

Marching Together
#AsAForceForGood



The Board of Directors of Nestlé India Limited



Mr. Suresh Narayanan
Chairman & Managing Director



Dr. Swati A. Piramal
Non Executive Director



Mr. R. V. Kanoria
Non Executive Director



Ms. Rama Bijapurkar
Non Executive Director



Ms. Roopa Kudva
Non Executive Director



Mr. P. R. Ramesh
Non Executive Director



Mr. David S. McDaniel
Executive Director – Finance
& Control and CFO



Mr. Matthias C. Lohner
Executive Director - Technical



Mr. B. Murli
General Counsel and
Company Secretary

'Physically Distant But Together On Purpose'



Index

- 01. Message to Shareholders
- 03. Purpose
- 06. Planet
- 09. Partnerships
- 12. People
- 15. Performance
- 18. Corporate Information
- 19. 10 - Year Financial Highlights
- 20. Board's Report
- 36. Auditor's Report
- 43. Annual Accounts
- 131. Dividend Distribution Policy

Annexures to the Board's Report

- 92. Annexure 1: Report on Corporate Governance
- 107. Annexure 2: Annual Report on (CSR) Activities
- 115. Annexure 3: Business Responsibility Report
- 124. Annexure 4: Secretarial Audit Report
- 127. Annexure 5: Report on Conservation of Energy etc.
- 130. Annexure 6: Information Regarding Employees
and Related Disclosures



Dear Shareholders,

2020 has redefined the way in which we all think and live. The magnitude and volatility of the COVID-19 pandemic has shaped the contours of a New Normal where the 5Ps - PURPOSE, PLANET, PARTNERSHIPS, PEOPLE and PERFORMANCE will form the cornerstone of successful organisations.

Our PURPOSE has helped us stay strong despite challenges in the external environment

Your Company is strongly committed to its global Purpose – ‘We unlock the power of food to enhance quality of life for every one, today and for generations to come’. We committed ourselves to the nation’s fight against COVID-19 by giving every possible support to the communities, authorities and frontline workers, touching over 1.5 Million people across the nation. We supported feeding programs and distribution of essential groceries for vulnerable communities by partnering with leading NGOs and state authorities. We have also aided the purchase of medical equipments. Our employees had voluntarily donated a part of their salary, which has been topped up with an equivalent contribution from Nestlé India, and given to the Indian Red Cross Society, for relief efforts. We contributed ready-to-drink beverages and confectionery to the frontline warriors across the country, as a recognition of their efforts for keeping the nation safe. In collaboration with NGO partners, we also brought about sustained innovations in our ongoing community initiatives to adapt to the rapidly evolving external environment.

We are committed to the PLANET through the sustainable use of resources

Climate change is one of the biggest challenges currently facing mankind. The next decade will see the introduction of products with lower carbon footprint, and a move to sustainable packaging. The power to accelerate this change will require a multi-stakeholder approach, bringing industry, government, multilateral agencies and local community to collaborate and monitor progress, laying the foundation for a better world. Your Company has been accelerating its actions to reach net zero greenhouse emissions by 2050 while ensuring high levels of productivity.

We have strengthened our PARTNERSHIPS during these unprecedented times

Your Company recognized the difficulties the suppliers are going through, and we have ensured continuity in timely payments which is inherent to our values. We ensured that every drop of milk which was offered to us was bought to

ensure that our farmers do not lose out. We also announced the launch of “MAGGI DESH KE LIYE 2 MINUTE – Ek Chhoti Si Koshish”, a set of year-long initiatives, across the country to contribute towards societal needs. Under the aegis of Nestlé’s global youth initiative, ‘Nestlé Needs YOuTh’, we launched the Nestlé Entrepreneurship for YOuTh platform to nurture budding entrepreneurs and create job opportunities through a kiosk business model, helping the youth of the country cope with these challenging times.

We have witnessed ordinary PEOPLE do extraordinary acts
A defining moment for us in 2020 has been witnessing ordinary people do extraordinary acts. Mustafa Hossain, our dedicated distributor’s salesman in Gangtok, walked 14 kilometers each day for 3 days through the mountainous terrain to get necessary permissions from the local authorities so that much needed products of Your Company were available to the consumers during lockdown. Similarly, our sales executive M Balaji, went beyond his call of duty, by supporting our distributor, Ramakrishnan in Hosur. Since Ramakrishnan’s team could not report to work because of the lockdown, M Balaji, took orders, loaded the stocks in Ramakrishnan’s car, and together they delivered the products to the supermarkets and grocery stores, working tirelessly. Swapan Kumar Roy, is another one of our distributors in Kolkata, who serviced 300 retailers alone with the help of just one staff member, and personally delivered stocks.

We delivered a strong PERFORMANCE and are committed to Make in India and Made in India

Your Company is proud of its 108-year long association with the nation and as a vindication of this confidence and trust, we plan to invest ₹ 26 Billion over the next three to four years. Further, resonating with consumer needs during evolving times, we introduced a range of product and marketing innovations in line with new normal.

Looking ahead in the new normal

The three attributes that will shape successful organisations in the days to come are resilience, authenticity and compassion. We also have to recalibrate the way we engage with our people and further enable decision-making at the appropriate levels. Increasing penetration and proclivity towards more credible, transparent, trustworthy, and scientifically better modulated brands is going to be the call of the consumer. The future will demand increased commitment from companies and their brands, making sure that business stays committed to the community, consumers and the planet.

We hope that each of us will rise to this challenge with all the will power, hope, energy and prayer that we can muster! If the pandemic has taught us a lesson, it is, to embrace humanity and make a difference with our lives for whatever time we have on the planet.

Suresh Narayanan
Chairman & Managing Director

Focussing on 5Ps





PURPOSE

Reaching out in the hour
of Need

Stepping Up to Pandemic Challenge

Reaching out to communities impacted & to those at the forefront in the battle against Covid-19 across **28 states and 6 UTs**

Cooked Meals



Joined hands with leading NGOs that has helped serve over 1.7 Million meals to migrant workers, daily wagers and vulnerable families



Product Contribution

Supported frontline workers including police force and communities by providing foods and beverages

Augmenting Medical Supplies

Provided ventilators, masks, PPE kits, face shields, oximeters etc.



Approx. 40,000 Ration Kits

Provided dry ration and grocery kits to street vendors, migrant families, sanitation workers, Mumbai dabbawallas, people with disabilities and vulnerable families



Voluntary Employee Contribution

Our employees supported the Indian Red Cross Society through the voluntary contribution program, which was topped up with equivalent contribution from Nestlé India. The total contribution amounted to INR 25 Million





100,000+ Dairy Farmers

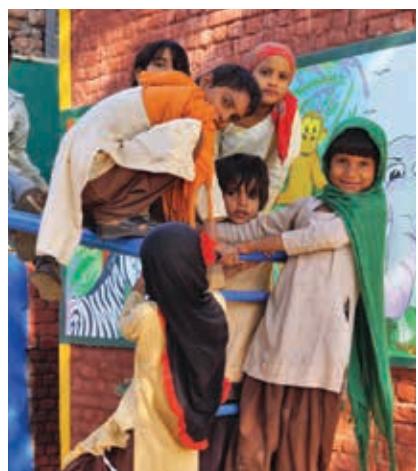
Stood by our dairy farmers and ensured every drop of milk was taken into our factories for processing



Implementation of Project Jagriti during Covid-19

6.5 Million beneficiaries reached till 2020

1.5 Million beneficiaries reached in 2020



Implementation of Nestlé Healthy Kids Programme during Covid-19

Over 397,000 beneficiaries reached till 2020

145,000 beneficiaries reached in 2020



Societal Initiatives

Transformed our on-going CSR programmes, creating awareness on Covid-19 and virtual meetings to ensure no beneficiary of our societal initiatives is left behind.



PLANET

Accelerating Our
Sustainability Journey

Pioneering Alternative Materials, Shaping a Waste Free Future and Driving a New Behaviour

Our ambition is to achieve
100% recyclable
or reusable packaging
by 2025



Commitments on Water: Four Key Areas



Communities

Providing access to water and sanitation

Over 300,000 beneficiaries



Factories

Doing more to reduce, reuse and recycle water

Reduced water use by 52% per tonne of production



Watersheds

Working with partners to preserve shared water resources

Engaged with over 3,000 rice and sugarcane farmers



Agricultural Supply Chain

Helping farmers to improve water management practices

Touching lives of 100,000 dairy and 3,500 coffee farmers



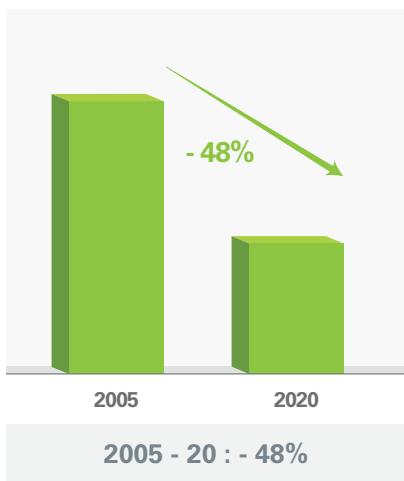
Responsible Sourcing

Ensuring sustainability
of dairy and coffee
farming

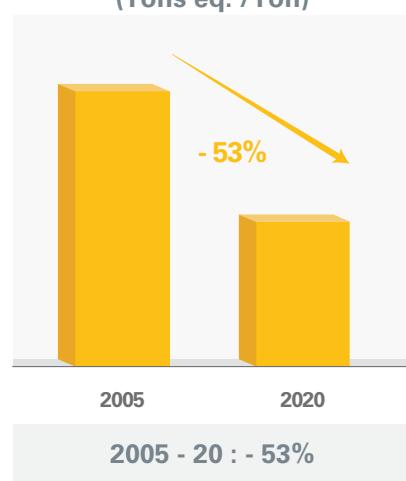


Accelerating Our Actions to Reach Zero Net GHG Emissions and Other Resources

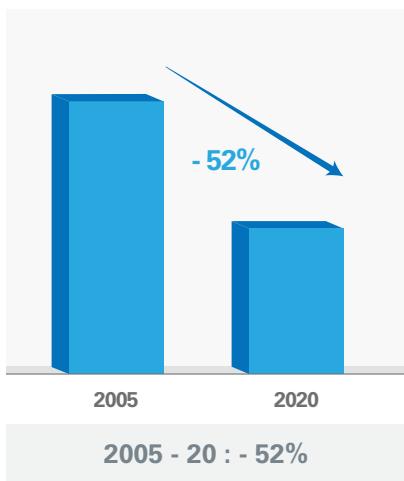
Energy Usage (GJ /Ton)



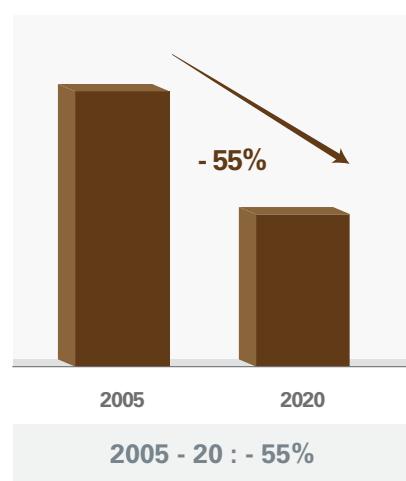
Direct GHG Emissions
(Tons eq. /Ton)



Water Usage



Generation of wastewater





PARTNERSHIPS

Ensuring Support Across Our Value Chain

Showcasing and Strengthening the Trust Built Over Decades



- We procured every drop of milk offered to us from dairy farmers during the lockdown period
- Social distancing and precautionary measures were followed during milk collection
- We also ensured uninterrupted timely payment to dairy farmers



Supported MSMEs during lockdown period

' DESH KE LIYE 2 MINUTE '



स्वास्थ्य सहायता स्वच्छता

A year-long campaign that inspires all Indians to take small steps that can make a big difference to our country

1 Million Free Meals



Connecting Youth To Farmers



Unique challenge
for Youth to solve
agriculture problems



Image Credit: Wall Street Journal; Illustration Purpose Only

Enabling 10,000
Home Chefs

Supporting 10,000
Food Vendors

Providing 1 Million
Fortified Seasoning



PEOPLE

Upskilling, Health & Wellness



Wellness Days

20 Wellness Days for Each Employee to Rest and Recharge

Supporting Remote Working

Offering Reimbursement on Expenses for Communication and Workplace Furniture for Homes



Nestlé SURAKSHA

- Medical coverage to distributor salesforce
- Insurance policy upto INR 50,000
- 6,000+ individuals

Nestlé SAMMAN

- Rewarded operators in factories for working during lockdown period
- Token of appreciation from the Company
- 3,400 permanent employees & 4,000 contractual employees covered



NESTERNSHIP - Upskilling Youngsters



1,000 Virtual Interns Joined

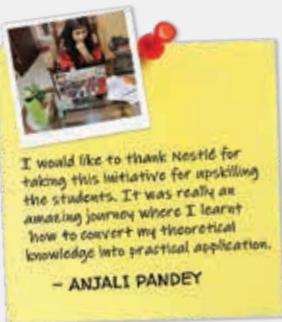


Half From Non-tier 1 Cities



2/3rd Female Interns

- Nestlé India launched a virtual internship programme, “NESTERNSHIP”
- To ensure that the youth do not lose opportunities to develop themselves professionally during the pandemic
- The programme addressed applicants from Graduates in the final year of any discipline and Post-Graduates with a focus on upskilling and enabling them to thrive in workplaces, that they join, at a later date



Upskilling Across Our Value Chain: Training suppliers on COVID-19 preparedness

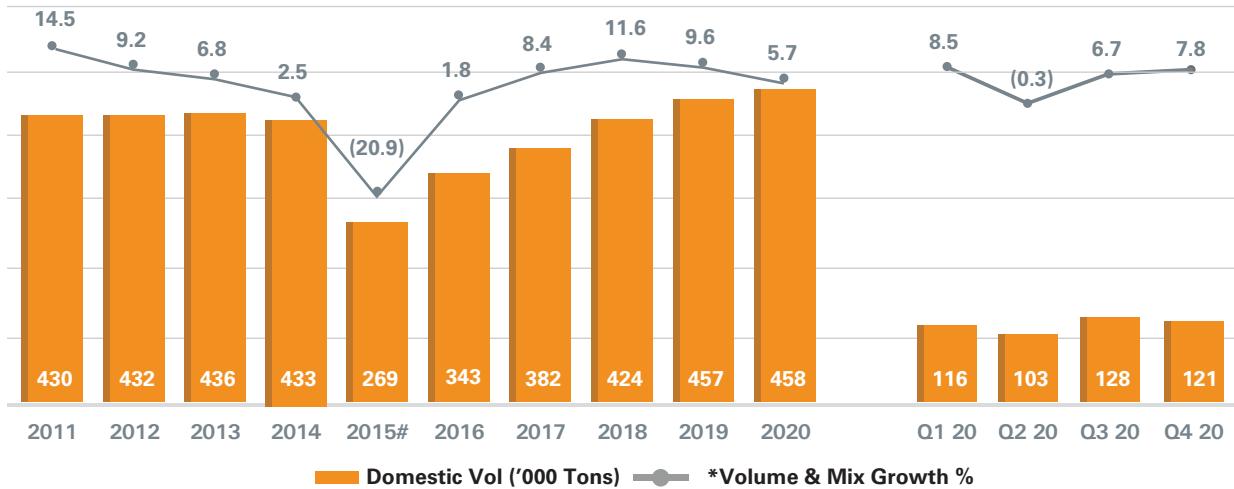




PERFORMANCE

In Step With The Consumer
Needs in The New Normal

10 Years of Sustainable Volume & Mix Led Growth



#2015 impacted by MAGGI Issue.

*Volume and Mix Growth computed as per Internal reporting standards.

10 Years of Sustainable Domestic Value Growth

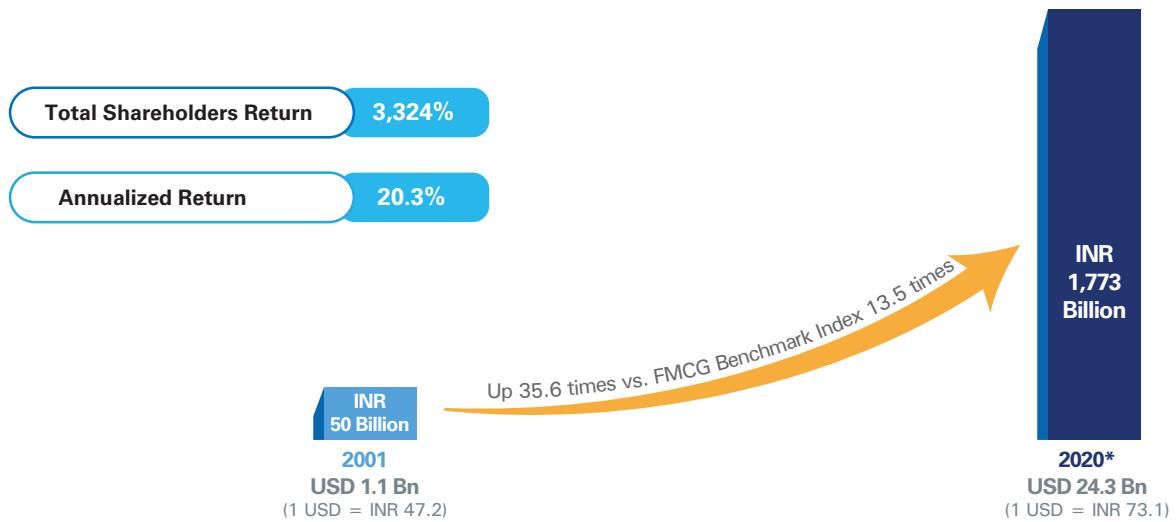


#2015 impacted by MAGGI Issue.

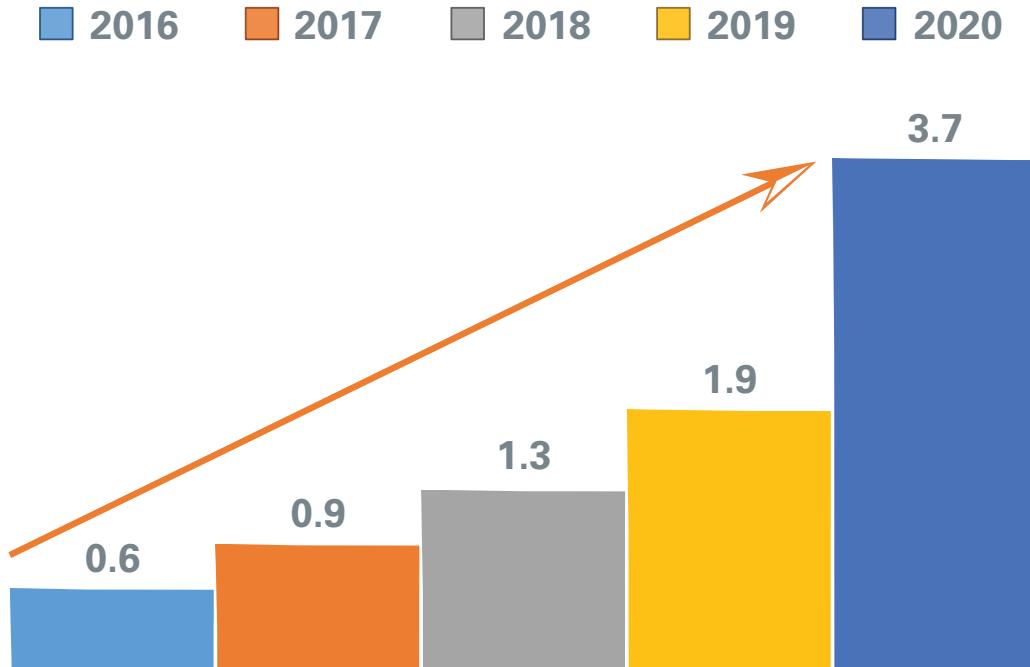
*Reported growth rates in 2017 & 2018 were adversely impacted due to lower reported sales by the change in structure of indirect taxes and reduction in realizations to pass on the GST benefits.

Leading to....Creating Significant Value For Investors

MARKET CAPITALIZATION



Growing Contribution of E-commerce to Domestic Sales



Corporate Information

BOARD OF DIRECTORS

Suresh Narayanan (DIN:07246738)	-	Chairman & Managing Director
David S McDaniel (DIN:08662504)	-	Executive Director - Finance and Control & CFO
Matthias C Lohner (DIN:08934420)	-	Executive Director - Technical
P R Ramesh (DIN:01915274)	-	Independent Non - Executive Director
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
Swati A Piramal (DIN:00067125)	-	Independent Non - Executive Director

MANAGEMENT COMMITTEE

Suresh Narayanan	-	Chairman & Managing Director
David S McDaniel	-	Finance & Control and CFO
Matthias C Lohner	-	Technical
Anurag Patnaik	-	Human Resources
Ashish Pande	-	Supply Chain
B Murli	-	Legal & Company Secretary
Chandan Mukherji	-	Consumer Insights
Hari Nariani	-	ISIT/Nestlé Business Excellence
Mehernosh Malia	-	Dairy
Nikhil Chand	-	Foods, Confectionery
Rashi Goel	-	Communications, Cereals
Ravi Ramchandran	-	Sales
Sanjay Khajuria	-	Corporate Affairs
Sunayan Mitra	-	Beverages
Sushrut Nalluwar	-	Nestlé Professional
Vineet Singh	-	Nutrition

BOARD COMMITTEES:

AUDIT COMMITTEE

P R Ramesh	-	Chairman
Rajya Vardhan Kanoria	-	Member
Roopa Kudva	-	Member

STAKEHOLDERS RELATIONSHIP COMMITTEE

Rama Bijapurkar	-	Chairperson
Rajya Vardhan Kanoria	-	Member
David S McDaniel	-	Member

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Swati A Piramal	-	Chairperson
Suresh Narayanan	-	Member
Rama Bijapurkar	-	Member
David S McDaniel	-	Member

NOMINATION AND REMUNERATION COMMITTEE

Rajya Vardhan Kanoria	-	Chairman
Roopa Kudva	-	Member
P R Ramesh	-	Member

RISK MANAGEMENT COMMITTEE

Suresh Narayanan	-	Chairman
David S McDaniel	-	Member
Matthias C Lohner	-	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 Limited
ICICI Bank Limited
Punjab National Bank
State Bank of India
Standard Chartered Bank
Yes Bank Limited

WEBSITE

www.nestle.in

INVESTOR EMAIL ID

investor@in.nestle.com

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", 9th 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, Tahlivali, District - Una - 174 301 (Himachal Pradesh)
- Industrial Area, Nanjangud - 571 301 Mysore District (Karnataka)
- Ludhiana-Ferozepur 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, Panthagar- 263145, Dist. Udhamsingh Nagar (Uttarakhand)

REGISTRAR & TRANSFER AGENTS

M/s Alankit Assignments Limited
4E/2, 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, Piroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
(Scrip Code: 500790)

62ND ANNUAL GENERAL MEETING

Friday, 7th May 2021 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)

	2020	2019^	2018	2017	2016	2015*	2014	2013	2012	2011
Results										
Sales	132,902	122,953	112,162	101,351	94,096	81,233	98,063	90,619	83,023	74,908
Profit from Operations	28,775	25,940	23,509	18,305	16,542	13,338	17,926	16,941	15,400	13,840
as % of Sales	21.7	21.1	21.0	18.1	17.6	16.4	18.3	18.7	18.5	18.5
Profit after Tax	20,824	19,684	16,069	12,252	10,014	5,633	11,847	11,171	10,679	9,615
as % of Sales	15.7	16.0	14.3	12.1	10.6	6.9	12.1	12.3	12.9	12.8
Balance Sheet and Cash flow statement										
Shareholders Fund	20,193	19,189	36,737	34,206	32,823	28,178	28,372	23,687	17,984	12,740
Return on Average Equity (%)	105.8	70.4	45.3	36.6	32.8	19.9	45.5	53.6	69.5	90.3
Operating Cash Flow	24,545	22,953	20,525	18,178	14,659	10,981	16,440	17,964	16,934	11,582
as % of Sales	18.5	18.7	18.3	17.9	15.6	13.5	16.8	19.8	20.4	15.5
Capital Expenditure	4,741	1,522	1,628	1,959	1,133	1,493	4,044	3,282	9,744	15,552
as % of Sales	3.6	1.2	1.5	1.9	1.2	1.8	4.1	3.6	11.7	20.8
Data per Share										
Earnings per share (₹)	216.0	204.2	166.7	127.1	103.9	58.4	122.9	115.9	110.8	99.7
Dividend per share (₹) [#]	200.0	342.0	115.0	86.0	63.0	48.5	63.0	48.5	48.5	48.5
Market capitalisation, end December	1,773,312	1,425,983	1,070,913	756,381	581,367	561,535	615,113	510,738	481,153	402,314
Number of employees	7,747	7,649	7,604	7,527	7,588	7,495	7,228	7,159	7,008	6,639

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.

