# ESG Supplementary

## Environmental Policy & Management

### Environmental Policy

Asian Paints has an environmental policy that is approved by the Board of Directors and covers the below:

1. Production operations and business facilities
2. Products and services
3. Distribution and logistics
4. Management of waste
5. Suppliers, service providers and contractors
6. Other key business partners

Additionally, the policy also covers Biodiversity and Water Management and environmental considerations are made in the merger and acquisition process.

The management of the company is responsible for the implementation of the policy. We consider compliance with statutory EHS requirements as the minimum performance standard and are committed to going beyond and adopting stricter standards. We are committed to continual improvement in our Environment Management System and performance on environment-related parameters in all business processes and track such improvement through measurable indicators. Key areas of improvement have been identified in the policy for which we have targets and objectives. Training is provided for employees to understand the impacts of their work activities on the environment and their role in managing them. We take active measures to raise the awareness of stakeholders such as our customers and employees.

Asian Paints Environmental Policy is available in the link: Environmental Policy - Asian Paints

### Verification of Environmental Programs

Examples of certification documents can be found in the link: Microsoft Word - 12108483 ASIAN PAINTS INDIA LTD. - IMS

### Return on Environmental Investments

| | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|---|---|---|
| Capital Investments | 331726151 | 233876238 | 440658416 |
| Operating Expenses | 168219227 | 189943696 | 246430395 |
| Savings, cost avoidance, income, tax incentives, etc. | 111312000 | 32800000 | 1000000 |

### Environmental Violations

We have not paid any fines related to environmental issues in the reporting year. The same has been disclosed in our Annual Integrated Report under BRSR principle 1, essential indicators 2.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 280)

## Energy and Emissions:

### Energy Management Programs

Our company's energy management programs are comprehensive and designed to drive sustainable energy use across all operations. We monitor extensive data across plants using the Energy Management System (EMS) software to track inefficiencies and generate insights for improvements. Improvement initiatives include conducting energy audits to identify opportunities for improving energy performance. To support these efforts, we provide specialised training in energy efficiency and energy consumption reduction, equipping them with the skills necessary to conduct these audits effectively.

We have been monitoring and concentrating on Specific Electricity Consumption reduction and increasing the share of Renewable Energy at our manufacturing units. In this regard, we have set targets to reduce the Specific Electricity Consumption by 48 % by 2025 and 53% by 2030. Additionally, we have also set a target to achieve 75% Renewable electricity by 2025 and 100% by 2030.

Over the past decade, we have made consistent progress in our transition to renewable energy through ongoing investments in solar and wind electricity projects. Currently, our decorative paint manufacturing plants feature an installed capacity of 48.9 MW, with 24.6 MW from solar installations and 24.3 MW from wind installations. The overall contribution of renewables to our electricity consumption has risen to 65.8%, up from 62.2% in the previous year.

Our commitment to lower energy usage depends on process enhancements, investments in advanced technologies, Research and Development (R&D) and upgrading existing infrastructure to incorporate energy-efficient assets. During the year, we spent INR 112.6 lakhs as capital investment on energy conservation initiatives apart from investments in renewable energy resources of solar and wind.

Below is a snapshot of our performance:

| | Baseline (2013-14) | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Target 2025 | Target 2030 |
|---|---|---|---|---|---|---|---|
| Specific Electricity Consumption (KWh/KL) | 116 | 75.7 | 73.2 | 74.7 | 74.2 (36% reduction) | 60.5 (48% reduction) | 54.4 (53% reduction) |
| Renewable Electricity (%) | 0.1 | 57 | 61.1 | 62.2 | 65.8 | 75 | 100 |

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 8, 48, 49, 130, 220, 32, 218, 219, 280 283)

### Energy Consumption

| | Unit | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|
| Total non-renewable energy consumption | MWh | 88315 | 94956 | 99814 | 103447.5 |

| | | | | | |
|---|---|---|---|---|---|
| Total renewable energy consumption | MWh | 42131 | 54251 | 56597 | 65518.3 |

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 48)

**Third-party verification/assurance report:** Asian Paints IR23-24.pdf (Pages: 521-530) The relevant GRI standards have been assured as part of the Integrated Report. The Assurance covers Energy Consumption and their breakup as per GRI for both Decorative Paint Manufacturing Units as well as Standalone.

## Emissions

Our approach toward minimising our carbon footprint includes considering the emissions from our operations and the value chain. As part of our Scope 1 and Scope 2 GHG emissions reduction plan, we continue to focus on key enablers of Energy Efficiency and Renewable Energy. Additionally, we have inventoried Scope 3 emissions across our value chain, identified crucial enablers, and crafted a comprehensive action plan.

*Direct Greenhouse Gas Emissions (Scope 1)*

| | Baseline 2013-14 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|
| Scope 1 ($tCO_2e$) | 25072 | 11601 | 12407 | 14340 | 14872 |

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 48)

**Third-party verification/assurance report:** Asian Paints IR23-24.pdf (Pages: 521-530) The relevant GRI standards have been assured as part of the Integrated Report.

*Indirect Greenhouse Gas Emissions (Scope 2)*

| | Baseline 2013-14 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|
| Scope 2 ($tCO_2e$) | 52471 | 27788 | 28410 | 27685 | 28052 |

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 48)

**Third-party verification/assurance report:** Asian Paints IR23-24.pdf (Pages: 521-530) The relevant GRI standards have been assured as part of the Integrated Report.

