

Management Discussion and Analysis

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

INDUSTRY OVERVIEW

The rapidly changing lifestyles and sugar-rich diets have made Oral health, one of the key public health concerns in almost every part of the world.

In India, while Oral Care category penetration is high (+95%), more than 80% of people don't brush their teeth at night. This against the backdrop of increasing Oral Diseases, up to 77 % suffering from Gum problems every year, up to 71% children (12 years old) and upto 86.4% adults 35-45 years from Cavities, presents a situation that needs immediate attention.#

While, as a Country, we have made giant strides with Oral Health initiatives, in the last few decades, our population and segmentation expanse offers opportunities to explore new avenues towards enhancement of Oral Health in India.

With increased awareness around this topic, we are seeing increased expenditure on oral healthcare. Well informed on the perils of neglect, people are actively seeking preventive solutions leading to an increase in demand for effective Oral Care products from trustworthy Brands, thereby contributing to good oral hygiene.

BUSINESS AND STRATEGY

Your Company is strongly focused in the Personal Care business which includes Oral Care that accounts for over 95% of the Company's sales turnover. Within the Oral Care segment, the Company continues to sustain its leadership position both in the Toothpaste and Toothbrush categories for the financial year ended March 31, 2022 despite a challenging business and competitive environment. As a leading consumer products Company, we are also deeply committed to advancing technology that can address changing consumer needs. This is consistent with your Company's sustained endeavor to leverage technology in order to create products that will improve the quality of life for our consumers.

Your Company follows a closely defined business strategy to develop and increase its market leadership position in key product categories. On an ongoing basis, management focuses on a variety of key indicators to monitor business health and performance. These indicators include market share, net sales, gross profit margin, operating profit, net income and earnings per share. The monitoring of these indicators and the Company's Code of Conduct and Corporate Governance practices help to maintain business health and strong internal controls. The investments

needed to support the growth are developed through its funding of growth initiatives such as reduction in costs associated with direct materials, distribution and logistics, advertisement and promotional materials and reduction of packaging materials. The predominant business of the Company continues to be Oral Care and the outlook for the oral health industry is positive given the size of the opportunity. Your Company believes that the Company's business will continue to grow strongly in the next several years on the back of its experience in operating in a growth environment and its continued focus on capturing significant opportunities through innovation and operational excellence. For years, the Company has been successful in identifying and meeting consumer needs within its core categories, through its consistent focus on the introduction of innovative products and the deployment of valuable consumer and shopper insights in the launch of successful new products.

Your Company caters to all types of oral care needs a consumer may possibly have. The Company's end users belong to all age groups and diverse geographical locations (urban and rural), as well as household size and type. We further interact with diverse wholesalers, modern trade stores and other retailers to ensure our products reach the length and breadth of the country.

The strategic focus of the Company continues to win with the brands, leading innovation, achieving distribution and in-store excellence, nurturing future leaders, re-imagining a healthier future for all and thereby enhancing the overall shareholders' value.

Digital Transformation

Your Company took big steps in the journey of digital and data transformation. The Data and Analytics Center of Excellence has been set up to build data science capabilities internally. During the year, your Company launched the 'Smile Store Program', - a transformation initiative focused on assortment build up in retail, applying data science models and rich shopper data. This was driven by an extensive change management exercise with all our extended sales force and integrating the technology in our order-taking systems. The results are encouraging with a double-digit increment in our monthly average assortment per store. The program continues to gain momentum and is becoming an effective lever to drive our distribution excellence and new product launch Go-to-market.

Digital Transformation continued to be a key priority

#Source: National Oral Health Policy 2021



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for the Company's Business Operations. Your Company leveraged several channels to reach out and engage with its stakeholders, including full funnel omni-channel performance marketing, driving rural reach and building regional content.

Colgate - Our Brand Purpose

Your Company continued to build on its 'Smile karo aur shuru ho jao' campaign in 2021, which brings to life its brand purpose of 'Everyone deserves a future to smile about'. Our latest 'Smile Karo' campaign features Kiran Kanojia, India's first woman blade runner to run a marathon. Our continued strategy is to inspire people to be optimistic through stories like Kiran's.

