies and accordingly, the Company has not provided for any liability on account of this judgement. The Company will evaluate its position based on further developments in this matter.		

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

44. Related party disclosures under Ind AS 24

(a) Related party and their relationship

(i) Holding Companies

Nestlé S.A (Ultimate holding Company)
Maggi Enterprises Limited

(ii) Fellow subsidiaries with whom the Company had transactions

Centre R&D Nestlé Abidjan S.A.
Cereal Partners (Malaysia)
Cereal Partners Poland
CPW S.A
LLC Technocom
Néstéc S.A. (merged with SPN w.e.f 28th May 2019)
Néstéc York Ltd.
Nestlé (China) Ltd.
Nestlé (PNG) Ltd.
Nestlé (South Africa) (Pty) Ltd.
Nestlé (Thai) Ltd.
Nestlé Adriatic S DOO
Nestlé Afganistan Ltd.
Nestlé Asean (Malaysia) Sdn. Bhd.
Nestlé Australia Ltd.
Nestlé Bangladesh Ltd.
Nestlé Bulgaria AD
Nestlé Canada Inc
Nestlé Central and West Africa
Nestlé Congo S.A.R.L.
Nestlé Cote D'Ivoire
Nestlé Deutschland AG
Nestlé Dongguan Ltd.
Nestlé Dubai Manufacturing LLC
Nestlé Egypt S.A.E.
Nestlé Enterprises S.A.
Nestlé France S.A.S.
Nestlé Ghana Ltd.
Nestlé Hong Kong Ltd.
Nestlé Hungaria Kft.
Nestlé Japan Ltd.
Nestlé Kenya Ltd.
Nestlé Korea Ltd
Nestlé Korea Yuhan Chaegi
Nestlé Lanka PLC
Nestlé Middle East FZE
Nestlé Nederland B.V.
Nestlé Operational Services Worldwide S.A.
Nestlé Philippines, Inc.
Nestlé Products (Mauritius) Ltd.
Nestlé Purina Petcare Company
Nestlé Qingdao Limited
Nestlé R&D Center, Inc.
Nestlé R&D Centre (Pte) Ltd.
Nestlé R&D Centre India Private Ltd.
Nestlé Regional Service Centre
Nestlé ROH (Thailand) Ltd.
Nestlé Romania SRL
Nestlé Shanghai Ltd.
Nestlé Shuangchéng Ltd.
Nestlé Singapore (Pte) Ltd.
Nestlé Skin Health India Pvt. Ltd.
Nestlé South Africa Pty Ltd.
Nestlé Suisse S.A.
Nestlé Taiwan Ltd.
Nestlé Tianjin Ltd.
Nestlé Trinidad And Tobago Ltd.
Nestlé Turkiye Gida Sanayi A.S.
Nestlé UK Ltd.
Nestlé USA Inc
Nestlé Vietnam Ltd.
Nestlé Waters Ethiopia
Nestlé Waters Management & Technology
Nestlé Waters Marketing & distribution S.A.S
Nestlé Waters North America Inc
Nestrade S.A.
PJSC "Lviv Confectionery Factory svitoch"
PT Nestlé Indonesia
Purina Petcare India Pvt. Ltd.
Quality Coffee Products Ltd.
Sanpellegrino S.p.A.
Servcom S.A.
SMA Nutrition India Private Ltd.
Société des Produits Nestlé S.A. (SPN)
Wyeth Nutritionals (Singapore) Pte. Ltd.
Wyeth Nutritionals Ireland Ltd.
Nestlé Manufacturing (Malaysia) Sdn Bhd
Nestlé Myanmar Limited
Nestlé Nigeria Plc
Nestlé Pakistan Ltd.
Nestlé Product Technology Centre
Nestlé Products Sdn Bhd
Nestlé Purina Petcare Tianjin Ltd.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(iii) **Entities controlled by Key Management Personnel with whom the Company had transactions**

Piramal Glass Private Limited
Piramal Enterprises Limited

(iv) **Key Management Personnel**

Executive Directors

Suresh Narayanan, Chairman and Managing Director
Shobinder Duggal, Director – Executive Director - Finance & Control and CFO
Martin Roemkens, Executive Director – Technical

Independent non-Executive Directors

Ashok Kumar Mahindra (Non- Executive Director upto 31 March 2019)
Rama Bijapurkar
Rakesh Mohan
R. V. Kanoria
Swati A. Piramal
Roopa Kudva

(v) **Employees benefit trusts where control exists**

Nestlé India Limited Employees Provident Fund Trust
Nestlé India Limited Employees Gratuity Trust Fund

(b) **Nature of transactions**

The transactions with the related parties have been entered in the ordinary course of business and are at arm's length.

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
Holding companies:		
(a) Dividends		
- Nestlé S.A	10,113.7	3,734.8
- Maggi Enterprises Limited	8,403.9	3,103.4
(b) Expenses incurred		
- Nestlé S.A	232.8	129.1
Fellow subsidiaries:		
(a) Sale of finished and other goods		
- Nestlé Bangladesh Ltd	2,222.7	1,900.8
- Others	1,657.2	2,899.2
(b) Sale of Property, Plant & Equipment		
- Nestlé Bangladesh Ltd	9.3	-
- Nestrade S.A	-	11.3
(c) Purchase of property, plant and equipment		
- Nestlé Bangladesh Ltd	50.0	-
- Nestlé Dongguan Ltd.	28.8	-
- Nestrade S.A.	18.0	-
- Others	0.1	4.0

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
(d) Purchase of raw and packing materials		
- Nestrade S.A.	295.7	166.7
- Nestlé Suisse S.A.	54.3	25.1
- Nestle Nederland B.V.	41.4	44.3
- Others	12.7	18.5
(e) Purchase of finished goods		
- Nestlé Lanka PLC	339.8	378.9
- Nestlé Suisse S.A.	135.0	86.2
- Nestlé Singapore (Pte) Ltd.	124.0	-
- Quality Coffee Products Ltd.	81.3	55.5
- Others	114.7	343.3
(f) General licence fees (net of taxes)		
- Société des Produits Nestlé S.A.	5,470.5	4,926.5
- CPW S.A.	1.5	-
(g) Expenses recovered ⁽¹⁾		
- Société des Produits Nestlé S.A.	93.5	44.5
- Nestlé Lanka PLC	96.8	49.7
- Others	189.5	145.7
(h) Expenses incurred		
- Nestlé Operational Services Worldwide S.A.	89.8	56.6
- Nestlé R & D Center (Pte) Limited	25.4	36.6
- Société des Produits Nestlé S.A.	33.9	34.5
- Nestlé Francé S.A.S.	32.4	14.2
- Others	30.7	66.1
(i) Information technology and management information systems		
- Nestlé Australia Ltd	616.1	642.9
(j) Loans granted		
- Nestlé R&D Centre India Private Limited	-	250.0
- SMA Nutrition India Private Limited	-	50.0
- Purina Petcare India Private Ltd.	150.0	165.0
(k) Repayment of loans granted		
- Nestlé R&D Centre India Private Limited	-	250.0
- SMA Nutrition India Private Limited	-	50.0
- Purina Petcare India Private Ltd.	150.0	165.0

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
(l) Interest on loans granted		
- Nestlé R&D Centre India Private Limited	-	2.6
- SMA Nutrition India Private Limited	-	3.0
- Purina Petcare India Private Ltd.	0.6	5.8
Entities Controlled by Key Management Personnel:		
Purchase of raw and packing materials		
- Piramal Glass Private Limited	24.2	-
- Piramal Enterprises Limited	0.2	-
Remuneration to Key Management personnel⁽²⁾		
Executive directors		
- Short term employee benefits	196.6	177.5
- Post employment benefits	4.0	4.1
- Share based payments	62.3	18.5
Non - Executive directors		
- Short term employee benefits (Sitting fee & Commission)	11.7	9.6
Contribution to Employee related trusts		
- Nestlé India Limited Employees Provident Fund Trust	206.3	169.5
- Nestlé India Limited Employees' Gratuity Trust Fund	305.0	452.8
	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
Balance outstanding as at the year end		
Receivables from fellow subsidiaries	581.0	583.5
Payables to fellow subsidiaries	962.4	808.6
Payables to entities controlled by Key Managerial Personnel	13.6	-
Payables to Key management personnel	55.3	46.6
Payables to Employees Provident Fund Trust	18.0	14.9

Note:

Other transactions with Key Managerial Personnel:

- Remuneration includes lease rentals paid at market rates ₹ 4.5 million (previous year ₹ 3.6 million).

(1) Inclusive of Goods & Service Tax, wherever applicable.

(2) As the liabilities for defined benefit obligations are provided based on actuarial valuation for the company as a whole, the amount pertaining to Key management personnel has not been included.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

45. Segment reporting

Based on the guiding principles given in Ind AS 108 on 'Operating Segments', the Company's business activity falls within a single operating segment, namely Food. Accordingly, the disclosure requirements of Ind AS 108 are not applicable. The food business incorporates product groups viz. Milk Products and Nutrition, Prepared Dishes and Cooking aids, Powdered and Liquid Beverages and Confectionery.

Information by Geographies

- (i) Revenue from external customers

	As at 31 December 2019 (₹ in million)	As at 31 December 2018 (₹ in million)
India	116,567.9	105,075.4
Outside India	6,384.8	7,086.9
	<u>122,952.7</u>	<u>112,162.3</u>

- (ii) The Company has business operations only in India and does not hold any assets outside India.

Revenue from major customers

There is no single customer that accounts for more than 10% of the Company's revenue.

46. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006

On the basis of confirmation obtained from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006) and based on the information available with the Company, the following are the details:

	31 December 2019 (₹ in million)	31 December 2018 (₹ in million)
(i) Principal amount remaining unpaid	340.2	107.7
(ii) Interest due thereon remaining unpaid	-	-
(iii) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the period	-	-
(iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-	-
(v) Interest accrued and remaining unpaid	-	-
(vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

47. Dividends

(i) Dividend paid during the year

	Year ended 31 December 2019 (₹ in million)	Year ended 31 December 2018 (₹ in million)
Interim Dividend of ₹ 101.00 per share for 2019 [for 2018: ₹ 90.00 per share]	9,738.0	8,677.4
Special Interim Dividend of ₹ 180.00 per share for 2019 [for 2018: Nil] ⁽¹⁾	17,354.8	-
Final Dividend of ₹ 25.00 per share for 2018 [for 2017: ₹ 23.00 per share]	2,410.4	2,217.6
Dividend distribution tax paid on above	6,059.4	2,238.6

(1) Special interim dividend in 2019 was paid out of the accumulated profits of previous years (retained earnings).

(ii) Proposed Final Dividend

The Board of Directors have recommended a final dividend of ₹ 61.00 per equity share amounting to ₹ 5,881.4 million for the year 2019 after the balance sheet date. The same is subject to approval by the shareholders at the ensuing Annual General Meeting of the Company and therefore proposed final dividend has not been recognised as a liability as at the balance sheet date in line with Ind AS 10 on 'Events after the Reporting Period'.

As per our report of even date attached
For B S R & CO. LLP
Chartered Accountants
Firm's Registration No. - 101248W/W-100022

For and on behalf of the Board of Directors

JITEN CHOPRA
Partner
Membership No. - 092894
13 February 2020
Gurugram

SURESH NARAYANAN
Chairman and Managing Director
(DIN-07246738)
13 February 2020
Gurugram

SHOBINDER DUGGAL
Chief Financial Officer

B. MURLI
Sr. VP - Legal &
Company Secretary

ANNEXURE - 1 TO THE BOARD'S REPORT

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2019

NESTLÉ'S PHILOSOPHY ON CODE OF GOVERNANCE

Nestlé India Limited ("the Company"), as a part of Nestlé Group, Switzerland has over the years followed best practices of Corporate Governance by adhering to practices of the Nestlé Group. The significant documents from Nestlé Group, which define the standard of behaviour of the Company, are "The Nestlé Corporate Business Principles", "The Nestlé Management and Leadership Principles" and "The Nestlé India Code of Business Conduct".

The Company's business objective and that of its management and employees is to manufacture and market the Company's products in such a way as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy. The Company is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and ethical values of its management and employees. In addition to compliance with regulatory requirements, the Company endeavours to ensure that highest standards of ethical and responsible conduct are met throughout the organisation.

BOARD OF DIRECTORS

Composition and Category of Directors, attendance of each Director at the Board Meetings and the last Annual General Meeting, number of other Board of Directors or Committees in which a Director is a member or chairperson, name of the other listed companies, where such director is a Director and Category of Directorship.

