



Good food, Good life

Assessment of Licensee benefits for Nestlé India (Licensee)

March 2024

Executive summary

This report re-assesses the value of the Intellectual Property Rights (IPR) bundle that the Licensor (SPN) is providing to the Licensee (Nestlé India Limited) as specified in the General Licensing Agreement (GLA), given the expansion in the scope and level of support over the past years.

The analysis in this report suggests that the current royalty rate of 4.5% of NPS is lower than the value of benefits the Licensee is receiving. Based on various valuation lenses, the value for the IPR bundle provided today would be in the **range of 5.9-7.7% of NPS**. This is supported by the following observations:

- **The scope and depth of IPR provided has significantly expanded over the last decade:** The Licensor has significantly expanded its IPR in the decade since the last GLA amendment in 2013, notably with new support in digital, data & IT (D,D&IT) and ESG, enabling digital optimization across functions and ESG future-proofing, and enhancements in innovation, brand excellence, and capability building, involving e.g., new patents, increased brand equity, and an increase in training offerings. Majority of the Licensee's leadership (57%) observed an increase in assistance, noting the evolution of core assets and new support elements.
- **The IPR bundle is widely used by the Licensee:** The Licensee's executives rated the importance of Licensor IPR bundle 8.2 out of 10 across functions. A survey of 16 Licensee executives confirmed that usage of the IPR elements is high. 63% of respondents use the codified materials of the Licensor at least monthly, 81% of respondents interact with teams from the Licensor at least monthly while 75% have attended at least three trainings in the last two years and 56% participated in international rotations. This confirms the value of the IPR bundle provided and its widespread application.
- **The individual benefits of the IPR bundle are conservatively estimated at 5.9% – 7.7% of NPS:** The individual benefits of the IPR bundle were estimated individually incl. brand, innovation, cost, and D,D&IT. This corresponds to 5.9-7.7%, accounting for the additional tax burden from a 10% withholding tax for the Licensee's shareholders. This valuation is still a conservative estimate, with ESG benefits (1-2%) not included due to their forward-looking nature.
- **In addition, the benefits of the Licensor's IPR extend to broader Indian society beyond the Licensee's operations:** The Licensor's IPR positively impacts Indian society. This includes better shareholder value, healthier consumer products, environmental contributions, sustainable agricultural practices, employment creation, and fair working conditions.
- **The Licensee is significantly outperforming its local peers in the market:** With the Licensor's IPR bundle, the Licensee achieves an average excess EBIT profitability level of 12 percentage points vs. peers in the local market.
- **External benchmarks show an average payment of 5.2% - 6.1% in royalties:** Uncontrolled licensing agreements have a 5.2% royalty rate on average globally. However, the Licensor's IPR bundle is bigger than most of these agreements, e.g., offering significantly more brands and explicitly including assistance as well as managerial support. In contrast, the 6.1% result from benchmarking royalty and other charges to group-controlled entities of local, public entities in India (increased since 2020)
- **Internal benchmarks show other Nestlé Markets are paying more to the Licensor for a similar IPR bundle:** The expansion of the IPR bundle reflects a progressive shift by the Licensor towards a joint leadership and co-entrepreneurial collaboration model in its Markets. The weighted average of royalties paid in other comparable markets by affiliates is even higher than this external range (which is also reflective of the comprehensive GLAs vs. peers)

Agenda

Context and Scope

Recent Expansion of IPR

Licensor Support Activity Survey

Valuation of Licensee IPR Benefits

Context



Since the last amendment to the GLA in 2013, the Licensor has expanded its portfolio of Intellectual Property Rights (IPR), increased its strategic, technical and commercial know-how and support (e.g., in Innovation and Branding) and focused on new and growing business value drivers such as ESG and Digital



The Licensee has asked for an update of the 2012 IPR benefits valuation report reflecting the evolution in the scope and support received from the Licensor



The effort should leverage various sources of insights, esp. readily available documents and data from the Licensee and Licensor, stakeholder interviews as well as a Licensor support activity survey

Objectives

Updated report on the value of the Licensor's IPR including:



Valuation of the IPR Licensor is providing based on the IPR portfolio in 2023



Benchmarking of the royalty rate both externally and internally (other Nestlé Markets)



Examples to illustrate concrete impact cases of the Licensor's support

5 IPR elements covered under the General License Agreement (GLA)



Trademarks

Portfolio of over 2,000 brands out of which multiple global iconic brands are leveraged by Licensee



Proprietary technologies

Annual R&D investments of roughly **CHF 1.7 billion** with **23 locations** and a total of **3,949 employees**
12,280 live patents in 2022



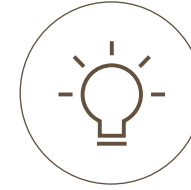
Codified "Nestlé way"

Over 25,000 documents available on intranet sites including tools, guidelines, policies, and best practices
Integrated solutions to assist Markets in their work, e.g., "Brand Building the Nestlé Way"



Assistance

Orchestrating Markets' access to network of expertise in other Markets
Extensive assistance (up to 80 technical requests¹ p.a.) to properly deploy proprietary technologies, enhance knowledge & optimize use of tools for improving performance



Capability building

Wide range of trainings, e-Learnings, coaching and on-the-job trainings to increase Market performance – **above average attendance for Licensee employees**

1. In addition to a non-tracked number of non-technical assistance requests

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Main areas of IPR expansion since 2013



Area	Examples for expansion of IPR, not exhaustive
1 Innovation	<ul style="list-style-type: none">• Increase in patent activity and available innovation resources (+ ~10k patents, 50+ new pilot lines, 2 new specialized research centers)• Introduction of Idea 2 Launch (I2L) innovation accelerator program (e.g., Maggi -60% time-to market)• Strong global pipeline of new products meeting latest consumer needs e.g., in plant-based nutrition
2 Strong brands	<ul style="list-style-type: none">• Increase in brand strength for most blockbuster brands in India (e.g., Maggi by 3.1x)• 3 re-launches of “Brand Building the Nestlé Way” to reflect increasing complexity in consumer landscape and include new topics (e.g., Brand ESG Communications Standard)
3 Digital, Data & IT	<ul style="list-style-type: none">• Driving of digital transformation strategy, initiatives, tools, expertise and training to improve marketing & sales (e.g., SRM tools, D2C platform strategy), manufacturing & logistics set-up (e.g., automation support) and digital back-bone (e.g., cloud migration, remote support technologies)• Continuous investments in D,D&IT (e.g., >2 bn CHF “design and build” investments ‘19-’23, new Digital Capability Fund providing tools for digital consumer engagement)
4 ESG	<ul style="list-style-type: none">• Provision of overall Nestlé sustainability strategy and roadmap (e.g., Net Zero Roadmap), including tracking tools (e.g., GHG performance tool) and stakeholder engagement support, as well as support for specific initiatives (e.g., water efficiency technologies)• Continuous investments in ESG (e.g., >150m CHF climate investments in ‘22, >570m CHF in ‘25 planned)
5 Capability building	<ul style="list-style-type: none">• Increase in capability building offerings and attendance• Expansion of training scope to cover new topics, e.g., genAI, analytics, ESG