We also brought to millions of people the story of Sindhutai Sapkal, who was forced to beg on the streets in her early twenties and then went on to become 'mai' for thousands of orphans. Her smile and optimism reflects the power to change the world for a better place to be.

Colgate Strong Teeth

Your Company also re-launched its largest single brand 'Colgate Strong Teeth toothpaste' with Calcium boost callout in relation to remineralization. The TVC 'Daant strong toh main strong' featuring Shahid Kapoor and Rana Daggubati puts the spotlight on the importance of strong teeth, which helps in better chewing leading to better nutrition.

Colgate Visible White O2

Your Company launched a revolutionary teeth whitening product, Colgate Visible White O2, with our #SmileOutLoud campaign. The campaign cut through the noise and challenged the age-old conventions of what is considered as 'beauty'. The new whitening toothpaste, Colgate Visible White O2, promises whiter teeth in just 3 days, when used as directed.

#SmileOutLoud celebrates three women influencers - Toshada Uma, Dolly Singh, and Prarthana Jagan, who have successfully challenged stereotypes using their unique beauty to make their mark in the world. Their radiantly defiant smiles speak of the bold beauty and confidence with which they face the world, having turned their so-called imperfections into expressions of their authenticity.

Colgate Toothpaste for Oral Health of Diabetics

Your Company roped in celebrated cricketer R. Ashwin to educate and inform our consumers about the rather unknown link between Type II diabetes and gum problems. There is an established link between Diabetes

and an increased risk of mouth infections. The toothpaste for Oral Health of Diabetics is designed for the oral health problems commonly faced by Diabetics.

Sustainability

Your Company is focused on bringing world-class sustainable innovation to not only improve oral care but also work towards preserving the environment. The pioneering technology of the recyclable tubes was rolled out on Colgate Active Salt and Colgate Vedshakti variants first, with other brands in its portfolio to follow. We are the first oral care brand to launch such an initiative at scale and decided to share the technology with others.

Colgate Toothbrushes

For the first time, the Company launched a new Master-brand campaign for toothbrushes, positioning Colgate toothbrushes as 'Smart Brush for a Healthy Mouth'. It establishes Colgate toothbrushes as the expert devices that understand the complexities of the mouth to ensure superior oral care.

The campaign brings this alive beautifully through the key sub equities - Colgate ZigZag, especially engineered with 16 degree criss cross bristles, is designed for germ protection against ~700 types of germs in the mouth that can cause oral care problems.

Our mouth is made up of 80% soft tissues and hence needs gentle care. Colgate Gentle has dense, Ultra Soft Bristles which give superior foam resulting in the softest brushing experience.

Colgate Super Flexi toothbrush - Ultra Flexible Technology, India's #1 selling toothbrush brand was unveiled in a new avatar-featuring product enhancements for better cleaning. It was re-launched with bright, vibrant colors, attractive packaging, giving it a very modern & premium look.

As we continue to advance and scale our social and sustainability initiatives, we launched Colgate RecyClean - a first of its kind toothbrush with bristles that are plant derived and Bisphenol A (BPA) free while the handle is made from 100% recycled plastic.

Palmolive Face Cleansing

Your Company launched a new line of premium, natural Face Cleansing Foams, Gels, Masques and Scrubs under the Palmolive brand.

The launch was accompanied by an advertising campaign 'Say Yes to You'. Recognising that women, across

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strata and communities, end up prioritizing either work or their loved ones in a bid to care for others over indulging in much-needed self-love, we launched the campaign #SayYesToYou. While introducing Palmolive's new indulgent Face Cleansing range, the campaign encourages women to prioritize themselves while juggling the many responsibilities they shoulder in life, at work, and in their families. The campaign goes beyond the traditional way of dissecting women's skin conditions and issues, instead portraying them as people who have diverse interests and a desire to indulge in them.

RISKS AND OPPORTUNITIES

Risk management is integral to your Company's strategy and to the achievement of its long-term goals. Our success lies in our ability to identify the opportunities generated by our business and the markets we operate in.

The purpose of timely risk assessment is to identify the strategic threats, operational issues, compliance with laws and disclosure obligations and to convert them into the opportunities, wherever possible. Thus, in order to deliver value to our customers, distributors, employees, communities, shareholders and other stakeholders, it is inevitable to understand and manage the risks faced by the Company.