^Figures have been reinstated in accordance with implementation of Ind AS 116 Leases.

Key Financial Ratios

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

Particulars	2020	2019*
Operating Profit Margin(%) (Profit From Operations/Sale of Products)	21.7	21.1
Net Profit margin (%) (Profit After Tax/Sale of products)	15.7	16.0
Return on Net Worth (%) (Profit After Tax/Average Equity)	105.8	70.5
Current Ratio (Current Assets/Current liabilities)	1.7	1.7
Inventory turnover Ratio (Sale of products/Average Inventories)	9.8	10.9
Debtors Turnover Ratio (Sale of products/Average trade receivables)	91.9	98.8

*Figures have been reinstated in accordance with implementation of Ind AS 116 Leases

Notes:

- Interest Coverage Ratio and Debt Equity Ratio are not relevant for the company as it has negligible debt.
- Significant change i.e. 25% or more over previous year in Return on Net Worth is attributable to payment of special dividend of ₹ 180 per share out of accumulated profits in 2019. This had an impact on retained earnings of 2019 & 2020. Adjusted Return on Net Worth Ratios of 2019 and 2020 without considering the impact of special dividend is 51.3%.

Board's Report

Dear Members,

Your Directors are pleased to present their report and financial statements for the year ended 31st December 2020.

Financial Results and State of Company's Affairs

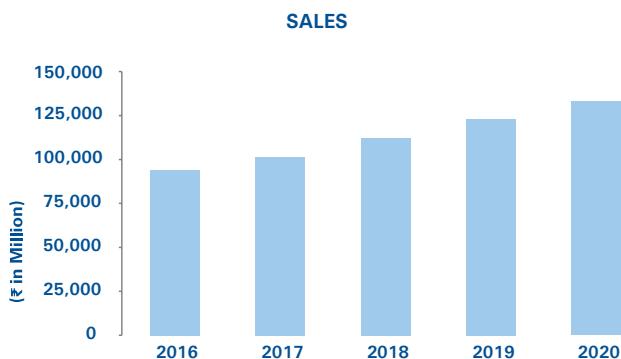
Particulars	2020	2019 [#]
Sale of products	132,901.6	122,952.7
Add : Other operating revenues	598.7	736.3
Add : Other Income	1,458.5	2,468.8
Total Income	134,958.8	126,157.8
Less : Total Expense	106,830.9	99,422.9
Profit before tax	28,127.9	26,734.9
Less: Tax expense	7,303.6	7,050.5
Profit after tax	20,824.3	19,684.4
Add : Other Comprehensive Income	(922.1)	(1,547.7)
Total Comprehensive Income	19,902.2	18,136.7
Opening balance in Retained Earnings	10,173.7	27,565.3
Amount available for appropriation	30,072.7	45,736.3
Interim dividends 2020: ₹ 135.00 per share 2019: ₹ 101.00 per share	13,016.1	9,738.0
Special interim dividend paid out of accumulated profits of previous years(surplus in the profit & loss account) 2020: Nil 2019: ₹ 180.00 per share		17,354.8
Final dividends 2019: ₹ 61.00 per share	5,881.4	
2018: ₹ 25.00 per share		2,410.4
Less: Dividend distribution tax		6,059.4
Closing balance in Retained Earnings	11,175.2	10,173.7
Key ratios:		
Earnings per share (₹)	215.98	204.16
Dividend per share (₹) Interim Proposed - Final	135.00 65.00	281.0* 61.0
Additional Information: Profit from operations	28,775.4	25,940.4

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

Figures have been reinstated in accordance with implementation of Ind AS 116 Leases.

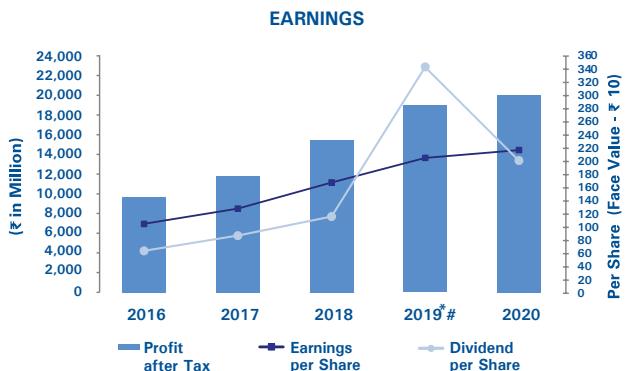
Total Sales and Domestic Sales for the year increased by 8.1% and 8.5% respectively. Domestic Sales growth is largely driven by volume & mix and is broad based. Demand

in Out-of-Home channel was impacted throughout the year due to COVID-19 pandemic. Export Sales growth at 1.4% impacted by lower coffee exports.



Other Income has decreased due to lower yields and lower average liquidities.

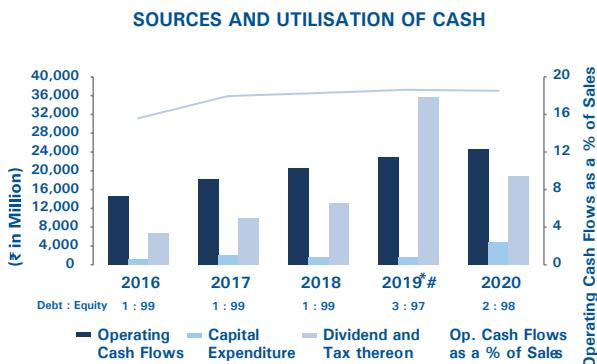
Your Company has created a contingency provision of ₹ 1,088.9 Million (previous year ₹ 1,163.4 Million) for various contingencies resulting mainly from matters, which are under litigation / related to disputes and other uncertainties requiring management judgement. Your Company has also reversed, utilized / settled contingency provision of ₹ 580.2 Million (previous year ₹ 914.6 Million) due to satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required.



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

* Figures have been reinstated in accordance with implementation of Ind AS 116 Leases.

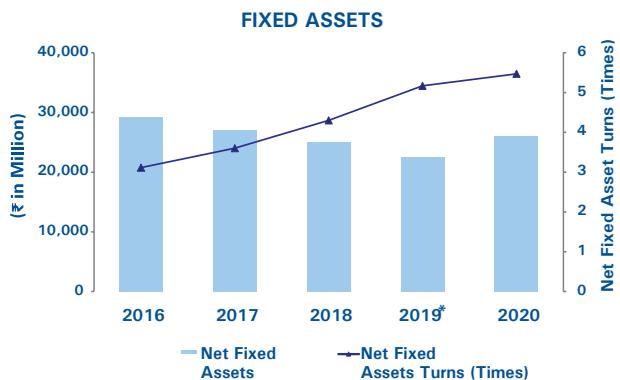
NESTLÉ INDIA LIMITED



Ratios in % of sales from 2017 onwards are impacted due to implementation of Goods and Services tax.

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

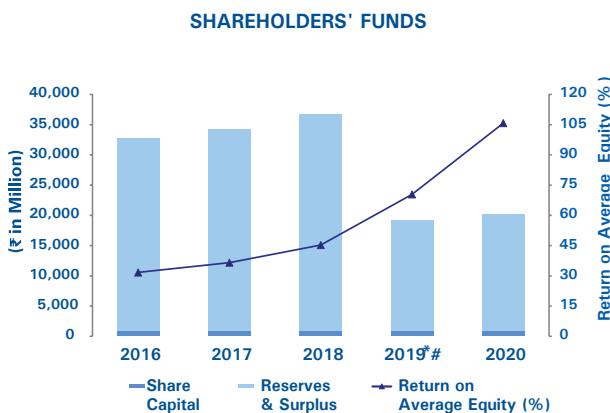
* Figures have been reinstated in accordance with implementation of Ind AS 116 Leases.



Fixed Assets includes Property, Plant and Equipments and Capital work-in-progress.

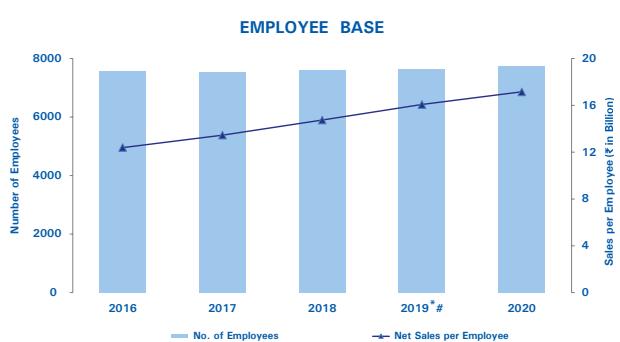
Ratios in terms of sales from 2017 onwards are impacted due to implementation of Goods and Service tax.

* Figures have been reinstated in accordance with implementation of Ind AS 116 Leases.



Reserves & Surplus impacted by payment of special interim dividend of ₹ 180 per share in 2019 out of accumulated profits of previous years.

* Figures have been reinstated in accordance with implementation of Ind AS 116 Leases.



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

Dividends

The Board of Directors have recommended a final dividend of ₹ 65.00 per equity share amounting to ₹ 6,267 Million for the year 2020. The total dividend for 2020 aggregates to ₹ 200 per equity share which includes interim dividend of ₹ 135.00 per equity share paid on 20th November 2020. 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>

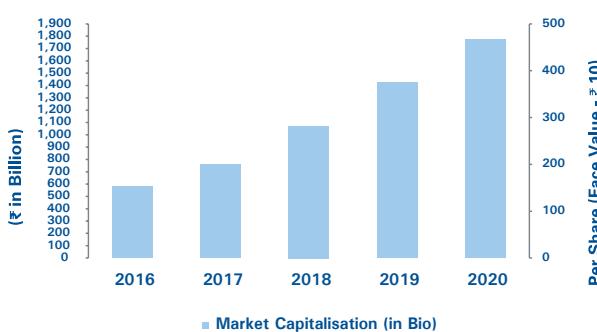
Material changes affecting the Company

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.

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



Exports

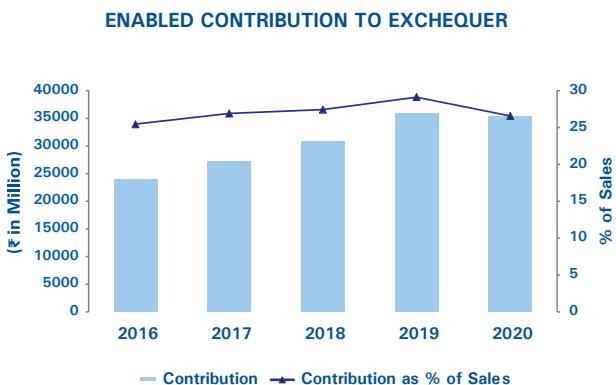
In 2020, the exports of your Company registered 4.8% volume growth, driven by categories such as Prepared Dishes and Cooking Aids, Milk Products and Nutrition. Your Company's continued focus on MAGGI range extension and channel proliferation brought growth across international markets.

Your Company recorded highest ever exports of MAGGI noodles and sauces to the United States, Canada, United Kingdom, European Union, Australia and New Zealand, despite disruptions in supply chain, caused as a result of COVID-19. Categories such as Coffee and Beverages were negatively impacted by supply chain disruptions, lower coffee exports to Turkey and drop in Out-of-Home consumption.

Your Company continues to explore new markets for categories such as Prepared Dishes and Cooking Aids, Chocolates and Confectionery in the Middle East.

Contribution to the Exchequer

Your Company over the years has been enabling significant contribution to various taxes. During the year 2020, the Company through its business, enabled tax collections at Central and State level close to ₹ 35.3 Billion, in aggregate.



Ratios from 2017 onwards are impacted due to implementation of Goods and Services tax.

Business Development

In 2020, the rapidly evolving COVID-19 pandemic, not only posed a health challenge but significantly impacted businesses and the economy across the world. Your Company committed itself to the nation's fight against COVID-19 and confronted the uncertainties by focusing on three key priorities – 'safeguarding the health and well-being of its people, ensuring business continuity to meet consumer needs and supporting communities through its relief efforts.'

Your Company worked closely with employees, local communities and business partners to navigate through the unprecedented times, reduced manufacturing complexities which arose as a result of the lockdown and made available its products to consumers with speed and agility.

Your Company stood by nearly 100,000 dairy farmers in these difficult times and bought every drop of milk which was offered by them. Your Company continued to work closely with its 3,500 coffee farmers, 1,250 spice growers and extended its support to numerous farmers in Karnataka by sourcing substantial quantity of tomatoes from them through its suppliers to reduce distress.

Despite a challenging environment, your Company delivered robust growth across all its categories, largely driven by volume and mix-led growth. NESCAFÉ, KITKAT, EVERYDAY, MAGGI noodles, MASALA-Ae-MAGIC outperformed and continued to be significant growth drivers. Your Company delivered strong performance in the e-commerce channel, due to rise in in-home consumption. During the rapidly evolving times, your Company continued with its innovation and renovation journey to meet consumer needs and seven out of the eight Nestlé brands held number one position, according to Nielsen data. With a strong thrust on innovation, your Company launched more than 80 new products in the last 5 years and has been consistently present across 7935 urban towns in last 5 years.

Your Company accelerated its digital engagements across key parts of its portfolio and also extended AskNestlé 2.0 to Hindi, an intuitive mobile website, that provides real-time and personalized advice on nutrition.

Your Company is proposing to invest ₹ 26 Billion over the next three to four years to augment its existing manufacturing capacities, as well as towards its new under construction 'state of the art' factory in Sanand, Gujarat, which demonstrates your Company's commitment to India.

Protecting and preserving the planet in order to carve a sustainable future is woven into the purpose of your Company. Your Company has accelerated its actions to achieve net zero green house gas (GHG) emissions, sustainable logistics, responsible sourcing and less carbon footprint. Your Company's GHG emissions and energy consumption has been reduced substantially over a period of 15 years. We have taken considerable steps towards reducing packaging consumption by 2,000 metric tons from 2018 to 2020. Your Company continues to implement behaviour change initiatives towards plastic waste management.

Your Company has made a long-term commitment to responsible sourcing and has collaborated with its suppliers to optimise their consumption of natural resources and minimise solid waste, including food waste. Your Company encourages sustainable agriculture practices for different crops, creating long-term sourcing connections that generate economic stability for farmers and enhances livelihood outcomes.

Navigating through uncertain times, your Company continued its commitment to shape a better world not only for its business, but also for individuals and families, communities and for the planet.

Innovating and Renovating Prepared Dishes and Cooking Aids



The Prepared Dishes and Cooking Aids business continued to be an ally in everyday cooking for Millions of consumers during COVID-19.

Your Company increased its production capacity

and invested in innovations under the MAGGI portfolio, to meet the needs of consumers during these unprecedented times.

MAGGI registered strong growth across its brands, that strengthened its position as the industry leader. MAGGI noodles responded to consumers experimenting during in-home indulgence and launched new flavours such as Yummy Capsica and Chatpata Tomato and renovated Desi Cheesey.



Your Company also launched MAGGI Atta Spinach noodles for consumers seeking both taste and nutritional benefits. MAGGI Sauces registered double-digit growth and MAGGI Upma and Poha scaled up in volume

and delivered strong presence in the Ready-to-Eat segment. As there was an increased need for cooking aids during and post-lockdown, your Company launched MAGGI Fried Rice Masala with two spice mixes - Classic Veg and Chilli Garlic fried rice, and MAGGI Paneer-ae-Magic Shahi Paneer and Kadhai Paneer Masala mix.



To strengthen the consumers trust, your Company created QR code enabled anti-counterfeit solution for MAGGI Masala-ae-Magic to ensure the authenticity of the pack.

Your Company launched 'MAGGI – Cooking Made Simple', a service that makes every-day cooking simple, convenient and enjoyable for everybody. This service brings popular recipes from across the country, under three areas of 'made easy', 'made with a twist' and 'made healthier'.

Your Company believes in the power of food to enhance lives, improve livelihoods and protect the planet for future generations. Your Company launched,'MAGGI - DESH KE LIYE 2 MINUTE - Ek Chhoti Si Koshish', an initiative aimed at inspiring people to take small steps to bring about change. Centered around 3S - Swasthya, Swachhta and Sahayata, MAGGI collaborated with communities in a purposeful way, provided 1 Million meals to disadvantaged sections of the society, supported street food vendors to come out of these challenging times, inspired the youth to connect with agriculture and supported 10,000 home chefs to start their own food business.



Building Breakfast Cereals



Your Company launched KOKO KRUNCH, a global cereal brand in 2020, and NESPLUS was renovated with new packaging.

The business displayed agility and embraced the shift in channel dynamics because of COVID-19. Focus on e-commerce delivered growth.

Single serve SKUs helped drive penetration and trials among consumers.

Strengthening of Milk products and Nutrition Portfolio

The Milk Product and Nutrition business continued to deliver good performance despite disruptions caused by COVID-19 and challenges linked to commodity price fluctuation. Your Company mitigated some of these challenges by identifying and implementing efficiency improvements across the value chain.

Your Company continued to support over 100,000 Dairy farmers during the pandemic by buying every litre of milk offered to your Company, providing uninterrupted timely payments and ensuring COVID-19 related precautions are followed during milk collection.

Your Company distributed over 6 Million serves of dairy products as a part of 'Care Packs' to frontline COVID warriors. Your Company also pioneered the purpose-driven campaign by distributing sweet dish made from MILKMAID to over 10,000 families during Kerala's Onam festival.



Your Company continued to inspire consumers to bake desserts with MILKMAID through live masterclasses by renowned chefs.

Your Company further leveraged e-commerce, through targeted communication, range selling and consumer base sampling, which led to a growing contribution of e-commerce to Milk Products and Nutrition category.

Your Company believes that breastmilk 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 continued breastfeeding until two years and beyond. Your Company's nutrition business is committed to providing high quality, innovative, science-based nutrition.

Your Company continued to build a strong Toddler portfolio with the launch of LACTOGROW Toddler.

Your Company's Healthcare Nutrition Business, Nestlé Health Science, has a portfolio of science based medical and consumer healthcare nutrition products. In 2020, your Company continued to consolidate its portfolio that delivered growth.

Introduction of smaller 200g SKUs of RESOURCE HIGH PROTEIN and RESOURCE DIABETIC in key channels, helped



increase consumer access. With continued endeavors to renovate and innovate, your Company also expanded its offerings in the weight management category by launching OPTIFAST vanilla flavor variant.

Growing Coffee and Beverages Business

Your Company continued to focus on growing Coffee and Beverages business and remain relevant to consumers, despite the challenges posed by COVID-19. Remaining consistent to the successful strategy over last few years, NESCAFÉ led the journey of building the coffee consumption category throughout the year. This reflected in strong brand growth and resulted in significant market share gains. Your Company continued its journey of building relevance and strong connection with consumers with the NESCAFÉ Classic new campaign, 'Karne se hi hona hai' The campaign was

anchored in hope and action to inspire consumers to restart lives in the new normal.

NESCAFÉ SUNRISE moved ahead in its journey of driving a differentiated brand in the core coffee market in the southern part of India. Along with brand building initiatives, it activated sampling coffee to frontline warriors to extend support in the difficult times.

NESCAFÉ accelerated its premiumization journey, building on the promise of delivering coffee at its best with NESCAFÉ Gold. As more and more people stayed indoors, there was a need for in-home indulgences. With exciting coffee recipes and product solutions, NESCAFÉ Gold helped consumers create a café like experience at home, resulting in strong growth.



More offerings in the Chocolates and Confectionery Portfolio

Your Company's Chocolates and Confectionery business continued its robust performance with strong growth and market share gains in a challenging year. Your Company launched multiple 'category first' innovations across key brands, such as Nestlé POLO Extra Strong and Nestlé POLO Paan.



Your Company focused on innovation to address new consumption opportunities, such as the launch of new packaging during the festive season for KITKAT. The KITKAT glow-in-the-dark packs were designed to encourage consumers to find small joys, while taking meaningful breaks.

Your Company launched MUNCH Star initiative, a unique platform that celebrates the spirit of inventiveness and resilience in Millions of young Indians.



Nestlé Professional - Out-of-Home Business

Your Company ensured continuous customer engagement as a spirit of partnership and solidarity. Your Company's 'Out of Home' business initiated a programme called 'Nayi Shuruat' or 'New Beginnings'. Your Company offered financial support in the form of credit period extensions, free goods, machine rental waivers and variable pay protection to its customers and partners.

Despite the pandemic, your Company continued to build its portfolio through the launch of innovative products and solutions. In response to hygiene concerns post the pandemic, your Company led the launch of contactless beverage solutions in the industry. Continuing with the objective to premiumize the beverages business portfolio, Roast & Ground (R&G) coffee was developed and launched. This was accompanied by the development of an R&G beverage solution which opens-up an additional market for such solutions.

Since the dependence on food delivery due to the pandemic had increased, your Company introduced a service and product platform to expand its role in the delivery ecosystem. Your Company introduced 100+ quick and easy recipes for menu partnerships with restaurants, based on top-sellers and limited pantry support. Your Company also introduced a food solutions portfolio customized for delivery applications like rice seasonings (Oriental) and pasta sauce mixes (Italian) that are operator friendly and cost effective.