Above information as on 31st December, 2019 or for the year 2019, as applicable, is tabulated hereunder:

Director - Category	DIN	No. of Board Meetings attended	Attendance at the last AGM on 25 th April, 2019	No. of outside Directorship held ^A	No. of Membership/ Chairpersonship in other Board Committees ^B	Category of Directorship and name of the other Listed Companies as on 31 st December, 2019
Executive						
Mr. Suresh Narayanan	07246738	8	Yes	1	1	Independent Director Asian Paints Limited
Mr. Shobinder Duggal ¹	00039580	8	Yes	Nil	Nil	-
Mr. Martin Roemkens	07761271	8	Yes	Nil	Nil	-
Independent Non-Executive						
Ms. Roopa Kudva ²	00001766	8	Yes	3	3	Independent Director - Infosys Limited
Ms. Rama Bijapurkar	00001835	7	Yes	4	4	Independent Director - Emami Limited - ICICI Bank Limited - Mahindra & Mahindra Financial Service Limited - VST Industries Limited
Mr. Rajya Vardhan Kanoria ³	00003792	6	Yes	7	4	Executive Director - Kanoria Chemicals and Industries Limited Independent Director - Ludlow Jute & Specialties Limited - J K Paper Limited
Mr. Ashok Kumar Mahindra ⁴	00916746	1	No	NA	-	-
Dr. Rakesh Mohan	02790744	7	Yes	1	1	Independent Director - Kirloskar Brothers Ltd
Dr. Swati A. Pirmal ⁵	00067125	6	No	7	Nil	Executive Director - Pirmal Enterprises Limited

1 Ceased as Whole-time Director on 31st December, 2019.

2 Appointed as Independent Non-Executive Director with effect from 1st January, 2019. She participated over video in the meetings held on 19th July, 2019 and 3rd December, 2019

3 Re-appointed as Independent Non- Executive Director for a second term of five consecutive years with effect from 13th May, 2019 till 12th May, 2024.

4 Ceased to be Director with effect from 31st March, 2019.

5 Participated over video in the meetings held on 2nd August, 2019, 8th November, 2019 and 3rd December, 2019.

A Directorship in companies registered under the Companies Act, 2013 or any earlier enactments, excluding companies under Section 8 of the Companies Act, 2013 (earlier Section 25 of the Companies Act, 1956).

B Only covers Membership / Chairpersonship of Audit Committee and Stakeholders Relationship Committee of public limited companies.

As at 31st December, 2019, in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Company's Board of Directors headed by its Chairman and Managing Director, Mr. Suresh Narayanan comprised seven other directors, out of which five directors are Independent Non-Executive Directors including three women directors. The tenure of the Executive Director – Finance & Control and CFO as Director ceased on 31st December, 2019. None of the Independent Directors of the Company serves as Independent Director in more than seven listed companies and where any Independent Director is serving as whole-time director in any listed company, such director is not serving as Independent Director in more than three listed companies.

At the 60th Annual General Meeting held on 25th April, 2019, the shareholders approved the appointment of Ms. Roopa Kudva as an Independent Non-Executive Director to hold office for a term of five consecutive years with effect from 1st January, 2019 to 31st December, 2023 and re-appointment of Mr. Rajya Vardhan Kanoria as an Independent Non-Executive Director to hold office for another term of five consecutive years with effect from 13th May, 2019 till 12th May, 2024. During the year, shareholders also approved the re-appointment of Mr. Shobinder Duggal as a Whole-time Director of the Company designated as "Executive Director- Finance & Control and CFO" for the period from 10th May, 2019 until 31st December, 2019 by Postal Ballot.

During the year, the Board met eight times on 14th February, 2019, 15th February, 2019, 25th April, 2019, 14th May, 2019, 19th July, 2019, 2nd August, 2019, 8th November, 2019 and 3rd December, 2019. The maximum gap between any two Board Meetings was less than one hundred and twenty days. All material information was circulated to the directors before the meeting or placed at the meeting, including minimum information required to be made available to the Board as prescribed under Part-A of Schedule II of sub-regulation 7 of Regulation 17 of the Listing Regulations. During the year, a separate meeting of the Independent Directors was held on 14th February, 2019 without the attendance of non-independent directors and members of the management. All Independent Directors attended the said meeting.

The Company has proper online systems to enable the Board to review on a half yearly basis compliance reports of all laws applicable to the Company, as prepared by the Company as well as to assess the steps taken by the Company to rectify instances of non-compliances, if any.

The Company has familiarisation programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company etc. The familiarisation programme along with details of the same imparted to the Independent Directors during the year are available on the website of the Company (web link: <https://www.nestle.in/investors/directorsandofficers>).

None of the Independent Non-Executive Directors held any equity shares or convertible instruments of the Company during the financial year ended 31st December, 2019. None of the Directors had any relationships inter-se.

The Independent Directors provide an annual confirmation that they meet the criteria of independence.

Based on the confirmations / disclosures received from the Independent Directors and a certificate from M/s. S.N. Ananthasubramanian & Co., Practising Company Secretary (Registration No. 1774) and Secretarial Auditors of the Company, in terms of Regulation 25(9) of the Listing Regulations, the Board is of the opinion that the Independent Directors fulfil the criteria or conditions specified under the Act and under the Listing Regulations and are independent from the management.

During the year, none of the Independent Directors of the Company had resigned before the expiry of their respective tenure(s).

The core skills / expertise / competencies as identified by the Board of Directors as required in the context of the Company's business(es) and sector(s) for it to function effectively and those actually available with the Board are given below:

- (a) **Business & Strategy:** Consumer insight & marketing; Technical & R&D (including nutrition & food science); Economic issues / Macro Economic Trends / Interpreting national policies; E-commerce, digital & new technologies and M&A;
- (b) **Operations:** Sales & Customer Management; Operation Management & Risk Mitigation; Finance & Treasury and Audit;
- (c) **Environment:** Sustainability (water, sanitation, community development, nutrition) under Creating Shared Value / CSR; Scientific & Regulatory Affairs; Media, local interactions and Environment assessment; Climate change and
- (d) **Other enablers:** Innovation Management; Human Resource & Talent; Communications; General Management and Board Governance.

Compliance with the Code of Conduct

The Company has adopted the “The Nestlé India Code of Business Conduct” (the Code). The Code is available on the website of the Company (web link: <https://www.nestle.in/investors/policies>).

The Chairman and Managing Director declares that the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code during the year 2019.

AUDIT COMMITTEE

The powers, role and terms of reference of the Audit Committee covers the areas as contemplated under Section 177 of the Act and Regulation 18 of Listing Regulations, as applicable, besides other terms as referred by the Board of Directors.

The powers include investigating any activity within its terms of reference as specified by the Board and seeking information from any employee, obtain professional advice from external sources, secure attendance of outsiders with relevant expertise, if considered required and have full access to information contained in the records of the Company.

The role includes oversight of Company’s financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible; recommending the appointment, re-appointment, remuneration and terms of appointment of auditors and approval of payment for any other services rendered by statutory auditors; reviewing with the management quarterly results and annual financial statements before submission to the Board for approval; approval or any subsequent modification of any transactions of the Company with related parties; review and monitor the auditor’s independence and performance and effectiveness of audit process; scrutiny of inter-corporate loans and investments, if any; evaluation of internal financial controls and risk management system; reviewing the functioning of the vigil mechanism / whistle blower policy; reviewing the internal controls to ensure compliance with the applicable provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”) and verifying that the system for internal control under PIT Regulations are adequate and are operating effectively.

The Committee mandatorily reviews information such as internal audit reports related to internal control weakness, management discussion and analysis of financial condition and result of operations, statement of significant related party transactions and such other matters as prescribed.

During the year 2019, Mr. Rajya Vardhan Kanoria, Independent Non-Executive Director was appointed as the Chairman of Audit Committee, effective from 1st April, 2019, in place of Mr. Ashok Kumar Mahindra, who ceased to be a member of the Audit Committee upon his retirement as a Director of the Company. The Audit Committee was reconstituted and Ms. Roopa Kudva, Independent Non-Executive Director, was appointed as member of the Audit Committee with effect from 14th February, 2019. Dr. Rakesh Mohan, Independent Non-Executive Director is other member of the Committee. All members of the Audit Committee are financially literate and have related financial management expertise by virtue of their comparable experience and background. The Company Secretary acts as the Secretary to the Committee. The Executive Director - Finance & Control and CFO, Head of Internal Control and Costing, Head of Financial Accounting and Reporting and Deputy Company Secretary are permanent invitees to the Meetings of the Audit Committee. The Chief Internal Auditor, the concerned partners/authorised representatives of Statutory Auditors and Cost Auditors are also invited to the meetings of the Audit Committee.

During the year, the Audit Committee met four times on 14th February, 2019, 14th May, 2019, 2nd August, 2019 and 8th November, 2019 and all members of the Committee attended the aforesaid meetings except Mr. Rajya Vardhan Kanoria who was granted leave of absence for the meeting held on 14th May, 2019 and 8th November, 2019. The maximum gap between any two meetings was less than one hundred and twenty days.

NOMINATION AND REMUNERATION COMMITTEE

The powers, role and terms of reference of the Nomination and Remuneration Committee covers the areas as contemplated under Section 178 of the Act and Regulation 19 of the Listing Regulations, besides other terms as referred by the Board of Directors. The role includes formulation of criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees; formulation of criteria for evaluation of Independent Directors and the Board; devising a policy on diversity of Board of Directors; and identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommending to the Board their appointment, removal and noting their cessation; recommendation on extension or continuation of the terms of appointment of the Independent Directors; and recommendation to the Board of all remuneration, in whatever form, payable to senior management.

Mr. Rajya Vardhan Kanoria, Independent Non-Executive Director is the Chairman of Nomination and Remuneration Committee. During the year, the Nomination and Remuneration Committee was reconstituted and Ms. Roopa Kudva, Independent Non-Executive Director, was appointed as member of the Committee with effect from 14th February, 2019. Mr. Ashok Kumar Mahindra ceased to be member of the Committee with effect from 31st March, 2019. Dr. Rakesh Mohan, Independent Non-Executive Director is other member of the Committee. The Chairman and Managing Director and Head of Human Resources and Deputy Company Secretary are permanent invitees to the meetings of the Committee. The Company Secretary acts as the Secretary to the Committee.

During the year, the Nomination and Remuneration Committee met thrice on 14th February, 2019, 25th April, 2019 and 8th November, 2019 and all members of the Committee attended the aforesaid meetings except Mr. Rajya Vardhan Kanoria, who was granted leave of absence for the meeting held on 8th November, 2019.

Performance Evaluation

The criteria for performance evaluation covers the areas relevant to the functioning as Independent Directors such as preparation, participation, conduct and effectiveness. The performance evaluation of Independent Directors was done by the entire Board of Directors and in the evaluation of the Directors, the Directors being evaluated had not participated.

Remuneration of Directors for 2019

Name of the Director	Sitting Fee	Salaries and Allowances	Perquisites	Company's Contribution to PF	Commission and Performance Linked Incentive	Total
						(₹ in Millions)
Mr. Suresh Narayanan ¹	N.A.	74.23	55.19	2.91	29.39	161.72
Mr. Shobinder Duggal ¹ ‡	N.A.	16.57	20.60	0.00	9.69	46.86
Mr. Martin Roemkens ¹	N.A.	33.50	10.34	1.13	9.34	54.31
Ms. Rama Bijapurkar	0.83	-	-	-	1.30 [@]	2.13
Mr. Rajya Vardhan Kanoria	0.90	-	-	-	1.30 [@]	2.20
Ms. Roopa Kudva	1.15	-	-	-	1.30 [@]	2.45
Mr. Ashok Kumar Mahindra [*]	0.23	-	-	-	0.32 [@]	0.55
Dr. Rakesh Mohan	1.18	-	-	-	1.30 [@]	2.48
Dr. Swati A. Piramal	0.65	-	-	-	1.30 [@]	1.95

¹ The Company enters into service contracts with all executive directors for a period of 5 years. The notice period is of three months and the severance fee is the sum equivalent to remuneration for the notice period or part thereof in case of shorter notice.

[@] Represents Commission for the year ended 31st December, 2019 which will be paid, subject to deduction of tax after adoption of the accounts by the shareholders at the Annual General Meeting.

[‡] Ceased to be Director on 31st December, 2019.

^{*} Ceased to be Director on 31st March, 2019.

Sitting fee indicated above also includes payment for Board-level committee meetings.

The above remuneration of Executive Directors does not include payment of pension and gratuity and provision for incremental liability on account of pension, gratuity, compensated absences and long service awards since actuarial valuation is done for the Company as a whole. The terms of employment of Executive Directors are governed by the applicable policies at the relevant point in time. Commission is subject to adequate profits being earned. A fair portion of the Executive Director's Performance Linked Incentive is linked to Company's performance. This creates alignment with the strategy and business priorities to enhance shareholder value. The total reward package for Executive Directors is intended to be market competitive with strong linkage to performance in line with Company's Remuneration Policy.

The non-executive directors are paid remuneration based on their contribution and current trends. Sitting fee is paid for attending each meeting of the Board and Committees thereof. Additionally, the non-executive directors are entitled to remuneration upto an aggregate limit of one percent per annum of the net profits of the Company, provided that none of the non-executive directors shall receive individually a sum exceeding ₹ 25,00,000/- (Rupees twenty five lakhs only), as approved by the members at the Annual General Meeting held on 10th May, 2018. Within the aforesaid limit, the commission payable is determined by the Board of Directors and equal amount of commission is payable to Independent Non-Executive Directors on a pro-rata basis. During the year under review, remuneration of non-executive directors was approved by the Board of Directors with the interested non-executive directors, not participating or voting, as per the terms approved by the shareholders at the Annual General Meeting.