1

Innovation:

Strong global pipeline of new products meeting latest consumer needs

Example recent Nestlé innovations

■ Already leveraged by Licensee



Plant-based foods

Wide variety of plant-based products across brands and formats



Healthy diets

New and adapted products for improved nutritional profile, supported by proprietary technologies



Affordable nutrition

High-quality food products delivering nutritional value at affordable cost and in appropriate format



Reduced packaging waste

Reduced packaging complexity, easier to recycle and higher share of recycled content



Vegan chocolate bar



Chicken alternative



Infant formula for cognition and motor development



Dairy drink addressing iron deficiency



Porridge in new high-fibre, low-cost version



Nescafé Dolce Gusto Neo with compostable paper-based coffee pods



Plant-based yoghurt with probiotics



Dairy- and egg-free sauce alternative



Milk-additions with reduced sugar based on proprietary fermentation technology



Soy-based egg alternative with equal protein



Smarties range in 100% recyclable paper packaging



2 Strong brands: Growth of Licensor's brand strength since 2012

Comparison of brand strength index in India 2012-2022

Business	Brand	Brand strength 2012	Brand strength 2022 ²	Growth multiple
Culinary		165	510 ↑	3.1x
Dairy		n/a	205	-
Nutrition ¹		327	496 ↑	1.5x
		n/a	174	-
Coffee & Beverage		249	342 ↑	1.6x
Choc. & Conf.		116	132 ↑	1.1x
		107	85 ↓	0.8x

Insights on Licensor brand support



Strong Licensor branding framework

- 3 updated versions of BBNW since original launch to reflect evolving consumer preferences
- Updates include new relevant topics, with ESG now a key pillar and tailoring of approaches to the digital ecosystem

1. Cerelac excluded from analysis due to dominant market position (77% market share in India) and therefore increased complexity of brand valuation; 2. 2020 data for Dairy

3 Digital, Data & IT: New Licensor digital strategy and tools provided to Licensee

NON-EXHAUSTIVE – ONLY COMMERCIAL EXAMPLES SHOWN

The Licensor-driven digital transformation: Significant investments over the last 10 years across Markets (e.g., >2bn CHF “design and build” investments ‘19-’23) with centrally developed frameworks, tools, expertise and trainings available to Markets for top- and bottom-line impact generation



Customer investment management

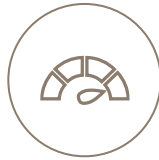
Digital capabilities to **plan, control and optimize customer revenue and trade investment**



Strategic revenue management

Data-driven, shopper-centric solution to **optimize pricing and pack sizing**

Several capability building sessions for Licensee Commercial Development Transformation team



Commercial control towers

Descriptive, predictive and prescriptive analytics combining different available data sources



Digital shelf

Solutions that **measures digital shelf execution**, tracking leading KPI's, across 400+ retailers

Piloted in India with 6 retailers (2023, 2024)



eB2B

Ecosystem digitally enabling order taking & 360° engagement



Professional buyers/prescribers

Seamless **omnichannel digital experience** building **personalized engagement**

Roll-out planned in India in 2025 (subject to successful pilot)

4 ESG:

Extensive support to drive and implement Licensee's ESG agenda

NON-EXHAUSTIVE

The Licensor is today providing extensive ESG support for Markets...

... helping the Licensee meet its public ESG commitments in India, in addition to adhering to Nestlé global targets

Strategy: Overall sustainability strategy, targets, roadmap & governance

Execution: Definition of **global initiative portfolio** for local replication/adaptation along with **review and implementation support**

Tracking: Provision of **baseline and impact tracking** across key metrics, as well as **tools for regional tracking**

Capabilities: Knowledge-transfer and capability building

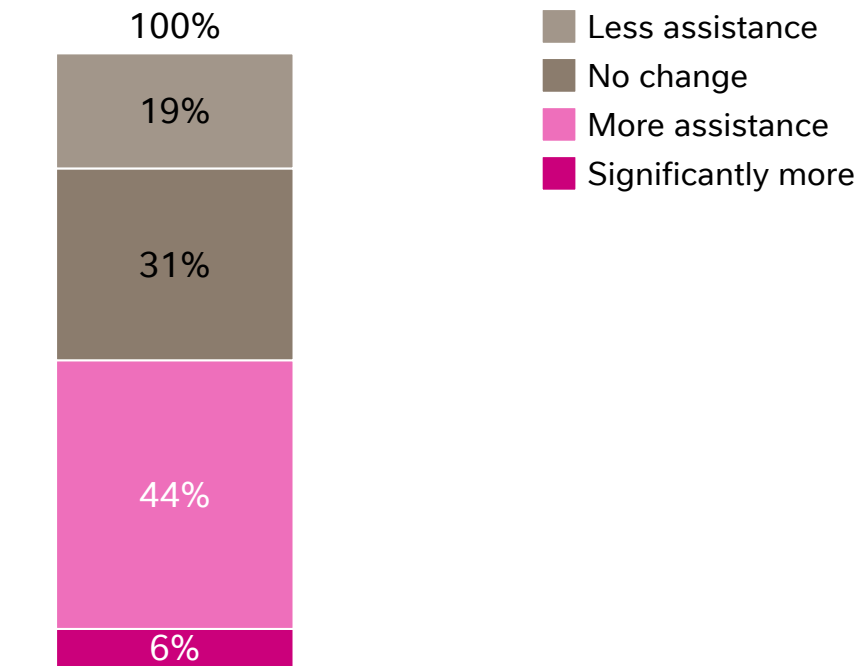
Stakeholder management: Engagement of stakeholders at global level and support for local efforts

Key pillar	Main Licensee commitments	Licensor support examples
 Net zero by 2050	Climate change action Transparency and proactive engagement in climate policy	Technical Climate Pledge Roadmap Dedicated technologies
 Sustainable packaging	Improvement of environmental performance of packaging	Technical guidelines Sustainable packaging solutions
 Sustainable sourcing	Preservation of natural capital, including forests	Regenerative agriculture framework Farming practices and sustainable ingredient sourcing approaches
 Water stewardship	Water efficiency across operations Advocate for effective water policies and stewardship	Factory water use KPI reporting guidelines Zero wastewater factory solutions