Your Company took an important initiative to scale up the kiosk business through 'Entrepreneurship for Youth' which aims to create livelihood and job opportunities for people through their kiosk business model, helping the youth of the country cope with these unprecedented times. The kiosks are run on a youth-facing, franchisee-operated business model, offering unique entrepreneurial opportunities to generate sustainable business, decent employment and respectable livelihoods for the franchise owners.

Awards and Recognitions

Your Company received several awards and was recognized at important industry forums, in the areas of corporate management, marketing, nutrition, quality and societal initiatives.

- CNBC-AWAAZ awarded Mr Suresh Narayanan as the Best Performing Leader for the MNC category.
- Business Standard awarded Nestlé India as the MNC of the year.
- Nestlé India recognized as Company of the year at Business World PURE - 'Purpose and Resilience' Award 2020 for its strong commitment towards COVID Relief Efforts, launch of

Nesternship and continued investment towards building brand love through its unique brand initiatives.

- Nestlé India ranked Joint FIRST in Access to Nutrition Index (ATNI) India Spotlight Index 2020 and led in product, marketing and engagement index categories. The India Spotlight Index 2020 is an independent national assessment to measure the contribution of India's largest foods and beverages manufacturers towards meeting the health and nutrition needs of Indian consumers.
- Nestlé India awarded for 'Excellence in Environment Management' at the CII-ITC Sustainability Awards for responsible sourcing, water conservation, sustainable packaging and managing post-consumer plastic waste.
- Nestlé India won United Nations Global Compact Network India (UN GCNI), best innovative practices award for women in the workplace, in the category of private sector.
- Business World awarded Nestlé India for Best Financial Performance in the MNC Category.
- AskNestlé won Bronze at the Global WARC Awards, for effective innovation.
- Nescafé awarded silver and AskNestlé awarded Bronze at the Effies.
- Nestlé India Supply Chain won No.1 Rank, in Apex 10 amongst India's TOP Consumer Supply Chain, people's choice award.
- MAGGI Special Masala Launch on Flipkart won 2 Gold awards at the Economic Times DigiPlus awards.
- Nanjangud Factory awarded the Golden Peacock National Quality Award.
- CII awarded excellence in Quality and Food Safety to Ponda, Moga and Choladi factories on COVID-19 practices.
- Nestlé India won the GSS Global Safety and the Golden Peacock Occupational Health and Safety Award in the food and beverages category

People Focus

In your Company, safety, well-being and security of people has always been of paramount importance. Employees had to embrace new and different ways of working such as 'work from home' and have been subject to stresses, fears and anxieties never experienced before. Your Company rolled out numerous 'virtual' engagement and training programmes, mental health initiatives, 'check-in' programmes with youngsters who live alone or far from home and free advisory calls with accredited doctors. Technology played a vital role during this crisis, especially in terms of workforce connectivity.

Your Company rolled out across all its factories a 'NESTLÉ SAMMAN' programme that rewarded operators for working tirelessly during the stipulated period. Your Company undertook strict social distancing and other precautionary measures at all its manufacturing locations.

Your Company rolled out the 'NESTLÉ SURAKSHA' programme for front-line sales force, who work for our distribution partners to cover those who were not covered by Employees' State Insurance, with a COVID-19 insurance protection.

Your Company launched Nesternship, a virtual internship programme for final year graduates and post-graduates across disciplines. The programme focused on upskilling 1,000 interns, providing them with a depth of experience and a wealth of knowledge to thrive in workplaces. Each student was provided a monthly stipend and interned with an expert from different functions of your Company.

Employees of your Company stood together to support the fight against COVID-19. Your Company started an "Employee voluntary contribution programme", wherein employees contributed a part of their monthly salary for COVID relief. Your Company topped up an equivalent amount and a total contribution of around ₹ 25 Million was provided to Indian Red Cross Society to strengthen its efforts and provide relief for people impacted by COVID-19. Diversity, inclusion and commitment to equal opportunity, are important pillars for your Company, and this year, it continued its focus and worked in this direction.

Sales

Your Company embarked on a new work culture at the distributor points, where safety of people was given high priority. Your company launched Project Surakshit Sampoorn Distributor, that focused on safety guidelines and effective distribution. Your Company made its best endeavor to make available its products to consumers in all geographies despite challenging logistical issues.

Your Company also stepped up its efforts to make its products available in residential societies so that the consumers can avoid stepping out during the pandemic.

Your Company activated emerging platforms and newer Route to Market (RTM) by partnering with hyperlocal delivery platforms within a month after lockdown in a few cities for the first time.

E-commerce channel accelerated during the pandemic, bringing in strong growth. By making its products available on the e-commerce platforms your Company provided easy access to consumers.

Demand for MAGGI Noodles, Sauces and Pasta, Nestlé A+ UHT Milk, NESCAFÉ and NESCAFÉ SUNRISE (Coffees), MILKMAID condensed milk increased as consumers stocked products due to uncertainty and increase in in-home consumption as well as in-home cooking.

Consumers were engaged digitally through relevant targeted communication across brands such as MAGGI, NESCAFÉ, KITKAT, CEREGROW, RESOURCE HIGH PROTEIN among others. The period between April to June 2020 saw a significant increase in first-time e-commerce shoppers. The intensity of e-commerce business accelerated further quarter on quarter with the business from e-commerce almost doubling in 2020.

Management Analysis

COVID-19 was not only a health crisis, it had far-reaching implications on the global economy. The pandemic led to a sharp decline in global trade, lower commodity prices and tighter liquidity conditions.

The contraction in GDP seen in many countries, including India, was because of reduced economic activity and restricted mobility, due to COVID-19 as people curtailed discretionary spending and focused on essentials and precautionary savings due to the level of uncertainty. The pandemic affected both demand and supply, at least in the short-term. As lockdowns eased across the world economic activity gradually started to recover.

The November RBI Consumer Confidence Survey showed that while consumer sentiment was higher by November, compared to July and September 2020, it remained lower than in November 2019.

Exports and imports both declined as a result of reduced consumer and industrial demand, according to NCAER.

According to the Economic Survey 2020-2021, the government adopted a four-pillar strategy of containment, fiscal, financial, and long-term structural reforms.

India had good monsoons, and the Indian agriculture sector achieved record food grain production and registered positive growth despite the coronavirus pandemic. Rural consumption was stronger than urban demand.

According to India's Economic Survey 2020-2021, India remained a preferred investment destination in financial year 2020-21.

Risks and Opportunities

The COVID-19 pandemic led to changes in food consumption habits. Consumers started experimenting with convenience

leading to a shift in preferences for easy-to-prepare meals. Being confined to homes, balancing work and household chores, has led to an increase in the demand for food and beverage options, cooking aids and recipe solutions.

Risks

Global and Macro-Economic Factors:

Global and macro-economic factors may lead to an impact in consumer demand and sharp inflation in commodity prices could create risks. However, your Company's consumer cluster based model, brings in agility and allows it to adapt to changing consumer demand and realign portfolios. Your Company launched more than 80 new products in the last 5 years out of which 10 new products were launched in 2020.

Changes in Out-of-Home Consumption

Changes in 'Out-of-Home' consumption, as a result of restricted mobility, impacted the business. However, with gradual increase in mobility, the demand for Out-of-Home channels continues to improve and your Company continued to launch innovative products and solutions.

Information Technology Vulnerability:

As a result of COVID-19, the dependence on IT increased, substantially because of the remote working conditions. However, excessive dependence on IT has also led to vulnerability to cyber attacks. To address this your Company has a robust IT system and firewalls to mitigate any threats and risks.

Confronting Climate Emergency

Climate change continues to be a threat to the world. Your Company is committed towards addressing climate change and protecting the environment and has taken important steps towards conserving resources such as energy and water. Your Company is continuously reducing waste and emissions while simultaneously optimizing its production measures, reducing food loss and waste and improving soil health.

Opportunities

Focus on Holistic Health

Your Company leveraged its in-depth knowledge of food and nutrition, and continued innovating and renovating its products in keeping with consumer requirements. It also made available a service website and curated recipes from across the country, as it continued its engagement with consumers.

COVID-19 led to enormous concern for nutrition, quality and safety of brands and products. Consumers began focusing on total well-being and holistic health. Your Company has

always been committed to quality and safety. Even during these testing times, it continued to serve its consumers by responsibly manufacturing products, ensuring complete safety and traceability across the value chain. The changing food habits will drive higher innovations from companies and larger numbers of SKUs for consumers to choose from.

Rapid Digital Transformation:

The kirana stores or the local grocery will continue to hold relevance due to the convenience in localities. Yet, another trend that emerged is that consumers became more active digitally, adopting online channels, shopping on e-commerce platforms and opting for omnichannel grocery. Your Company continues to invest in these new platforms and at the same time focus on traditional channels.

Increase in Rural Demand:

Increasing the reach in rural markets by putting sharper focus on increasing mind share and market share will be important. Companies would need to expedite their rural distribution strategy, keep consumers engaged with new offerings and drive the premiumization strategy to adapt to the changing landscape. Through the cluster-based approach, that is powered by data and technology, your Company has made deeper penetration into newer markets, unleashed growth potential and created a transparent planning process.

Quality and Safety

Your Company's priorities during the pandemic was to keep its people safe, assure continued supply of essential products for its consumers and support its business partners.

Your Company instituted a Company level COVID Response Committee, comprising all Members of the Risk Management Committee and other members of the management committee and headed by the Chairman and Managing Director. This Committee provided safety guidelines and protocols and had a robust weekly governance system. In addition, the factories and sales branches also had their Unit level Covid Response Committees that were equally vigilant.

Your Company organized regular awareness sessions for employees and contractors on COVID-19 prevention measures, social distancing and sanitation. Your Company ensured stringent social distancing at workstations and canteens through installation of physical barriers as per the standard guidelines.

Ensuring Quality & Food Safety with New Normal

Your Company's operating procedures of cleaning and

sanitization were implemented in line with the Ministry of Health & Family Welfare guidelines as well as local authority requirements and your Company's stringent internal guidelines. Collaboration was carried out with industry and Local authorities in keeping with the changing COVID-19 environment.

Environment

Reduction in Green House Gas Emissions

Sustainability is an integral part of your Company business. Your Company's manufacturing units continued improving operational efficiencies, minimizing consumption of natural resources and reducing water, energy and carbon emissions. From 2005 to 2020, for every ton of production, your Company reduced the usage of energy by around 48%, water usage by around 52%, generation of wastewater by around 55% and reduction in specific direct GHG emissions by 53%.

Your Company's key renewable energy projects contributed to GHG savings. This was implemented through the purchase of solar power at Choladi factory and usage of natural and partial replacement of fossil fuel with green fuel for hot air generation.

Packaging and Plastic Waste Management

Commitment to shaping a waste free future is important for your Company. 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 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 100% of packaging is reusable or recyclable by 2025.

Extended Producer Responsibility (EPR) Initiative

EPR initiative is being driven by your Company to comply with Plastic Waste Management Rules 2016. Your Company was amongst the first organizations to apply for registration under Central Pollution Control Board and supported pilot EPR initiatives on plastic waste management.

Your Company engaged with various waste agencies, for end-to-end management of plastic waste. In 2020, your Company achieved EPR of 20,137 MT through plastic waste management.

Recyclable Packaging

Your Company reviews its sustainability goals regularly and remains committed to recyclable packaging. Your Company successfully applied single polymer recyclable packaging solution for Noodles, Chocolates & Confectionary products. KITKAT, MILKYBAR MOOSHA, MAGGI variants are some of the SKUs that transitioned in 2020 to mono material polypropylene laminate.

Localization of ingredients

Your Company focused on acceleration of projects pertaining to localization of ingredients that were being imported, by providing continuous knowledge transfer to its partners through a team of in-house experts. This not only led to reduction in carbon footprint but also supported the Make in India initiative of the country.

Supply Chain

During the lockdown, there were restrictions on road transportation, delaying supply of essential products to consumers. To ensure smooth supply and uninterrupted access of its products to the consumers your Company provided its own transportation and manpower service for suppliers who were impacted. To meet consumer demand, it directly procured ingredients from suppliers and used alternative packaging formats, to enable speed to market.

Your Company ensured safety of people in the supply chain and conducted safety and social distancing workshops for farmers and drivers.

Even before COVID-19, your Company kept pace with digitalization and automation, by using technology which led to transparency and speed that has benefited all its stakeholders in the value chain, including dairy farmers. Farmers receive E-slips showing results of Fat and Solid Not Fat (SNF), on their mobiles and online payment systems on a regular basis. This has brought speed and reduced turnaround time through online information sharing. This initiative has put milk collection centres of Punjab and Haryana on a digital platform.

During COVID-19, your Company accelerated the invoicing platform and adopted paperless invoicing. Nearly 40% of your Company's invoices are managed digitally now. Moreover, introducing automation and digitalization across its supply chain from order and collection process to centralized logistics has enhanced efficiency in processes and speed to market. It has improved transparency of information to suppliers, farmers, customers and consumers. In order to ensure a sustainable future, across the value chain, your Company focused on reduction in wastage, through alternative mode of transportation such as railways and waterways.

Your Company enhanced quality in distribution that helped deliver fresher products on shelf and reduce carbon footprint in operations.

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 2020, 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 2020 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, Dr Rakesh Mohan (DIN: 02790744), Independent Non-Executive Director of the Company retired with effect from 30th June 2020. The Directors wish to place on record their appreciation for the contribution made by Dr Rakesh Mohan during his tenure as a distinguished Independent Director of the Company.

The Members, in the 61st Annual General Meeting held on 19th June 2020 ("AGM"), approved the appointment of Mr Prathivadibhayankara Rajagopalan Ramesh (DIN: 01915274) ("Mr P R Ramesh") as an Independent Non-Executive Director for a term of five consecutive years from 1st July 2020; approved the appointment of Mr David S McDaniel (DIN: 08662504) as Whole-time Director designated as "Executive Director - Finance & Control and Chief Financial Officer" for a term of five consecutive years from 1st March 2020; and approved the re-appointment of Mr Suresh Narayanan (DIN: 07246738) as Managing Director for a further term of five consecutive years from 1st August 2020.

During the year, Mr Martin Roemkens relinquished his office as Executive Director – Technical with effect from 1st November 2020 to take up another assignment within Nestlé Group. The Directors wish to place on record their appreciation for the contribution made by Mr Martin Roemkens during his tenure as Executive Director – Technical. The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, at their meeting held on 23rd October 2020 appointed Mr Matthias C Lohner (DIN : 08934420), as an Additional Director and a Whole-Time Director designated as "Executive Director - Technical" of the Company for a term of five consecutive years with effect from 1st November 2020, subject to requisite approvals. The Members, through Postal Ballot on 24th December 2020, approved the appointment of Mr Matthias C Lohner as Director and Whole-time Director designated as Executive Director – Technical and terms of appointment and remuneration payable to him. Your Company has made requisite applications for approval of the Central Government for the appointment of Mr David S McDaniel and Mr Matthias C Lohner, as they are non-resident in India.

Mr David S McDaniel shall retire at the forthcoming Annual General Meeting by rotation and being eligible offers himself for re-appointment. Details of the proposal for his re-appointment is mentioned in the Explanatory Statement of the Notice of the 62nd Annual General Meeting of the Company pursuant to Section 102 of the Companies Act, 2013. The re-appointment of Director is 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 and 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 policy of the Company on appointment and remuneration includes criteria for determining qualifications, positive attributes and independence of a director. 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 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>

Performance Evaluation

In terms of the requirement of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), an annual performance evaluation of the Board, its Committees and the Directors was undertaken which included the evaluation of the Board as a whole, Board Committees and peer evaluation of the Directors. The criteria for performance evaluation covers the areas relevant to the functioning of the Board and Board Committees such as its composition, oversight and effectiveness, performance, skills and structure etc. The performance of individual directors was evaluated on the parameters such as preparation, participation, conduct, independent judgement 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. A reputed HR Consultant Firm compiled and provided analysis of the results of the annual performance evaluation. As an outcome of the evaluation, it was noted that Board as a whole has a composition that is diverse in experience and perspective and fosters lively and constructive debates. The discussion quality is robust, well intended and leads to clear direction and decision. The presentations by the Senior Management and their teams provides an insight at a deeper level and exposure to categories. It was also noted that the Board Committees functions professionally and smoothly and besides the Board Committee's terms of reference as mandated by law,

important issues are bought up and discussed in the respective Board Committees. The Board also noted that given the plethora of information presented at the Board/ Committee meetings, pre-reads helps assimilate issues discussed during the meetings. The Board engages itself in the areas identified and wherever required actions taken.

Corporate Social Responsibility

During the year, Mr David S McDaniel, Executive Director – Finance & Control and Chief Financial Officer, was appointed as a member of the Corporate Social Responsibility ('CSR') Committee with effect from 1st August 2020. As on 31st December 2020, the CSR Committee comprised of Dr Swati A Piramal (Chairperson), Ms Rama Bijapurkar, Independent Non-Executive Director, Mr Suresh Narayanan, Chairman and Managing Director and Mr David S McDaniel, Executive Director – Finance & Control and Chief Financial Officer 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 2020, your Company has spent above two percent of the average net profits of your Company during the three immediately preceding financial years. Your Company provided relief efforts to the communities impacted by COVID-19 in collaboration with credible NGOs across various states. Your Company focused its relief efforts towards feeding programmes for less privileged sections, distributing essential groceries to the needy, supporting the purchase of medical equipment and PPEs, and providing Nestlé food and beverage products to frontline workers and those impacted most by the pandemic. The details are provided in the Annual Report on CSR activities. In addition to the above, your Company has been implementing societal activities since many decades under the umbrella of Creating Shared Value which have not been reckoned for arriving at the spends as per CSR Rules.

Nestlé Healthy Kids Programme

Nestlé Healthy Kids Programme has been developed with a focus to raise nutrition, health and wellness awareness among adolescents. The programme is implemented in partnership

with seven regional universities and NGO Magic Bus India Foundation.

Launched in 2009, the programme has expanded significantly, incorporating plastic waste management in the existing curriculum, as well as, including parents and teachers as direct beneficiaries. Till 2020, over 397,000 adolescents across 23 states have been encouraged to live healthier lives through this programme.

In 2020, your Company signed an agreement with Gujarat University to extend the programme to government schools near its upcoming Sanad factory. To further equip beneficiaries about implications of COVID-19 and its precautionary measures, your Company in collaboration with its NGO partner held virtual training sessions for the beneficiaries.

Project Jagriti

As part of its commitment to inspire people to lead healthier lives, 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.

As a result of COVID-19, beneficiaries of Project Jagriti were trained virtually about the preventive measures of COVID-19.

Till 2020, the programme has reached out to 6.5 Million beneficiaries across 8 States/Union Territories.

Project Serve Safe Food

Recognizing the potential of street food vendors as an important source of livelihood, your Company partnered with NGO Nidan and National Association of Street Vendors of India (NASVI), to develop programmes to train street food vendors on health, food handling, food safety, personal hygiene, cart hygiene and garbage disposal.

As a result of COVID-19, street food vendors were anxious, about impact of the pandemic on their livelihoods. Along with its NGO partner your Company organized virtual sessions on food safety, hygiene, COVID-19 precautionary measures and digital payments. Your Company distributed over 10,000 grocery kits across various locations to provide relief to the street vendors whose livelihoods had been severely impacted by COVID-19.

Till 2020, the programme has been implemented across 18 States/UTs, reaching out to 21,800 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, to bring 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.

During these testing times, virtual awareness sessions were organized to provide information about COVID-19. In addition to these sessions, the entire village was sanitized.

Business Responsibility Report

Creating Shared Value is fundamental to how your Company does business. Your Company believes that it can only be successful in the long term by creating value both for its shareholders and for society. 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 an integral part of the Annual Report.

Statutory Auditors and Auditor's 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 2020 is part of the Annual Report. The Notes on financial statement referred to in the Auditor's Report are self-explanatory and do not call for any further comments. The Auditor's 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

Your 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, your 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 0402 in relation to the financial year ending 31st December 2021. 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 that they are not disqualified to be appointed as the Cost Auditors of the Company for the year ending 31st December 2021.

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 62nd 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 31st December 2020. 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 does 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 2021.

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 that they are not disqualified to be appointed as the Secretarial Auditors of the Company for the year ending 31st December 2021.

During the 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

Six 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.

Annual Return

In terms of Section 92(3) of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Company 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 2020 are as follows:

Purina PetCare India Private Limited (Fellow Subsidiary): ₹ 350 Million at the interest rate of 6.97% per annum for general business purpose (Loan outstanding at the end of the year was Nil). For details of investments, please refer Note no. 45 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 2020 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. 45 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 the 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 ₹ 2,845.5 Million and punitive damages of ₹ 3554.1 Million. Your Company has challenged the complaint. The court proceedings are currently ongoing.

Internal Financial Controls and the inadequacy

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 2020, Mr P R Ramesh, Independent Non-Executive Director was appointed as the Chairman of Audit Committee, effective from 24th October 2020, in place of Mr Rajya Vardhan Kanoria. Dr Rakesh Mohan ceased to be member of the Audit Committee upon his retirement as Director of the Company with effect from 30th June 2020. Accordingly, the Audit Committee comprises Independent Non-Executive Directors, namely, Mr P R Ramesh (Chairman), Mr Rajya Vardhan Kanoria 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 provided 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" were 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 Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 for the financial year ended 31st December 2020 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 2020, four cases of sexual harassment were reported, which have been investigated and resolved as per the provisions of the POSH. During the course of 2020, 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, online 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 ₹ 35,97,120/-, ₹ 2,589,376/-, ₹ 3,266,586/- and ₹ 3,007,512/- being the unpaid and unclaimed dividend amount pertaining to Second Interim Dividend 2012, Third Interim Dividend 2012, First Interim Dividend 2013 and Second Interim Dividend 2013, respectively, during the year 2020, 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 : 16th February 2021

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 2020, 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 2020, 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 on the financial statements.

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 35 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, 21, 26 and 38 to the financial statements

The key audit matter	How the matter was addressed in our audit
<p>The management is required to make judgements and estimates in relation to the issues and exposures arising from a range of matters relating to direct tax, indirect tax, general legal proceedings and other eventualities arising in the regular course of business. The Company is also subject to complexities arising from uncertain tax positions on deductibility of expenses.</p> <p>The key judgement lies in determining the likelihood and magnitude of the possible cash outflows and interpretations of the legal aspects, tax legislations and judgements previously made by authorities. By nature, these are complex and include many variables.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • We tested the design, implementation and operating effectiveness of key internal controls around the recognition and measurement of provisions. • We inquired the status in respect of significant provisions with the Company's internal tax and legal team. • We involved 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 the Company which impacted their estimate of provision 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 verified the calculation of provision on a test check basis.