The Company does not have any stock option scheme. The Company participates in the Nestlé Performance Share Unit Plan/ Nestlé Restricted Stock Unit Plan of Nestlé S.A., whereby selected employees are granted non-tradable Performance Share Units of Nestlé S.A. Perquisites of the Whole-time/ Managing Director include, inter-alia, Leave Travel and payments for the Restricted Stock Units/ Performance Stock Units of Nestlé S.A. vested during the year equal to the market value of the underlying shares on the date of vesting.

As required, a brief profile and other particulars of the Director seeking appointment is given in the Notice of the 61st Annual General Meeting forms part of the Report.

STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee oversees, inter-alia, redressal of shareholder and investor grievances, transfer/ transmission of shares, non-receipt of annual report or declared dividend, issue of duplicate shares, exchange of new design share certificates, recording dematerialisation/ rematerialization of shares and related matters. The roles and responsibilities of the Stakeholders Relationship Committee are as prescribed under Section 178 of the Companies Act, 2013 and Regulation 20 of the Listing Regulations.

Ms. Rama Bijapurkar, Independent Non-Executive Director is the Chairperson of the Committee and Mr. Rajya Vardhan Kanoria, Independent Non-Executive Director is the other member of the Committee. Mr. Martin Roemkens, Executive Director – Technical, has been appointed as Member of the Committee effective from 1st January, 2020, post cessation of tenure of Mr. Shobinder Duggal as Director of the Company effective from 31st December, 2019. Mr. B. Murli, Director – Legal & Company Secretary acts as the Compliance Officer to the Committee.

The Committee met four times during the year on 14th February, 2019, 14th May, 2019, 2nd August, 2019 and 8th November, 2019. All members of the Committee attended the aforesaid meetings except Mr. Rajya Vardhan Kanoria, who was granted leave of absence for the meeting held on 14th May, 2019 and 8th November, 2019.

During the year, 12 complaints were received from shareholders and investors. All the complaints have been resolved to the satisfaction of the complainants and no investor complaint was pending at the beginning or at the end of the year. Pursuant to a Circular dated 27th March, 2019, the Securities and Exchange Board of India (SEBI) had effective from 1st April, 2019 mandated transfer of shares only in dematerialized form except where the claim is lodged for transmission or transposition of shares or where the transfer deed(s) was lodged prior 1st April, 2019 and returned due to deficiency in the document. The Company has acted upon all valid requests for share transfer received during 2019.

RISK MANAGEMENT COMMITTEE

The roles and responsibilities of the Risk Management Committee are as prescribed under Regulation 21 of the Listing Regulations and includes monitoring and reviewing of risk management plan on a quarterly basis and reporting the same to the Board of Directors periodically as it may deem fit, in addition to any other terms as may be referred by the Board of Directors, from time to time.

The Committee comprised of Mr. Shobinder Duggal, Executive Director – Finance & Control and Chief Financial Officer as Chairman, Mr. Martin Roemkens, Executive Director- Technical and Mr. Anurag Dikshit, AVP –Treasury and M&A as other members of the Committee. The Committee was reconstituted effective from 1st January, 2020. Mr. Suresh Narayanan, Chairman and Managing Director, has been appointed as the Chairman of the Committee effective from 1st January, 2020 in place of Mr. Shobinder Duggal, whose tenure completed as a Director of the Company on 31st December, 2019. Mr. Shobinder Duggal, Chief Financial Officer continues as a member of the Committee. Mr. Anurag Dikshit, AVP, Treasury and M&A ceased as a member of the Committee on 31st December, 2019 and shall be permanent invitee to Meetings of the Risk Management Committee. The Company Secretary acts as the Secretary to the Committee. During the year, the Committee met four times during the year on 26th March, 2019, 17th June, 2019, 27th September, 2019 and 18th December, 2019 and all the members of the Committee attended these meetings except Mr. Shobinder Duggal who was granted leave of absence for the meeting held on 26th March, 2019 and Mr. Martin Roemkens who was granted leave of absence for the meeting held on 18th December, 2019.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Committee oversees, inter-alia, corporate social responsibility and other related matters as may be referred by the Board of Directors and discharges the roles as prescribed under Section 135 of the Act which includes formulating and recommending

to the Board, a Corporate Social Responsibility (CSR) Policy indicating the activities to be undertaken by the Company, as per Schedule VII to the Act; recommending the amount of expenditure to be incurred; and monitoring the CSR Policy of the Company.

The Committee comprises of Dr. Swati A. Piramal, Independent Non-Executive Director, as the Chairperson of the Committee and Ms. Rama Bijapurkar, Independent Non-Executive Director and Mr. Suresh Narayanan, Chairman and Managing Director are members of the Committee. The Company Secretary acts as the Secretary to the Committee.

The Committee met twice during the year on 14th February, 2019 and 2nd August, 2019. All the members attended the said meetings except Ms. Rama Bijapurkar who was granted leave of absence for the meeting held on 2nd August, 2019.

CEO/ CFO CERTIFICATION

The Chairman and Managing Director and the Director- Finance & Control and CFO of the Company have certified to the Board of Directors, inter-alia, the accuracy of financial statements and adequacy of internal controls for the financial reporting as required under Regulation 17(8) of the Listing Regulations for the year ended 31st December, 2019.

GENERAL BODY MEETINGS

Required details of last three Annual General Meetings (AGMs), which were held at 10:00 A.M. at Air Force Auditorium, Subroto Park, New Delhi – 110 010, are as below:

AGM	Year & Date	Special Resolution(s)
60 th	25.04.2019	- Re-appointment of Mr. Rajya Vardhan Kanoria as an Independent Non-Executive Director for another term of five consecutive years w.e.f. 13 th May, 2019.
59 th	10.05.2018	- Re-appointment of Dr. Swati A. Piramal as an Independent Non-Executive Director for another term of five consecutive years w.e.f. 1 st April, 2019. - Payment of remuneration under Section 197 of the Companies Act, 2013 to the non-executive directors, for a period of five years commencing from 1 st January, 2019.
58 th	11.05.2017	- No Special Resolutions were passed in this meeting.

During the year, no special resolution was passed through postal ballot. There is no special resolution proposed to be conducted through postal ballot.

MEANS OF COMMUNICATION

The quarterly results of the Company were widely published in leading newspapers such as Financial Express and Jansatta and also displayed at the Company's website www.nestle.in (<https://www.nestle.in/investors/stockandfinancials/financialresults>). All official press releases, presentations made to analysts and institutional investors and other general information about the Company are also available on the Company's website.

The presentations made to the institutional investors or analysts, if any, are not communicated individually to the shareholders of the Company. However, in addition to uploading the same on the website of the Company, the presentations are sent to the Stock Exchange for dissemination.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting@

Day, Date and Time : Friday, 8th May, 2020, at 10:00 am
Venue : Air Force Auditorium, Subroto Park, New Delhi – 110 010.

Financial Calendar, 2020 (tentative)@

First Quarter Results : Fourth Week of April, 2020
Second Quarter and Half-yearly Results : First week of August, 2020
Third Quarter Results : Fourth week of October, 2020
Annual Results : February / March, 2021
Financial Year : 1st January to 31st December
Annual Book Closure : 18th May 2020 and 19th May 2020 (both days inclusive)

Dividend payments@: Final Dividend of ₹ 61.00 per equity share has been recommended by the Board of Directors and subject to the approval of the shareholders at the ensuing Annual General Meeting is proposed to be paid on and from 28th May 2020 (payment date).

The interim dividends for the year 2019 of ₹ 23/- per equity share, ₹ 203/- per equity share (comprises interim dividend of ₹ 23/- per equity share out of the current year profits and a special interim dividend of ₹ 180/- per equity share out of accumulated profits of previous years) and ₹ 55/- per equity share of ₹ 10/- each were paid on and from 15th May, 2019, 23rd August, 2019 and 20th December, 2019, respectively.

Listing on Stock Exchanges and Stock Code

Shares of the Company are listed at BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001. The Company's Stock Code is 500790.

The ISIN of Nestlé India Limited on both the NSDL and CDSL is INE239A01016.

Market Price Data: High/Low in each month of Calendar Year, 2019 on the BSE Ltd., Mumbai

Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
January	11559.90	10666.90	July	12025.65	11270.70
February	11777.00	10186.55	August	12946.15	11299.95
March	11225.00	10028.10	September	14300.00	12350.00
April	11229.10	10700.05	October	15150.00	13338.15
May	11525.50	10126.45	November	15078.00	13990.00
June	11947.95	11305.00	December	14994.00	14008.05

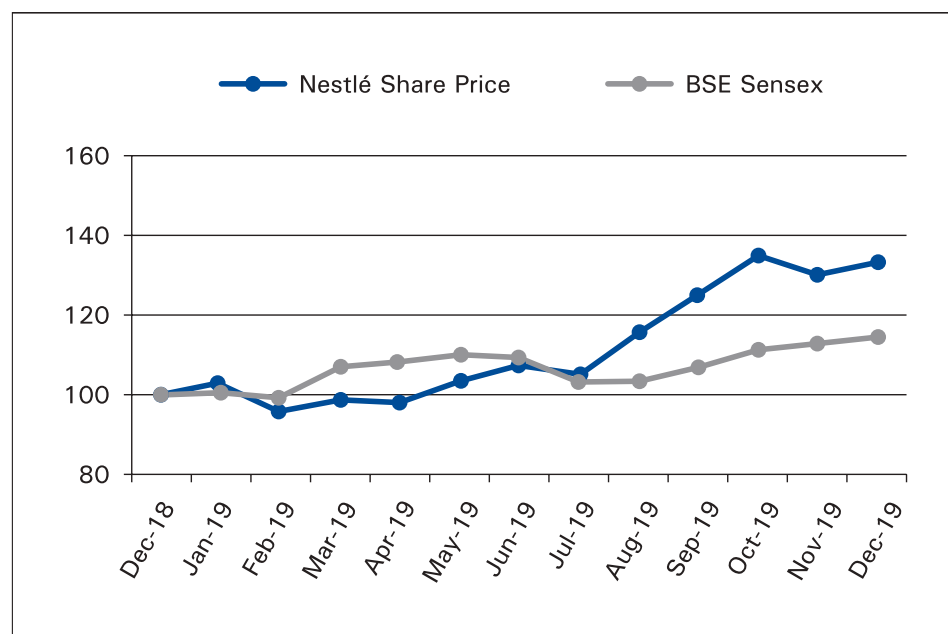
[Source: www.bseindia.com]

The Company had paid Annual Listing Fees for the Financial Year 2019-20.

Performance in comparison to BSE Sensex

(Closing value of Nestlé share price vs BSE Sensex on the last trading day of the month)

Base is considered to be 100 as at 31st December, 2018



[Source: www.bseindia.com]

NESTLÉ INDIA LIMITED

Registrar and Share Transfer Agents

M/s. Alankit Assignments Limited, 1E/13, Jhandewalan Extension, New Delhi -110 055.

Share Transfer System

In terms of the Listing Regulations, effective from 1st April, 2019, securities of listed companies can only be transferred in dematerialised form except where the claim is lodged for transmission or transposition of shares or where the transfer deed(s) was lodged prior 1st April, 2019 and returned due to deficiency in the document. Shareholders are advised to dematerialise their shares held by them in physical form. Requests for dematerialisation of shares are processed and confirmation thereof is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) within the statutory time limit from the date of receipt of share certificates provided the documents are complete in all respects.

Shareholding Pattern as on 31st December, 2019

Category of Shareholder	Number of Shares	Percent of Total Shares
Promoter and Promoter Group (A)	6,05,15,079	62.76
Public Shareholding	3,59,00,637	37.24
Mutual Funds	39,83,584	4.13
Alternative Investment Fund	1,41,832	0.15
Foreign Portfolio Investor	1,16,40,828	12.07
Financial Institutions / Banks	1,07,816	0.11
Insurance Companies	43,58,955	4.52
Central Government / State Government(s)	63,000	0.07
Individuals	1,25,60,652	13.03
NBFCs	2,455	0.00
Any Other		
- Bodies Corporate	18,66,004	1.94
- Overseas Corporate Body	500	0.00
- NRIs	7,60,751	0.79
- Trust	94,542	0.10
- IEPF Authority MCA	95,575	0.10
- Foreign Nationals	57	0.00
- HUF	1,73,138	0.18
- Clearing Members	50,948	0.05
Total Public Shareholding (B)	3,59,00,637	37.24
Total Shareholding (A + B)	9,64,15,716	100

Distribution of shareholding as on 31st December, 2019

No. of Shares	Number of Shareholders	Number of Shares	Percent of total Shares
1 to 500	1,03,806	39,83,253	4.13
501 to 1,000	2,341	17,00,402	1.76
1,001 to 2,000	1,033	14,68,296	1.52
2,001 to 3,000	385	9,53,682	0.99
3,001 to 4,000	177	6,19,545	0.64
4,001 to 5,000	141	6,32,482	0.67
5,001 to 10,000	271	19,32,013	2.00
10,001 and above	421	8,51,26,043	88.29
Total	1,08,575	9,64,15,716	100.00

Dematerialisation of shares

99.28% equity shares of the Company have been dematerialised as on 31st December, 2019.

Outstanding ADRs / GDRs / Warrants or any convertible instruments, conversion date and likely impact on equity

Not applicable.

Commodity price risk or foreign exchange risk and hedging activities

The Company does not have any exposure hedged through commodity derivatives. During the year 2019, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in Note No. 39 to the Annual Financial Statements.