5 Capability building: Increase in availability & participation in training, development offering

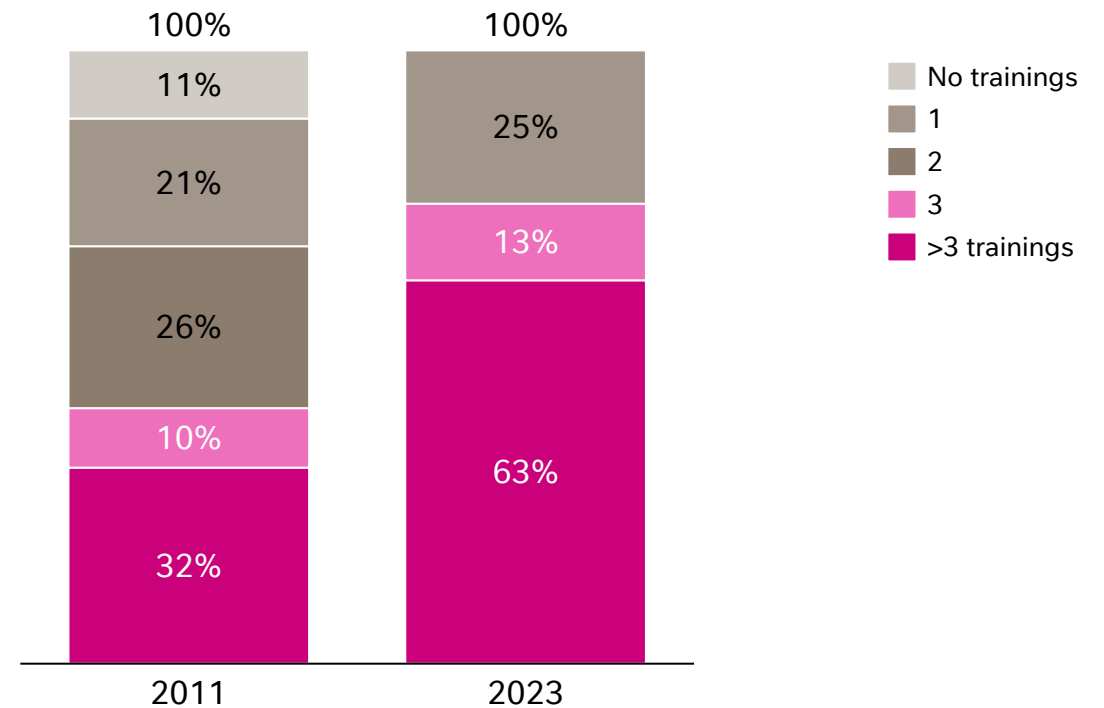
50% of executives perceive an increase in trainings

Perceived changes in overall level of training and development available, % of respondents



75% of executives have attended 3 or more trainings in the last 2 years, up from 42% in 2011¹

Trainings attended in the last 2 years, % of respondents



1. 2023 data for survey respondent or their average team member

Examples of how Licensee has used Licensor support

DEEP-DIVES IN APPENDIX

Area	Cases examples		
1 Innovation	Dairy: Expansion in dairy-adjacencies with Milo focusing on teenage nutritional needs	Nutrition: Driving premiumization through inclusion of HMOs	Food: Improving the health profile of Maggi noodles through fat reduction while saving costs and emissions
	Coffee: Leveraging Black Roast brand to drive premiumization in India	Nutrition: Launch of Gerber with strong positioning based on global brand	Branding: While no ESG price premia in India yet, it is contributing to a better brand image, and also has effects in recruiting
	Digital consumer engagement: Strengthening online position by leveraging global e-commerce and consumer engagement best practices	Tools: Improvement in efficiency of online content through Centre tools	Infrastructure: SAP back-bone enabling e.g., billing across above Nestlé Market number of distribution centers (29)
2 Strong brands	Resource savings: R&D support on packaging waste reduction through recyclability and material use reduction, e.g., Maggi Cuppa	Resource savings: Efficiency initiatives across GHG, waste and water, e.g., Project ZerEau freshwater use reduction in dairy production	Food: Health-focused differentiation with Maggi oat millet noodles and introduction of electrolytic iron
	Digital, data & IT		
	ESG		
Other	Commercial execution: Leveraging global best practices such as category growth drivers to drive efficiencies, e.g., in Confectionary	SRM: Leveraging global SRM toolkit to derive sustainable pricing and portfolio strategy for Confectionary and Nutrition	Digital consumer engagement: Leveraging e-commerce, DTC and social media to drive engagement and consumption frequency, e.g., on Milk Maid
	Commercial excellence		
Manufacturing productivity and capacity expansion	Manufacturing: Unlocking production capacity for KitKat through line automation	Supply chain: Industry-leading transportation hub modernization	Portfolio simplification: Production resilience through recipe and specification harmonization as well as technology enhancement

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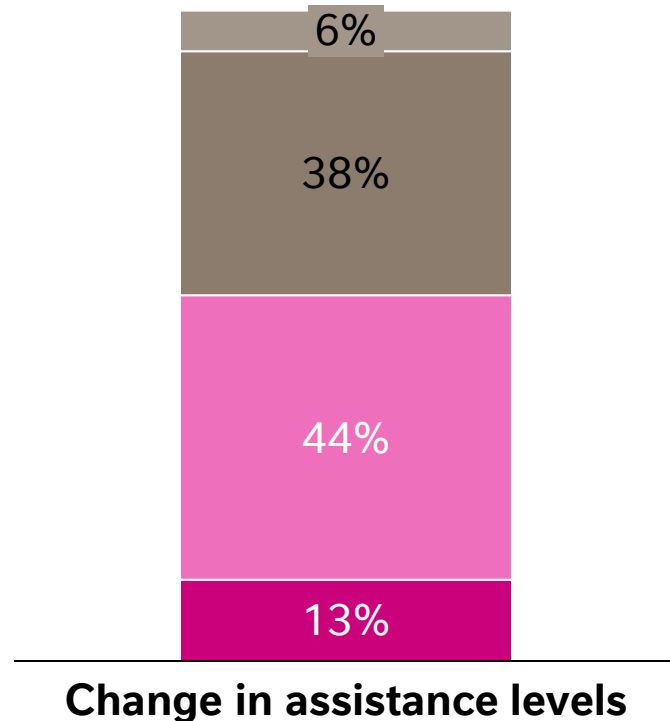
Valuation of Licensee IPR Benefits

57% of executives in India perceive level of assistance to have increased in last years

Licensor Support Activity Survey¹

50% of executives perceive an increase in assistance levels

■ Less ■ No change ■ More ■ Significantly more



Insights echoed in stakeholder interviews



“Rate of innovation and intensity of support **increased over last 10 years**, partly from more ad-hoc support through invests in remote technologies” – **Licensee Head of Technical**



“Core elements like Brand Building the Nestlé Way or the leadership skills taxonomy have **continuously evolved** to reflect the latest strategy” – **Licensee Dairy BEO**