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 and Board of Directors' Responsibility 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 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 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, the 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The 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 in the financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors 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 changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on 31 December 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2020 from being appointed as a director in terms of Section 164(2) of the Act.

- 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".
- (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 2020 on its financial position in its financial statements - Refer Note 38 and 44 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 in these financial statements since they do not pertain to the financial year ended 31 December 2020.
- (C) With respect to the matter to be included in the Auditor's Report under section 197(16):

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) which are required to be commented upon by us.

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

Place: New Delhi
Date: 16 February 2021

Vikram Advani
Partner
Membership No. 091765
UDIN: 21091765AAAAAJ1554

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 leasehold land 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 2020 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.

NESTLÉ INDIA LIMITED

- (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: New Delhi
 Date: 16 February 2021

Vikram Advani
Partner
 Membership No.: 091765
 UDIN: 21091765AAAAAJ1554

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	49.4	43.8	September 1996 - December 2000, July 2001 to August 2001	Supreme Court
Central excise Act, 1944	Duty of Excise	0.9	-	1994	High Court
Customs Act 1962	Custom Duty	105.8	6.7	2008-2013	Commissioner
Customs Act 1962	Custom Duty	17.4	12.1	Feb-12 to Apr-13	Tribunal
Goods and Services Tax Act	Goods and Services Tax	731.5	-	Nov-17 to Jun-18	National Anti-Profiteering 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	48.3	42.6	2003-2005, 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, 2014-2015	Commissioner (Appeals)
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	82.1	1.5	2004-2005, 2010-2012, 2013-2014, 2015-2016	Commissioner
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	201.5	1.0	2010-11, 2014-16	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	3,139.8	-	2000-2004, 2008-2014	High Court
Income Tax Act, 1961	Income Tax	12.3	6.3	2014-2015, 2016-2017	Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	690.0	-	2014-2015	Income Tax Appellate Tribunal

* As per Demand orders

Annexure B to the Independent Auditor's report on the financial statements of Nestlé India Limited for the year ended 31 December 2020

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

(Referred to in paragraph 1(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Nestlé India Limited ("the Company") as of 31 December 2020 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, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 December 2020, based on the internal financial controls 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 the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls 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.

Auditor's 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, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 were established and maintained and whether 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 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 such internal financial controls, 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 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 controls with reference to financial statements include 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 controls 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: New Delhi
Date: 16 February 2021

**Vikram Advani
Partner**
Membership No. 091765
UDIN: 21091765AAAAAJ1554

BALANCE SHEET AS AT 31 DECEMBER 2020

	NOTES	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ in million) (Restated)*	As at 1 January 2019 (₹ in million) (Restated)*
ASSETS				
Non-current assets				
Property, Plant and Equipment	5	19,680.0	21,088.1	22,814.1
Capital work-in-progress		6,385.8	1,433.0	1,052.0
Right of Use Assets	6, 48	2,114.1	2,326.4	2,429.4
Financial Assets				
Investments	7	7,408.3	7,436.0	7,333.6
Loans	8	465.5	469.8	401.4
Deferred Tax Assets (net)	22	199.2	-	-
Other non-current assets	9	893.6	804.4	718.1
		<u>37,146.5</u>	<u>33,557.7</u>	<u>34,748.6</u>
Current assets				
Inventories	10	14,164.8	12,830.7	9,655.5
Financial Assets				
Investments	11	7,229.4	10,074.5	19,251.3
Trade receivables	12	1,649.3	1,243.3	1,245.9
Cash and cash equivalents	13	17,548.0	12,931.6	15,987.7
Bank Balances other than cash and cash equivalents	14	150.7	148.9	112.9
Loans	15	132.2	124.6	178.9
Other financial assets	16	589.6	557.9	524.9
Current tax assets		-	-	188.5
Other current assets	17	386.8	260.2	223.9
		<u>41,850.8</u>	<u>38,171.7</u>	<u>47,369.5</u>
	Total Assets	<u>78,997.3</u>	<u>71,729.4</u>	<u>82,118.1</u>
EQUITY AND LIABILITIES				
EQUITY				
Equity Share Capital	18	964.2	964.2	964.2
Other Equity	19	19,229.2	18,224.5	35,650.4
		<u>20,193.4</u>	<u>19,188.7</u>	<u>36,614.6</u>
LIABILITIES				
Non-current liabilities				
Financial Liabilities				
Borrowings	20	317.2	531.4	351.4
Lease liabilities	48	657.6	896.0	960.4
Provisions	21	32,682.7	29,069.1	24,649.2
Deferred tax liabilities (net)	22	-	134.4	547.0
Other non-current liabilities	23	220.9	4.3	5.1
		<u>33,878.4</u>	<u>30,635.2</u>	<u>26,513.1</u>

NOTES	As at 31 December 2020 (₹ in million)			As at 31 December 2019 (₹ in million) (Restated)*			As at 1 January 2019 (₹ in million) (Restated)*			
	24	31.2	-	47	937.6	340.2	107.7	14,228.2	14,575.1	12,296.0
Current liabilities										
Financial Liabilities										
Borrowings	24	31.2	-							
Trade payables										
Total outstanding dues of micro enterprises and small enterprises	47	937.6	340.2							
Total outstanding dues of creditors other than micro enterprises and small enterprises		14,228.2	14,575.1							
Lease Liabilities	48	468.9	462.0							
Payables for capital expenditure										
Total outstanding dues of micro enterprises and small enterprises	47	202.3	-							
Total outstanding dues of creditors other than micro enterprises and small enterprises		2,722.0	888.5							
Other financial liabilities	25	3,687.6	3,426.3							
Provisions	26	1,059.6	854.6							
Current tax liabilities		98.0	19.2							
Other current liabilities	27	1,490.1	1,339.6							
		24,925.5	21,905.5							
Total Equity and liabilities		78,997.3	71,729.4							
82,118.1										

* Refer Note 48.

See accompanying notes 1 to 49 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

VIKRAM ADVANI
Partner
Membership No. - 091765

SURESH NARAYANAN
Chairman and Managing Director
(DIN-07246738)

DAVID McDANIEL
Executive Director -
Finance & Control and CFO
(DIN-08662504)

B. MURLI
General Counsel &
Company Secretary

16 February 2021
New Delhi

16 February 2021
Gurugram

**STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	NOTES	Year ended 31 December 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million) (Restated)*
A INCOME			
Domestic Sales		126,427.7	116,567.9
Export Sales		6,473.9	6,384.8
Sale of products	35	132,901.6	122,952.7
Other operating revenues	28	598.7	736.3
i Revenue from operations		133,500.3	123,689.0
ii Other Income	29	1,458.5	2,468.8
Total Income		134,958.8	126,157.8
B EXPENSES			
i Cost of materials consumed	30	55,542.4	51,503.0
ii Purchases of stock-in-trade		1,890.0	2,178.1
iii Changes in inventories of finished goods, work-in-progress and stock-in-trade	31	(693.3)	(1,441.9)
iv Employee benefits expense	32	15,009.5	12,581.7
v Finance costs (including interest cost on employee benefit plans)	33	1,641.8	1,291.2
vi Depreciation and Amortisation	5,6	3,703.8	3,701.5
vii Other expenses	34	29,132.8	28,977.4
viii Net provision for contingencies - Operations		139.7	248.8
ix Corporate social responsibility expense	39	464.2	383.1
Total Expenses		106,830.9	99,422.9
C PROFIT BEFORE TAX (A-B)		28,127.9	26,734.9
D Tax expense			
Current tax	40	7,634.2	7,470.0
Deferred tax	40	(330.6)	7,303.6
E PROFIT AFTER TAX (C-D)		20,824.3	19,684.4

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	Year ended 31 December 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million) (Restated)*
F OTHER COMPREHENSIVE INCOME			
(a) (i) Items that will not be reclassified to profit or loss			
Re-measurement of retirement defined benefit plans	36	(1,236.5)	(2,036.7)
Changes in fair value of equity instruments		-	(30.0)
(ii) Income taxes relating to Items that will not be reclassified to profit or loss		311.2	523.3
		(925.3)	(1,543.4)
(b) (i) Items that will be reclassified to profit or loss			
Changes in fair value of cash flow hedges		4.3	(8.0)
(ii) Income taxes relating to Items that will be reclassified to profit or loss		(1.1)	3.7
		3.2	(4.3)
TOTAL OTHER COMPREHENSIVE INCOME (a+b)		(922.1)	(1,547.7)
G TOTAL COMPREHENSIVE INCOME (E+F)		19,902.2	18,136.7
Weighted average number of equity shares outstanding Nos.	96,415,716		96,415,716
Basic and Diluted Earnings Per Share (Face value ₹ 10) ₹	215.98		204.16
ADDITIONAL INFORMATION (Refer Note 2):			
PROFIT FROM OPERATIONS [C - A(ii) + B(v)+B(ix)]		28,775.4	25,940.4

* Refer Note 48.

See accompanying notes 1 to 49 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

VIKRAM ADVANI
Partner
Membership No. - 091765

SURESH NARAYANAN
Chairman and Managing Director
(DIN-07246738)

DAVID McDANIEL
Executive Director - Finance &
Control and CFO
(DIN-08662504)

B. MURLI
General Counsel &
Company Secretary

16 February 2021
New Delhi

16 February 2021
Gurugram

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Year ended 31 December 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million) (Restated)*
A CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	28,127.9	26,734.9
Adjustments for :		
Depreciation and Amortisation	3,703.8	3,701.5
Deficit/ (Surplus) on property, plant and equipment sold/scrapped/written off (net)	(49.0)	(15.6)
Other income	(1,458.5)	(2,468.8)
Interest on bank overdraft and others	180.4	16.9
Interest on lease liabilities	85.0	92.9
Allowance for impairment on financial assets	6.0	18.3
Unrealised exchange differences	12.6	(31.1)
Operating profit before working capital changes	30,608.2	28,049.0
Adjustments for working capital changes:		
Decrease/(increase) in trade receivables	(416.0)	(0.4)
Decrease/(increase) in inventories	(1,334.1)	(3,175.2)
Decrease/(increase) in loans, other financial assets & other assets	(109.7)	(66.9)
Increase/(decrease) in trade payable	225.6	2,533.3
Increase/(decrease) in other financial liabilities & other liabilities	412.0	676.0
Increase/(decrease) in provision for contingencies	114.3	248.8
Increase/(decrease) in provision for employee benefits	2,073.4	1,416.4
Cash generated from operations	31,573.7	29,681.0
Income taxes paid (net of refunds)	(7,028.9)	(6,728.5)
Net cash generated from operating activities	24,544.8	22,952.5
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,783.6)	(1,545.2)
Sale of property, plant and equipment	42.4	23.2
Purchase of tax free long term bonds and Tbills	-	(158.6)
Decrease/(increase) in loans to employees	29.1	1.2
Income from mutual funds	20.4	129.2
Loans given to related parties	(350.0)	(150.0)
Loans repaid by related parties	350.0	150.0
Interest received on bank deposits, investments, tax free bonds, employee loans etc.	1,477.1	2,380.1
Net cash generated from/(used in) investing activities	(3,214.6)	829.9
C CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deferred VAT liabilities under state government schemes	30.8	180.0
Interest on bank overdraft and others	(5.4)	(16.9)
Interest on lease liabilities	(85.0)	(92.9)
Principal payment of lease liabilities	(601.8)	(522.9)
Dividends	(18,897.5)	(29,503.2)
Dividend distribution tax	-	(6,059.4)
Net cash used in financing activities	(19,558.9)	(36,015.3)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	1,771.3	(12,232.9)

	Year ended 31 December 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million) (Restated)*
Cash and cash equivalents (Refer note 13)	12,931.6	15,987.7
Current investments (Refer note 11)	10,074.5	19,251.3
Total cash and cash equivalents at the beginning of the year (as per Ind AS 7)	23,006.1	35,239.0
Cash and cash equivalents (Refer note 13)	17,548.0	12,931.6
Current investments (Refer note 11)	7,229.4	10,074.5
Total cash and cash equivalents at the end of the year (as per Ind AS 7)	24,777.4	23,006.1
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	1,771.3	(12,232.9)

Disclosure of non-cash transactions as per Ind AS 7 :

Non cash Transaction from Financing activities is as under :	Year ended 31 December 2019 (₹ in million)	Cash flow changes	Non- cash changes	Year ended 31 December 2020 (₹ in million)
				(₹ in million)
Deferred VAT liabilities	531.4	30.8	(213.8)	348.4
Deferred Government Grants	4.3	-	216.6	220.9
Lease liabilities	1,358.0	(686.8)	455.3	1,126.5
	1,893.7	(656.0)	458.1	1,695.8

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'.

* Refer Note 48.

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

VIKRAM ADVANI
Partner
Membership No. - 091765

SURESH NARAYANAN
Chairman and Managing Director
(DIN-07246738)

DAVID McDANIEL
Executive Director - Finance &
Control and CFO
(DIN-08662504)

B. MURLI
General Counsel &
Company Secretary

16 February 2021
New Delhi

16 February 2021
Gurugram

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

(₹ in million)

A) EQUITY SHARE CAPITAL

Balance as at 31 December 2018	964.2
Movement during the year	-
Balance as at 31 December 2019	964.2
Movement during the year	-
Balance as at 31 December 2020	964.2

B) OTHER EQUITY⁽¹⁾

(₹ in million)

	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 2018*	8,374.3	27,565.3	(300.0)	10.8	35,650.4
Profit after tax	-	19,684.4	-	-	19,684.4
Other comprehensive income	-	(1,513.4)	(30.0)	(4.3)	(1,547.7)
Total comprehensive income	-	18,171.0	(30.0)	(4.3)	18,136.7
Dividend (Refer note 49)	-	(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	10,173.7	(330.0)	6.5	18,224.5
Profit after tax	-	20,824.3	-	-	20,824.3
Other comprehensive income	-	(925.3)	-	3.2	(922.1)
Total comprehensive income	-	19,899.0	-	3.2	19,902.2
Dividend (Refer note 49)	-	(18,897.5)	-	-	(18,897.5)
Total appropriations	-	(18,897.5)	-	-	(18,897.5)
Balance as at 31 December 2020	8,374.3	11,175.2	(330.0)	9.7	19,229.2

(1) Description of purpose of each reserve within Other Equity has been disclosed under Note 19.

* Refer Note 48.

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

VIKRAM ADVANI
Partner
Membership No. - 091765

SURESH NARAYANAN
Chairman and Managing Director
(DIN-07246738)

DAVID McDANIEL
Executive Director - Finance & Control and CFO
(DIN-08662504)

B. MURLI
General Counsel &
Company Secretary

16 February 2021
Gurugram

16 February 2021
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 derived from Profit before Tax less Other Income and adding back Finance Costs (Including Interest Cost on Employee Benefit Plans) 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 results may differ from these estimates. These estimates and underlying assumptions are reviewed on a periodic basis. Revisions

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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 5), measurement of defined benefit obligations (Refer Note 36), recognition and measurement of provisions and contingencies (Refer note 38) and recognition of deferred tax assets/liabilities (Refer Note 40).

Approval of financial statements

The financial statements of the Company were approved for issue by the Board of Directors on 16 February 2021.

REVENUE RECOGNITION

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 grants are recognized initially at fair value as Deferred Income for interest free incentives when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. These are recognized in the statement of profit & loss as a part of other operating revenues on a systematic basis.

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.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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.

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

Effective 1 January 2020, the Company has applied Ind AS 116 Leases, using full retrospective approach recognizing the cumulative effect of adopting Ind AS 116 as an adjustment to the retained earnings as on the transition date i.e. 1 January 2019. Accordingly, previous year figures have been restated to make them comparable. Ind AS 116 has replaced the existing leases standard, Ind AS 17 Leases.

The Company assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the date of commencement of the lease, the Company recognises a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

The lease liability is initially measured at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made. A lease liability is remeasured upon the occurrence of certain events such as a change in the lease term or a change in an index or rate used to determine lease payments with a corresponding adjustment to the carrying value of Right-of-use assets.

Lease liability and Right-of-use assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The company's leases mainly comprises of land, buildings and vehicles. The company leases land and buildings primarily for offices, manufacturing facilities and warehouses.

The company recognizes lease payments as operating expense on a straight line basis over the period of lease for certain short – term (1 month or below) or low value arrangements.

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'.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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 and Ind AS 12 on Income Tax. 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.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS**ii) Equity Instruments**

The Company has made investment in equity instruments that are initially measured at fair value. These investments 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.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation or under dispute with authorities and establishes provisions where appropriate.

Provision for current tax for the period comprises of

- a) estimated tax expense which has accrued on the profit for the period 1 January 2020 to 31 December 2020 and,
- b) the residual tax expense for the period 1 April 2019 to 31 March 2020 arising out of the finalisation of fiscal accounts (Assessment Year 2020-2021), 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 16 February 2021, 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

The Ministry of Corporate Affairs (MCA) notifies new standards or amendments to the existing standards. There is no such notification which would become applicable from 1 January 2021.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

4(a). In view of the pandemic relating to COVID-19, the Company has considered internal and external information and has performed an analysis based on current estimates while assessing the current and non-current assets for any possible impact on the financial statements. The Company has also assessed the impact of this whole situation on its capital and financial resources, profitability, liquidity position and internal financial reporting controls and is of the view that based on its present assessment, this situation does not materially impact these financial statements. However, the actual impact of COVID-19 on these financial statements may differ from that estimated due to unforeseen circumstances and the Company will continue to closely monitor any material changes to future economic conditions.

4(b). The Indian parliament has passed and approved the Code on Social Security 2020. While the effective date of the code and complete clarity on the rules/interpretations are still awaited, as a consequence, the impact of the same will be assessed and accounted for post notification of the relevant provisions. The Company has been taking cognizance of the changes and salary structures have been suitably designed to be compliant and accordingly, there are no material impacts foreseen on the financial statements of the Company.

5 - Property, Plant and Equipment

(₹ in million)

	GROSS CARRYING VALUE				DEPRECIATION/ AMORTISATION				NET CARRYING VALUE
	Cost as at 31 December 2019	Additions	Deletions / Adjustments	Cost as at 31 December 2020	As at 31 December 2019	For the year	On Deletions / Adjustments	As at 31 December 2020	
Freehold land	174.1	-	-	174.1	-	-	-	-	174.1
Buildings	9,224.9	56.4	7.7	9,273.6	1,559.9	391.6	4.1	1,947.4	7,326.2
Plant and equipment	23,776.7	1,499.1	82.1	25,193.7	10,996.1	2,500.0	81.9	13,414.2	11,779.5
Furniture and fixtures	696.2	5.1	7.6	693.7	640.0	28.7	7.5	661.2	32.5
Office equipment	180.8	22.8	0.7	202.9	106.8	32.2	0.7	138.3	64.6
IT equipment	782.7	123.6	13.5	892.8	451.2	154.9	13.4	592.7	300.1
Vehicles	25.5	-	1.5	24.0	18.8	3.7	1.5	21.0	3.0
Total	34,860.9	1,707.0	113.1	36,454.8	13,772.8	3,111.1	109.1	16,774.8	19,680.0

	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	On Deletions / Adjustments	As at 31 December 2019	
Freehold land	174.1	-	-	174.1	-	-	-	-	174.1
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	33,623.2	1,433.1	195.4	34,860.9	10,809.1	3,150.5	186.8	13,772.8	21,088.1

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

6 - Right of Use Assets

(₹ in million)

	GROSS CARRYING VALUE				DEPRECIATION/ AMORTISATION				NET CARRYING VALUE
	Balance as at 31 December 2019	Additions	Deletions / Adjustments	As at 31 December 2020	Balance as at 31 December 2019	For the year	On Deletions / Adjustments	As at 31 December 2020	As at 31 December 2020
Leasehold land	1,240.5	-	-	1,240.5	53.4	13.2	-	66.6	1,173.9
Buildings	2,371.4	435.8	677.9	2,129.3	1,335.7	539.1	610.3	1,264.5	864.8
Vehicles	179.0	12.2	33.1	158.1	75.4	40.4	33.1	82.7	75.4
Total	3,790.9	448.0	711.0	3,527.9	1,464.5	592.7	643.4	1,413.8	2,114.1

(₹ in million)

	GROSS CARRYING VALUE				DEPRECIATION/ AMORTISATION				NET CARRYING VALUE
	Balance as at 31 December 2018	Additions	Deletions / Adjustments	As at 31 December 2019	Balance as at 31 December 2018	For the year	On Deletions / Adjustments	As at 31 December 2019	As at 31 December 2019
Leasehold land	1,240.5	-	-	1,240.5	40.2	13.2	-	53.4	1,187.1
Buildings	2,495.8	389.3	513.7	2,371.4	1,318.7	497.0	480.0	1,335.7	1,035.7
Vehicles	122.1	93.0	36.1	179.0	70.1	40.8	35.5	75.4	103.6
Total	3,858.4	482.3	549.8	3,790.9	1,429.0	551.0	515.5	1,464.5	2,326.4

- (1) The Company has adopted Ind AS 116 Leases effective 1 January 2020, using the full retrospective method with a transition date of 1 January 2019. Refer Note 48.
- (2) The Company incurred ₹ 12.2 million (2019: ₹ 12.5 million) for the year ended 31 December 2020 towards expenses related to short term leases, leases of low value assets & variable leases.

NESTLÉ INDIA LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
7 - NON-CURRENT INVESTMENTS		
At amortised cost		
Quoted		
Tax free Bonds	7,219.5	7,247.2
At fair value through Other Comprehensive Income		
Unquoted		
Equity shares of Sahyadri Agro and Dairy Private Limited (2020, 2019 : Fully paid up 1,415,050 equity shares of face value ₹10 each)	188.8	188.8
	<hr/> 7,408.3	<hr/> 7,436.0
Market value of quoted investments	8,054.7	7,655.8
8 - NON-CURRENT LOANS		
Secured, considered good		
Loans to employees	0.1	0.5
Unsecured, considered good		
Security deposits	383.8	360.8
Loans to employees	81.6	108.5
	<hr/> 465.4	<hr/> 469.3
	<hr/> 465.5	<hr/> 469.8
9 - OTHER NON-CURRENT ASSETS		
Capital advances	339.0	179.4
Payments under protest with government authorities	554.6	625.0
	<hr/> 893.6	<hr/> 804.4

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
10 - INVENTORIES		
(at cost or net realisable value, whichever is lower)		
Raw materials	5,220.2	4,813.3
{Includes in transit ₹ 428.9 million (2019: ₹ 293.5 million)}		
Packing materials	654.1	481.2
{Includes in transit ₹ 11.1 million (2019: ₹ 13.9 million)}		
Work-in-progress	1,931.1	1,233.8
Finished goods	5,216.8	5,199.0
Stock-in-trade (goods purchased for resale)	357.7	379.5
{Includes in transit ₹ 119.4 million (2019: ₹ 65.4 million)}		
Stores and spares	784.9	723.9
{Includes in transit ₹ 8.5 million (2019: ₹ 17.6 million)}		
	14,164.8	12,830.7

During the year, an amount of ₹ 744.0 million (net of reversals) [2019: ₹ 569.8 million] was charged to the statement of profit and loss on account of obsolete, damage and slow moving inventories.