Risk assessment is done on a regular basis. The Leadership team reviews the processes and identifies and assess the risks faced by their respective categories and proposes the Risk Mitigation plan.

The Company has adopted Enterprise Risk Management (ERM) to ensure timely identification and creation of mitigation plans. The Company has formed an ERM Sub-Committee, which meets at regular intervals to refresh the risk roadmap and create a plan for addressing them. The said plan is presented before the Risk Management Committee and the Board of Directors.

Our ambition is to continuously improve our operational efficiency and effectiveness. Our approach to risk management is designed to provide reasonable assurance that our assets are safeguarded, the risks facing the business are being assessed and mitigated and all information that may be required to be disclosed is reported to the Company's senior management and the Audit Committee and the Board.

For each of our principal risks, we have a Risk Management Framework detailing the controls we have in place and

who is responsible for managing both the overall risk and the individual controls mitigating that risk. Our assessment of risk considers both short and long-term risks, including how these risks are changing, together with emerging risk areas. These are reviewed on an ongoing basis, and formally by the Risk Management Committee and the Board at least once a year. The Company has carried out the Stakeholder engagement and materiality assessment and has identified the key risks and opportunities, such as, Occupational Health and Safety, Human Rights, Diversity and Inclusion, Commodity price risk, single source raw material, credit risk, Product Stewardship, Energy emissions, Responsible Supply Chain, Consumer Health and Safety, Water Stewardship, Waste Management, Business Ethics, Cyber security and data protection, regulatory changes, social media and brand reputation risk, etc.

The detailed explanation and outcome of each of these risks and opportunities is given in the Business Responsibility and Sustainability Report, forming part of the Board's Report.

INTERNAL FINANCIAL CONTROLS

Your Company has an adequate and talented team of internal auditors that oversees the internal financial processes, policies, and recommends robust internal financial controls from time to time. These internal financial controls help to put in place checks on the implementation of the internal financial controls, policies & procedures that are adopted by the Company for ensuring an orderly and efficient conduct of its business. These internal financial controls help in safeguarding assets, prevention & detection of frauds and/or errors, maintaining the accuracy and completeness of the accounting & financial records. These controls help in the timely preparation of transparent, complete and accurate financial information and statements as per the laid down accounting standards and principles. The Audit Committee of your Company evaluates the internal financial controls system periodically.

EMPLOYEE HEALTH AND WELL-BEING

At Colgate-Palmolive, we aim to ensure that you are at your best-your healthiest, happiest and most driven self. The Company constantly evaluates and adopts better policies and initiatives that enable improved employee health and well being thereby also leading to better efficiency and productivity at the workplace.

Guided by this principle, we have an Employee Assistance Program which is available to all employees + 3 family



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members to seek help from certified professionals on any mental health challenges. Every year in June, the Company celebrates 'Live Better' which is a global initiative aimed at encouraging employees to adopt a healthier lifestyle. We also have company sponsored medical check-ups which the employees can avail of.

Flexi-work Policy

Post the COVID-19 pandemic, the Company prepared for the safe return to work for all our employees. Employee Health & Safety is at the forefront of all the things that we do. In order to make it convenient and for ensuring ease in transition, we launched a hybrid working policy called 'Blendin' which provides employees the flexibility to choose 2 days in a week where they would want to work from home, making only 3 days mandatory for them to work from office, with the benefit of flexi working hours barring the core hours.

Mental Health and Well-being

The Company recognizes our responsibility to prioritize mental health. With the recent pandemic, it has become more and more critical to keep physical as well as mental health in check.

We believe in re-imagining a healthier future for all-and healthier means overall health-oral, physical and mental by providing the right opportunities and resources to help the employees take care of their mental health, from facilitating a strong Company culture that empowers colleagues to connect with each other to offering robust benefits that position mental health as integral to overall health.