Plant Locations

The Company's plants are located at Moga, Samalkha, Nanjangud, Choladi, Ponda, Bicholim, Pantnagar and Tahliwal.

Address for correspondence

Shareholder Services, 100/ 101, World Trade Centre, Barakhamba Lane, New Delhi – 110 001. Phone No.: 011-23418891, Fax. No.:011-23415130

E-mail for investors: investor@in.nestle.com

SEBI toll-free helpline service for investors: 1800 22 7575 or 1800 266 7575 (available on all days from 9:00 a.m. to 6:00 p.m. excluding declared holidays).

SEBI investors' contact for feedback and assistance: tel. 022-26449000, e-mail: sebi@sebi.gov.in

Credit Rating

The Company has been awarded AAA credit rating for its long term bank credit facilities by CRISIL. The details of the Credit Rating are available on the Company's website at <https://www.nestle.in/investors/stockandfinancials/credit-rating>.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(within the limits set by the Company's competitive position)

Industry structure and developments, segment wise or product-wise performance, outlook, risks and opportunities of the Company and discussion on financial performance with respect to the operational performance, has been covered in the Board's Report – more specifically under the sections on Financial Results and State of Company's Affairs and Management Analysis, Exports, Business Development of the Company.

The Company has an adequate system of internal controls to ensure that transactions are properly authorised, recorded, and reported, apart from safeguarding its assets. The internal control system is supplemented by well-documented policies, guidelines and procedures and reviews carried out by the Company's internal audit function, which submits reports periodically to the Management and the Audit Committee of the Board.

In order to foster an improved internal control culture in the Company, wherein every employee is fully aware of all the major risk/controls faced in his / her work sphere and assumes responsibility for the controls performed therein, the Company has interalia implemented a tool called "Controls Manager" which works on the basic concept of Control Self-Assessment. The Self-Assessments by process / control owner are also used as the basis of CEO/CFO certification as required under Regulation 17(8) of the Listing Regulations.

Your Company has a favourable work environment that motivates performance, customer focus and innovation while adhering to the highest degree of quality and integrity. As part of manpower development and training and with an aim to enhance operational efficiency, employees of the Company have been sent on postings and assignments to other Nestlé Group companies.

Manpower figure of the Company as on 31st December, 2019 was 7,649.

The Annual Report has details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios as applicable, along with detailed explanations thereof, including (i) Debtors Turnover, (ii) Inventory Turnover, (iii) Interest Coverage Ratio, (iv) Current Ratio, (v) Debt Equity Ratio, (vi) Operating Profit Margin, (vii) Net Profit Margin. Details of change in Return on Net Worth as compared to the immediately previous financial year along with a detailed explanation thereof is also part of this Annual Report.

DISCLOSURES

During the year 2019, the Company had no materially significant related party transaction, which is considered to have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 44 to the Annual Audited Financial Statements. The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. The said policy is also available on the website of the Company (web link <https://www.nestle.in/investors/policies>).

The equity shares of the Company are listed on BSE Limited, Mumbai and the Company has complied with all the applicable Regulations of capital markets. During the year, no penalties or strictures have been imposed on the Company by the Stock Exchange, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

The standard of behaviour of Nestlé India is governed by significant documents "The Nestlé Corporate Business Principles", "The Nestlé Management and Leadership Principles" and "Nestlé India Code of Business Conduct". Employees can report to the Company Secretary, on a confidential basis, any practices or actions believed to be inappropriate or illegal under Nestlé India Code of Business Conduct ("the Code"). The Company has formulated a separate vigil mechanism / whistle blower policy (Whistle-blower Policy), which is available on the website of the Company (web link <https://www.nestle.in/investors/policies>). The Code and the Whistle-blower Policy provides for adequate safeguards against victimisation of director(s) / employee(s) who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee in exceptional cases. It is affirmed that no person has been denied access to the Audit Committee. As an additional facility to all the directors and employees of the Company, the Company under the Code provides Integrity Reporting System, an independent third party operated free phone and web based facility. The Company also provides an independent third party operated free phone and web based facility, "Tell us", to all internal and external stakeholders with a dedicated communication channel for reporting potential instances of non-compliances with the Nestlé Corporate Business Principles.

Further, the Company has appointed Ombudsman for Infant Code, under which employees can report Infant Code violations directly to the Ombudsman, with adequate safeguard to protect the employee reporting.

The Company has not raised any funds through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) of the Listing Regulations.

The Company has obtained a certificate from M/s. S.N. Ananthasubramanian & Co., Practising Company Secretary (Registration No. 1774) and Secretarial Auditors of the Company, confirming that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of the Company by the Board/ Ministry of Corporate Affairs or any such Statutory Authority.

During the year 2019, total fees for all services paid by the Company to M/s. B S R & Co. LLP, Statutory Auditors and all the entities forming part of the same network, aggregate ₹ 20.1 million.

During the Year 2019, the Board of Directors had accepted all recommendation of the Committees of the Board of Directors, which are mandatorily required to be made.

As per the requirement of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH), your Company has a robust mechanism in place to redress complaints reported under it. The Company has complied with provisions relating to the constitution of Internal Complaints Committee under POSH. The Internal Committee (IC) is composed of internal members and an external member who has extensive experience in the field. In 2019, seven cases of sexual harassment was reported in the Company, which have been investigated and were resolved as per the provisions of the POSH.

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of the Listing Regulations.

The Corporate Governance Report of the Company for the year 2019 or as on 31st December, 2019 are in compliance with the applicable requirements of SEBI as per Listing Regulations.

The status of adoption of the non-mandatory requirements as specified in sub – regulation 1 of Regulation 27 of the Listing Regulations are as follows:

(a) The Board: The Chairman of the Company is Executive Chairman; **(b) Shareholder Rights:** Half-yearly and other quarterly financial statements are published in newspapers and uploaded on Company's website www.nestle.in; **(c) Modified opinion(s) in audit report:** The Company already has a regime of un-qualified financial statements. Auditors have raised no qualification on the financial statements; **(d) Separate posts of Chairperson and CEO:** Mr. Suresh Narayanan is the Chairman and Managing Director of the Company; and **(e) Reporting of Internal Auditor:** The Chief Internal Auditor of the Company reports to the Executive Director – Finance and Control & CFO and has direct access to the Audit Committee.

On behalf of the Board of Directors

Date : 13th February, 2020

Place : Gurugram

Suresh Narayanan

Chairman and Managing Director

@ In view of the continuing Covid-19 pandemic, the Company postponed the 61st AGM; the Annual Book Closure Date and payment date for Final Dividend. Further, Ministry of Corporate Affairs vide its Circular 20/2020 dated 5th May, 2020 and Securities and Exchange Board of India vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020, interalia, permitted conduct of Annual General Meeting through VC/OAVM facility. Consequent to the above developments, the relevant information has been updated in the **"GENERAL SHAREHOLDER INFORMATION SECTION"** of the Corporate Governance Report for the year ended 31st December, 2019:

Annual General Meeting

Day, Date and Time : Friday, 19th June, 2020, at 10:00 am
Venue : Annual General Meeting through Video Conferencing/ Other Audio Visual Means (VC/OAVM facility)
[Deemed Venue for Meeting: Registered Office: 100/101, World Trade Centre, Barakhamba Lane, New Delhi 110 001]

Financial Calendar, 2020 (tentative)

First Quarter Results : 12th May, 2020
Second Quarter and Half-yearly Results : First week of August, 2020
Third Quarter Results : Fourth week of October, 2020
Annual Results : February / March, 2021
Financial Year : 1st January to 31st December
Annual Book Closure : 13th June, 2020 to 19th June, 2020 (both days inclusive)

Dividend payments: Final Dividend of ₹ 61.00 per equity share has been recommended by the Board of Directors and subject to the approval of the shareholders at the ensuing Annual General Meeting is proposed to be paid on and from 6th July, 2020 (payment date).

On behalf of the Board of Directors

Date : 12th May, 2020

Place : Gurugram

Suresh Narayanan

Chairman and Managing Director

CERTIFICATE BY A COMPANY SECRETARY IN PRACTICE

[Pursuant to Regulation 34(3) and Schedule V Para C Clause (10)(i) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,
The Members,
Nestlé India Limited
CIN: L15202DL1959PLC003786
100/101, World Trade Centre,
Barakhamba Lane,
New Delhi -110001

We have examined the following documents:

- i) Declaration of non-disqualification as required under Section 164 of Companies Act, 2013 ('the Act');
- ii) Disclosure of concern or interests as required under Section 184 of the Act;
(hereinafter referred to as 'relevant documents')

as submitted by the Directors of Nestlé India Limited ('the Company') bearing CIN: L15202DL1959PLC003786 and having its registered office at 100/101, World Trade Centre, Barakhamba Lane, New Delhi -110001, to the Board of Directors of the Company ('the Board') for the Financial Year ended 31st December 2019 and relevant registers, records, forms and returns maintained by the Company and as made available to us for the purpose of issuing this Certificate in accordance with Regulation 34(3) read with Schedule V Para C Clause 10(i) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. We have considered non-disqualification to include non-debarment by Regulatory / Statutory Authorities. It is the responsibility of Directors to submit relevant documents with complete and accurate information in accordance with the provisions of the Act.

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification.

Based on our examination as aforesaid and such other verifications carried out by us as deemed necessary and adequate (including Directors Identification Number (DIN) status at the portal www.mca.gov.in), in our opinion and to the best of our information and knowledge and according to the explanations provided by the Company, its officers and authorized representatives, we hereby certify that none of the Directors on the Board of the Company, as listed hereunder for the Financial Year ending 2019, have been debarred or disqualified from being appointed or continuing as Directors of Companies by Securities and Exchange Board of India/ Ministry of Corporate Affairs or any such statutory authority.

Sr. No.	Name of Director	Director Identification Number (DIN)	Date of Appointment	Date of Cessation
01	Mr. Suresh Narayanan	07246738	01/08/2015	-
02	Mr. Shobinder Duggal	00039580	10/05/2014	31/12/2019
03	Mr. Martin Roemkens	07761271	01/04/2017	-
04	Ms. Rama Bijapurkar	00001835	01/05/2017	-
05	Mr. Rajya Vardhan Kanoria	00003792	13/05/2014	-
06	Ms. Roopa Kudva	00001766	01/01/2019	-
07	Dr. Rakesh Mohan	02790744	01/05/2016	-
08	Dr. Swati A. Piramal	00067125	02/08/2010	-
09	Mr. Ashok Kumar Mahindra	00916746	21/04/2011	31/03/2019

This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

This Certificate has been issued at the request of the Company to make disclosure in its Corporate Governance Report of the Financial Year ended 31st December, 2019.

For S. N. ANANTHASUBRAMANIAN & CO.
Company Secretaries
ICSI Unique Code : P1991MH040400

Date : 06th February, 2020
Place : Thane

S. N. ANANTHASUBRAMANIAN
Partner
FCS No. 4206, CoP No.: 1774
Peer Review Cert. No.: 606/2019
ICSI UDIN : F004206B000127307

Independent Auditors' Certificate on Compliance with the Corporate Governance requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To the Members of **Nestlé India Limited**

1. This certificate is issued in accordance with our engagement letter dated 2 August 2018.
2. We, BSR & Co LLP, the Statutory Auditors of Nestlé India Limited have examined the compliance of conditions of corporate governance by Nestlé India Limited ('the Company') for the year ended 31 December 2019 as stipulated in Regulations 17-27, clause (b) to (i) of Regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') pursuant to the Listing Agreement of the Company with the stock exchange.

Management's Responsibility for compliance with the conditions of Listing Regulations

3. The compliance with the terms and conditions contained in the corporate governance is the responsibility of the Management of the Company. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations.

Auditor's Responsibility

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31 December 2019.
6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) I, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. In our opinion, and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Restriction on Use

10. The certificate is addressed to and provided to the Members of the Company solely for the purpose to enable the Company to comply with requirement of aforesaid Regulations, and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Jiten Chopra
Partner
Membership No.: 092894
UDIN: 20092894AAAABW6215

Place : Gurugram
Date : 13 February, 2020

ANNEXURE - 2 TO THE BOARD'S REPORT

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

Driven by the purpose 'Enhancing quality of life and contributing to a healthier future', the Company is mindful of the needs of the communities and works to make a positive difference and create maximum value for the society. The Company focuses its efforts in society on the three pivotal ambitions of enabling healthier and happier lives for individuals and families, on helping develop thriving and resilient communities, and on stewarding the planet's natural resources for future generations, with particular care for water. The Company is firmly rooted in a robust set of principles and values based on respect.

The Company believes that the biggest opportunity is partnership. The Company continues to engage with stakeholders including communities, academia, civil society, expert organisations and would take up such CSR activities that have been aligned with national priorities such as public health, education, livelihood, water and sanitation etc. These areas are mapped with the activities as prescribed in Schedule VII to the Companies Act, 2013 in the Annexure.

The Company's commitment to the society is sincere and long standing. The CSR Policy of the Company is available on the website (www.nestle.in/investors/policies). While the focus of CSR efforts will be in the areas around Company operations, the Company also undertakes projects where societal needs are high or in special situations (such as in the case of natural disasters etc.).