11 - CURRENT INVESTMENTS

At amortised cost		
Quoted		
Treasury Bills - Government Securities	7,229.4	5,475.1
Certificate of Deposits with banks	-	745.8
Commercial Papers	-	744.6
At fair value through profit and loss		
Quoted		
Mutual Funds - Debt	-	3,109.0
	7,229.4	10,074.5
Considered as 'Cash and cash equivalents' for the purpose of 'Statement of Cash Flows' in line with the requirements of Ind AS-7	7,229.4	10,074.5
Market value of quoted investments	7,229.4	10,073.9

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
12 - TRADE RECEIVABLES (UNSECURED)		
Trade Receivables considered good ⁽¹⁾	1,649.3	1,243.3
Trade Receivables with significant increase in credit risk	35.4	33.9
	<u>1,684.7</u>	<u>1,277.2</u>
Less: Loss allowance (Refer Note 41)	(35.4)	(33.9)
	<u>1,649.3</u>	<u>1,243.3</u>

(1) Include receivables from related parties (Refer Note 45)

13 - CASH AND CASH EQUIVALENTS

Balances with banks		
on current accounts	317.8	236.0
on deposit accounts	17,217.4	12,671.0
Cheques, drafts on hand including remittances in transit	12.8	24.6
	<u>17,548.0</u>	<u>12,931.6</u>

14 - BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

Unpaid dividend accounts	150.7	148.9
	<u>150.7</u>	<u>148.9</u>

15 - CURRENT LOANS

Secured, considered good		
Loans to employees	0.3	0.6
Unsecured, considered good		
Security deposits	20.8	11.4
Loans to employees	111.1	112.6
	<u>131.9</u>	<u>124.0</u>
Unsecured, credit impaired		
Security deposits, Loans to employees	8.5	8.5
Less: Allowance for impairment	(8.5)	(8.5)
	<u>132.2</u>	<u>124.6</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
16 - OTHER CURRENT FINANCIAL ASSETS		
Recoverable from related parties (Refer Note 45)	158.6	146.7
Derivative assets - forward contracts	48.2	21.8
Interest accrued on bank deposits/ tax free long term bonds etc.	365.8	377.1
Others	17.0	12.3
	589.6	557.9
17 - OTHER CURRENT ASSETS		
Unsecured, considered good		
Advances given to suppliers, employees etc.	161.6	73.4
Balances with government authorities	13.2	85.9
Prepaid expenses	212.0	100.9
	386.8	260.2
Unsecured, credit impaired		
Advances given to suppliers, Balances with government authorities etc.	35.4	30.9
Less: Allowance for impairment	(35.4)	(30.9)
	386.8	260.2

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2020		As at 31 December 2019	
	No. of shares	Amount (₹ in million)	No. of shares	Amount (₹ in million)
18 - EQUITY SHARE CAPITAL				
Authorised				
Equity shares of face value ₹ 10 each	<u>100,000,000</u>	<u>1,000.0</u>	<u>100,000,000</u>	<u>1,000.0</u>
Issued, subscribed and fully paid up				
Equity shares of face value ₹ 10 each	<u>96,415,716</u>	<u>964.2</u>	<u>96,415,716</u>	<u>964.2</u>

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	<u>96,415,716</u>	<u>964.2</u>	96,415,716	964.2
Movement during the year	-	-	-	-
Shares outstanding as at the end of the year	<u>96,415,716</u>	<u>964.2</u>	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.	<u>33,051,399</u>	33,051,399
Maggi Enterprises Limited	<u>27,463,680</u>	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.	<u>33,051,399</u>	<u>34.28</u>	33,051,399	34.28
2	Maggi Enterprises Limited	<u>27,463,680</u>	<u>28.48</u>	27,463,680	28.48

19 - OTHER EQUITY

	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
General reserve	<u>8,374.3</u>	8,374.3
Retained earnings	<u>11,175.2</u>	10,173.7
Items of Other Comprehensive Income		
Effective portion of cash flow hedges	<u>9.7</u>	6.5
Equity Instruments through other comprehensive income	<u>(330.0)</u>	<u>(330.0)</u>
	<u>19,229.2</u>	<u>18,224.5</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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.

20 - NON-CURRENT BORROWINGS

Unsecured loans

	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
Deferred VAT liabilities		
State of Karnataka ⁽¹⁾	204.2	384.2
State of Himachal Pradesh ⁽²⁾	113.0	147.2
	<hr/> 317.2	<hr/> 531.4

(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.

21 - NON-CURRENT PROVISIONS

Employee benefits:

Pension and gratuity (Refer note 36)	21,808.2	18,937.7
Other incentives and welfare benefits ⁽¹⁾	1,683.0	23,491.2
Contingencies (Refer note 38)	<hr/> 9,191.5	<hr/> 1,442.0
	<hr/> 32,682.7	<hr/> 20,379.7
	<hr/> 32,682.7	<hr/> 8,689.4
	<hr/> 32,682.7	<hr/> 29,069.1

(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 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
22 - DEFERRED TAXES (NET) ⁽¹⁾		
Deferred tax liabilities		
Property, Plant and Equipment	1,384.6	1,579.2
	<u>1,384.6</u>	<u>1,579.2</u>
Deferred tax assets		
Contingencies	1,115.9	1,063.0
ROU assets & lease liabilities	44.3	45.1
Employee benefits - Compensated absences and Gratuity	369.3	289.2
Allowance for credit impaired assets and Trade receivables	22.2	20.0
Other items deductible on payment	31.2	25.6
Financial Instruments	0.9	1.9
	<u>1,583.8</u>	<u>1,444.8</u>
Net Deferred Tax Liabilities/ (Assets)	<u>(199.2)</u>	<u>134.4</u>

(1) Refer note 40

23 - OTHER NON-CURRENT LIABILITIES

Deferred Government Grants	220.9	4.3
	<u>220.9</u>	<u>4.3</u>

24 - CURRENT BORROWINGS

Unsecured loans		
Deferred VAT liabilities		
State of Karnataka ⁽¹⁾	7.8	-
State of Himachal Pradesh ⁽²⁾	23.4	-
	<u>31.2</u>	<u>-</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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
25 - OTHER CURRENT FINANCIAL LIABILITIES		
Customers' credit balances and payables	1,541.3	1,648.6
Employee costs and reimbursements	1,926.4	1,556.9
Book Overdraft	0.9	0.9
Unpaid dividends ⁽¹⁾	150.7	148.9
Security deposits	61.3	65.3
Derivative liabilities - forward contracts	7.0	5.7
	3,687.6	3,426.3

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

26 - CURRENT PROVISIONS

Employee benefits:			
Pension (Refer note 36)	425.4	295.1	
Other incentives and welfare benefits ⁽¹⁾	395.2	327.1	622.2
Contingencies (Refer note 38)	239.0	232.4	
	1,059.6	854.6	

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

27 - OTHER CURRENT LIABILITIES

Statutory liabilities (Goods & Services tax, TDS etc.)	500.6	554.8
Advance from customers	526.5	366.5
Others	463.0	418.3
	1,490.1	1,339.6

28 - OTHER OPERATING REVENUES

Export incentives	366.5	516.4
Other operating income (includes scrap sales)	232.2	219.9
	598.7	736.3

29 - OTHER INCOME

Interest on bank deposits, investments and employee loans etc. ⁽¹⁾	930.1	1,832.5
Interest on tax free long term bonds ⁽¹⁾	508.0	507.1
Dividend on mutual funds	20.4	128.4
Net Gain on financial assets at fair value through profit & loss	-	0.8
	1,458.5	2,468.8

(1) as per effective interest rate method

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
30 - COST OF MATERIALS CONSUMED		
Raw materials	47,127.4	43,031.0
Packing materials	<u>8,415.0</u>	<u>8,472.0</u>
	55,542.4	51,503.0

31 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

Opening stock		
Finished goods	5,199.0	3,873.8
Work-in-progress	1,233.8	1,132.6
Stock-in-trade	<u>379.5</u>	<u>364.0</u>
	6,812.3	5,370.4
Closing Stock		
Finished goods	5,216.8	5,199.0
Work-in-progress	1,931.1	1,233.8
Stock-in-trade	<u>357.7</u>	<u>379.5</u>
	7,505.6	6,812.3
Net (increase)/ decrease in opening and closing stock	(693.3)	(1,441.9)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million)
32 - EMPLOYEE BENEFITS EXPENSE		
Salaries, wages, bonus, pension, performance incentives etc. (Refer note - 36)	13,148.9	10,812.3
Contribution to provident and other funds	627.1	798.4
Share based payments (Refer note - 37)	423.5	332.9
Staff welfare expenses	810.0	638.1
	<u>15,009.5</u>	<u>12,581.7</u>
33 - FINANCE COSTS		
Interest cost on employee benefit plans	1,376.4	1,181.4
Interest on bank overdraft and others	180.4	16.9
Interest on finance lease	85.0	92.9
	<u>1,641.8</u>	<u>1,291.2</u>
34 - OTHER EXPENSES		
Finished goods handling, transport and distribution	5,805.5	5,523.5
Advertising and sales promotion	7,635.5	7,853.4
Power and fuel	3,136.8	3,405.3
General licence fees (net of taxes)	5,935.0	5,472.0
Information technology and management information systems	1,187.8	869.8
Maintenance and repairs	957.0	928.0
Rates and taxes	32.5	63.6
Travelling	466.2	852.0
Contract manufacturing charges	482.3	358.0
Consumption of stores and spare parts	549.3	527.5
Training	99.7	406.1
Withholding tax on general licence fees	593.7	547.3
Laboratory (quality testing)	232.6	200.8
Market research	269.7	258.9
Milk collection and district development	155.6	158.4
Security charges	145.7	135.5
Exchange difference (net)	62.5	11.5
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	(49.0)	(15.6)
Insurance	65.1	57.9
Miscellaneous	1,369.3	1,363.5
	<u>29,132.8</u>	<u>28,977.4</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

35 (i). Class-wise details of Sales of products

Product groups	Year ended 31 December 2020		Year ended 31 December 2019	
	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)	138,402	61,487.8	138,941	56,518.1
Prepared dishes and cooking aids (includes noodles, sauces, seasonings, pasta, cereals)	281,392	39,108.2	264,072	34,981.8
Powdered and Liquid Beverages (includes instant coffee, instant tea, ready to drink beverage)	20,772	14,762.5	26,380	15,017.9
Confectionery (includes bar countlines, tablets, sugar confectionery)	50,358	17,543.1	49,033	16,434.9
Sale of Products	490,924	132,901.6	478,426	122,952.7

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

Contracted Price	Year ended 31 December 2020		Year ended 31 December 2019	
	(₹ in million)		(₹ in million)	
Less: Rebates, discounts, allowances etc.	136,929.7		126,903.1	
Sale of products	4,028.1		3,950.4	
	132,901.6		122,952.7	

36. 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 ₹ 627.1 million (Previous year ₹ 493.4 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, ₹ 260.8 million (Previous year ₹ 206.3 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. 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 2020 as per the unaudited financial statements are ₹ 4,597.1 million (Previous year ₹ 3,996.2 million) as against total plan assets of ₹ 4,534.3 million (Previous year ₹ 3,950.2 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 2020 (₹ in million)		31 December 2019 (₹ 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	1,938.8	19,106.5	1,644.3	15,923.6
Current service cost	123.3	814.2	108.8	701.3
Past service cost	-	-	-	(37.4)
Interest cost	127.1	1,274.2	110.9	1,098.1
Actuarial loss/(gain)	138.8	1,220.5	195.4	1,893.4
Actual benefits paid	(111.4)	(455.9)	(120.6)	(472.5)
Present Value of obligation, as at the end of the year	2,216.6	21,959.5	1,938.8	19,106.5
(ii) Change in plan assets:				
Plan assets, as at the beginning of the year	1,812.5	-	1,466.9	-
Expected return on plan assets	118.6	-	109.1	-
Contribution by the Company	-	-	305.0	-
Return on plan assets, greater/(lesser) than expected return	122.8	-	52.1	-
Actual benefits paid	(111.4)	-	(120.6)	-
Plan assets, as at the end of the year	1,942.5	-	1,812.5	-
Net Liability recognised in the balance Sheet	274.1	21,959.5	126.3	19,106.5
<i>of which accounted as:</i>				
Non-current provisions	274.1	21,534.1	126.3	18,811.4
Current provisions	-	425.4	-	295.1
(iii) Constitution of plan assets				
Quoted				
Corporate Bonds	612.7	-	599.5	-
Government of India securities	47.5	-	52.3	-
State Government/State Government guaranteed securities	930.5	-	864.9	-
Mutual funds	219.3	-	155.6	-
Funding with insurance Companies	131.2	-	116.2	-
Unquoted				
Deposits with Banks	-	-	21.6	-
Cash at bank and receivables	1.3	-	2.4	-
Total plan assets	1,942.5	-	1,812.5	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	31 December 2020 (₹ in million)		31 December 2019 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
(iv) Cost recognised in the statement of profit and loss				
Current service cost (net of recoveries)	121.8	787.8	104.7	691.5
Past service cost	-	-	-	(37.4)
Interest cost ⁽¹⁾	127.1	1,274.2	110.9	1,098.1
Expected return on plan assets	(118.6)	-	(109.1)	-
Net cost	130.3	2,062.0	106.5	1,752.2
(v) Re-measurements recognised in other comprehensive income				
Actuarial loss/(gain)				
Change in financial assumptions	48.0	1,756.2	80.6	1,202.8
Change in demographic assumptions	-	(87.5)	-	740.4
Experience adjustments	90.8	(448.2)	114.8	(49.8)
Return on plan assets, (greater)/lesser than expected return	(122.8)	-	(52.1)	-
Net cost	16.0	1,220.5	143.3	1,893.4

(1) Total Interest cost on employee benefit plans recognised in statement of profit and loss is ₹ 1,376.4 million (Previous year ₹ 1,181.4 million). This includes ₹ 1,282.7 million (Previous year ₹ 1,099.9 million) towards pension and gratuity and balance amount ₹ 93.7 million (Previous year ₹ 81.5 million) towards compensated absences and long service awards.

b) Key Actuarial Assumptions

	31 December 2020		31 December 2019	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
Discount Rates (%)	6.75	6.75	6.75	6.75
Expected rate of salary increases (%)				
First 5 years	7.7 to 11.3	7.7 to 11.3	7.7 to 12.6	7.7 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 with flat 10% mortality improvement and additional 0.25% p.a. future mortality improvement	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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.

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 2020 (₹ in million)		31 December 2019 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
	2,216.7	21,959.5	1,938.8	19,106.5
Present Value of obligation - Reported				
Discount rates				
Increase of 50 basis point	2,106.7	20,041.5	1,842.0	17,553.4
Decrease of 50 basis point	2,336.8	24,151.2	2,044.5	20,874.2
Expected rate of salary increases				
Increase of 50 basis point	2,308.1	23,124.6	2,021.7	20,107.7
Decrease of 50 basis point	2,131.0	20,918.6	1,860.8	18,174.4
Expected rate of Pension increases				
Increase of 50 basis point	-	23,055.3	-	20,075.2
Decrease of 50 basis point	-	20,954.8	-	18,218.1
Life expectancy				
Increase by 1 year	-	22,352.7	-	19,487.7
Decrease by 1 year	-	21,561.2	-	18,717.9

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	19.8 years	12 years	18.4 years
e) Expected contribution to the Trust	300.0	-	248.0	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

37. 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 2020 ₹ in million)	31 December 2019 ₹ in million)
Outstanding, non-vested RSU/ PSU grants as at year end	393.5	382.5
RSU/ PSU grants vested during the year	412.5	232.8
Recognised in statement of profit and loss	423.5	332.9

The details on number of grants is as under:-

	31 December 2020 ₹ in million)	31 December 2019 ₹ in million)
Outstanding, non-vested RSU/ PSU grants as at beginning of the year	77,269	79,210
RSU/ PSU grants granted during the year	45,299	37,552
RSU/ PSU grants vested/reversed during the year	51,649	39,493
Outstanding, non-vested RSU/ PSU grants as at year end	70,919	77,269
Weighted average share price used for valuation of grants at year end (In ₹)	8,631	7,710

38. Net provision for contingencies

The Company has created a contingency provision of ₹ 1,088.9 million (Previous year ₹ 1,163.4 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 contingency provision of ₹ 580.2 million (Previous year ₹ 914.6 million) due to the settlement of certain litigations and settlement of obligations for which provision is no longer required.

The movement of provisions is given below:

Description	31 December 2020 ₹ in million)				31 December 2019 ₹ in million)			
	Provisions for contingencies			Total	Provisions for contingencies			Total
	Litigations and related disputes		Others		Litigations and related disputes		Others	
	Indirect Taxes	Other Litigations			Indirect Taxes	Other Litigations		
Opening balance	3,976.6	3,963.2	982.0	8,921.8	3,519.0	3,963.2	1,190.8	8,673.0
New provisions	403.8	386.4	298.7	1,088.9	589.2	-	574.2	1,163.4
Reversals/Utilisation during the year	(544.5)	(17.4)	(18.3)	(580.2)	(131.6)	-	(783.0)	(914.6)
Closing balance	3,835.9	4,332.2	1,262.4	9,430.5	3,976.6	3,963.2	982.0	8,921.8

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Notes:

- (i) **Litigations and related disputes** - represents estimates made mainly for probable claims arising out of litigations / disputes pending with authorities under various statutes (i.e. Excise Duty, Service Tax, Entry tax, Income Tax, Value Added Tax, Sales and Purchase Tax, Goods and Service Tax etc.). This includes positions taken on matters under dispute involving judgements and assumptions to determine the possible outcome. The probability and the timing of the outflow with regard to these matters depend on the ultimate settlement /conclusion with the relevant authorities.
- (ii) **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.

39. Corporate Social Responsibility Expense

	31 December 2020 (₹ in million)	31 December 2019 (₹ in million)
Prescribed CSR expenditure as per Section 135 of the Companies Act, 2013	463.0	380.7
(a) Total amount planned to be spent during the year	464.0	382.7
(b) Actual expenditure incurred during the year	464.2	383.1
(c) Paid in Cash ⁽¹⁾		
- Pertaining to current year	460.2	357.5
- Pertaining to previous year	25.6	13.9
(d) Expenditure incurred during current year and remaining unpaid	4.0	25.6

(1) Includes amount paid for acquisition/construction of assets - 2020: Nil, 2019: Nil

40. (a) Tax expense

	Year ended 31 December 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million)
i Recognised in the statement of profit and loss		
Current Tax	7,634.2	7,470.0
Deferred Tax	(330.6)	(419.5)
	<u>7,303.6</u>	<u>7,050.5</u>
ii Recognised in other comprehensive income		
Current Tax	(307.1)	(533.9)
Deferred Tax	(3.0)	6.9
	<u>(310.1)</u>	<u>(527.0)</u>
Of which:		
on re-measurement of retiral defined benefit plans	(311.2)	(523.3)
on changes in fair value of cash flow hedges	1.1	(3.7)
Total Taxes		
Current Tax	7,327.1	6,936.1
Deferred Tax	(333.6)	(412.6)
	<u>6,993.5</u>	<u>6,523.5</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

- 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 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million)
Profit before Tax	28,127.9	26,734.9
Statutory Income tax rate	25.17%	27.62%
Tax expense @ Statutory Income tax rate	7,079.2	7,384.4
Tax effect of permanent adjustments made for computing taxable income		
Non-deductible expenses	138.0	90.6
Provision for contingencies	219.4	-
Tax Incentives	-	(109.0)
Income exempt from tax	(133.0)	(175.5)
Adjustment of change in statutory tax rate (Revaluation of Deferred tax asset/liability)	-	(140.0)
Tax expense recognised in the statement of profit and loss	7,303.6	7,050.5

(b) Movement in deferred taxes

As at 31 December 2020

Particulars	Opening balance	Recognised in the statement of profit and loss	Recognised in other comprehensive income	(₹ in million)	
				Closing balance	
Deferred tax liabilities					
Property, plant and equipment	1,579.2	(194.6)		-	1,384.6
Sub-Total (A)	1,579.2	(194.6)		-	1,384.6
Deferred tax assets					
Contingencies	1,063.0	52.9		-	1,115.9
Employee benefits- compensated absences and gratuity	289.2	76.1	4.0	369.3	
ROU assets & lease liabilities	45.1	(0.8)		-	44.3
Allowance for credit impaired assets and Trade receivables	20.0	2.2		-	22.2
Other items deductible on payment basis	25.6	5.6		-	31.2
Financial Instruments	1.9	-	(1.0)	0.9	
Sub-Total (B)	1,444.8	136.0		3.0	1,583.8
Net Deferred Tax Liabilities/(Assets) (A-B)	134.4	(330.6)		(3.0)	(199.2)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

As at 31 December 2019

Particulars	(₹ in million)			
	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
ROU assets & lease liabilities	41.2	3.9	-	45.1
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)	1,832.1	(380.4)	(6.9)	1,444.8
Net Deferred Tax Liabilities/(Assets) (A-B)	547.0	(419.5)	6.9	134.4

41. Financial Instruments

(a) Financial instruments by category

	Note	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
Financial assets			
i Measured at Amortised Cost			
Investments			
Long Term Tax free Bonds	7	7,219.5	7,247.2
Treasury Bills - Government Securities	11	7,229.4	5,475.1
Certificate of Deposits with banks	11	-	745.8
Commercial Papers	11	-	744.6
Trade receivables	12	1,649.3	1,243.3
Cash and cash equivalents	13	17,548.0	12,931.6
Bank Balances other than cash and cash equivalents	14	150.7	148.9
Loans	8,15	597.7	594.4
Other financial assets	16	541.4	536.1
		34,936.0	29,667.0
ii Measured at Fair Value through Other Comprehensive Income			
Investment in Equity Shares	7	188.8	188.8
		188.8	188.8

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Note	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
iii Measured at Fair Value through Profit & Loss			
Investment in Mutual Funds	11	-	3,109.0
Derivative assets - forward contracts	16	<u>48.2</u>	21.8
		<u>48.2</u>	<u>3,130.8</u>
Total Financial assets (i + ii + iii)		<u>35,173.0</u>	<u>32,986.6</u>
Financial Liabilities			
i Measured at Amortised Cost			
Borrowings	20,24	348.4	531.4
Lease liabilities	48	<u>1,126.5</u>	1,358.0
Trade payables		<u>15,165.8</u>	14,915.3
Payables for capital expenditure		<u>2,924.3</u>	888.5
Others financial liabilities	25	<u>3,680.6</u>	3,420.6
		<u>23,245.6</u>	<u>21,113.8</u>
ii Measured at Fair Value through Profit & Loss			
Derivative liabilities - forward contracts	25	<u>7.0</u>	5.7
		<u>7.0</u>	<u>5.7</u>
Total Financial liabilities (i + ii)		<u>23,252.6</u>	<u>21,119.5</u>

(b) Fair value hierarchy

	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ 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)	15,284.1	14,620.7
(ii) Financial assets at fair value through other comprehensive income		
Investment in Equity Shares (Level 3)	<u>188.8</u>	188.8
(iii) Financial assets at fair value through profit & loss		
Investment in Mutual Funds (Level 1)	-	3,109.0
Derivative assets - forward contracts (Level 2)	<u>48.2</u>	21.8
(iv) Financial liabilities at fair value through profit & loss		
Derivative liabilities - forward contracts (Level 2)	<u>7.0</u>	5.7

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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 2019 and 2020.