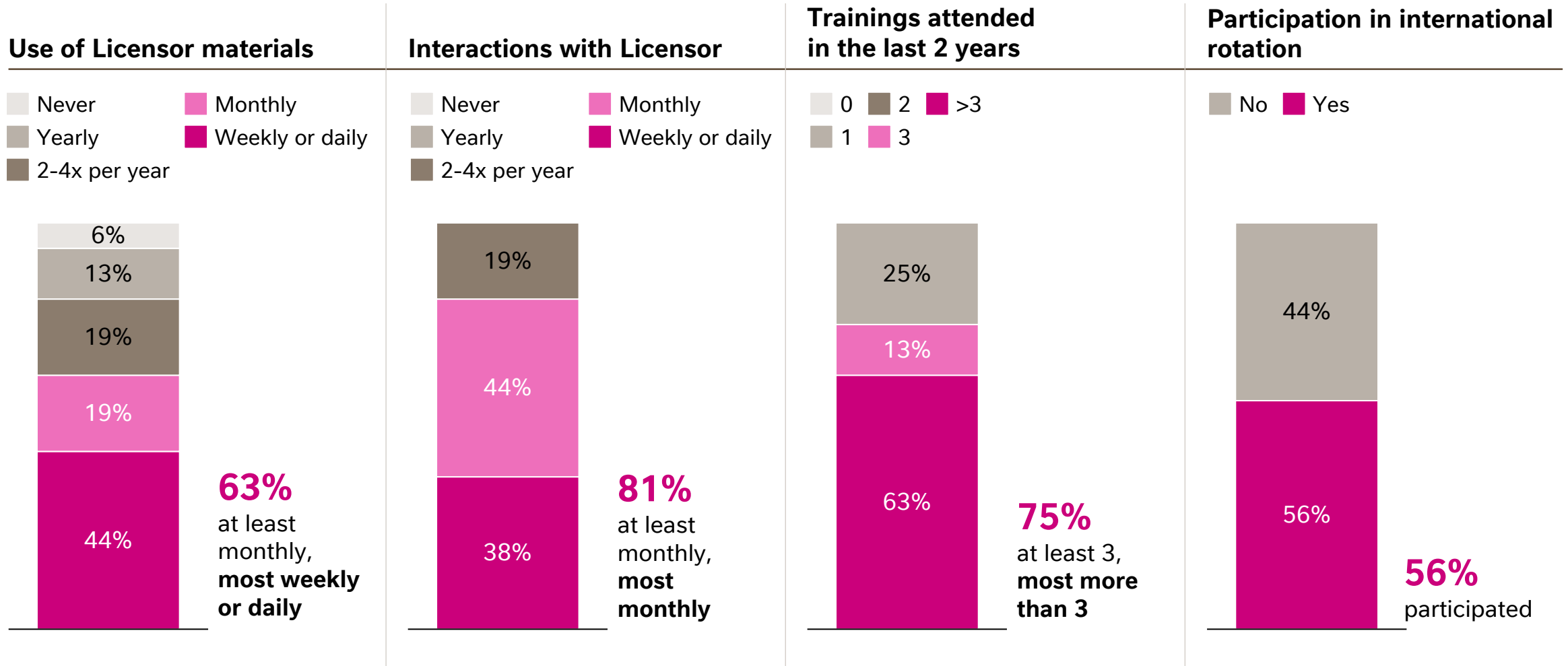


“**New elements of Centre support**, e.g., the Global Business Strategy provide a major advantage in defining the category strategy in India” – **Licensee Nutrition BEO**

1. 1. India results, N = 16, % of respondents

Executives confirmed extensive use of Licensor support bundle

Licensor Support Activity Survey¹

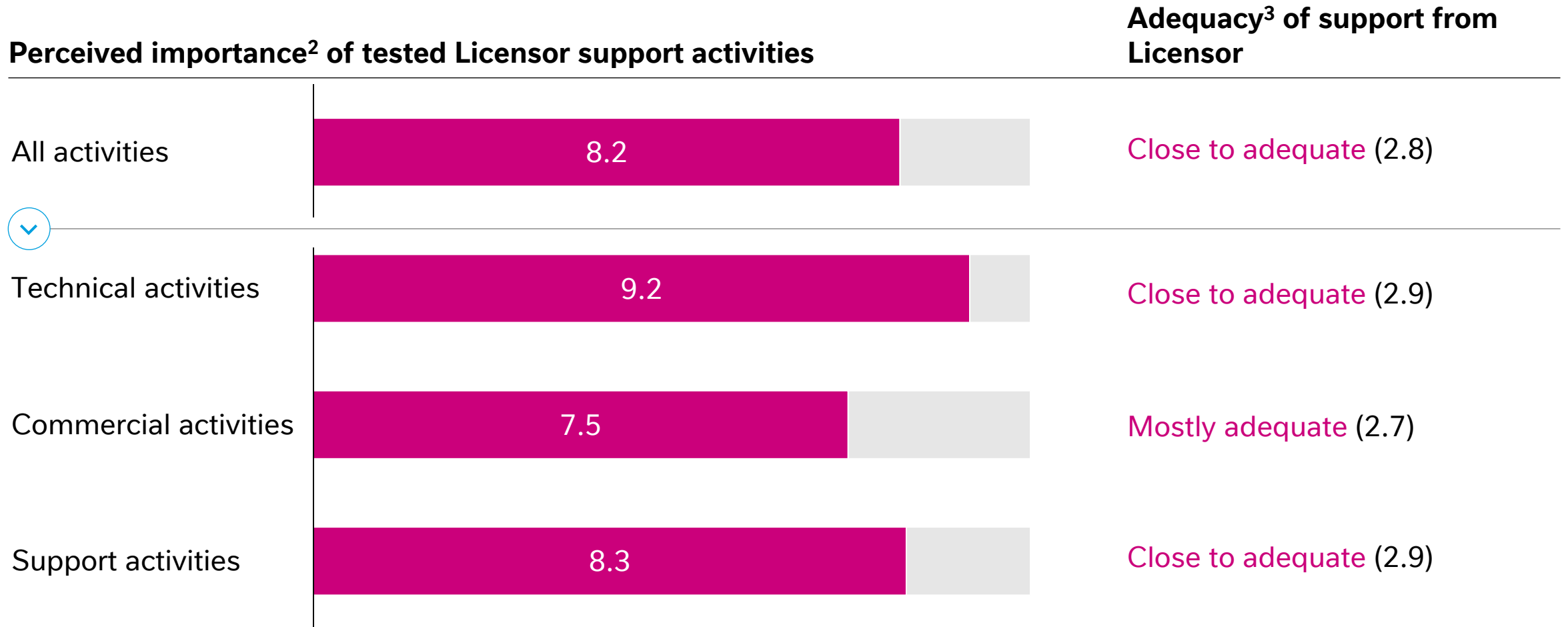


1. India results, N = 16, % of respondents

Note: Licensor materials and interaction represents respondent and their team members, trainings attended represent respondents' average team member

High rating of importance of Licensor support activities and adequate level of support

Licensor Support Activity Survey¹



1. India results, N = 16, 403 estimations over 84 Licensor support activities in total

2. 1 = Not needed, 5 = Helpful but not essential (e.g., productivity increase), 10 = Essential, i.e., value generation not possible without

3. 1 = No support, 2 = Not enough, 3 = Adequate, 4 = More than adequate

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Licensor Support Activity Survey