2. The Composition of the CSR Committee

- Dr. (Mrs.) Swati Ajay Piramal – Chairperson
- Mr. Suresh Narayanan– Member
- Ms. Rama Bijapurkar – Member

3. Average net profit of the Company for last three financial years: ₹ 19,035.8 million

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 380.7 million

5. Details of CSR spent during the year 2019:

- Total amount to be spent for the year 2019: ₹ 383.1 million
- Amount unspent, if any: Not Applicable
- Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State or district where the Projects or programs were undertaken	Amount outlay (budget) Project or program wise (₹ in million)	Amount spent on the projects or programs subheads: (1) Direct expenditure on projects or programs (2) Overheads: (₹ in million)	Cumulative expenditure up to the reporting period (₹ in million)	Amount spent: Direct or through implementing Agency
1	Nestlé Healthy Kids Programme	(i)	Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand, West Bengal, Mizoram	169.4	(a) 7.9 (b) 161.5	169.4	(a) Punjab Agricultural University, G.B. Pant University, CSK Himachal Pradesh Agricultural University, National Dairy Research Institute, Goa College of Home Science, University of Agricultural Sciences, Bangalore (b) Magic Bus India Foundation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State or district where the Projects or programs were undertaken	Amount outlay (budget) Project or program wise (₹ in million)	Amount spent on the projects or programs subheads: (1) Direct expenditure on projects or programs (2) Overheads: (₹ in million)	Cumulative expenditure up to the reporting period (₹ in million)	Amount spent: Direct or through implementing Agency
2	Project Jagriti	(i)	Bihar, Chandigarh, Delhi, Karnataka, Maharashtra, Odisha, Rajasthan, Uttar Pradesh	95.8	95.8	95.8	MAMTA Health Institute for Mother and Child
3	Clean drinking water projects and water awareness programme	(i) + (iv)	Punjab, Tamil Nadu, Karnataka, Haryana, Goa, Himachal Pradesh, Rajasthan, Maharashtra, Kerala, Andhra Pradesh, Uttarakhand	33.8	(a) 13.2 (b) 20.6	33.8	(a) Direct (b) Enable Health Society
4	Sanitation projects	(i)	Andhra Pradesh, Haryana, Himachal Pradesh, Kerala, Maharashtra, Punjab, Rajasthan, Uttar Pradesh, Uttarakhand, West Bengal, Gujarat, Madhya Pradesh, Goa, Karnataka	31.6	31.6	31.6	Direct
5	Water conservation & Environment	(iv)	Karnataka	5	(a) 4.2 (b) 0.8	5	(a) Direct (b) Deccan Heritage Foundation India
6	Plastic Waste Management Awareness	(iv)	Uttarakhand	8	8	8	Stree Mukti Sanghatana
7	Livelihood enhancement for street food vendors (Project Serve Safe Food)	(ii)	J&K, Madhya Pradesh, Gujarat, Telangana, Meghalaya, Chhattisgarh, Puducherry, Assam, Karnataka	7.5	7.5	7.5	Nidan
8	Village Adoption (Project Vriddhi)	(x)	Haryana	4.6	4.6	4.6	SM Sehgal Foundation
9	Employee Volunteering	(i)	Delhi, Maharashtra, Tamil Nadu, West Bengal, Gujarat, Karnataka, Andhra Pradesh, Telangana, Assam, Rajasthan, Punjab, Uttar Pradesh, Kerala, Madhya Pradesh, Chhattisgarh, Haryana, Himachal Pradesh, Goa, Jammu & Kashmir, Mizoram, Odisha	1.6	1.6	1.6	Magic Bus India Foundation
10	Relief Efforts	(viii)	Odisha, Kerala, Maharashtra, Punjab	6.6	6.6	6.6	Direct

The amount indicated in column (6) and (7) above is the expenditure on projects or programs. There are overheads of ₹ 19.2 million and the total expenditure including overheads is ₹ 383.1 million.

Keeping with the intent of CSR Policy, the Company has a tradition of executing CSR projects that achieve demonstrable outcomes having a significant impact on society. The projects include nutrition, health and breastfeeding awareness programmes; providing

access to clean drinking water and sanitation; supporting development of agricultural communities while helping them reduce water use; enhancing the livelihood of street food vendors and new initiative of village adoption for sustainable development. These initiatives are built on the strong foundation of the Company's *Corporate Business Principles* based on transparency, honesty, integrity and fairness, that are strictly adhered to in all aspects. The detail of CSR programmes is as under:

- **Nestlé Healthy Kids Programme**

India's one-fifth of population constitutes adolescents (10 to 19 years), which makes adolescent health particularly important to meet the Sustainable Development Goals (SDGs) – a set of universal goals to end poverty, hunger and achieve equality, which country has committed.

The Nestlé Healthy Kids Programme forms part of the Company's commitment to promote adolescent's nutrition, health and wellbeing. Key to this programme is the understanding of a balanced diet, promotion of healthy eating habits, awareness of food and personal hygiene and the importance of physical activity as a part of daily routine of adolescents. Started as a pilot in 2009, the programme celebrated its 10th year of implementation and has expanded significantly since its inception, incorporating pertinent elements like plastic waste management etc. in the existing curriculum as well as including parents and teachers as direct beneficiaries in the programme.



The programme is based on multi-partnership approaches, and the Company have mobilized partners into one common cause to deliver a program that is adapted to the needs of the adolescents. There are two modes of implementing this programme, one is with six regional universities that conduct the 'classroom sessions' and the second is with NGO Magic Bus India Foundation that implements through the 'sports for development' model.

- a) The classroom sessions are conducted in partnership with Universities through the Department of Home Science and Food Science, wherein information on the nutrition status of the local food habits is collected through their extension activities and the programme content is developed jointly with Nestlé India team. Each student receives nutrition training - encouraging them to eat more vegetables and fruits, ensuring their meals are as nutritious and diversified as possible. Pre and post programme behavioural and knowledge tests are conducted to measure the effectiveness of learning and implementation.
- b) Embracing non-traditional learning method of 'sports for development', implementing partner Magic Bus India Foundation, engages with the adolescents in interactive sessions in which they receive nutrition knowledge and are encouraged to play regularly. By their very nature, sports is about participation, inclusion and a sense of belonging, and as a result of the Magic Bus sessions, the entire community comes together to promote healthier lifestyle.

Till year 2019, over 300,000 adolescents across 23 states have been encouraged to live healthier lives through Nestlé Healthy Kids Programme.

- **Project Jagriti**

India suffers from the dual burden of malnutrition and the country is still home to 40 million stunted children. Public health concerns, especially those related to women and mothers, children and adolescents, are central to the governance agenda.

The Company believes that it has vital role to play in creating a healthier world through education, information and intervention. With the shared vision of healthier communities, the Company rolled out Project Jagriti in partnership with the MAMTA Health Institute for Mother and Child. The project has a specific focus on 4 groups consisting of adolescents, pregnant women, lactating mothers and married couples. Creating an enabling environment for the women, it targets the sensitization to institutional deliveries, post-natal visits to the hospital, awareness on family planning. The project understands the effect of malnourished childhood on the health of an individual over the course of their lives. It focuses on creating awareness about early initiation of breastfeeding, exclusive breastfeeding and improving breastfeeding practices in the community. Adolescents are included by conducting sessions which covers topics of hygiene, health, menstrual hygiene, and other important topics related to health. Young couples are provided access to family planning services, made aware of gender equity norms, and are counselled and educated on preconception care, marital communication, issues of preventive mental, sexual and reproductive health. There are dedicated outreach workers who conduct door to door visits to provide counselling to those who are in need of it. The outreach workers primarily act as facilitators for the groups, guiding from the backdrop to encourage peer to peer learning. Initially, the programme embedded the peer mentorship approach as it enabled a smoother transfer of knowledge with group members being educated by a person who is from the same community and aware of similar situation. In 2019, programme moved to system-led approach with a focus on counselling and development of front-line workers such as Accredited Social Health Activists (ASHA) and Anganwadi Workers etc. This approach is useful in populations that are deficient in knowledge and unaware of their health needs and rights.

The programme started with a pilot in Delhi in year 2014, reaching out to over 100,000 people in marginalized communities. In 2019, the Company scaled up the programme in high priority districts across Delhi (West Delhi); Uttar Pradesh (Banda, Lucknow, Prayagraj, Varanasi, Kaushambi); Maharashtra (Nagpur); Rajasthan (Churu, Sri Ganganagar); and Odisha (Bolangir, Naupada).

Till 2019, the programme has impacted over 5 million lives (1.7 million direct and 3.3 million indirect beneficiaries) across 8 states/UT.



- **Clean Drinking Water Projects and Water Awareness Programme**

In India, many people still live with the challenge of non-availability of clean drinking water that increases exposure to water-borne diseases such as cholera and diarrhoea. The World Bank estimates that 21 percent of communicable diseases in India are linked to unsafe water and the lack of hygiene practices.

The Company believes that water is a precious and shared resource. The Company strongly believe it has a role to play in expanding access to clean water and have been investing earnest efforts for improved water solutions. The Company started constructing drinking water facilities in schools around factories in 1999. Water is stored in hygienic tanks that are cleaned regularly and periodic water quality checks ensure clean water. The Company has also partnered with NGO Enable Health Society for water treatment in locations where water quality does not meet its required quality standards.

Over the years, in addition to the schools, the clean drinking water facilities have been expanded in villages, Primary Health Centres (PHCs), Community Health Centres (CHCs), Government Sports Complex, Government Colleges and Hospitals. Strong community involvement forms the foundation of these water initiatives where the Company partner with local communities and local governments (village panchayats). While the Company supports water tank construction and installation of water purification plant depending on the need of the community, the upkeep and maintenance is through joint ownership which helps building a sustainable model.

Till year 2019, the Company has constructed over 280 water facilities across 8 states benefitting more than 148,000 people. The Company conducts Water Awareness Programmes aimed at ensuring hygienic and sustainable water use, reaching out to over 119,300 students.



- **Sanitation Facilities**

In India, access to basic sanitation is a serious challenge, with open defecation being a health risk for everyone, more so for the female population. 'Swacch Bharat Abhiyan' (Clean India Mission), the Flagship programme of the Government of India has sensitised a large section of India's population about sanitation issues and has brought sanitation into the prime focus of the policy makers, private sector and citizens for a collaborative action.

The Company believes that sanitation is basic element of life and enabler of healthy living. The Company's steadfast commitment to increase access to sanitation is aimed at strengthening community resilience and enabling healthier lives.

When the Company started constructing sanitation facilities around its factory locations, it was noted that majority of the schools lack separate toilets for boys and girls, which is the major cause for the increased number of girls dropping out of these schools. In order to ensure availability of decent toilets for girls, preserving their personal dignity and eliminate what is considered the major cause of dropouts among girl students in schools, the Company has been supporting the construction of modern, easily maintainable modular toilets for girl students in schools across all its factory and branch locations. Good hygiene facilities in these schools are providing the basis of a healthy learning environment, encouraging education and empowerment of girl students.

Till 2019, the Company has set up over 600 sanitation facilities in government schools benefitting more than 200,000 girl students.



- Water Conservation in Agriculture

India's water withdrawals for agriculture are the highest in the world, putting more pressure on ecosystems. At a time when there is a need to increase agricultural production with depleting water resources, the focus is directed towards improving agricultural water productivity. The study on 'Water Productivity Mapping of Major Indian Crops' by NABARD and ICRIER indicates that rice and sugarcane are examples of unsustainable use of water resources.

The Company believes that water is a shared resource requiring careful stewardship by all stakeholders. The Company launched a water stewardship initiative with AgSri at the Kabini river Basin in Karnataka to develop sustainable agricultural practices for rice and sugarcane. As agriculture is the largest user of water from the catchment, engaging farmers on ecologically sustainable practices of System of Rice Intensification (SRI) and the Sustainable Sugarcane Initiative (SSI) are helping to reduce the agricultural water withdrawal and improving agricultural productivity. These interventions make it possible to have more yield and good income by using less seeds, less water and fewer fertilizers besides reducing the number of labourers and expenditure.

Till the year 2019, over 300 progressive farmers have adopted the SSI and SRI methods in their farm fields, covering total area of 180 hectares for both sugarcane and paddy.



- Plastic Waste Management Awareness

Plastics play a key role in preventing food wastage and ensuring the quality and safety of food products. However, the leakage of plastic waste into the environment has become a significant environment challenge. Your Company is creating awareness about anti-littering and waste segregation at source which is a key to establish sustainable waste management systems.

Your Company has initiated a project titled "HILLDAARI" in Mussoorie, Dalhousie, and Nainital that aims at empowering waste workers and also focuses on working collectively with local stakeholders like urban local bodies, institutions, residents, households, waste generators, and waste workers to raise awareness about anti-littering and segregation at source.

- Project Serve Safe Food

In India, street food vending provides livelihood opportunities for many people and makes a substantial contribution to local economy. Lack of training in food safety and good hygiene practices is widespread among these street food vendors, which can put street foods at risk of contamination, often at all stages of handling. Street foods are sometimes stored at improper temperatures and sold from vending sites including kiosks, make-shift accommodation, and push carts as well as other temporary structures. The Government of India is undertaking several initiatives to improve the existing scenario. Importantly, the Food Safety and Standards Authority of India (FSSAI) is implementing programmes that involve training and capacity building of the street food vendors.