(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.

Maturities of financial liabilities:

The following table shows the maturity analysis of the Company's financial liabilities based on contractually agreed undiscounted cash flows along with its carrying value as at the Balance Sheet date.

	Carrying amount	Less than 1 year	Beyond 1 year	(₹ in million) Total
As at 31 December 2020				
Borrowings	348.4	31.2	531.0	562.2
Lease liabilities	1,126.5	498.7	772.1	1,270.8
Trade payables	15,165.8	15,165.8	-	15,165.8
Payables for capital expenditure	2,924.3	2,924.3	-	2,924.3
Others financial liabilities	3,680.6	3,680.6	-	3,680.6
Derivative liabilities - forward contracts	7.0	7.0	-	7.0
	23,252.6	22,307.6	1,303.1	23,610.7
As at 31 December 2019				
Borrowings	531.4	-	531.4	531.4
Lease liabilities	1,358.0	472.4	1,082.9	1,555.3
Trade payables	14,915.3	14,915.3	-	14,915.3
Payables for capital expenditure	888.5	888.5	-	888.5
Others financial liabilities	3,420.6	3,420.6	-	3,420.6
Derivative liabilities - forward contracts	5.7	5.7	-	5.7
	21,119.5	19,702.5	1,614.3	21,316.8

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(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, 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 2020 ₹ in million)	31 December 2019 ₹ in million)
Balance as at the beginning of the year	33.9	23.2
Movement during the year	1.5	10.7
Balance as at the end of the year	35.4	33.9

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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The company is not exposed to any significant interest rate risk as its investments are all in fixed rate instruments. 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 and accordingly, the company does not expect any significant price risk exposure on equity investments.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

Currency	As at 31 December 2020		As at 31 December 2019		(₹ in million)
	Hedged ⁽¹⁾	Unhedged	Hedged ⁽¹⁾	Unhedged	
Against exports					
USD	1,586.5	-	1,811.8	-	
EUR	-	2.2	-	-	
CHF	-	28.2	-	27.9	
Against imports	477.1	239.1	606.1	64.6	
(Including Capital imports)	309.2	2,374.7	391.5	113.2	
AUD	174.6	47.4	139.9	22.2	
CHF	-	99.9	-	155.3	
GBP	-	694.9	-	12.5	
SGD	-	25.5	-	23.6	
JPY	-	106.4	-	8.7	

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

Sensitivity analysis :

The impact of strengthening/weakening of foreign currencies on the outstanding exposure remaining unhedged at the year end is as under :

Currency	As at 31 December 2020		As at 31 December 2019		(₹ in million)
	Gain on appreciation	Loss on depreciation	Gain on appreciation	Loss on depreciation	
USD	12.0	(12.0)	3.2	(3.2)	
EUR	118.6	(118.6)	5.7	(5.7)	
AUD	2.4	(2.4)	1.1	(1.1)	
5% appreciation/depreciation in Indian Rupees	3.6	(3.6)	6.4	(6.4)	
CHF	34.7	(34.7)	0.6	(0.6)	
GBP	1.3	(1.3)	1.2	(1.2)	
SGD	5.3	(5.3)	0.4	(0.4)	

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 2020 ₹ in million)	31 December 2019 ₹ in million)
(i) Fair value of cash flow hedges		
Derivative assets	48.2	21.8
Derivative liabilities	7.0	5.7
(ii) Notional value of cash flow hedges	2,596.8	2,982.6
(iii) Movement in respect of designated cash flow hedges is summarised below:		
Balance as at the beginning of the year	6.5	10.8
Add : Gains/ (loss) recognised in other comprehensive income	82.5	(6.8)
Less: Gains/ (loss) reclassified to statement of profit and loss	78.2	1.2
Less: Net deferred taxes on the movement	1.1	(3.7)
Balance as at the end of the year	9.7	6.5

42. 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

43. Auditors Remuneration⁽¹⁾

{included under Miscellaneous expense (Refer Note-34)}

	Year ended 31 December 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million)
(i) Auditors' remuneration and expenses in respect of:		
a) Statutory audit	13.0	9.6
b) Audit of accounts for fiscal year and tax audit	3.6	3.2
c) GST Audit	-	2.6
d) Limited review of quarterly un-audited results	2.7	1.8
e) Certifications	0.5	0.7
f) Certification of tax holiday benefits	-	0.1
g) Audit of employee trust accounts	0.4	0.2
h) Out of pocket expenses for statutory audit and other matters	0.9	1.9
	<hr/>	<hr/>
	21.1	20.1
(ii) Cost auditors' remuneration and expenses in respect of:		
a) Cost audit fees (including out of pocket expenses)	0.2	0.3
b) Certifications	0.1	0.1
	<hr/>	<hr/>
	0.3	0.4

(1) excluding applicable taxes

44. Contingent liabilities and commitments

	As at 31 December 2020 (₹ in million)	As at 31 December 2019 (₹ 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 ₹ 339.0 million (Previous year ₹ 179.4 million)]	3,142.3	3,933.1
(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. The Company will keep evaluating its position based on further developments in this matter.		

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

45. 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.	SMA Nutrition India Private Ltd.
Cereal Partners (Malaysia)	Société des Produits Nestlé S.A. (SPN)
Cereal Partners Poland	Sofinol S.A.
CPW S.A.	Wyeth Nutritionals (Singapore) Pte. Ltd.
LLC Technocom	Wyeth Nutritionals Ireland Limited
Néstec S.A. (merged with SPN w.e.f 28 th May 2019)	Nestlé Nederland B.V.
Néstec York Ltd.	Nestlé Nigeria Plc
Nestlé (China) Ltd.	Nestlé Operational Services Worldwide S.A.
Nestlé (PNG) Ltd.	Nestlé Pakistan Ltd.
Nestlé (South Africa) (Pty) Ltd.	Nestlé Philippines, Inc.
Nestlé (Thai) Ltd.	Nestlé Product Technology Centre
Nestlé Adriatic S DOO	Nestlé Products (Mauritius) Ltd.
Nestlé Afganistan Ltd.	Nestlé Products Sdn Bhd
Nestlé Asean (Malaysia) Sdn. Bhd.	Nestlé Purina Petcare Company
Nestlé Australia Ltd.	Nestlé Purina Petcare Tianjin Ltd.
Nestlé Bangladesh Ltd.	Nestlé Qingdao Limited
Nestlé Canada Inc	Nestlé R&D Center, Inc.
Nestlé Central and West Africa	Nestlé R&D Centre (Pte) Ltd.
Nestlé Congo S.A.R.L.	Nestlé R&D Centre India Private Ltd.
Nestlé Cote D'Ivoire	Nestlé Regional Service Centre
Nestlé Deutschland AG	Nestlé ROH (Thailand) Ltd.
Nestlé Dongguan Ltd.	Nestlé Shuangchéng Ltd.
Nestlé Dubai Manufacturing LLC	Nestlé Singapore (Pte) Ltd.
Nestlé Egypt S.A.E.	Nestlé Skin Health India Pvt. Ltd. (upto 1 October 2019)
Nestlé Enterprises S.A.	Nestlé South Africa Pty Ltd.
Nestlé France S.A.S.	Nestlé Suisse S.A.
Nestlé Ghana Ltd.	Nestlé Taiwan Ltd.
Nestlé Hong Kong Ltd.	Nestlé Tianjin Ltd.
Nestlé Hungaria Kft.	Nestlé Trinidad And Tobago Ltd.
Nestlé Japan Ltd.	Nestlé Turkiye Gida Sanayi A.S.
Nestlé Kenya Ltd.	Nestlé UK Ltd.
Nestlé Korea Ltd	Nestlé USA Inc
Nestlé Korea Yuhan Chaegi	Nestlé Vietnam Ltd.
Nestlé Lanka PLC	Nestlé Waters Ethiopia
Nestlé Manufacturing (Malaysia) Sdn Bhd	Nestlé Waters Management & Technology
Nestlé Middle East FZE	Nestlé Waters Marketing & distibution S.A.S
Nestlé Myanmar Limited	Nestlé Waters North America Inc
Quality Coffee Products Ltd.	Nestlé Waters S.A.S
PJSC "Lviv Confectionery Factory svitoch"	Nestrade S.A.
PT Nestlé Indonesia	
Purina Petcare India Pvt. Ltd.	
Sanpällégrino S.p.A.	

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, Executive Director - Finance & Control and CFO (Executive Director- Finance & Control upto 31 December 2019 and CFO upto 29 February 2020)

David Steven McDaniel, Executive Director - Finance & Control and CFO (w.e.f 1 March 2020)

Martin Roemkens, Executive Director-Technical (upto 31 October 2020)

Matthias Christoph Lohner, Executive Director-Technical (w.e.f 1 November 2020)

Independent Non-Executive Directors

Ashok Kumar Mahindra (upto 31 March 2019)

Rama Bijapurkar

Rakesh Mohan (upto 30 June 2020)

R. V. Kanoria

Swati A. Piramal

Roopa Kudva

P R Ramesh (w.e.f. 1 July 2020)

(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 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million)
Holding companies:		
(a) Dividends		
- Nestlé S.A	6,478.1	10,113.7
- Maggi Enterprises Limited	5,382.9	8,403.9
(b) Expenses incurred	412.5	232.8
- Nestlé S.A		
Fellow subsidiaries:		
(a) Sale of finished and other goods		
- Nestrade S.A.	1,918.4	25.0
- Nestlé Bangladesh Ltd	1,107.9	2,222.7
- Others	928.0	1,632.2
(b) Sale of Property, Plant & Equipment		
- Nestlé Bangladesh Ltd	-	9.3
(c) Purchase of property, plant and equipment		
- Nestrade S.A.	274.2	18.0
- Others	0.3	78.9

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million)
(d) Purchase of raw and packing materials		
- Nestrade S.A.	262.4	295.7
- Sofinol S.A.	213.0	-
- Others	54.1	108.4
(e) Purchase of finished goods		
- Nestrade S.A.	260.5	8.5
- Nestlé Lanka PLC	164.8	339.8
- Nestlé Korea Ltd	85.4	57.0
- Others	120.2	389.5
(f) General licence fees (net of taxes)		
- Société des Produits Nestlé S.A.	5,928.5	5,470.5
- CPW S.A.	6.5	1.5
(g) Expenses recovered ⁽¹⁾		
- Société des Produits Nestlé S.A.	118.6	93.5
- Nestlé Lanka PLC	117.5	96.8
- Nestlé Operational Services Worldwide S.A.	81.2	24.9
- Nestlé R&D Centre India Private Limited	53.8	37.0
- Nestlé Bangladesh Ltd	54.2	37.7
- Others	92.2	89.9
(h) Expenses incurred		
- Nestlé Operational Services Worldwide S.A.	75.4	89.8
- Nestlé R & D Center (Pte) Limited	23.8	25.4
- Nestlé Francé S.A.S.	22.5	32.4
- Others	50.6	64.6
(i) Information technology and management information systems		
- Nestlé Australia Ltd	852.5	616.1
(j) Loans granted		
- Purina Petcare India Private Ltd.	350.0	150.0
(k) Repayment of loans granted		
- Purina Petcare India Private Ltd.	350.0	150.0
(l) Interest on loans granted		
- Purina Petcare India Private Ltd.	13.2	0.6
Entities Controlled by Key Management Personnel:		
Purchase of raw and packing materials		
- Piramal Glass Private Limited	123.5	24.2
- Piramal Enterprises Limited	-	0.2

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million)
Remuneration to Key Management personnel⁽²⁾		
Executive directors/CFO		
- Short term employee benefits	241.9	196.6
- Post employment benefits	5.4	4.0
- Share based payments	86.2	62.3
Non - Executive directors		
- Short term employee benefits (Sitting fee & Commission)	12.4	11.7
Contribution to Employee related trusts		
- Nestlé India Limited Employees Provident Fund Trust	260.8	206.3
- Nestlé India Limited Employees' Gratuity Trust Fund	-	305.0
Balance outstanding as at the year end	As at 31 December 2020 (₹ in million)	As at 30 December 2019 (₹ in million)
Receivables from fellow subsidiaries	744.4	581.0
Payables to fellow subsidiaries	1,049.6	962.4
Payables to entities controlled by Key Managerial Personnel	41.9	13.6
Payables to Key management personnel	59.8	55.3
Payables to Employees Provident Fund Trust	22.9	18.0

Note:

Other transactions with Key Managerial Personnel:

- Remuneration includes lease rentals paid at market rates ₹ 0.8 million (previous year ₹ 4.5 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

46. 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 2020 (₹ in million)	As at 31 December 2019 (₹ in million)
India	126,427.7	116,567.9
Outside India	6,473.9	6,384.8
	132,901.6	122,952.7

- (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.

47. 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 2020 (₹ in million)	31 December 2019 (₹ in million)
(i) Principal amount remaining unpaid	1,139.9	340.2
(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

48. First time adoption of Ind AS 116 Leases

(i) The Company has adopted Ind AS 116 Leases effective 1 January 2020, using the full retrospective method with a transition date of 1 January 2019. The impact of Ind AS 116 adoption on the Balance sheet as at 31 December 2019 and 1 January 2019 is as under :

As at 1 January 2019

Particulars	Pre-implementation of Ind AS 116	Implementation Adjustments	Post-implementation of Ind AS 116
Property, Plant and Equipment	24,006.2	(1,192.1)	22,814.1
Right of Use Assets	-	2,429.4	2,429.4
Others	56,874.6	-	56,874.6
Total Assets	80,880.8	1,237.3	82,118.1
Other Equity	35,773.2	(122.8)	35,650.4
Others	964.2	-	964.2
Total Equity	36,737.4	(122.8)	36,614.6
Non-current lease liabilities	-	960.4	960.4
Current lease liabilities	-	440.9	440.9
Deferred tax liabilities (net)	588.2	(41.2)	547.0
Trade Payables	12,403.7	-	12,403.7
Others	31,151.5	-	31,151.5
Total Equity & Liabilities	80,880.8	1,237.3	82,118.1

As at 31 December 2019

Particulars	Pre-implementation of Ind AS 116	Implementation Adjustments	Post-implementation of Ind AS 116
Property, Plant and Equipment	22,267.1	(1,179.0)	21,088.1
Right of Use Assets	-	2,326.4	2,326.4
Others	48,314.9	-	48,314.9
Total Assets	70,582.0	1,147.4	71,729.4
Other Equity	18,358.4	(133.9)	18,224.5
Others	964.2	-	964.2
Total Equity	19,322.6	(133.9)	19,188.7
Non-current lease liabilities	-	896.0	896.0
Current lease liabilities	-	462.0	462.0
Deferred tax liabilities (net)	179.5	(45.1)	134.4
Trade Payables	14,946.9	(31.6)	14,915.3
Others	36,133.0	-	36,133.0
Total Equity & Liabilities	70,582.0	1,147.4	71,729.4

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

- (ii) The cumulative impact of application of this standard net of deferred taxes has been adjusted through opening equity (1 January 2019) and previous year's equity has been restated. Reconciliation of equity as previously reported versus the restated equity is as under:

Particulars	As at 1 January 2019	As at 31 December 2019
Equity reported in accordance with Ind AS 17	36,737.4	19,322.6
a) Recognition of ROU assets	1,237.3	1,147.4
b) Recognition of short term and long term lease liabilities	(1,401.3)	(1,326.4)
c) Deferred tax impact	41.2	45.1
Restated Equity in accordance with Ind AS 116	36,614.6	19,188.7

- (iii) Reconciliation of Profit reported for 2019 to Restated Profit after adoption of Ind AS 116 Leases is as under:

Particulars	Pre-implementation of Ind AS 116	Implementation Adjustments	Post-implementation of Ind AS 116
Revenue from Operations	123,689.0	-	123,689.0
Total Income	126,157.8	-	126,157.8
Finance costs (including interest cost on employee benefit plans)	1,198.3	92.9	1,291.2
Depreciation and Amortisation	3,163.6	537.9	3,701.5
Employee Benefit Expenses	12,629.5	(47.8)	12,581.7
Other expenses	29,545.4	(568.0)	28,977.4
Others	52,871.1	-	52,871.1
Total Expenses	99,407.9	15.0	99,422.9
Profit before Tax	26,749.9	(15.0)	26,734.9
Tax Expense	7,054.4	(3.9)	7,050.5
Profit after Tax	19,695.5	(11.1)	19,684.4
Other Comprehensive Income	(1,547.7)	-	(1,547.7)
Total Comprehensive Income	18,147.8	(11.1)	18,136.7
Profit from Operations	25,862.5	77.9	25,940.4

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(iv) Effect on the Statement of Cash Flows for the year ended 31 December 2019 is as under:

Particulars	(₹ in million)		
	Pre-implementation of Ind AS 116	Implementation Adjustments	Post-implementation of Ind AS 116
Profit Before Tax	26,749.9	(15.0)	26,734.9
Depreciation and Amortisation	3,163.6	537.9	3,701.5
Interest on lease liabilities	-	92.9	92.9
Others	(7,576.8)	-	(7,576.8)
Net cash generated from operating activities	22,336.7	615.8	22,952.5
Net cash generated from investing activities	829.9	-	829.9
Interest on lease liabilities	-	(92.9)	(92.9)
Principal payment on lease liabilities	-	(522.9)	(522.9)
Others	(35,399.5)	-	(35,399.5)
Net cash used in financing activities	(35,399.5)	(615.8)	(36,015.3)
Net decrease in cash and cash equivalents	(12,232.9)	-	(12,232.9)
Total cash and cash equivalents at the beginning of the year	35,239.0	-	35,239.0
Total cash and cash equivalents at the end of the year	23,006.1	-	23,006.1

(v) Impact of restatement on Earnings per share (EPS) for the year ended 31 December 2019 is not significant.

49. Dividends

(i) Dividend paid during the year

	Year ended 31 December 2020 (₹ in million)	Year ended 31 December 2019 (₹ in million)
Interim Dividend of ₹ 135.00 per share for 2020 [for 2019: ₹ 101.00 per share]	13,016.1	9,738.0
Special Interim Dividend of ₹ Nil per share for 2020 [for 2019 ₹ 180.00 per share] ⁽¹⁾	-	17,354.8
Final Dividend of ₹ 61.00 per share for 2019 [for 2018: ₹ 25.00 per share]	5,881.4	2,410.4
Dividend distribution tax paid on above	-	6,059.4

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(ii) Proposed Final Dividend

The Board of Directors have recommended a final dividend of ₹ 65.00 per equity share amounting to ₹ 6,267.0 million for the year 2020 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

VIKRAM ADVANI
Partner
Membership No. - 091765

SURESH NARAYANAN
Chairman and Managing Director
(DIN-07246738)

DAVID McDANIEL
Executive Director -
Finance & Control and CFO
(DIN-08662504)

B. MURLI
General Counsel &
Company Secretary

16 February 2021
New Delhi

16 February 2021
Gurugram

ANNEXURE - 1 TO THE BOARD'S REPORT

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2020

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 2020 or for the year 2020, as applicable, is tabulated hereunder:

Director - Category	DIN	No. of Board Meetings attended [#]	Attendance at the last AGM on 19 th June, 2020	No. of Directorships 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 2020
Executive						
Mr. Suresh Narayanan ¹	07246738	6	Yes	1	Nil	Independent Director Asian Paints Limited
Mr. Martin Roemkens ²	07761271	6	Yes	Nil	Nil	-
Mr. David Steven McDaniel ³	08662504	4	Yes	Nil	Nil	-
Mr. Matthias Christoph Lohner ⁴	08934420	-	NA	Nil	Nil	-
Independent Non-Executive						
Dr. Rakesh Mohan ⁵	02790744	3	NA	1	1	Independent Director - Kirloskar Brothers Limited
Mr. P. R. Ramesh ⁶	01915274	2	NA	1	Nil	
Ms. Roopa Kudva	00001766	6	Yes	1	Nil	
Ms. Rama Bijapurkar	00001835	6	Yes	5	5	Independent Director - Emami Limited - ICICI Bank Limited - Mahindra & Mahindra Financial Services Limited - VST Industries Limited - Cummins India Limited
Mr. Rajya Vardhan Kanoria	00003792	6	Yes	7	4	Executive Director - Kanoria Chemicals and Industries Limited
Non-Independent Non-Executive Director						
- Ludlow Jute & Specialties Limited						
Independent Director						
- J K Paper Limited						
Dr. Swati A. Piramal	00067125	4	Yes	7	Nil	Executive Director - Piramal Enterprises Limited

1 Re-appointed as Managing Director for another term of five years with effect from 1st August 2020.

2 Relinquished the office of Whole-time Director with effect from 1st November 2020.

NESTLÉ INDIA LIMITED

- 3 Appointed as Whole-time Director designated as "Executive Director - Finance & Control and Chief Financial Officer" for a term of five consecutive years with effect from 1st March 2020.
 - 4 Appointed as Whole-time Director designated as "Executive Director - Technical" for a term of five consecutive years with effect from 1st November 2020.
 - 5 Retired as Independent Non-Executive Director with effect from 30th June 2020.
 - 6 Mr. Prathivadibhayankara Rajagopalan Ramesh ("Mr. P. R. Ramesh") was appointed as Independent Non-Executive Director for a term of five years with effect from 1st July 2020.
- # Except meetings held in February 2020, Directors attended all meetings through Video Conference/ Other Audio Visual Means.
- A Directorship in companies registered under the Companies Act, 2013 or any earlier enactments, excluding companies under Section 8 of the Companies Act, 2013.
- B Only covers Membership / Chairpersonship of Audit Committee and Stakeholders Relationship Committee of public limited companies.

The Board of your Company has a good and diverse mix of Executive and Non-Executive Directors with majority of the Board Members comprising Independent Directors and the same is also in line with the Companies Act, 2013 ("the Act") and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). As on 31st December 2020, the Board consist of Eight Directors comprising one Executive Chairman, five Independent Directors, including three woman directors and two Executive Directors. 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.