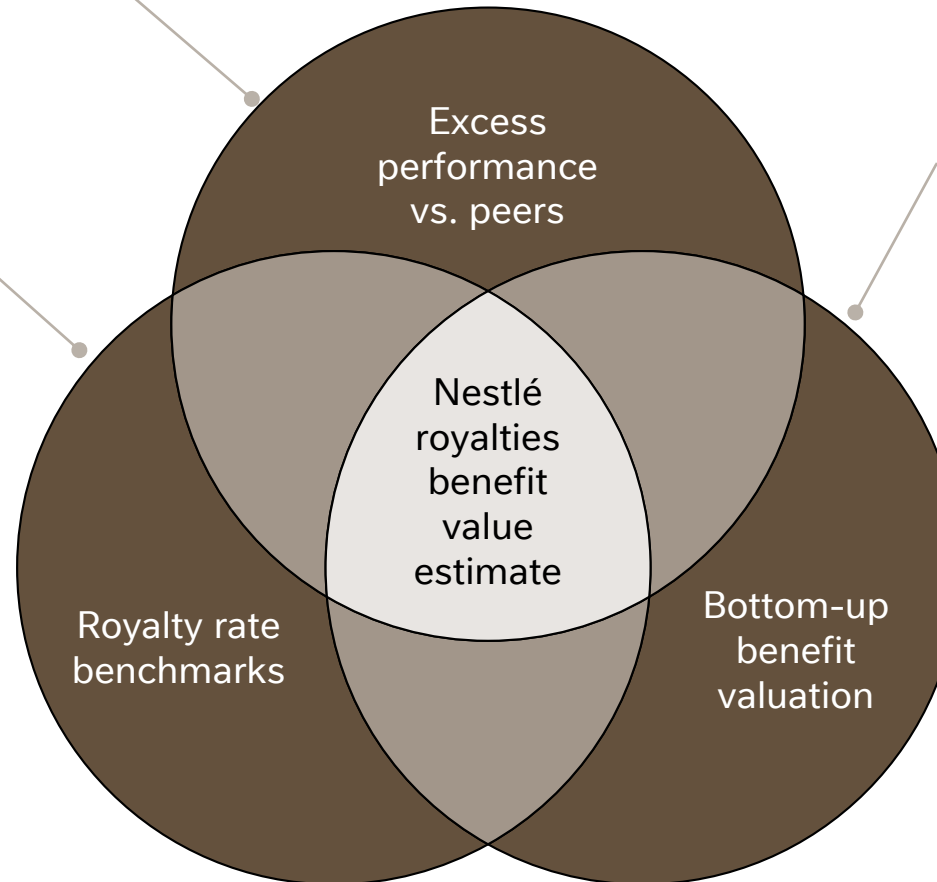
Valuation of Licensee IPR Benefits

Tri-lens methodology for valuation of Licensor's IPR

1 Local-entity profitability comparison:
Assessment of Licensee's profitability vs. local peers in different Nestlé categories

2a Internal royalty rate comparison:
Benchmarking of effective royalty payments across relevant Nestlé regions

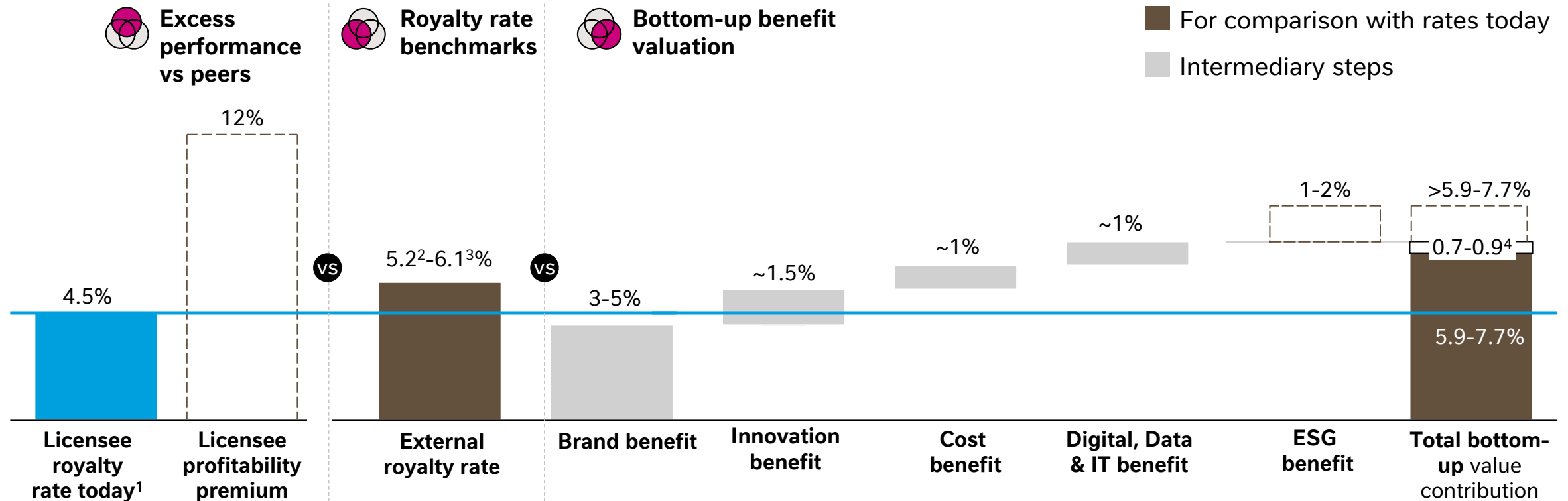
2b External benchmarks:
Benchmarking of contractual royalty terms between uncontrolled parties across public, unredacted agreements for IPR similar to Nestlé GLA in same industry
Benchmarking of royalties and other charges of local MNC peers to respective group-controlled entities



3a-e Bottom-up value generation quantification:
Assessment of actual value generated by IPR offered to Licensee as per GLA

Based on various valuation lenses, the value of the IPR bundle provided today would be in the range of 5.9 – 7.7% of NPS

Comparison across royalty rate valuation analyses outcomes, in % of NPS



Appendix Deep-dives:

1

2

3a

3b

3c

3d

3e

1. Excl. withholding tax; 2. External, uncontrolled rates as conservative estimate due to smaller scope of IPR bundle in comparable agreements (most not explicitly covering assistance and most covering smaller breadth of IPR elements like trademarks & patents compared to Nestlé GLA), shown in % of NNS; 3. Comparison of total royalty and other charge payments by public MNC peers in India to group-controlled entities, The weighted average of royalties paid in other comparable markets by affiliates is even higher than this external range (which is also reflective of the comprehensive GLAs vs. peers); 4. Net earnings impact from withholding taxes deducted assuming a 10% withholding tax rate

Licensor also benefiting Indian shareholders and society from nutrition to sustainable development

