Nestlé
Good Food, Good Life

Nestlé India - Policy on Related Party Transactions

(Last updated on 25/04/2019)

1. PREAMBLE

Nestlé India Limited ("the Company") has always been committed to good corporate governance practices. As a matter of practice, the Company follows arm's length basis in transacting business with its related parties, which are in the ordinary course of business.

The Board of Directors has adopted this Policy upon recommendation of the Audit Committee. The said Policy includes materiality thresholds and the manner of dealing with Related Party Transactions ("the Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. ("Listing Regulations"). Amendments, from time to time, to the Policy, if any, shall be considered by the Board of Directors based on the recommendations of the Audit Committee.

This Policy applies to transactions between the Company and one or more of its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

2. OBJECTIVE

The Listing Regulations mandates formulation of a policy on materiality of Related Party Transactions and on dealings with Related Party Transactions. This Policy has been framed for complying with this requirement.

3. DEFINITIONS

3.1 "Act" means Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

3.2 "Arm's Length basis" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm's Length basis, guidance may be taken from the transfer pricing provisions under the Income-tax Act, 1961.

3.3 "Audit Committee" means committee of Board of Directors of the Company.

3.4 "Board of Directors" or "Board" means the Board of Directors of the Company.

3.5 "Company" means Nestlé India Limited.

3.6 "Key Managerial Personnel" means the Key Managerial Personnel of the Company in terms of the Act.

3.7 "Listing Regulations" means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

"Material Related Party Transaction" means a Related Party Transaction which individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements. Provided that effective 1st July, 2019 or such other date notified for the implementation of Regulation 23(1A) of the Listing Regulations, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company."

3.8 "Policy" means the current Policy on Related Party Transactions, including amendments, if any, from time to time.

3.9 "Related Party" means a related party as defined under the Act read with Regulation 2(za) of the Listing Regulations.

3.10 "Related Party Transaction" means any transaction between the Company and a Related Party for transfer of resources, services or obligations, regardless of whether a price is charged.

3.11 "Relative" means a relative as defined under the Act.

3.12 "Transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

4. POLICY

All Related Party Transactions must be reported to the Audit Committee and approved or referred for approval by the Audit Committee based on this Policy.

4.1 Identification of potential Related Party Transactions

4.1.1 Nestlé Group Companies: All fellow subsidiaries of Nestlé S.A. shall be considered as a Related Parties.

4.1.2 Key Managerial Personnel and connected Related Parties : Each Director and Key Managerial Personnel shall at the beginning of financial year disclose to the Company Secretary of the Company their Related Parties and disclose any changes thereto during the financial year as immediately as practicable. The Company shall also identify Related Party Transactions,

if any, with Directors or Key Managerial Personnel of the holding company/ies or their relatives.

4.1.3 The Company will identify the potential transactions with the Related Parties.

4.2 Review and approval of Related Party Transactions

4.2.1 Audit Committee :

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. However, the Audit Committee may grant prior omnibus approval for Related Party Transactions which are repetitive in nature and are in the ordinary course of business and satisfy the Arm's Length basis, subject to the compliance of conditions contained in Regulation 23 of the Listing Regulations.

Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered. To review a Related Party Transaction, the Audit Committee shall be provided with necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and/or prescribed under the Act and the Listing Regulations.

While considering any Related Party Transaction, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such Transaction, the benefits to the Company and to the Related Party, whether such Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction and any other relevant matters.

5. Board of Directors :

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the considerations set forth above under Paragraph 4.2.1 shall apply to the review and approval of the matter by the Board of Directors, with such modifications as may be necessary or appropriate under the circumstances.

Any member of the Board who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered.

6. Shareholders :

All the Material Related Party Transactions shall require approval of the shareholders through resolution and the Related Parties shall abstain from voting on such resolutions.

All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through a resolution if so required under any law and the Related Party/ies with whom transaction is to be entered into shall abstain from voting on such resolution.

7. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board of Directors or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board of Directors or the Shareholders shall consider all relevant facts and circumstances of such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

8. DISCLOSURES

Details of any Material Related Party Transactions shall be disclosed to the stock exchange quarterly along with the compliance report on corporate governance.

The Company shall disclose the Policy on its website and web-link shall be provided in the Annual Report.

9. AMENDMENT IN LAW

This Policy will be reviewed by the Board of Directors at least once every three years and updated accordingly. Any subsequent amendment/ modification in the Listing Regulation and/or applicable laws in this regard shall automatically apply to this Policy.

===