As per the Retirement Policy of Non-Executive Directors of the Company, Dr. Rakesh Mohan, Independent Non-Executive Director, retired as a director of the Company with effect from 30th June 2020. At the 61st Annual General Meeting held on Friday, 19th June 2020 through Video Conferencing/ Other Audio Visual Means ("VC/OAVM facility"), the shareholders approved : appointment of Mr. P. R. Ramesh as an Independent Non-Executive Director to hold office for a term of five consecutive years with effect from 1st July 2020; appointment of Mr. David Steven McDaniel as an Whole-time Director designated as "Executive Director – Finance & Control and Chief Financial Officer" to hold office for a term of five consecutive years with effect from 1st March 2020; and re-appointment of Mr. Suresh Narayanan as Managing Director to hold office for another term of five consecutive years with effect from 1st August 2020. During the year, shareholders also approved the appointment of Mr. Matthias Christoph Lohner as a Whole-time Director of the Company designated as "Executive Director - Technical" for a term of five consecutive years with effect from 1st November 2020 by means of Postal Ballot on 24th December 2020. Mr. Martin Roemkens, Whole-time Director designated as "Executive Director - Technical" resigned from the directorship with effect from 1st November 2020 to take up another assignment within Nestlé Group.

During the year, the Board met six times on 13th February 2020, 14th February 2020, 12th May 2020, 19th June 2020, 28th July 2020 and 23rd October 2020. In the wake of COVID-19 pandemic and to adhere to the lockdown and social distancing norms, the directors participated in the meetings of the Board and Committees held after March 2020 through video conferencing/ other audio visual means. The meetings and agenda items taken up during the meetings complied with the Companies Act, 2013 and Listing Regulations read with various circulars issued by Ministry of Corporate Affairs (MCA) and Securities Exchange Board of India ("SEBI") due to COVID 19 pandemic. 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 2020 without the attendance of non-independent directors and members of the management. All Independent Directors attended the said meeting except Dr. Rakesh Mohan and Dr. Swati A. Piramal who were granted leave of absence for the meeting. Ms. Roopa Kudva participated in the meeting through video conferencing/other audio visual means.

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/familiarisation-programme>).

None of the Independent Non-Executive Directors held any equity shares or convertible instruments of the Company during the financial year ended 31st December 2020. 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), 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. The matrix below highlights the skills and expertise, which are currently available with the Board of the Company:

Key Skill Area	Skills / Expertise / Competencies	Suresh Narayanan	David S McDaniel	Matthias C Lohner	Roopa Kudva	Rama Bijapurkar	R V Kanoria	P R Ramesh	Swati A Piramal
Business & Strategy	Consumer insight & marketing	Y				Y	Y		
	Technical & R&D (including nutrition & food science)			Y					Y
	Economic issues / Macro Economic Trends / Interpreting national policies	Y	Y		Y	Y	Y	Y	Y
	E-commerce, digital & new technologies and M&A	Y	Y	Y	Y	Y		Y	
Operations	Sales & Customer Management	Y			Y	Y	Y		Y
	Operation Management & Risk Mitigation	Y	Y	Y			Y	Y	
	Finance & Treasury and Audit		Y		Y		Y	Y	
Environment	Sustainability (water, sanitation, community development, nutrition) under Creating Shared Value / CSR	Y	Y	Y	Y		Y		Y
	Scientific & Regulatory Affairs			Y				Y	Y
	Media, local interactions and Environment assessment	Y	Y	Y	Y	Y			Y
	Climate change	Y		Y					Y
Other enablers	Innovation Management			Y					Y
	Human Resource & Talent	Y	Y	Y	Y	Y	Y	Y	Y
	Communications	Y	Y	Y	Y	Y	Y	Y	Y
	General Management and Board Governance	Y	Y	Y	Y	Y	Y	Y	Y

Compliance with the Code of Conduct

The Company has adopted '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 and Senior Management Personnel have affirmed compliance with the Code during the year 2020.

AUDIT COMMITTEE

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

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, the Audit Committee was re-constituted and Mr. P. R. Ramesh, Independent Non-Executive Director, was appointed as member of the Audit Committee with effect from 1st July 2020 in place of Dr. Rakesh Mohan, Independent Non-Executive Director, who ceased to be a member of the Audit Committee upon his retirement as a director of the Company with effect from 30th June 2020. Mr. P.R. Ramesh was appointed as the Chairman of the Audit Committee with effect from 24th October 2020. As on 31st December 2020, the Audit Committee comprised of Mr. P. R. Ramesh (Chairman), Mr. Rajya Vardhan Kanoria and Ms. Roopa Kudva, all Independent Non-Executive Directors. 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 invited to the meetings of the Audit Committee. The Secretarial Auditors are invited to the meeting of the Audit Committee to present the Secretarial Audit Report and their findings.

During the year, the Audit Committee met four times on 13th February 2020, 11th May 2020, 28th July 2020 and 23rd October 2020 and all members of the Audit Committee participated in the aforesaid meetings. The maximum gap between any two meetings was less than one hundred and twenty days. On 13th February 2020, the Audit Committee had a meeting with the Statutory Auditors without the presence of anyone else.

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. 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 re-constituted and Mr. P. R. Ramesh, Independent Non-Executive Director, was appointed as member of the Nomination and Remuneration Committee with effect from 1st July 2020 in place of Dr. Rakesh Mohan, Independent Non-Executive Director, who ceased to be a member of Nomination and Remuneration Committee upon his retirement as a director of the Company with effect from 30th June 2020. As on 31st December 2020, the Nomination and Remuneration Committee comprised of Mr. Rajya Vardhan Kanoria (Chairman), Mr. P. R. Ramesh and Ms. Roopa Kudva, all Independent Non-Executive Directors. The Company Secretary acts as the Secretary to the Committee. The Chairman and Managing Director, Head of Human Resources and Deputy Company Secretary are permanent invitees to the meetings of the Committee.

During the year, the Nomination and Remuneration Committee met thrice on 13th February 2020, 11th May 2020 and 23rd October 2020 and all members of the Committee participated in the aforesaid meetings.

Performance Evaluation

In terms of the requirement of the Act and the Listing Regulations, an annual performance evaluation of the Board, its Committees and the Directors was undertaken which included the evaluation of the Board as a whole, Board Committees and peer evaluation of the Directors. The criteria for performance evaluation covers the areas relevant to the functioning of the Board and Board Committees such as its composition, oversight and effectiveness, performance, skills and structure etc. The performance of individual directors was evaluated on the parameters such as preparation, participation, conduct, independent judgement 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. A reputed HR Consultant Firm compiled and provided analysis of the results of the annual performance evaluation. As an outcome of the evaluation, it was noted that board as a whole has a composition that is diverse in experience and perspective and fosters lively and constructive debates. The discussion quality is robust, well intended and leads to clear direction and decision. The presentations by the Senior Management and their teams provides an insight at a deeper level and exposure to segments. It was also noted that the Board Committees functions professionally and smoothly and besides the Board Committee's terms of reference as mandated by law, important issues are brought up and discussed in the respective Board Committees. The Board also noted that given the plethora of information presented at the Board/ Committee meetings, pre-reads helps assimilate issues discussed during the meetings. The Board engages itself in the areas identified and wherever required actions taken.

Remuneration of Directors for 2020

Name of the Director	Sitting Fee	Salaries and Allowances	Perquisites	Company's Contribution to PF	(₹ in Millions)		Total
					Commission and Performance Linked Incentive		
Mr. Suresh Narayanan ¹	N.A.	85.67	51.56	3.10	31.59	171.92	
Mr. David Steven McDaniel ^{1 \$}	N.A.	35.91	3.06	1.09	9.12	49.17	
Mr. Matthias Christoph Lohner ^{1 #}	N.A.	5.10	2.53	0.19	1.49	9.32	
Mr. Martin Roemkens ^{1 *}	N.A.	34.19	28.17	0.99	7.77	71.11	
Ms. Rama Bijapurkar	0.75	-	-	-	1.60 @	2.35	
Mr. Rajya Vardhan Kanoria	1.18	-	-	-	1.60 @	2.78	
Ms. Roopa Kudva	1.08				1.60 @	2.68	
Mr. P. R. Ramesh	0.43				0.80 @	1.23	
Dr. Rakesh Mohan ^A	0.55	-	-	-	0.80 @	1.35	
Dr. Swati A. Piramal	0.43	-	-	-	1.60 @	2.03	

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 2020, which will be paid after adoption of the accounts by the shareholders at the Annual General Meeting, subject to deduction of applicable tax.

\$ Appointed as Whole-time Director designated as Executive Director – Finance & Control and Chief Financial Officer with effect from 1st March 2020.

Appointed as Whole-time Director designated as Executive Director – Technical with effect from 1st November 2020.

* Relinquished the office of Executive Director – Technical with effect from 1st November 2020.

A Retired as Director with effect from 30th June 2020.

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

The above remuneration of Executive Directors does not include 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 of the Company 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 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 with the interested non-executive directors, not participating or voting, as per the terms approved by the shareholders at the Annual General Meeting.

NESTLÉ INDIA LIMITED

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.

A brief profile and other particulars of the Director seeking re-appointment is given in the Notice of the 62nd Annual General Meeting and 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, reviewing dematerialization/ 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. During the year, the Stakeholders Relationship Committee was re-constituted and Mr. David Steven McDaniel, Executive Director - Finance & Control and Chief Financial Officer, was appointed as member of the Stakeholders Relationship Committee with effect from 1st March 2020 in place of Mr. Martin Roemkens, Executive Director – Technical. As on 31st December 2020, the Stakeholders Relationship Committee comprised of Ms. Rama Bijapurkar (Chairperson), Mr. Rajya Vardhan Kanoria, Independent Non-Executive Directors and Mr. David McDaniel, Executive Director- Finance & Control and Chief Financial Officer. The Company Secretary acts as the Compliance Officer to the Committee and the Deputy Company Secretary is a permanent invitee to the meetings of the Committee.

The Committee met four times during the year on 13th February 2020, 12th May 2020, 28th July 2020 and 23rd October 2020. All members of the Committee participated in the aforesaid meetings.

During the year, four (4) 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 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.

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 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended, 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.

Dr. Swati A. Piramal, Independent Non-Executive Director, is the Chairperson of the Committee. During the year, Mr. David Steven McDaniel, Executive Director – Finance & Control and Chief Financial Officer was appointed as a member of the Committee with effect from 1st August 2020. As on 31st December 2020, the Corporate Social Responsibility Committee comprised of Dr. Swati A. Piramal (Chairperson), Ms. Rama Bijapurkar, Independent Non-Executive Director, Mr. Suresh Narayanan, Chairman and Managing Director and Mr. David Steven McDaniel, Executive Director – Finance & Control and Chief Financial Officer. The Company Secretary acts as the Secretary to the Committee. The Deputy Company Secretary is permanent invitee to the meetings of the Committee.

The Committee met twice during the year on 13th February 2020 and 28th July 2020. All the members attended these meetings except for Dr. Swati A. Piramal, who was granted leave of absence for the meeting held on 13th February 2020.

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 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.

During the year, Mr. Suresh Narayanan, Chairman and Managing Director of the Company, was appointed as the Chairman of the Risk Management Committee effective from 1st January 2020 in place of Mr. Shobinder Duggal, whose tenure as a Director of the Company ended on 31st December 2019. Mr. Shobinder Duggal thereafter continued as a member of the Committee until 29th February 2020 when he ceased as the Chief Financial Officer of the Company. Mr. David Steven McDaniel, Executive Director - Finance & Control and Chief Financial Officer was appointed as a member of the Committee effective from 1st March 2020. Mr. Matthias Christoph Lohner, Executive Director - Technical was appointed as a member of the Committee effective from 1st November 2020 in place of Mr. Martin Roemkens, Executive Director - Technical, who ceased to be a member of the Committee with effect from 1st November 2020. As on 31st December 2020, the Risk Management Committee comprised of Mr. Suresh Narayanan (Chairman), Mr. David Steven McDaniel and Mr. Matthias Christoph Lohner, both Executive Directors of the Company. The Company Secretary acts as the Secretary to the Committee and the Deputy Company Secretary is a permanent invitee to the meetings of the Committee.

During the year, the Committee met three times during the year on 19th March 2020, 29th June 2020 and 23rd September 2020 and all the members of the Committee participated in the aforesaid meetings except Mr. David Steven McDaniel who was granted leave of absence for the meeting held on 23rd September 2020.

CEO/ CFO CERTIFICATION

The Chairman and Managing Director and the Executive 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, 2020.

GENERAL BODY MEETINGS

Required details of last three Annual General Meetings (AGMs), are as below:

AGM	Year & Date	Venue	Special Resolution(s)
61 st	19.06.2020	Through Video Conferencing / Other Audio-Visual Means (Deemed venue of the meeting: 100/ 101, World Trade Centre, Barakhamba Lane, New Delhi- 110001)	No Special Resolution was passed in this meeting.
60 th	25.04.2019	Air Force Auditorium, Subroto Park, New Delhi – 110 010	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	Air Force Auditorium, Subroto Park, New Delhi – 110 010	1.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. 2.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.

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>).

NESTLÉ INDIA LIMITED

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, 7 th May 2021 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, 2021 (tentative)

First Quarter Results	:	Third/Fourth Week of April 2021
Second Quarter and Half-yearly Results	:	Third/Fourth week of July 2021
Third Quarter Results	:	Third/Fourth week of October 2021
Annual Results	:	Second/Third week of February 2022
Financial Year	:	1 st January to 31 st December
Annual Book Closure	:	1 st May 2021 to 7 th May 2021 (both days inclusive)

Dividend payments: Final Dividend of ₹ 65/- 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 20th May 2021.

The interim dividend for the year 2020 of ₹ 135/- per equity share of ₹ 10/- each was paid on and from 20th November 2020.

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, 2020 on the BSE Ltd., Mumbai

Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
January	15900.00	14120.20	July	17733.90	16433.30
February	16839.55	15180.00	August	16900.00	15880.00
March	16834.00	12588.95	September	16619.00	15104.25
April	18301.00	14989.10	October	17350.00	15389.90
May	17915.50	16120.90	November	18040.00	16458.70
June	17749.95	16045.90	December	18821.45	17150.05

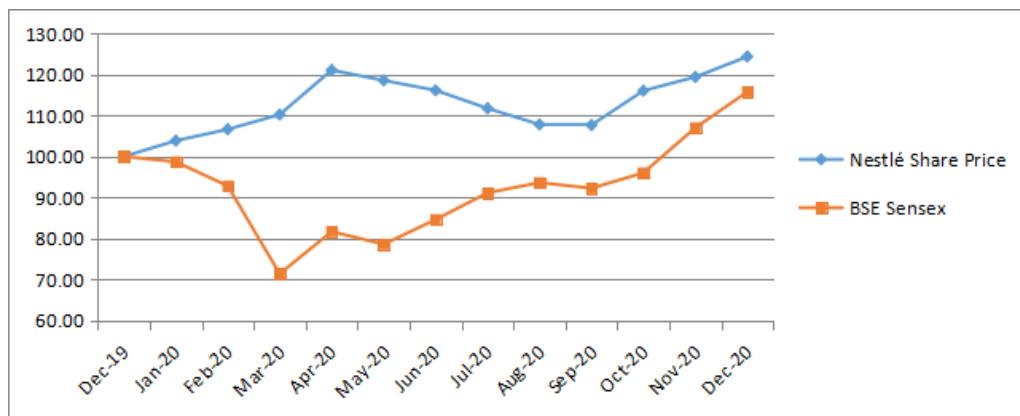
[Source: www.bseindia.com]

The Company had paid Annual Listing Fees for the Financial Year 2020-2021.

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 2019



[Source: www.bseindia.com]

Registrar and Share Transfer Agents

M/s. Alankit Assignments Limited, 4E/2, 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 to 1st April 2019 and returned due to deficiency in the document. 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 2020

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	36,69,725	3.81
Alternate Investment Fund	1,74,979	0.18
Foreign Portfolio Investor	1,23,84,302	12.84
Financial Institutions / Banks	23,807	0.02
Insurance Companies	35,99,185	3.73
Individuals	1,27,78,226	13.25
NBFCs	6,314	0.01
Any Other		
- Bodies Corporate	19,53,106	2.03
- Overseas Corporate Body	500	0.00
- NRIs	7,86,254	0.82
- Trust	2,02,901	0.21
- IEPF Authority MCA	99,842	0.10
- HUF	1,91,351	0.20
- Clearing Members	30,145	0.03
Total Public Shareholding (B)	3,59,00,637	37.24
Total Shareholding (A + B)	9,64,15,716	100

NESTLÉ INDIA LIMITED

Distribution of shareholding as on 31st December 2020

No. of Shares	Number of Shareholders	Number of Shares	Percent of total Shares
1 to 500	1,50,520	43,81,172	4.54
501 to 1,000	2,328	16,86,034	1.75
1,001 to 2,000	1,048	14,91,212	1.55
2,001 to 3,000	364	9,12,646	0.95
3,001 to 4,000	197	6,89,315	0.72
4,001 to 5,000	129	5,85,166	0.61
5,001 to 10,000	282	20,34,980	2.11
10,001 and above	425	8,46,35,191	87.782
Total	1,55,293	9,64,15,716	100.00

Dematerialisation of shares

99.36% equity shares of the Company have been dematerialised as on 31st December 2020.

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 2020, 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. 41 to the Annual Financial Statements.

Plant Locations

The Company's plants are located at Moga, Samalkha, Nanjangud, Choladi, Ponda, Bicholim, Panthnagar and Tahliwal. The Company plans to come up with another plant in Sanand, Gujarat, which is under construction.

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 and A1+ credit rating for its long term and short-term bank credit facilities by CRISIL respectively. 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 inter-alia 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 2020 was 7,747.

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 2020, 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. 45 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. 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 to report concerns under the Code. 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), 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.

NESTLÉ INDIA LIMITED

During the year 2020, 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 ₹ 21.1 million.

During the Year 2020, 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), the 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 2020, four (4) cases of sexual harassment were 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 2020 or as on 31st December 2020 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 an 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) Reporting of Internal Auditor:** The Chief Internal Auditor of the Company reports to the Executive Director - Finance and Control & CFO with functional independence and has direct access to the Audit Committee.

On behalf of the Board of Directors

Date : 16th February 2021

Place : Gurugram

Suresh Narayanan
Chairman and Managing Director

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

[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 2020 and Financial Year ending 31st December 2021 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 31st December 2020, 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	Dr. Rakesh Mohan	02790744	01-05-2016	30-6-2020
02	Dr. Swati Ajay Piramal	00067125	02-08-2010	-
03	Mr. Rajya Vardhan Kanoria	00003792	13-05-2014	-
04	Mr. Suresh Narayanan	07246738	01-08-2015	-
05	Mr. Martin Roemkens	07761271	01-04-2017	01-11-2020
06	Ms. Rama Bijapurkar	00001835	01-05-2017	-
07	Ms. Roopa Kudva	00001766	01-01-2019	-
08	Mr. David Steven McDaniel	08662504	01-03-2020	-
09	Mr. Prathivadibhayankara Rajagopalan Ramesh	01915274	01-07-2020	-
10	Mr. Matthias Christoph Lohner	08934420	01-11-2020	-

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.

NESTLÉ INDIA LIMITED

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 2020.

For S. N. ANANTHASUBRAMANIAN & Co.
Company Secretaries
ICSI Unique Code P1991MH040400
Peer Review Cert. No.: 606/2019

Date : 13th February 2021
Place : Thane

S. N. Ananthasubramanian
Partner
FCS : 4206
COP No. : 1774
ICSI UDIN : F004206B002852117

Independent Auditor's 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, B S R & Co. LLP, the Statutory Auditors of Nestle India Limited ("the Company") for the year ended 31 December 2020 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 of conditions of Corporate Governance as stipulated under the listing regulations is the responsibility of the Company's Management including the preparation and maintenance of all the relevant records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of Corporate Governance stipulated in the Listing Regulations.

Auditor's Responsibility

4. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 2020.
6. We conducted our examination of the above corporate governance compliance by the Company in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) and Guidance Note on Certification of Corporate Governance both issued by the Institute of the Chartered Accountants of India (the "ICAI"), in so far as applicable for the purpose of this certificate. 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) 1, 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 the 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 and provided to the Members of the Company solely for the purpose of enabling the Company to comply with the requirement of the Listing 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 Registration No.: 101248W/W-100022*

Place : Gurugram
Date : 16 February 2021

Vikram Advani
Partner
Membership No.: 091765
UDIN: 21091765AAAAAK1757

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 - 'We unlock the power of food to enhance quality of life for everyone, today and for generations to come', the Company is mindful of the needs of the communities and strives to make a positive difference and create maximum value for the society. The Company's efforts in society are focussed 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. It is firmly rooted in a robust set of principles and values based on respect.

Your Company believes that the biggest opportunity is partnership. It 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, environment etc. These areas are mapped with the activities as prescribed in Schedule VII to the Companies Act, 2013 in the Annexure.

Your Company's commitment to the society is sincere and longstanding. 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 calamities/disasters etc.).

Your Company believes that it has an essential role to play during the Covid-19 pandemic and is deeply committed to its responsibility to people in this hour of need. On the ground your Company is mobilizing substantial local relief efforts in the communities where it operates. Through the key CSR programmes including Nestlé Healthy Kids Programme, Project Jagriti, Project Vriddhi and Project Serve Safe Food - social media and phone calls in collaboration with NGO partners have been used to educate community members on the precautions to be taken to prevent Covid-19 pandemic. The on-going CSR programmes have been transformed, navigating new realities and working tirelessly to ease the suffering and ensuring beneficiaries of the societal initiatives are not left behind.

2. The Composition of the CSR Committee

- a. Dr. Swati Ajay Piramal – Chairperson
- b. Mr. Suresh Narayanan – Member
- c. Ms. Rama Bijapurkar – Member
- d. Mr. David Steven McDaniel - Member

3. Average net profit of the Company for last three financial years: ₹ 23,151 million**4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 463 million****5. Details of CSR spent during the year 2020.**

- a. Total amount to be spent for the year 2020: ₹ 464.2 million
- b. Amount unspent, if any: Not Applicable
- c. 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, Mizoram Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand, West Bengal	169.1	(a) 2.73 (b) 166.37	169.1	(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, Gujarat University (b) Magic Bus India Foundation
2	Project Jagriti	(i)	Delhi, Maharashtra, Odisha, Rajasthan, Uttar Pradesh	71.4	71.4	71.4	MAMTA Health Institute for Mother and Child
3	Clean drinking water projects and water awareness programme	(i) + (iv)	Goa, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Punjab, Rajasthan	27.4	(a) 6.5 (b) 20.9	27.4	(a) Direct (b) Enable Health Society
4	Sanitation projects	(i)	Goa, Haryana, Punjab	1.2	1.2	1.2	Direct
5	Water conservation & Environment	(iv)	Karnataka, Punjab	2.4	2.4	2.4	Direct
6	Plastic Waste Management Awareness	(iv)	Goa, Himachal Pradesh, Maharashtra, Uttarakhand	30.4	30.4	30.4	Stree Mukti Sanghatana
7	Livelihood enhancement for street food vendors (Project Serve Safe Food)	(ii)	Assam, Andamans, Karnataka	2.1	2.1	2.1	Nidan
8	Village Adoption (Project Vriddhi)	(x)	Haryana	4.8	4.8	4.8	SM Sehgal Foundation
9	Employee Volunteering	(i)	Delhi, Haryana	0.6	0.6	0.6	Magic Bus India Foundation
10	Relief Efforts (Cyclone)	(viii)	Andhra Pradesh, Puducherry, Tamil Nadu, West Bengal	5.0	5.0	5.0	Indian Red Cross Society
11	Relief Efforts (Covid-19)	(i) + (viii) + (xii)	25 states/4UTs	126.7	126.7	126.7	Multiple NGOs*

*Akshaya Patra; Narayana Hrudayalaya Charitable Trust (NHCT); Aident Social Welfare Organization (ASWO); Charities Aid Foundation (CAF); Stree Mukti Sanghatana; Nidan; I am Gurgaon; Indian Association for the Blind; Cheshire Disability Trust; S.M. Sehgal Foundation; Save the Children India; India Red Cross Society, Rudrapur; Junior Chamber International

The amount indicated in column (6) and (7) above is the expenditure on projects or programs.