Benefits to Indian society

Example Nestlé actions



Generate superior shareholder value



- Outperformed financial market consistently and captured a TRS of 268% over the period 2018-2022 compared to 189% for its peers



Democratize access to healthy products



- Introduced another affordable and healthy product in 2022 with Gerber which contains 16 vital nutrients



Take on leading role in ESG



- Committed to CO2-neutrality by 2050 and fully source renewable electricity by 2025 – actions reflected in higher ESG spend at 0.7%¹ of NPS compared to local peers



Create employment for people



- Offered virtual “Nesternships” to India’s youth as part of the global “Nestlé needs YOUth” initiative to help upskill over 1,000 interns in 2020



Ensure positive and fair working conditions



- Introduced new parental leave policy enabling primary caregivers with 26 weeks and secondary caregivers with 4 weeks of leave²



Help farmers implement sustainable agricultural practices



- Reduced emissions and provided clean energy through biodigesters
- Trained farmers in sustainable agriculture practices (Nescafé plan)

1. Including Licensor contribution of 0.2%; 2. Licensor introduced the “Nestlé Global Parental Support Policy” in 2019 as global minimum standards to support its employees as new parents



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8 main sources of insight used for assessment

Licensee data

1

Interviews with Licensor stakeholders

5 interviews to evaluate value provided across brand, D,D&IT and ESG lenses, as well as ongoing exchanges with project team

2

Interviews with Licensee stakeholders

13 interviews with key functions related to GLA (technical, commercial, and support functions)

3

Case studies

Examples of benefits from Licensor support collected from Licensee stakeholders and respective interviews

4

Licensor support activity survey

Self-assessment by Licensee and other Nestlé Markets¹ regarding IPR provided by the Licensor

5

Readily available Nestlé documents

Repository and classification of existing tools and methodologies available to Nestlé Markets

6

Internal Nestlé royalty rate repository

Comparison of Licensee royalty rate vs. effective royalty rates across other jurisdictions

7

External royalty rate database

Royalty rate comparison with publicly available license agreements between unrelated parties in food and beverage

8

External financial databases

Profitability and value creation comparison between Licensee vs. competitors in India²

1. Brazil, China, Nigeria, South Africa, UAE

2. E.g., sources like Prowess

9 distinct analyses employed to value benefits from the Licensor's IPR

Overview of royalty rate valuation lenses

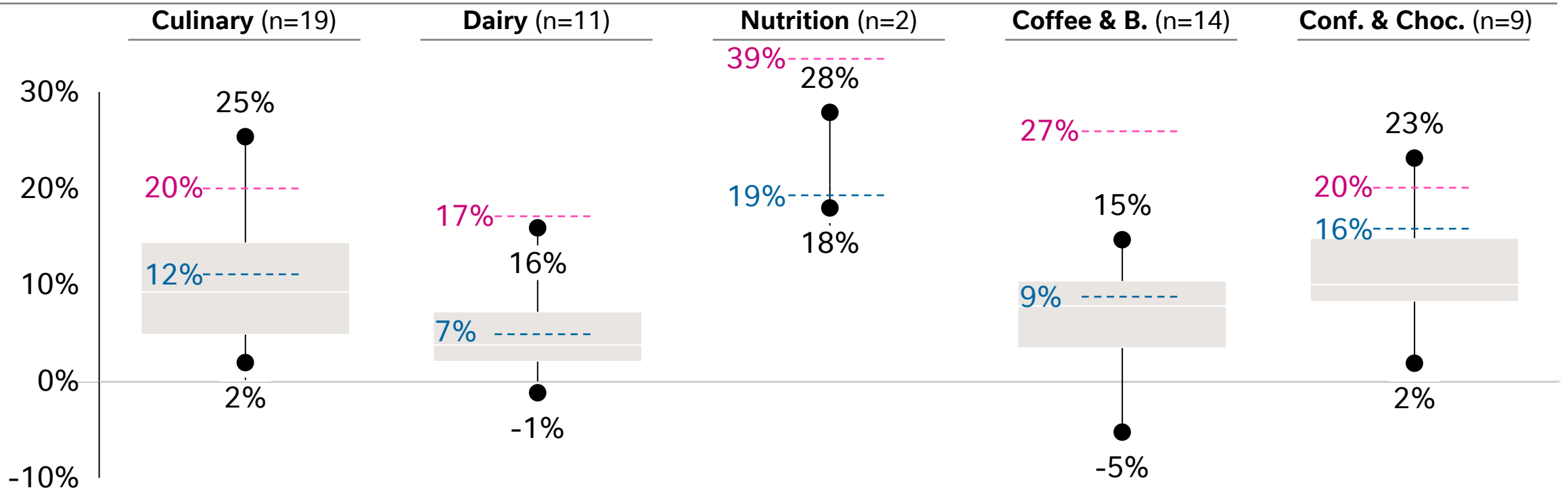
Valuation lens	← Excess performance		Royalty rate benchmarks		← Bottom-up valuation benefit →				
	1	2a	2b		3a	3b	3c	3d	3e
Analysis	Licensee profitability premium	Internal effective royalty rate	External, uncontrolled royalty rate	External public peer benchmark	Brand benefit	Innovation benefit	Cost benefit	D,D&IT ² benefit	ESG benefit
Comparison basis	% of NPS	% of NPS	% of NNS ¹	% of NPS	% of NPS	% of NPS	% of NPS	% of NPS	% of NPS
Withholding tax treatment	Gross of taxes (incl. WHT)	Net of taxes (excl. WHT)	Net of taxes (excl. WHT)	Net of taxes (excl. WHT)	Net of taxes (excl. WHT) ³				
Aggregation	NPS-weighted average	NPS-weighted average	Simple average	Simple average	NPS-weighted average	Not relevant	Not relevant	Median benchmark	Not relevant
Accuracy	Optimistic, might also contain Licensee effort, though limited	Conservative as negotiation outcome not reflecting full value of benefits	Conservative as negotiation outcome not reflecting full value of benefits and assistance not quantifiable	Conservative as negotiation outcome not reflecting full value of benefits	Close to actual value	Conservative as value of shared adaptation activity not included	Close to actual value	Close to actual value	Hypothetical value only due to forward-looking nature

1. For Licensee, NPS to NNS difference is negligible: 4.5% of NPS royalties (underlying ~160bn INR NPS in 2022) corresponds to 4.6% of NNS royalties (underlying ~155bn INR NNS in 2022)
2. Digital, Data & IT
3. Withholding taxes deducted from total bottom-up gross value benefit

1 The Licensee is across all categories among the top quartile of peer group in terms of profitability



Distribution of peer group profitability across Nestlé categories, EBIT margin in %, 2018-2022¹



Category weight, % of Licensee NPS

32%

12%

30%

9%

17%

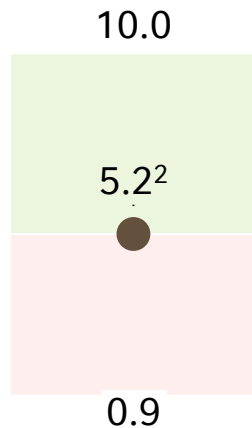
1. For peers, average EBIT of 2018-2022 was used. For Nestlé, average EBIT before royalty of 2018-2022 per category;