The Company believes there is a huge scope to better the livelihoods of street food vendors and also make the street food safer and more hygienic. In 2016, the Company launched Project 'Serve Safe Food' to provide training to the street food vendors to enable them to voluntarily adopt the hygienic practices that improve the food quality. The programme involves collaborative approach, The Company partner with local authorities and the training is conducted by National Association of Street Vendors of India (NASVI) which includes topics such as good food handling practices, waste disposal, health,

personal and cart hygiene. With these trainings, the street food vendors learn about simple aspects of food hygiene such as hand washing practices and usage of disposable gloves etc. The street foods vended under good sanitary conditions prevents the spread of food borne diseases. It also contributes to increase in sales, as a clean food stand or premise attracts more consumers based on aesthetic appeal.

In 2019, the Company expanded the initiative to 5 new states/UT including Telangana, Karnataka, Meghalaya, Puducherry and Assam.

Till 2019, the programme has been implemented across 17 states/UTs, reaching out to over 20,000 street food vendors who were also awarded a certificate and presented a hygiene kit at the end of the training.



- **Project Vriddhi**

India's 60 percent of the population lives in villages, and so development of villages is an essential precondition to the development and inclusive growth of the country.

Strengthening the Company's commitment towards building a healthier society and positively impacting the lives of people in marginalised communities, the Company launched Project 'Vriddhi', an initiative towards village adoption in collaboration with SM Sehgal Foundation. Starting in the year 2019, the three-year project is aimed at improving the livelihoods of 1,500 people in Rohira village in Nuh district, Haryana, for bringing a positive change in the lives of the locals.

The project focuses on improving access to clean drinking water for communities, promoting water saving irrigation practices, increasing awareness on nutrition, enhancing farm productivity and providing healthy learning environment in schools by improving hygiene and sanitation practices. The project team is working towards the village slowly evolving to a level of sustainability and continue the developmental progress even without direct participation in the day to day affairs of local community.



- **Employee Volunteering**

The Company launched Employee Volunteering Programme (EVP) in 2014 to maximize employee engagement and extend the Nestlé culture of caring. It is an initiative where the Company's employee volunteers to spend a day interacting with children

from select underprivileged communities. Each volunteering day is designed along with Magic Bus India Foundation, partner NGO, to help create awareness about good nutrition and healthy habits among these children. Through this programme, employees volunteer their time to help create awareness regarding nutrition and a healthy lifestyle in the community through interactive sessions and activities. At factory locations, employees engage with students through interactive sessions on water conservation and hygiene.

Till 2019, around 2,000 employees across more than 27 locations (HO, branches, and factories) have participated in the initiative.

- **Relief Efforts**

The Company provided support when states of Odisha, Kerala, Maharashtra and Punjab were hit by natural disasters (cyclone and floods) by supporting relief operations. As part of the efforts, the Company supplied packaged food and beverages, including coffee, confectionery and instant noodles to the people affected.

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

Not Applicable.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

The CSR Committee confirms that the implementation and monitoring of the CSR activities of the Company is in compliance with the CSR objectives and the CSR Policy of the Company.

On behalf of the Board of Directors

Date : 13th February, 2020

Swati A. Piramal
Chairperson – Corporate Social
Responsibility Committee
Place : Mumbai

Suresh Narayanan
Chairman and Managing Director
Place : Gurugram

ANNEXURE - 3 TO THE BOARD'S REPORT

BUSINESS RESPONSIBILITY REPORT

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

Sr. No.	Particulars	Details	
1.	Corporate Identity Number (CIN) of the Company	L15202DL1959PLC003786	
2.	Name of the Company	NESTLÉ INDIA LIMITED	
3.	Registered address	100 / 101, World Trade Centre, Barakhamba Lane, New Delhi – 110001	
4.	Website	www.nestle.in	
5.	E-mail id	investor@in.nestle.com	
6.	Financial Year reported	31-12-2019	
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Food Processing Industry (covered under various codes as specified under NIC 1987 covering food products)	
8.	List three key products / services that the Company manufactures / provides (as in balance sheet)	Product	ITC Code
		1. Milk Products and Nutrition	0402, 1901
		2. Prepared Dishes and Cooking Aids	1902, 2103
		3. Beverages	2101
9.	Total number of locations where business activity is undertaken by the Company	Please also refer to Corporate Information page of the Annual Report 2019	
	(a) Number of International Locations (Provide details of major 5)	Exports to Bangladesh, USA, Canada, Thailand and Australia	
	(b) Number of National Locations	8 Manufacturing locations, 4 sales branches, Head office and nationwide sales and distribution network	
10.	Markets served by the Company: Local/ State/ National/ International	All India and 40 international markets	

SECTION B: FINANCIAL DETAILS OF THE COMPANY

Sr. No.	Particulars	Details
1.	Paid up Capital (INR)	₹ 964.2 Million
2.	Total Turnover (INR)	₹ 122,952.7 Million
3.	Total profit after taxes (INR)	₹ 19,695.5 Million
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Total spending on CSR is 2% of average profit after tax of the past 3 years. This is detailed in the Annual Report of CSR Activities, ANNEXURE – 2 to the Board's Report.
5.	List of activities in which expenditure in 4 above has been incurred	List of CSR activities are detailed in the Annual Report of CSR Activities, ANNEXURE – 2 to the Board's Report.

SECTION C: OTHER DETAILS

Sr. No.	Particulars	Details
1.	Does the Company have any Subsidiary Company/ Companies?	No
2.	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary Company(s).	Not Applicable
3.	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%].	The other entity/entities including stakeholders such as suppliers, distributors, farmers participate in the BR initiatives of the Company to the maximum extent possible under various programmes initiated by the Company. With numerous stakeholders working across the Company's different locations and operations, it is difficult to estimate the percentage of such initiatives

SECTION D: BR INFORMATION

Sr. No.	Particulars	Details										
1.	Details of Director/Directors responsible for BR											
	(a)	Details of the Director/Director responsible for implementation of the BR policy/policies	DIN Number	007761271								
			Name	Mr. Martin Roemkens								
			Designation	Executive Director-Technical								
	(b)	Details of the BR head	DIN Number (if applicable)	Not Applicable								
			Name	Mr. Sanjay Khajuria								
			Designation	Director- Corporate Affairs								
Telephone number			+ 91-124-3940000									
		e-mail id	creatingsharedvalue.in@in.nestle.com									
2.	Principle-wise (as per NVGs) BR Policy/policies											
	(a)	Details of Compliances (Reply in Y/N)										
	No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9	
	1.	Do you have a policy/ policies for...	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	3.	Does the policy conform to any national/ international standards? If yes, specify?@	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	4.	Has the policy being approved by the Board? Is yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	5.	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	6.	Indicate the link for the policy to be viewed online?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	8.	Does the Company have in-house structure to implement the policy/ policies	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	9.	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	10.	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N	
(b)	If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)								Not Applicable			
3.	Governance related to BR											
	(a)	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company.	The Board/Committee will review the BR performance at least annually.									
(b)	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Yes, the BRR 2019 is part of the Annual Report, which is available on the website of the Company. It is available at: https://www.nestle.in/investors/stock and financials/annual reports and is published annually.										

@The policies have been derived and adopted from the Nestlé Global Policies and are aligned as per local requirements to safeguard the interests of all its stakeholders.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes / No. Does it extend to the Group/ Joint Ventures/ Suppliers/Contractors/NGOs /Others?

The Nestlé India Code of Business Conduct includes the Company's policy on ethics, bribery and corruption covering the Company and all its vendors, contractors and associates. Other significant documents from the Nestlé Group, which define the standard of behaviour of the Company, are *Nestlé Corporate Business Principles*, *Nestlé Purpose and Values*, and *Nestlé Responsible Sourcing Standard*.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

During the year, four complaints were received from stakeholders. All complaints have been satisfactorily resolved and no stakeholder complaint was pending at the end of the year.

Principle 2: Product Life Cycle Sustainability

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

The Company has a legacy of providing consumers with high quality products under four major categories - Milk Products and Nutrition, Beverages, Prepared Dishes and Cooking Aids, Chocolates and Confectionary. The Company has a range of Popularly Positioned Products (PPP) fortified with micro nutrients which provide nutritional value at an affordable cost. These include the following among others:

- MAGGI Masala Noodles is fortified with the goodness of Iron. Each serve (70%) provides with 15% RDA* of Iron.
- MILO in powder and RTD formats is cocoa malt milk beverage powered by Activ-Go™, which is a unique combination of Protomalt™, vitamins and minerals. A 180ml tetra pack of MILO provides a child with 7 essential vitamins & minerals (36% RDA of Vitamin B2; 23% RDA of Vitamin B3; 22% RDA of Vitamin B6; 27% RDA of Vitamin B12; 26% RDA of Calcium; 27% RDA of Phosphorus and 15% RDA of Iron). One glass of MILO (20g powder + 200ml milk) provides a child with 8 essential vitamins & minerals (30% RDA of Vitamin B2; 32% RDA of Vitamin B3; 32% RDA of Vitamin B6; 30% RDA of Vitamin B12; 15% RDA of Vitamin D; 55% RDA of Calcium; 45% RDA of Phosphorus and 17% RDA of Iron).
- Nestlé a+ Nourish Milk now fortified with vitamin A & D in line with FSSAI guidelines and recommendations.
- MAGGI Masala-ae-Magic Seasoning mix is designed to help increase the consumption of nutrients like vitamin A, iron & iodine in an easy & tasty way. The product is an economically viable option that can be used at household level to help in home fortification of daily consumed foods like vegetables, dal and non-veg preparations. It's easy to use format helps (per serve of 2g) provide 15% of the daily requirement of Vitamin A, Iron and Iodine.
- NANGROW a nutritious milk drink for growing children 2-5 years of age. Where a serve of NANGROW contains nutrients like DHA, choline, Vitamin A, D, C, iron, zinc, calcium & selenium that help support easy digestion and normal physical growth & development, cognitive development and immune system function. Made with high quality protein and no added sucrose. 2 serves of NANGROW helps meet 48% of the protein RDA for a 2-5 year old child.
- NESTLÉ CEREGROW: A nutritious and tasty growing up cereal for children between the ages of 2-5 years, packed with the nourishment of multigrain cereal, milk and fruits. It is fortified with 15 vitamins & minerals including iron.
- The Company is continuously working on developing alternate packaging material, which is more environment friendly and easy to recycle. It has initiated the use of mono material packaging on two of our products - MAGGI NOODLES and MUNCH.

(*Recommended Dietary Allowances for Indians – ICMR 2010)

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

(a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain? and

(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The Company follows a series of Environmental Performance Indicators to monitor its efforts for sustainable use of natural resources in manufacturing. The Company is committed to conservation and optimal utilisation of all resources, reducing waste to zero and full recovery of unavoidable by-products.

During the last 15 years, for every tonne of production, the Company has reduced the usage of energy by around 49%, reduced water usage by around 54%, reduced the generation of greenhouse gases by around 58% and the generation of wastewater by around 59%.

3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

The Company chooses its suppliers through strictly laid out procedures and engages with them according to the non-negotiable minimum standards described in the *Nestlé Responsible Sourcing Standard*. The requirements of Business Integrity, Human Rights (labour standards), Health and Safety and Sustainable environmental standards in their business activities, production processes, services provision and their own purchasing procedures, as enshrined in the *Nestlé Responsible Sourcing Standard*, apply to all suppliers and their sub-tier suppliers.

4. Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The Company works with farming communities to ensure sustainable production in the long-term. The Company touches the lives of over 200,000 farmers and practices a strong preference for local procurement of raw materials. In addition to collecting milk and implementing the Nestlé milk district model successfully to ensure a stable livelihood for local dairy farmers, the Company supports the development of milk farmers by assisting them to increase milk productivity and quality through technical assistance, providing veterinary services, subsidised medicines and promotion of sustainable agricultural practices.

As part of The NESCAFÉ Plan, the Company trains coffee farmers to develop their agricultural practices in terms of quality, productivity and sustainability while supporting them in obtaining 4C (Common Code for the Coffee Community) certification for better coffee prices. The NESCAFÉ Plan sets out to exert a positive and sustained change in:

- The livelihood of coffee farmers, their families and farm workers.
- The resilience and prosperity of farming communities and the stakeholders across our value chain.
- The sustainable management of landscapes linked to our value chain.

The NESCAFÉ Plan has three platforms, connecting to farmers, connecting to communities and connecting to our planet, with the objective of ensuring the future of great quality coffee, to remain available and affordable today and in the future. Till 2019, the Company reached out to around 3,500 farmers and workers through trainings, technical assistance, medical camp, soil test activities.

As a part of The MAGGI Spice Plan, the Company is now sourcing 7 key spices from suppliers with "Backward Integration Programs" (BIP) in place (farmer monitoring, focused on practices to ensure MRL compliance-food safety). Supplier BIP include field extension support for integrated pest management (IPM) programmes of participating farmers e.g., daily/weekly visits to farmer fields and data gathering. This provides a good foundation for effective action. The Company suppliers are key partners in developing responsibly sourced supply chains of spices.