The Company has launched the following initiatives:

- Employee Assistance Program
- WYSA App for mental health & well being
- Mental Health awareness training
- Guided Meditation Sessions
- Ongoing flexibility in work schedules for reduced stress

Diversity, Equity and Inclusion (DE&I)

We at Colgate-Palmolive are committed to our DE&I journey. We are constantly working towards creating a world where our people would feel Colgate is a place where they belong and where they can bring their authentic selves to work and feel welcomed, respected and valued. For the same, changes, new policies & processes are taken to enable an inclusive environment across our offices and plants. This includes impacting

our people, the community we live in and the supplier diversity we work with.

We continue our company-wide discussion on DE&I, supported by sensitization and awareness sessions. We provided allyship training to all our employees to understand how they can champion and support a diverse workforce. Ingrained from inception, our governance policies are adhered to not just in India but globally.

Your Company has been recognized as one of the Best Organizations for Women 2022 by the Economic Times, powered by Femina.

The total number of people employed by the Company as on March 31, 2022 was 2,363.

Details of changes in key financial ratios as compared to immediately previous financial year:

Particulars	FY 2021-22	FY 2020-21
Debtors Turnover [#]	29.65	38.54
Inventory Turnover	4.81	4.90
Interest Coverage Ratio [^]	236.30	184.11
Current Ratio [§]	1.37	0.85
Debt Equity Ratio [*]	0.05	0.08
Operating Profit Margin (%)	27	27
Net Profit Margin (%) (after tax)	21	22

The Company's key financial ratios continue to be very healthy.

The Return on Net Worth in the FY 2021-22 decreased to 74% from 75% in the immediate previous financial year due to higher equity in the current year since the second interim dividend was declared post year end for FY 2021-22.

[#]Credit was extended to certain distributors at year end so there is an increase in debtors ultimately reducing the debtors turnover ratio.

[^]Debt and Interest expense appearing in the Financial Statements for the current year wholly relate to the lease liability as per Ind AS 116.

[§]Current ratio depicted higher than previous year, due to unpaid dividend of previous year, paid subsequent to year end.

^{*}Debt mainly pertains to lease liabilities which are on reducing balance. Equity is higher compared to previous year since the second interim dividend was declared post year end for FY 2021-22.

The detailed discussion on Financial Performance with respect to operational performance, Internal Control systems and their adequacy and Segment-wise or product-wise performance, innovation and technology are forming part of the Board's Report.

OUR APPROACH

The investments needed to support growth are developed through continuous, Company-wide initiatives to improve realizations, lower costs and increase effective asset utilization. Through these

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initiatives, termed as the Company's revenue growth management and funding-the-growth initiatives, your Company seeks to become even more effective and efficient throughout its businesses. These initiatives are designed to drive sustainable revenue growth for your Company and better value products for the shoppers. Through these initiatives your Company also focuses on reducing costs associated with direct materials, indirect expenses, distribution and logistics, and advertising and promotional materials, among other things, and encompass a wide range of projects, examples of which include raw material substitution, reduction of packaging materials, consolidating suppliers to leverage volumes and increasing manufacturing efficiency through SKU reductions and formulation simplification.

Against a challenging backdrop of COVID-19, your Company took adequate and pre-emptive measures to strengthen and nurture its relationship with stakeholders. In order to ensure the health and safety of employees and their families, your Company took appropriate measures including restrictions on travel and enhancing the hygiene & sanitation protocols across all offices and plants. Your Company worked with various regulatory authorities & industry groups to facilitate a more regular and consistent

supply of your Company's products to consumers across the country. In the true spirit of partnership, your Company sponsored the health insurance benefit and supplied personal hygiene kits to the employees of its distributors.

Going forward, your Company expects the challenging market conditions and unfavorable macro-economic conditions to continue. Your Company believes that it is well prepared to meet the challenges ahead due to its strong financial condition, experience of operating in challenging environments and continued focus on its key priorities. These priorities include: growing sales through greater engagement with consumers, delivering world-class innovation and working with its distributors and retail partners; driving efficiency on every line of the income statement to increase margins; generating strong cash flow performance and utilizing that cash effectively to enhance total shareholder returns, and leading to win by staying true to the organization's culture and focusing on its stakeholders. Your Company's commitment to these priorities, together with the strength of its brands, its best-in-class distribution network and its cost-saving initiatives, should position your Company well to increase stakeholder value over the long term.