2 External, uncontrolled royalty benchmark indicates comparable rate at 5.2%, yet lower bound due to particular extensiveness of Nestlé GLA

● Average ■ Range to max ■ Range to min

Benchmarking with most comparable sample of external uncontrolled licensing agreements

External, uncontrolled royalty rates as % of NNS equivalent¹



Sample of 12 comparable agreements, covering exclusive use of technology and brand

Sample scope:

- F&B only³
- Since 2000
- Worldwide or region-specific validity
- IP-focused agreements excl. franchise

Similarities to Nestlé GLA:

- **High-value technological know-how and recipes** to licensee who individually lacks required R&D capabilities
- **Strong branding advantage** for licensee specialized mostly in manufacturing rather than branding and
- **Exclusive** technology and/or brand use only



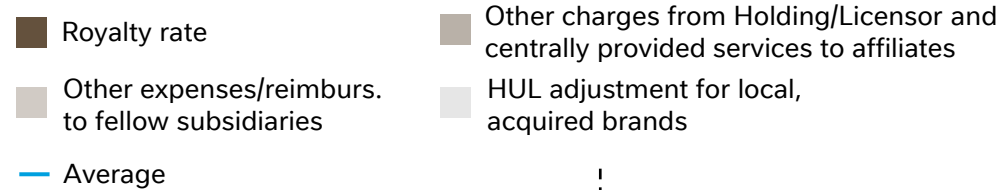
Benchmarking results are a lower bound given extensiveness of Nestlé GLA: **Strategic assistance and capability building** not explicitly covered across external agreements, as well as **smaller scope** of licensed brands and technologies

1. Adjusted to reflect GLA equivalent net of tax rate where tax responsibility not specified, assuming 10% withholding tax on royalty payments like India (Nestlé 4.5% royalty equivalent). Sample also including tiered rates of which higher bound is shown; 2. Adding withholding tax on rates in the agreement sample assuming a 10% withholding tax on royalty payments like India (Nestlé 5% royalty equivalent) results in an average royalty rate of 5.8%; 3. No relevant pet food agreements in sample

2 Licensee is expending 5.2% on royalties and other services in 2022 with a gap of ~1.6pp. to average of local MNC peers

Royalties and other charges to group-controlled entities 2022

Rates paid by local MNC peers [% of NPS, net of taxes¹]



Comments

- **Total rates paid for IPR and other services from the Licensor, including both a royalty rate for the IPR bundle and payments for other services, lies in 2022 at 5.2% for the Licensee**
- **It positions itself below other local MNC peers with a gap to the peer average of ~1.6p.p.** Adding this gap to today's rate of 4.5% equals benchmarking result of 6.1%
- **All peers in comparison have increased their total payments over time**

1. For those peers where no withholding tax is explicitly reported, a 10% withholding tax similar to Licensee is assumed for both royalty rates and other charges;
 2. Excluding "reimbursement of expenses shared by group cos. (expense)" due to large variation over the last two years – current rate is thus a conservative estimate;
 3. Adjustment for local, acquired brands; 4. Royalty rates and fees for central services in 2022 reflect a projected view to 2025 including planned rate increase by 0.8%; 5. 6.73% vs. 5.17%: Minor discrepancy in figures shown due to rounding difference only

3a Licensor brand benefit amounts to ~3–5% accounting for an avg. market share without the support and Licensee's contribution to the excess

Estimation results for Licensor brand contribution by brand, in % of total sales Licensee (NPS)

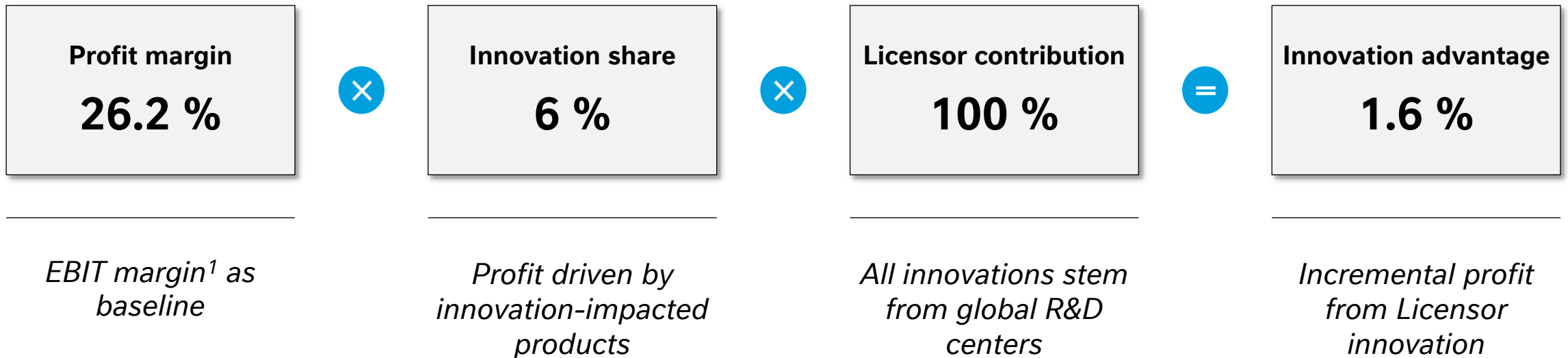
Total across brands:

Brand strength	Total sales Licensee	Licensee sales with avg. market share	Licensee excess sales	... thereof non-brand-driven purchases	Resulting Licensee brand-driven excess sales	Licensee marketing spend productivity in brand-driven excess sales	Brand-driven excess sales in Licensee through Licensor efforts	Licensor contribution EBIT-equivalent
	100%						2.9 ¹ – 5.1% ²	
510	100 %	22%	78%	51%	27%	6%	22%	> 5.54%
205	100 %	71%	29%	23%	6%	1%	5%	> 1.01%
496	100 %	54%	46%	28%	18%	2%	16%	> 6.64%
174	100 %	89%	11%	7%	4%	1%	4%	> 1.64%
342	100 %	43%	57%	37%	20%	11%	9%	> 3.90%
132	100 %	80%	20%	13%	7%	2%	4%	> 1.30%
85	100 %	89%	11%	7%	4%	1%	3%	> 0.74%

1. Assuming peer EBIT margin as lower bound to remove all superior return-generation initiatives from Licensee's EBIT
 2. Using Licensee's adjusted EBIT margin, assuming excess sales also benefit from superior return-generating initiatives (both from Licensor as well as Licensee) as brand benefit is the enabler for unlocking the underlying sales

3b Innovation benefit amounts to ~1.5% based on a 6% sales contribution of newly introduced products driven by Licensor