The Company has a dedicated supplier development team that works through the Nestlé – Farmer – Supplier model to create sustainable local sourcing. The team's objectives include less reliance on imports, supporting sustainable quality and creating a wider, more flexible supply base. In 2019, the Company supported more than 47 suppliers through technical

assistance, added 8 new suppliers/ supplier locations. The team also works on developing local vendors through technical assistance to meet the desired quality/ regulatory norms for supply to other Nestlé markets.

5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, > 10%)? Also, provide details thereof, in about 50 words or so.

As a responsible manufacturer of food products, the Company has initiated post-consumer waste management projects either individually or collectively with industry partners in collaboration with waste management service providers as a part of Extended Producer Responsibility (EPR) to collect, segregate and recycle / recover waste in a sustainable way. This initiative not only ensures compliance to “Plastic Waste Management Rules, 2016”, as amended in 2018 but also facilitates reinforcement of positive attitude and behaviour towards responsible waste disposal through consumer awareness.

The Company follows 3R’s principles i.e. ‘Reduce’, ‘Recycle’ and ‘Recover’ to be environmentally sustainable:

1. **REDUCE:** In 2019, the Company reduced the use of packaging material including plastic and paper by approximately 400 tons by ensuring eco designing of packaging in a sustainable way. The Company is also working to develop alternative packaging materials in line with its global ambition so that none of our packaging material ends up in a landfill.
2. **RECYCLE:** The Company encourages the use of recycled material wherever applicable e.g., 100% recycled paper in shippers.
3. **RECOVER:** The Company supports initiatives to recover used packaging. This year it responsibly disposed over 14,400 Metric tonnes of post-consumer multi layered packaging waste as a part of our commitment as Extended Producers’ Responsibility.

Principle 3: Employee Wellbeing

Sr. No.	Particulars	Details
1.	Please indicate the Total number of employees	7,649
2.	Please indicate the Total number of employees hired on temporary/contractual/casual basis	7,381 (including apprentice)
3.	Please indicate the Number of permanent women employees	810
4.	Please indicate the Number of permanent employees with disabilities	None of the permanent employees are differently abled
5.	Do you have an employee association that is recognised by management?	The Company has 11 Unions in 8 factories in India.
6.	What percentages of your permanent employees are members of this recognised employee association?	56% of the total strength of permanent employees are unionized.
7.	Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	No complaints relating to child labour, forced labour, involuntary labour and sexual harassment are pending as of end 2019.
8.	What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?	
	(a) Permanent Employees	95.46%
	(b) Permanent Women Employees	91.31%
	(c) Casual/Temporary/Contractual Employees	100% receive training as part of their induction
	(d) Employees with Disabilities	None of the permanent employees are differently abled

Principle 4: Stakeholder Engagement

1. Has the Company mapped its internal and external stakeholders?

Yes, as a result of regular and extensive stakeholder engagement over many years, the Company’s business operations

have evolved, balancing business priorities and responsibility towards economic, environmental and social sustainability. The Company builds trust through productive relationships, fosters working partnerships and considers stakeholders both internal and external as integral to its business.

2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?

Yes.

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders.

The Company engages with about 100,000 milk and 3,500 coffee farmers, among others, through farmer trainings to increase efficiency in productivity and quality, optimise costs and improve social and environmental impact thereby ensuring agriculture remains an attractive place to live, work and invest in, for generations to come. The Company has reached out to over 70,000 women farmers engaged in dairy farming to improve milk quality and productivity by providing technical assistance and training on breeding, feeding, hygiene, quality and veterinary services.

Nestlé Start Healthy, Stay Healthy (SHSH) is an educational programme for mothers, in partnership with doctors, to give a healthy head start to their babies in the 1st 1,000 days. It is the Company's commitment to the 1st 1,000 days given its impact on the lifelong health of a baby. The Company also has a dedicated website: www.starthealthystayhealthy.in. In line with the Company's belief that breastfeeding is best for babies, Nestlé Start Healthy, Stay Healthy in India has actively advocated breastfeeding to mothers, would-be mothers and Health Care Professionals (HCPs).

The Nestlé Nutrition Institute (NNI) disseminates science-based information and education with health professionals, scientists and nutrition communities in order to create awareness on nutrition science and build capabilities amongst the scientific community on Nutrition. During 2019, NNI conducted around 17 scientific events reaching out to over 4,610 HCPs.

Additional initiatives are detailed further in ANNEXURE – 2 to the Board's Report.

Principle 5: Human Rights

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The Policy covers the Company and all suppliers, sub suppliers, contractors and associates.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

During 2019, the Company did not receive any complaints with regard to human rights.

Principle 6: Environment

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.

The Policy covers the Company and all its vendors, contractors and associates.

2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.

Yes. <https://www.nestle.com/csv/impact/climate-change>

3. Does the Company identify and assess potential environmental risks?

Yes. <https://www.nestle.com/csv/impact/environment>

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?

The Company has undertaken initiatives to reduce Green House Gas (GHG) emissions. In 2019, the Company identified few projects for GHG reduction which shall be fully realised in coming year. Some of the key renewable energy projects

contributing to GHG savings are coffee cell replacement & 70% usage of solar power at the Company's Nanjangud factory and other energy reduction projects. Yes, the Company files environment compliance reports as per Pollution Control Board requirements.

5. **Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

Yes. <https://www.nestle.com/csv/impact/climate-change>

6. **Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

Yes

7. **Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

During 2019, the Company did not receive any show cause/ legal notices from CPCB/SPCB, which are pending as on end 2019.

Principle 7: Policy Advocacy

1. **Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**

- a. Federation of Indian Chambers of Commerce and Industry (FICCI)
- b. Confederation of Indian Industry (CII)
- c. All India Food Processors Association (AIFPA)
- d. The Associated Chambers of Commerce and Industry of India (ASSOCHAM)
- e. PHD Chamber of Commerce and Industry (PHDCCI)

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others):**

Yes. The Company engages with government, regulatory authorities and relevant public bodies for the development of public policies in keeping with the Company's business and its work in Society, sustainability and compliance commitments. These include Food Regulations, Environment and Plastic Packaging, among others. The Company engages with Government and Food Authorities to establish science-based regulations for protecting the health of consumers and development of other best practices in areas of food processing.

Principle 8: Inclusive Growth

1. **Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

Yes. The Company works in the areas of nutrition awareness, rural development initiatives and dissemination of scientific and nutrition knowledge. Further details available: <https://www.nestle.in/csv>

2. **Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?**

Projects are undertaken through in-house expert teams and in partnership with like-minded expert partner organisations that share the Company's ambition towards creating inclusive growth.

3. **Have you done any impact assessment of your initiative?**

Yes

4. **What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**

These are detailed in ANNEXURE – 2 to the Board's Report.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

These are detailed in ANNEXURE – 2 to the Board's Report.

Principle 9: Customer/ Consumer Value

1. **What percentage of customer complaints/consumer cases are pending as on the end of financial year?**

As on end 2019, the Company has no pending consumer complaints.

2. **Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)**

Yes, over and above compliance with applicable product packaging and labelling requirements including declaration of appropriate method of preparation of products for safe and proper consumption, the Nestlé Nutritional Compass' on the product pack provides transparent and easy to understand nutritional information that guides the consumer in making the right food choices. The Company also provides consumers with nutrition information through Guideline Daily Amounts (GDA) based labels icons on front of pack too.

3. **Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**

The Company does not have any stakeholder complaints with regard to unethical or unfair trade practices, irresponsible advertising and/or anti-competitive behaviour, which are pending as at the end of 2019.

4. **Did your Company carry out any consumer survey/ consumer satisfaction trends?**

The Company continuously carries out consumer surveys to understand consumer feedback, product satisfaction and preference while measuring consumer response and satisfaction regularly through the Company's continuous and periodic tracking studies, covering more than 47,000 consumers in 2019 through a random sampling approach among target consumers.

Notes 1 to 9 corresponding to Principles 1 to 9

Principle 1

1. <http://www.nestle.in/investors>
2. http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf
3. <https://www.nestle.in/csv/communities/ethical-conduct>

Principle 2

1. <http://www.nestle.com/aboutus/suppliers>
2. <https://www.nestle.in/csv/planet/supplier-engagement>
3. <https://www.nestle.in/csv/communities/responsible-sourcing>
4. <http://www.nestle.com/aboutus/quality-and-safety>
5. <http://www.nestle.com/ask-nestle/environment/answers/nestle-climate-change>
6. <https://www.nestle.in/csv/planet/natural-capital>
7. <https://www.nestle.in/csv/communities/coffee>

Principle 3

1. http://www.nestle.com/asset-library/documents/library/documents/about_us/policy-on-safety-and-health-at-work.pdf
2. <http://www.nestle.com/Asset-Library/Documents/Library/Documents/People/Employee-relations-policy-EN.pdf>
3. <http://www.nestle.com/asset-library/documents/library/documents/people/nestle-policy-maternity-protection.pdf>
4. <https://www.nestle.in/csv/communities/training>

Principle 4

1. <http://www.nestle.com/csv/what-is-csv/stakeholder-engagement>

Principle 5

1. <https://www.nestle.in/csv/communities/human-rights-impacts>
2. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-land-rights-agriculture.pdf
3. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-hria-white-paper.pdf
4. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-child-labour.pdf

Principle 6

1. <https://www.nestle.in/csv/planet>
2. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-climate-change-2013.pdf
3. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-biofuels-2013.pdf
4. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-water-stewardship.pdf
5. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-natural-capital-2013.pdf
6. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/natural-capital_soil-health.pdf
7. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-deforestation-2013.pdf

Principle 7

1. https://www.nestle.com/asset-library/documents/library/documents/corporate_governance/nestle-policy-transparent-interactions-with-public-authorities.pdf
2. <http://www.nestle.com/aboutus/businessprinciples/report-your-concerns>
3. <https://www.nestle.com/csv/what-is-csv/stakeholder-engagement/partnerships-alliances>

Principle 8

1. <https://www.nestle.com/csv/impact/rural-livelihoods/farmer-needs>
2. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-rural-development.pdf
3. <https://www.nestle.in/csv/planet/supplier-engagement>
4. <https://www.nestle.in/csv/planet/access-conservation>

Principle 9

1. http://www.nestle.com/asset-library/documents/library/documents/about_us/communication-principles.pdf
2. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-marketing-communication-children-policy.pdf
3. <https://www.nestle.in/nhw/understanding-food-labels>
4. <https://www.nestle.in/nhw/understanding-food-labels/the-nestle-nutritional-compass>
5. http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-salt.pdf
6. http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-sugars.pdf
7. http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-saturated-fat.pdf
8. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-policy-micronutrient-fortification-foods-beverages.pdf
9. <https://www.nestle.in/csv/individuals-families/healthy-diet>
10. <https://www.nestle.in/csv/individuals-families/nutrition-education>
11. <https://www.nestle.in/csv/individuals-families/marketing-children>

On behalf of the Board of Directors

Date : 13th February, 2020
Place : Gurugram

Suresh Narayanan
Chairman and Managing Director

ANNEXURE - 4 TO THE BOARD'S REPORT

Form No. MR – 3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2019

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Nestlé India Limited
CIN: L15202DL1959PLC003786
100/101, World Trade Centre, Barakhamba Lane, New Delhi -110001

We have conducted Secretarial Audit of compliance with the applicable statutory provisions and adherence to good corporate practices by Nestlé India Limited (hereinafter called 'the Company') for the Financial Year ended 31st December, 2019. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books and papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended 31st December, 2019 complied with statutory provisions listed hereunder and also, that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books and papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended 31st December, 2019 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings –Not applicable to the extent of Overseas Direct Investment and External Commercial Borrowings as there were no reportable events during the financial year under review.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 – Not applicable as the Company has not issued any shares during the year under review;
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 – Not applicable as the Company has not issued any shares/options to directors/employees under the said guidelines/regulations during the year under review;
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 – Not applicable as the Company has not issued any debt securities during the year under review;
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client – Not applicable as the Company is not registered as Registrar to an Issue and Share Transfer Agent during the year under review;

- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – Not applicable as the Company has not delisted / proposed to delist its equity shares during the year under review; and
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 – Not applicable as the Company has not bought back / proposed to buy-back any of its securities during the year under review.
- (vi) The management has identified and confirmed the following laws as being specifically applicable to the Company:
- a. Food Safety and Standards Act, 2006, rules and regulations thereunder;
 - b. Legal Metrology Act, 2009, rules and regulations thereunder;
 - c. Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act, 1992 and rules thereunder (Local Infant Code);
 - d. Bureau of Indian Standards (BIS) Act, 2016.

We have also examined compliance with the applicable clauses / regulations of the following:

- (i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India;
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Listing Agreement entered into with the BSE Limited.

During the period under review, the Company has complied with provisions of the Act, Rules, applicable Regulations, Guidelines, Standards etc. mentioned above.

We report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors including Women Directors. The changes in the composition of Board of Directors that took place during the year under review, were carried out in compliance with the provisions of the Act;
- Adequate notice is given to all Directors to schedule Board Meetings; agenda and detailed notes on agenda were sent at least seven days in advance before the meeting, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting;
- All the decisions of the Board and Committees thereof were carried through with requisite majority.

We further report that based on review of compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Company Secretary and taken on record by the Board of Directors at their meeting(s), we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

We further report that during the review period, no major action having a bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. above have taken place.