There are total overheads of ₹ 23.1 million. During the year, the total CSR expenditure including overheads was ₹ 464.2 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; plastic waste awareness; providing access to clean drinking water and sanitation; enhancing the livelihood of street food vendors and the initiative of village adoption for sustainable development. Building on these efforts, your Company joined hands with credible NGOs engaged in providing relief efforts in the communities impacted by Covid-19 pandemic across various states in India.

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 details 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, to which India has committed.

The Nestlé Healthy Kids Programme forms part of the Company's commitment to promote adolescent's nutrition, health and well-being. 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 has expanded significantly since its inception, incorporating pertinent elements like plastic waste management etc. in the existing curriculum as well as including parents as direct beneficiaries in the programme.

The programme is based on multi-partnership approaches, and the partners have been mobilized 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 seven 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, Life Science and Agriculture Science wherein the programme content is developed jointly by 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', the 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.

During the unprecedented times of Covid-19 pandemic, the NGO partner stepped up its measures to ensure that learning and education does not stop for the adolescents. Learning Management System called Magic Bus Academy has been put to use to offer virtual education and training. All training and modules are uploaded on this mobile app-based learning platform to eliminate the need for physical training. The focus of the training is on Covid-19 preventive measures and learning is imparted through knowledge creation via posters, comic books, awareness boards and videos. Apart from learning, children are also given regular assignments modules like health, nutrition and waste management to ensure engagement and encourage them to maintain the habit of studying/reading while schools are closed.

In 2020, your Company signed agreement with Gujarat University to extend the programme in government schools near the upcoming Sanad factory in Gujarat. Till year 2020, over 397,000 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. Public health concerns, especially those related to mothers and adolescents, are central to the governance agenda.

Your 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, Project Jagriti was rolled out in partnership with the MAMTA

Health Institute for Mother and Child. The programme started with a pilot in Delhi in year 2014, reaching out to over 100,000 people in marginalized communities. 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. Adolescents are included by conducting sessions which covers topics of hygiene, 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 backend 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, the 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.

During the challenging time of the Covid-19 pandemic, the beneficiaries of the Project Jagriti used social media and phone calls in collaboration with the NGO partner to educate the community members on the precautions to be taken to prevent Covid-19. Local influencers have been engaged to ensure that the seriousness of the situation is conveyed adequately, and that people are more receptive towards the precautionary measures that are to be taken to flatten the curve.

Till 2020, the programme has impacted over 6.5 million lives (2.2 direct and 4.3 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.

Your Company believes that water is a precious and shared resource. It strongly believes that it has a role to play in expanding access to clean water and has been investing earnest efforts for improved water solutions. Construction of clean drinking water facilities in schools around the factories started in 1999. Water is stored in hygienic tanks that are cleaned regularly and periodic water quality checks ensure clean water. Your Company also partnered with NGO Enable Health Society and its technical partner Sarvajal for water treatment in locations where water quality does not meet the 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 with partnership 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.

During the Covid-19 pandemic, your Company's clean drinking water facilities played an important role specially at the health centres including the Primary Health Centres (PHC) and Community Health Centres (CHC), that were the backbone of the response to the pandemic. After the initial lockdown period ended, the Company along with its NGO partner immediately initiated routine service maintenance of the purification units, regular cleaning of water tanks and water quality testing to ensure clean water access at these health centres.

Till year 2020, your Company has constructed over 285 water facilities across 8 States benefitting more than 150,000 people. The Company conducts Water Awareness Programmes aimed at ensuring hygienic and sustainable water use, reaching out to over 119,300 students.

- **Sanitation Facilities**

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 policymakers, private sector and citizens for a collaborative action.

Your Company believes that sanitation is the basic element of life and enabler of healthy living. The steadfast commitment to increase access to sanitation is aimed at strengthening community resilience and enabling healthier lives.

When construction of sanitation facilities around the factory locations started, it was noted that majority of the schools lack separate toilets for girls, which is one of the causes 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 as a cause of dropouts among girl students in schools, your Company has been supporting the construction of modern, easily maintainable modular toilets for girl students in schools across all the 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 2020, your Company has set up 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.

Your Company believes that water is a shared resource requiring careful stewardship by all stakeholders. It 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 2020, 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 delivering a safe food supply from farm to fork and also helps in preventing food wastage. However, plastic waste 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 worked towards creating an integrated plastic waste management model through its project titled "HILLDAARI" in Mussoorie, Dalhousie, Nainital, Ponda and Mahabaleshwar 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.

Due to Covid-19 pandemic, as a part of Hilldaari, your Company along with its partners organized virtual training for waste workers in Mussoorie, Dehradun and Dalhousie to help them adapt to the changes in the new normal, equipping them with safer working conditions. They were provided with PPE kits and safety kits and trained how to use it. Training was also provided how to collect waste with minimum contact, ensure proper sanitation and safety before meeting other people at their respective homes. New ways of collecting and disposing waste were introduced, such as establishing 4-part segregation (dry waste, wet waste, domestic bio-medical waste and hazardous waste) for collection and proper disposal of waste. Waste workers were trained to use smartphones and digital monitoring apps required for monitoring the collection and segregation of waste. The waste workers were also trained in availing relevant government schemes.

Towns where project Hilldaari are going on, have had the adverse effects of un-operational tourism (primary occupation in the city) and the struggles of waste workers who have been on the front lines have multiplied due to lack of necessities. In wake of such dire circumstances, your Company supported the waste workers by providing 154 food and sanitation kits that consisted of food and sanitation products for a period of two months and the quantity of every product was decided considering the needs of a family of five people.

- **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 conditions. Importantly, the Food Safety and Standards Authority of India (FSSAI) is implementing programmes that involve 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, your 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, where the Company partners 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 foodborne diseases. It also contributes to increase in sales, as a clean food stand or premise attracts more consumers based on aesthetic appeal.

In 2020, after the outbreak of Covid-19 pandemic, there was lot of stress and anxiety among the street food vendors due to loss of livelihood. There was lack of interest in attending the training programmes as the focus was on daily meals and livelihood. Many street food vendors returned back to their native villages/states. Social gatherings were prohibited. Seeing all this, along with the NGO partner it was decided to engage with street food vendors virtually. Information on food safety, hygiene, Covid-19 precautionary measures like social distancing, correct ways to wear a mask, proper hand-washing techniques, how to accept digital payments etc was shared virtually. The NGO partner also engaged with the street food vendors on one-on-one calls to provide emotional support and answer their queries. Your Company provided over 10,000 grocery kits across various locations to provide relief to the street vendors whose livelihood had been severely impacted due to Covid-19 pandemic.

Till 2020, the programme has been implemented across 18 States/UTs, reaching out to 21,800 street food vendors who were also awarded a certificate and presented a hygiene kit at the end of the training.

- **Project Vriddhi**

Over 65% percent of India's population lives in villages, and so development of villages is an essential precondition to the development and inclusive growth of the country.

Strengthening its commitment towards building a healthier society and positively impacting the lives of people in marginalised communities, your 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 the local community.

In 2020, virtual inauguration of Digital Literacy and Library Room was done. The digital literacy and library aims to provide basic life skills, including self-confidence, decision-making, and the use of digital devices and the internet, to bridge the divide between rural and urban children. During these testing times, awareness generation sessions were organized to provide information about Covid-19, its symptoms, main modes of transmission, precautions and safety measures. The sessions also demonstrated steps of handwashing and motivated the groups to follow the same in their daily lives. In addition to the awareness sessions, the entire village was sanitized.

- Employee Volunteering

Your 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 spend a day interacting with children from underprivileged communities. The volunteering day is designed along with Magic Bus India Foundation, the 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 the factory locations, employees engage with students through interactive sessions on water conservation and hygiene.

In 2020, your Company piloted the "virtual volunteering programme" owing to the Covid-19 pandemic. Through this programme, employees volunteer about 4 hours of their time to educate adolescents and create awareness regarding nutrition and health in marginalised communities.

Till 2020, around 2,000 employees across more than 27 locations including your Company's Head Office, branches and factories had participated in the initiative.

- Relief Efforts

Cyclone

Your Company provided support by donating packaged food to the Indian Red Cross Society for relief operations in the State of West Bengal which was affected by cyclone Amphan. Your Company also extended support to India Red Cross Society in providing hygiene kits for cyclone relief in the States of Andhra Pradesh, Puducherry and Tamil Nadu.

Covid-19

Upholding its strong values and reaffirming the purpose, your Company stepped up to help those in need during the coronavirus pandemic with initiatives that focused on safeguarding the wellbeing of community. When Covid-19 began impacting communities, the Company immediately swung into action whilst keeping an eye on areas that were most affected. The very initial impact with the first nation-wide lockdown was clearly visible in communities due to suspension of interstate and intrastate movement of supplies/products and people. With its steady engagement with stakeholders, your Company realized the need where utmost intervention was required was "food" and "health".

Keeping these in mind, your Company started its relief efforts to address urgent needs and minimize the impact of disruptions under the below three pillars.

- Dry ration/cooked meals: Your Company contributed funds towards feeding cooked meals for less privileged sections of the society through participation with NGOs engaged in this along with distribution of essential groceries and dry ration kits to the needy. In collaboration with Akshay Patra, 1.77 million meals were served to migrant workers, daily wagers and vulnerable families. Your Company in collaboration with credible NGOs, also provided over 39,900 grocery and dry ration kits to street vendors, migrant families, sanitation workers, Mumbai dabbawallas, people with disabilities and vulnerable families.
- Healthcare equipment and PPE kits etc: Your Company helped in augmenting medical supplies including ventilators, masks, PPE kits, face shields, oximeters etc.
- Product contribution: Your Company donated Nestlé food and beverage products for supporting deprived communities and expressing gratitude to frontline workers including police force.

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 : 16th February 2021

Swati Ajay 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	31-12-2020	
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 2020	
	(a) Number of International Locations (Provide details of major 5)	Exports to Bangladesh, USA, Canada, Taiwan and Thailand	
	(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 29 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)	₹ 132,901.6 Million
3.	Total profit after taxes (INR)	₹ 20,824.3 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 and farmers participate in the BR initiatives of the Company 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	08662504								
		Name	Mr David McDaniel								
2.	(b) Details of the BR head	Designation	Executive Director-Finance & Control and CFO								
		DIN Number (if applicable)	Not Applicable								
		Name	Mr Sanjay Khajuria								
		Designation	Director- Corporate Affairs								
		Telephone number	+91-124-3940000								
3.	(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)	e-mail id	creatingsharedvalue.in@in.nestle.com								
		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
3.	(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)	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
	(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)	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)	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 2020 is part of the Annual Report, which is available on the website of the Company. It is available at: https://www.nestle.in/investors/stockandfinancials/annualreports and is published annually.									

*Mr. David McDaniel appointed as Executive Director – Finance & Control and Chief Financial Officer (CFO) with effect from 1st March 2020

@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. 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 shareholders and investors. All complaints have been resolved to the satisfaction of the complainants and no investor 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 micronutrients 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 15% RDA* of Iron. (*Recommended Dietary Allowances for Indians – ICMR 2010).
- MAGGI Masala-ae-Magic Seasoning mix is designed to help increase the consumption of nutrients like vitamin A, iron & iodine in an easy and 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 (*Recommended Dietary Allowances for Adult Sedentary Male as per Nutrient requirement and recommended daily allowance for Indians, ICMR 2010).
- Nestlé a + Nourish Milk fortified with vitamin A & D. This milk undergoes 61 quality checks and is passed through unique flash heat treatment that makes the milk germ-free and preserves its nutrients. 1 glass (200ml) helps meet 9% RDA* of Vitamin A & 10% RDA* of Vitamin D. (*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 period from 2005 to 2020, for every tonne of production, your Company has reduced the usage of energy by around 48%, reduced water usage by around 52%, reduced the generation of greenhouse gases by around 53% and the generation of wastewater by around 55%.

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 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.

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, medicines at no profit basis and promotion of sustainable agricultural practices. During the challenging time of Covid-19 pandemic, the Company continued to procure every drop of milk which was offered for sale from dairy farmers even during the lockdown. Social distancing and precautionary measures are followed during milk collection. The Company engaged with over 12,000 dairy farmers and 170 milk tank drivers for:

- Maintaining social distancing at collection centers and while delivering inside the factory.
- Wearing masks while driving, at collection centers and while emptying tankers at factory premises.
- Washing hands before handling milk and while checking, aflatoxin and antibiotic presence in milk.

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 and their families.

The resilience and prosperity of farming communities and the stakeholders across the value chain.

The sustainable management of landscapes linked to the value chain.

The NESCAFÉ Plan has three platforms, connecting to farmers, connecting to communities and connecting to the planet, with the objective of ensuring the future of great quality coffee, to remain available and affordable today and in the future. During the Covid-19 pandemic, farmer engagements were continued virtually where on-line soil fertility trainings were conducted by Nestlé agronomists. The Company in collaboration with Indian Institute of Spices Research (IISR) conducted virtual trainings on intercropping. Till 2020, the Company reached out to around 3,500 farmers 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 2020, the Company supported more than 54 suppliers through technical assistance, added 17 new suppliers/ supplier locations and localized 8 more raw materials. 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: The Company ensures continuous optimization of packaging by source reduction, ecodesign and simplex concept.
2. RECYCLE: The Company encourages the use of recycled material wherever applicable e.g., 100% recycled paper in shippers. Your Company successfully developed single polymer recyclable Packaging solution for Noodles and Chocolate and Confectionary products. Your Company progressed well in product categories with Kit Kat 3F, MILKYBAR Moosha, MAGGI Noodles 280g and 420g variants being some of the SKUs with the Mono Material Polypropylene laminate transition in 2020.
3. RECOVER: The Company supports initiatives to recover used packaging. This year it responsibly disposed 20,137 Metric tonnes of post-consumer plastic packaging waste as a part of the Company's commitment as Extended Producers' Responsibility.

Principle 3: Employee Wellbeing

Sr. No.	Particulars	Details
1.	Please indicate the Total number of employees	7,747
2.	Please indicate the Total number of employees hired on temporary/contractual/casual basis	9,349 (includes apprentices)
3.	Please indicate the Number of permanent women employees	893
4.	Please indicate the Number of permanent employees with disabilities	5
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?	55% 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 2020.
8.	What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?	
(a)	Permanent Employees	99%
(b)	Permanent Women Employees	99%
(c)	Casual/Temporary/Contractual Employees	100% receive training as part of their induction
(d)	Employees with Disabilities	100%

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 over the years 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. 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).

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 extends to all 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 2020, 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 extends to 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?**

Every year the Company is undertaking various initiatives to reduce Green House Gas (GHG) emissions. Some of the key renewable energy projects contributing to GHG savings are increase of percentage share of renewable purchased power (solar power) at the Company's Nanjangud and Choladi factories, besides 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 2020, the Company did not receive any show cause/ legal notices from CPCB/SPCB, which are pending as on end 2020.

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. Your 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. Your 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. Your 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 your 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 2020, the Company has no pending customer 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 unfair trade practices, irresponsible advertising and/or anti-competitive behaviour, which are pending as at the end of 2020.

- 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 62,000 consumers in 2020 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.com/csv/what-is-csv/ethical-business>

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.com/csv/global-initiatives/zero-environmental-impact/climate-change-net-zero-roadmap>
2. <https://www.nestle.in/csv/planet>
3. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-climate-change-2013.pdf
4. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-biofuels-2013.pdf
5. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-water-stewardship.pdf
6. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-natural-capital-2013.pdf
7. http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/natural-capital_soil-soilhealth.pdf
8. 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 : 16th February 2021

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 2020

[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 2020. 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 2020 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 2020 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;

NESTLÉ INDIA LIMITED

- 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); and
 - 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; and
- (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; and
- 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
Peer Review Cert. No.: 606/2019

S. N. Ananthasubramanian
Partner
FCS: 4206 | COP No.: 1774
ICSI UDIN : F004206B002851820

Date : 13th February, 2021

Place : Thane

'Annexure A'

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 2020 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
Peer Review Cert. No.: 606/2019

Date : 13th February, 2021
Place : Thane

S. N. Ananthasubramanian
Partner
FCS: 4206 | COP No.: 1774
ICSI UDIN : F004206B002851820

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 2020

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 seventeen energy reduction projects were undertaken by factories of the Company which will result in substantial annualized savings of 56,007 GJ (saving of 1.61% of total annual energy consumption) & shall be fully realized by the coming years. Some of the projects undertaken are:

- Uninterrupted power supply from grid for operations at Samalkha Factory
- Steam optimization through operational improvements at Moga Factory
- Electricity optimization through energy efficient lighting
- Steam optimization for Noodle Manufacturing

During the year, 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 1,52,552 m³ (saving of 5.66 % of total annual water consumption) & shall be fully realized by the coming years. Some of the key initiatives contributing to water savings in 2020 are:

- Increasing the utilization of treated effluent after polishing through high technology Reverse Osmosis (RO) plant
- Increased usage of Milk Water as make up water in cooling towers in a factory
- Increase recovery of Reverse Osmosis plant 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 all generated waste is either reused, recycled or co-processed.

(b) Additional Investment

Following are the additional proposals, which are initiated for implementation during 2021 at different factory locations:

- Usage of Cleaner Fuel (Natural Gas);
- Investments in improving plant efficiencies for generation as well as usage;
- Steam Optimization of evaporators;
- Investments in the Solar Energy by entering into Solar Power Purchase Agreement (PPA);
- Installation of Reverse Osmosis (RO) plant for recycling of treated waste water; and
- Investment in other renewable energy sources.

(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 2005 to 2020, for every ton of production, the Company has reduced, the usage of energy by around 48%, water usage by around 52%, generation of waste water by around 49% and specific direct greenhouse gas emissions by 55%.

(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 were initiated for implementation during 2020:

- Usage of Cleaner Fuel (Natural Gas);
- Plant efficiency improvement for generation as well as usage;
- Steam Optimization of evaporators; and
- 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:

- Increase recycling of treated waste water through ETP RO plant
- Additional RO plant for recycling of ETP RO plant

Description of the initiatives undertaken to reduce Green House Gases (GHG) emissions and in progress:

The Company identified 11,654 Tons of GHG reduction in 2020, which would be fully realized in coming year. Some of the key renewable energy projects that contributed to GHG savings are:

- Natural Gas;
- Additional Solar PPA; and
- Contribution by energy reduction projects & improving generation efficiency.

The Company aims to augment the capabilities by continuing to look for further addition of Solar Energy by entering into PPAs and usage of bio mass in the existing boilers.

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.

NESTLÉ INDIA LIMITED

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 around two billion Swiss Francs. While the local expenditure of the Company in the nature of Research and Development are primarily those incurred for testing and modifying of products for local conditions and are as under:

	(₹ in million)
a) Capital	25.9
b) Recurring	232.6
c) Total	258.5
d) Total as a percentage of total turnover	0.19%

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 ₹ 6,473.9 million comprising foreign exchange earnings of ₹ 4,189.8 million and export to Nepal and Bhutan in Rupees amounting to ₹ 2,284.1 million.

Foreign exchange outgo of ₹ 27,914.6 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 : 16th February, 2021

Place : Gurugram

Suresh Narayanan
Chairman and Managing Director

ANNEXURE - 6 TO THE BOARD'S REPORT

Statement of Disclosure of Remuneration under Section 197 of the Companies Act, 2013 and Rule 5(1) of the 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	137 : 1
Mr. David S McDaniel ^A	Executive Director - Finance & Control and CFO	39 : 1
Mr. Matthias C Lohner ^B	Executive Director - Technical	7 : 1
Mr. Martin Roemkens ^C	Executive Director - Technical	57 : 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.

^AAppointed as Executive Director – Finance & Control and CFO with effect from 1st March 2020.

^BAppointed as Executive Director – Technical with effect from 1st November 2020.

^CCeased to be Executive Director – Technical with effect from 1st November 2020.

- 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	6.3
Mr. David S McDaniel ^A	Executive Director – Finance & Control and CFO	Not Applicable
Mr. Matthias C Lohner ^B	Executive Director – Technical	Not Applicable
Mr. Shobinder Duggal ^C	Chief Financial Officer	Not Comparable
Mr. Martin Roemkens ^D	Executive Director – Technical	Not Comparable
Mr. B. Murli	General Counsel and Company Secretary	27.3

[#]Since Independent Non-Executive Directors received no remuneration, except sitting fees for attending Board / Committee meetings and commission, the required details are not applicable.

^AAppointed as Executive Director – Finance & Control and CFO with effect from 1st March 2020.

^BAppointed as Executive Director – Technical with effect from 1st November 2020.

^CCeased to be Chief Financial Officer with effect from 29th February 2020.

^DCeased to be Executive Director – Technical with effect from 1st November 2020.

- iii. The % increase in the median remuneration of employees in the financial year: 9.0%.
- iv. The number of permanent employees on the rolls of the Company: 7,747.
- 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 9.0%, while the increase in the remuneration of managerial personnel was 16.8%. 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 affirmeded that the remuneration is as per the Remuneration Policy of the Company.

On behalf of the Board of Directors

Date : 16th February, 2021

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.

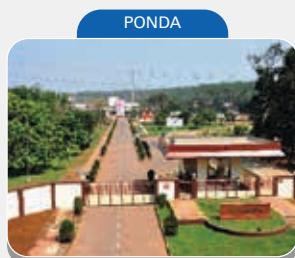
The Board may declare interim dividend(s) as and when they consider it fit, and recommend final dividend to the shareholders for their approval in the general meeting of the Company.

In case the Board proposes not to distribute the profit; the grounds thereof and information on utilisation 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.



Our 'FAITH IN INDIA' Translates to 'MAKE IN INDIA'



Construction of 9th Factory in Sanand, Gujarat



INR 26 BILLION to be invested over next three to four years



7,700+
EMPLOYEES



150,000+
INDIAN
SHAREHOLDERS



**OVER INR
132 BILLION**
2020 TURNOVER



INR 35 BILLION
CONTRIBUTION TO
EXCHEQUER IN 2020

All figures are for full year 2020