Decomposition of innovation advantage



1. EBIT before royalties, average of 2018-2022;

3c Cost benefit amounts to ~1.2% of Licensee's NPS, representing 75% of overall cost savings of ~2.5 bn INR in 2022

Decomposition of cost benefit

	Description	Example ¹	Savings in 2022 ²		×	Licensor contribution in %	=	Cost advantage % of NPS
			M INR	% of NPS				
Total savings at Licensee			2,551	1.6%		75%		1.2%
Technology	Cost reductions based on proprietary Nestlé tech. or know-how	Optim. & Nirvana Impl. in Baby Food recipes at Samalkha	35	0.0%		75% of overall cost savings attributed to Licensor as per high-level Nestlé-internal estimations ³		
Expertise	Cost reductions relying on Licensor expertise/ efforts	FAT Reduction project on line 1	215	0.1%				
Methods	Cost reductions through application of Licensor developed tools/ methodologies	Reduction in Oil losses in 2022	1,279	0.8%				
Local	Predominantly local cost reductions	Improvement in Milk Buying Mix	1,022	0.6%				

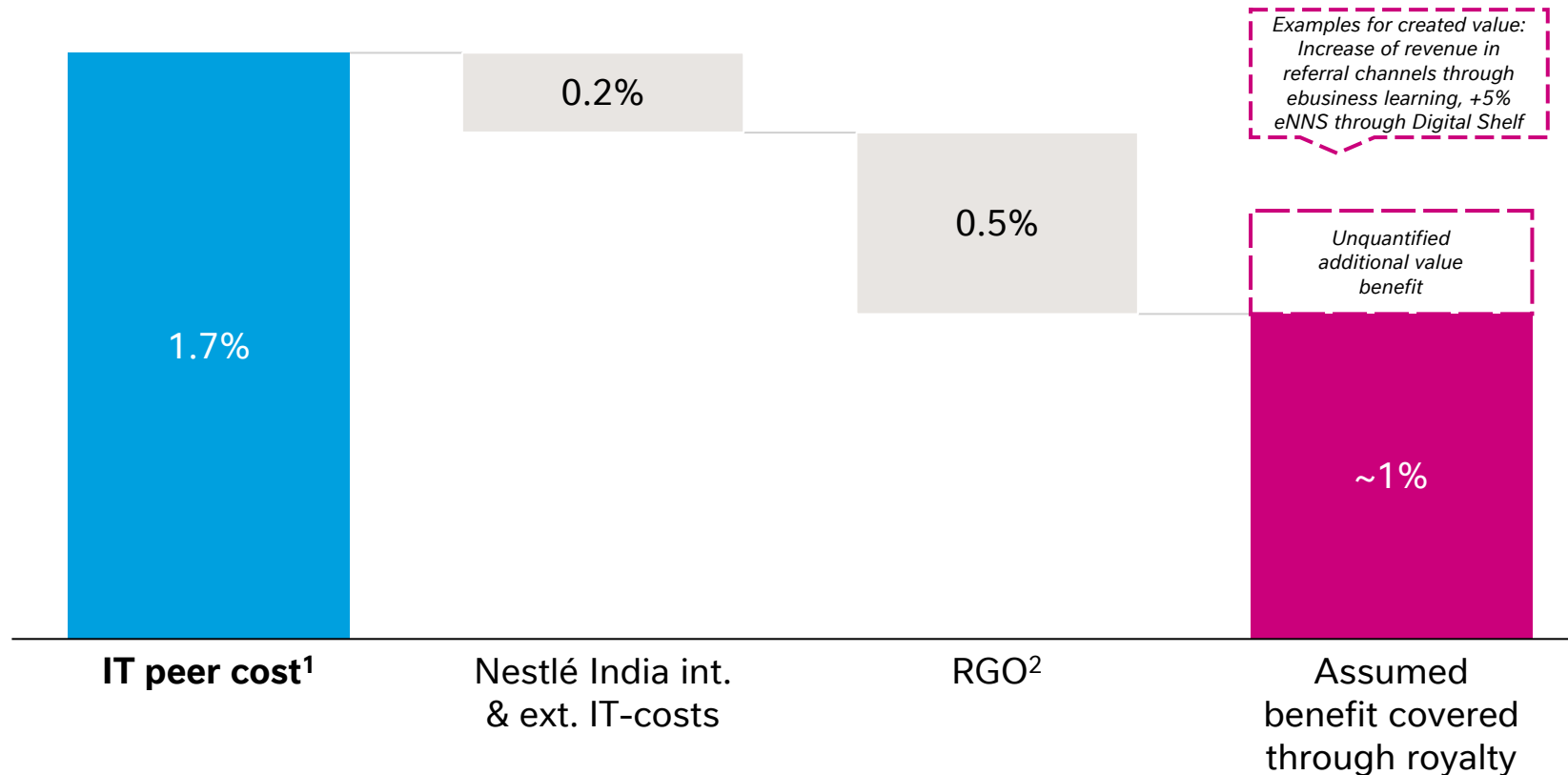
1. Description based on data extraction from Nestlé systems;

2. Savings include all savings achieved in 2022 through projects that either started in 2021 or 2022. This timeframe was chosen based on the assumption that most projects achieve full effect after two years, and therefore, considering two years represents an average initiative portfolio in terms of progress;

3. From CFO Licensee and Executive Director – Technical;

3d Licensor support in Digital, Data & IT results in ~1% lower cost for Licensee vs. its peers, after deduction of own spend and RGO

Total IT spend peer comparison (outside-in), in % of NPS



Comments

Comparable global CPG peers with IT costs of 1.7%

~1% as assumed benefits received by Licensee according to benchmarking

Analysis only reflects cost advantage, potential additional value advantage existing but no data available

1.Data set consisting of similar sized CPG peers across Americas (38%), Europe (25%), Asia (25%) & Africa (13%); 2022 figures anonymized

2.Regional Globe Office: Sustain & maintenance services that are charged back to Licensee

3e Financial markets expect ~1% NPS impact through ESG – bottom-up evidence is high, but pot. double-counting and hypothetically realized

Total ESG advantage, in % of NPS

Top-down view

A Market-implied earnings impact due to ESG ~1%

Bottom-up evidence

B Improvement due to less resource usage ~0.6%
(partly driven by central investments from Licensor)

C Savings from potential future GHG¹ offsetting 0.7-1.7%

Comments on inclusion in valuation

While fully quantified, these estimates are not included in the final valuation due to following caveats:

- **Top-down – Market expectation:** Impact is a market-implied figure and does not necessarily need to reflect any actual benefit observed today
- **Bottom-up – Less resource usage:** Impact should already be captured by cost benefit analysis and its inclusion would lead to double-counting
- **Bottom-up – Potential GHG offsetting:** Impact is entirely hypothetical with no firm indications whether or not a GHG-penalizing regime will be rolled-out in India in the future

Licensee's ESG strategy supported by Licensor by providing guidance, enabling knowledge transfer and validating initiatives

1. Greenhouse gas, CO₂e