This Report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

For S. N. ANANTHASUBRAMANIAN & CO.
Company Secretaries
ICSI Unique Code : P1991MH040400

Date : 06th February, 2020
Place : Thane

S. N. ANANTHASUBRAMANIAN
Partner
FCS No. 4206, CoP No.: 1774
Peer Review Cert. No.: 606/2019
ICSI UDIN : F004206B000127076

To,
The Members,
Nestlé India Limited
CIN: L15202DL1959PLC003786
100/101, World Trade Centre,
Barakhamba Lane, New Delhi -110001

Our Secretarial Audit Report for the financial year ended 31st December 2019 of even date is to be read along with this letter.

Management's Responsibility:

1. It is the responsibility of management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Auditor's Responsibility:

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.

Disclaimer:

5. The Secretarial Audit Report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted affairs of the Company.
6. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

For S. N. ANANTHASUBRAMANIAN & CO.
Company Secretaries
ICSI Unique Code : P1991MH040400

Date : 06th February, 2020
Place : Thane

S. N. ANANTHASUBRAMANIAN
Partner
FCS No. 4206, CoP No.: 1774
Peer Review Cert. No.: 606/2019
ICSI UDIN : F004206B000127076

ANNEXURE - 5 TO THE BOARD'S REPORT

Information as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 forming part of the Board's Report for the year ended 31st December, 2019

A CONSERVATION OF ENERGY

(a) Steps taken or impact on Conservation of energy

Environmental sustainability is embedded in Nestlé Policy on Environmental Sustainability. As part of long-term sustainability, your Company ensures that the products, packaging and operations are safe for employees, consumers and the environment. Your Company ensures this with a focus on technologies, processes and improvements that matter for the environment. At Nestlé, sustainability inspires and guides everything the Company does. Moreover, the Company gives highest priority to ensure environmental friendly practices at all factories and offices. These include reduction in power consumption, optimal water consumption, eliminating excess use of paper and using eco-friendly products.

As in the past, the Company continued to stress upon measures for the conservation and optimal utilisation of energy in all the areas of operations, including those for energy generation and effective usage of sources / equipment used for generation. Within the Company, there are continuous efforts towards improving operational efficiencies, minimizing consumption of natural resources and reducing water, energy & CO₂ emissions while maximizing production volumes.

During the year, approximately fifty four energy reduction projects were undertaken by factories of the Company which will result in substantial annualized savings of 79,379 GJ (saving of 2.27% of total annual energy consumption) & shall be fully realized by the coming years. Some of the projects undertaken are:

- Steam Generation efficiency improvement at Nanjangud Factory
- Operational Improvements at Samalkha Factory
- Improving efficiency of Hot air generation.
- Steam optimization for Noodle Manufacturing

During the year, thirty two water reduction projects were initiated in factories. This, inter-alia, resulted in reduction in water consumption and reuse of recycled water in a more efficient manner. The projects undertaken will result in savings of 1,39,486 m³ (saving of 5.1 % of total annual water consumption) & shall be fully realized by the coming years. Some of the key initiatives contributing to water savings in 2019 are:

- Increasing the utilization of treated effluent after polishing through high technology Reverse Osmosis (RO) plant
- Increased recovery & usage of Milk Water as make up water in Steam Generation in a factory
- Reduction of bore well water usage by using recycled water in a factory.

Apart from energy and water saving, your Company also initiated projects for reduction of pollution and protection of the environment. Below Key Performance Indicators ('KPI') reflect the Company's intension on reducing the food loss and wastages across value chain. The reduction is driven at the material usage level and measured in value terms as well:

- **Zero Loss Material Variance:** Excess Usage / Wastage of materials in the production beyond the product manufacturing norms reflect the wastage / in-efficiencies in the production process. Therefore, this KPI is tracked to ensure that resources are used in the most optimal manner.
- **Obsolescence:** Material, which could not be used in the production, due to quality incidents which renders product as unfit for further use or due to planning issues due to which a product expires before usage. This KPI is tracked to ensure that materials are used before they expire otherwise they will contribute to food loss and waste (in addition to monetary loss).
- **Bad Goods:** Finished Goods, which reach end of life and could not be sold, due to mismatches of Demand vs Supply. Therefore this KPI is tracked to ensure that there is least amount of bad goods, thereby ensuring that food loss and waste is reduced.
- **Zero Waste to Landfill:** In addition, all eight factories are "zero waste to landfill", which implies that either all generated waste is either reused, recycled or co-processed.

(b) Additional Investment

Following are the additional proposals, which are initiated for implementation during 2020 at factory locations:

- Usage of Cleaner Fuel (Natural Gas)
- Plant efficiency improvement for generation as well as usage
- Steam Optimization of Noodle Manufacturing Lines on balanced lines
- Waste water recycling capacity increase
- Additional Solar Power Purchase Agreement (PPA)
- Additional RO plant for recycling of ETP RO plant
- Usage of renewable energy and rain water harvesting projects

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

During the years, at the factories there have been continuous efforts to improve operational efficiencies, minimizing consumption of natural resources and reducing water, energy and CO₂ emissions while maximizing production volumes.

As a result, during the period from 2004 to 2019, for every ton of production, the Company has reduced, the usage of energy by around 49%, water usage by around 54%, generation of waste water by around 59% and specific direct greenhouse gas emissions by 58%.

(d) Projects planned or initiated for further improvement in Energy & Water consumption are:

Energy initiatives planned or in progress:

Following are the additional proposals, which are initiated for implementation during 2020:

- Usage of Cleaner Fuel (Natural Gas)
- Plant efficiency improvement for generation as well as usage
- Steam Optimization of Noodle Manufacturing Lines on balanced lines
- Additional Solar Power Purchase Agreement (PPA)

Water Initiatives planned or in progress:

The Company is consistently making efforts towards sustainability and water conservation measures for coming years especially in factories, which are water scarce. Few key initiatives planned or in progress are:

- Improve the recovery of drinking water RO plant
- Additional RO plant for recycling of ETP RO plant

Description of the initiatives undertaken to reduce Green House Gases (GHG) emissions:

The Company identified 17,533 Tons of GHG reduction in 2019, which would be fully realized in coming year. Some of the key renewable energy projects that contributed to GHG savings are:

- Natural Gas
- Solar PPA
- Contribution by Energy reduction projects & improving generation efficiency.

GHG Initiatives planned or in progress:

Following are the additional proposals, which are initiated for implementation during 2019:

- Additional Solar PPA
- Usage of Cleaner fuels in operations
- Biomass boiler at new green field project

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption are furnished below.

Research and Development (R&D)

1. *Specific areas in which R&D carried out by the Company*

Your Company as a part of Nestlé Group and under the General Licence Agreement has access to and advantage of drawing from the extensive Central R&D efforts and activities of the Nestlé Group. Nestlé Group spends enormous amounts and efforts in R&D and in gaining industrial experiences. It has therefore been possible for your Company to focus its efforts on testing and modification of products for local conditions. Improving and maintaining the quality of certain key raw materials also continued to receive close attention.

2. *Benefits derived as a result of the above R&D*

The ability to leverage the R&D expertise and knowledge of Nestlé Group, has helped your Company to innovate and renovate, manufacture high quality and safe products, improve yields, input substitution and achieve more efficient operations. Consequently, the consumers perceive the products of your Company as a high value for their money.

3. *Future plan of action*

Steps are continuously being taken for innovation and renovation of products including new product development, improvement of packaging and enhancement of product quality / profile, to offer better products at relatively affordable prices to the consumers.

4. *Expenditure on R&D*

Your Company benefits from the extensive Centralised R&D activity and expenditure of the Nestlé Group, at an annual outlay of over two billion Swiss Francs. Expenditure of the Company in the nature of Research and Development are those incurred locally, primarily relating to testing and modifying of products for local conditions and are as under:

	(₹ in million)
a) Capital	31.8
b) Recurring	200.8
c) Total	232.6
d) Total as a percentage of total turnover	0.23%

Technology absorption

1. *Efforts, in brief, made towards technology absorption*

As a result of the Company's ongoing access to the international technology from Nestlé Group, Switzerland, the Company absorbs and adapts the technologies on a continuous basis to meet its specific needs from time to time.

2. *Benefits derived as a result of the above efforts*

Product innovation and renovation, improvement in yield, product quality, input substitution, cost effectiveness and energy conservation are the major benefits.

3. *Imported Technology*

All the food products manufactured and / or sold by the Company are by virtue of the imported technology received on an ongoing basis from the collaborators. Technology transfer has to be an ongoing process and not a one-time exercise, for the Company to remain competitive and offer high quality and value for money products to the consumers. This has been secured by the Company under the General Licence Agreement with the collaborators and provides access for licence to use the technology and improvements thereof, for the product categories, manufactured / sold by the Company, on a continuous basis.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- (a) *Activities relating to exports; initiatives taken to improve the exports; development of new export market for products and export plans:*

Members are requested to refer to the Board's Report under the paragraph of "Exports", for this information.

- (b) *Total foreign exchange used and earned:*

During the year under review, your Company had earnings from exports of ₹ 6,384.8 million comprising foreign exchange earnings of ₹ 4,225.8 million and export to Nepal and Bhutan in Rupees amounting to ₹ 2,159.0 million.

Foreign exchange outgo of ₹ 29,429.5 million on account of imports, expenditure on traveling, general licence fees, etc. and remittances made to non-resident shareholders on account of dividend.

On behalf of the Board of Directors

Date : 13th February, 2020
Place : Gurugram

Suresh Narayanan
Chairman and Managing Director

ANNEXURE - 6 TO THE BOARD'S REPORT

Statement of Disclosure of Remuneration under Section 197 of Companies Act, 2013 and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

- i. The ratio of the remuneration of each director[#] to the median remuneration of the employees of the Company for the financial year:

Name of Director	Designation	Ratio to median remuneration of the employees*
Mr. Suresh Narayanan	Chairman and Managing Director	140 : 1
Mr. Martin Roemkens	Executive Director - Technical	47 : 1
Mr. Shobinder Duggal [@]	Executive Director - Finance & Control and CFO	41 : 1

* Employees for the above purpose includes all employees excluding employees governed under collective bargaining.

[#] Since Independent Non-Executive Directors received no remuneration, except sitting fees for attending Board / Committee meetings and commission, the required details are not applicable.

[@] Ceased to be Director on 31st December, 2019.

- ii. The % increase in remuneration of each director[#], Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Name of Employee	Designation	% increase in remuneration
Mr. Suresh Narayanan	Chairman and Managing Director	45.0
Mr. Martin Roemkens	Executive Director – Technical	15.3
Mr. Shobinder Duggal [@]	Executive Director – Finance & Control and CFO	10.6
Mr. B. Murli	SVP – Legal and Company Secretary	20.5

[#] Since Independent Non-Executive Directors received no remuneration, except sitting fees for attending Board / Committee meetings and commission, the required details are not applicable.

[@] Ceased to be Director on 31st December, 2019.

- iii. The % increase in the median remuneration of employees in the financial year: 9.13%.
- iv. The number of permanent employees on the rolls of the Company: 7,649.
- v. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: The median percentage increase made in the salaries of employees other than the managerial personnel was 9.13%, while the increase in the remuneration of managerial personnel was 17.9%. These increases are a function of the Company's market competitiveness within its comparator group as ascertained through the detailed salary benchmarking survey the Company undertakes annually. The increase during the year reflects the Company's reward philosophy as well as the results of the benchmarking exercise.
- vi. The key parameters for any variable component of remuneration availed by the directors: Variable Component is a critical element of Total Rewards and delivers value for employees who deliver tangible results for the business, against agreed targets. Employees including Key Managerial Personnel, Annual short-term Bonus is linked to both Company and Individual Performance.
- vii. It is hereby affirmed that the remuneration is as per the Remuneration Policy of the Company.

On behalf of the Board of Directors

Date : 13th February, 2020
Place : Gurugram

Suresh Narayanan
Chairman and Managing Director

DIVIDEND DISTRIBUTION POLICY

[Pursuant to Regulation 43(A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.]

The equity shares of Nestlé India Limited (the 'Company') are listed on BSE Ltd., Mumbai. As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Company is required to formulate a Dividend Distribution Policy, which shall be disclosed in its Annual Report and on its website.

The Board of Directors of the Company ("the Board") has approved the Dividend Distribution Policy of the Company ("the Policy") which endeavors for fairness, consistency and sustainability while distributing profits to the shareholders.

The factors considered while arriving at the quantum of dividend(s) are:

- Current year profits and outlook in line with the development of internal and external environment.
- Operating cash flows and treasury position keeping in view the total debt to equity ratio.
- Possibilities of alternate usage of cash, e.g. capital expenditure etc., with potential to create greater value for shareholders.
- Providing for unforeseen events and contingencies with financial implications.

The Board may declare interim dividend(s) as and when they consider it fit, and recommend final dividend to the shareholders for their approval in the general meeting of the Company.

In case the Board proposes not to distribute the profit; the grounds thereof and information on utilization of the undistributed profit, if any, shall be disclosed to the shareholders in the Annual Report of the Company.

The dividend distribution shall be in accordance with the applicable provisions of the Companies Act, 2013, Rules framed thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other legislations governing dividends and the Articles of Association of the Company, as in force and as amended from time to time.



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