*Indirect Greenhouse Gas Emissions (Scope 3)*

| Scope 3 Category | 2023-24 (tCO2e) | Emissions calculation methodology and exclusions |
|---|---|---|
| 1. Purchased Goods and Services | 2731234 | Emissions calculation methodology involves average data method and spend-based method.<br><br>This category encompasses the activities related to the extraction, production of goods and services that the reporting company procured or acquired during the reporting year. We have accounted |

| | | |
|---|---|---|
| | | raw materials, packaging, manufacturing consumables and purchased finished goods.<br><br>Average data method has been used by identifying appropriate emission factors from ecoinvent for raw material and packaging procured; spend-based method has been considered for consumables and purchased finished goods using exiobase database for emission factors. |
| 2. Capital Goods | 3932 | Emissions calculation methodology involves average data method and spend-based method.<br><br>This category encompasses the activities related to the extraction, production, & transportation of capital goods considered (based on Financial Accounting) that the company procured or acquired during the reporting year.<br>Major expense categories of plant & machinery, and factory buildings were estimated using average data method using Ecoinvent database. For some of the goods spend-based method was used. |
| 3. Fuel-and-energy-related-activities (not included in Scope 1 or 2) | 17894 | Average data method was used to calculate this category of emissions.<br><br>This category includes extraction, production, and transportation of fuels and energy purchased or acquired by the company in the reporting year, not already accounted for in scope 1 or scope 2, which includes Upstream emissions of purchased fuels and electricity and Transmission and distribution (T&D) losses.<br><br>Type of fuels and energy or electricity mapped with appropriate emission factor from Ecoinvent, IPCC, and CEA databases taking into consideration the T&D losses wherever applicable. |
| 4. Upstream transportation and distribution | 505609 | Distance-based method and spend-based method were used to compute this category emissions.<br><br>This category includes transportation and distribution of products purchased by the company in the reporting year between a company's tier 1 suppliers and its own operations in vehicles not owned or operated by the company and from transportation and distribution of sold products in vehicles and facilities not owned or controlled by the company.<br><br>Quantity transported over distance mapped between locations, mapped with appropriate mode of transportation emission factor. Transportation of finished goods from our warehouse locations to dealer locations are estimated using spend based method. |
| 5. Waste generated in operations | 22727 | Average-data method is used to compute this category of emissions.<br><br>This category encompasses the activities related to third-party disposal and treatment of waste generated in the company's owned or controlled operations in the reporting year. |

| | | |
|---|---|---|
| | | Each of the disposal and treatment of waste generated is mapped with the $CO_2$ eq/kg related factors of that disposal and treatment of waste, extracted from the Ecoinvent & DEFRA databases. |
| 6. Business Travel | 9509 | Emissions calculation methodology for this category involves distance-based method and spend-based method.<br><br>This category encompasses the activities related to the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, and passenger cars.<br><br>Each of the modes of transportation of the employees for business-related activities is mapped with the $CO_2$ eq/kg related factors of that mode of transportation from the Ecoinvent & India GHG program databases along with the mapping of distances between the sending and receiving locations. |
| 7. Employee commuting | 4789 | Distance-based method and spend-based method was used to calculate these emissions.<br><br>This category encompasses the activities related to the transportation of employees between their homes and their worksites.<br><br>There was a survey conducted for a few of the sites to understand the employee commuting modes, distance, etc., accordingly the response of the survey were extrapolated to get into the details of employee commuting. Additionally, information on company vehicles used for employee commuting is considered. Each of the modes of transportation of the employees for business-related activities is mapped with the $CO_2$ eq/kg related factors of that mode of transportation in the Ecoinvent & India GHG program databases along with the mapping of distances between the homes, work locations and vice versa. |
| 8. Upstream leased assets | 0 | This category has been subsumed into standalone Scope 1 & Scope 2 numbers. |
| 9. Downstream transportation and distribution | 0 | Not relevant - Emissions from the outbound logistic for transportation of finished goods from manufacturing sites to dealers have been accounted for in Category 4 as recommended by GHG protocol. Calculation of emissions pertaining to the movement of products from dealers to end consumers has been found not relevant. This is a result of a thorough analysis through which we were able to conclude that this category of emissions falls well below our threshold of accounting which contributes to less than 0.1% of our Scope 3 emissions. |
| 10. Processing of sold products | 0 | Not relevant - We do not calculate and report GHG emissions from this category, as these emissions were identified as not being relevant to us. This is the result of a thorough analysis and balancing of different relevance criteria for Scope 3 emissions sources and the five accounting and reporting principles of the GHG Protocol standards by WRI and WBCSD. These emissions cannot be tracked reasonably and reliable figures on a yearly basis are impractical to |

| | | |
|---|---|---|
| | | obtain. In addition, the WBCSD Chemical Sector Standard "Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain" emphasises that "chemical companies are not required to report Scope 3, category 10 emissions, since reliable figures are difficult to obtain, due to the diverse application and customer structure." |
| 11. Use of sold products | 0 | Not relevant - Our finished product is meant for direct use for consumption. They do not result in any emission at this stage. |
| 12. End of life treatment of sold products | 25256 | Using average-based method, this category emissions were computed.<br><br>This category encompasses the activities related to Waste disposal and treatment of products sold by the company (in the reporting year) at the end of their life.<br>Each of the sold products (paints, tools, adhesives etc.) & packaging materials are mapped with the $CO_2$ eq/kg related factors of that treatment of sold product and waste disposal, extracted from the Ecoinvent & DEFRA databases taking into consideration the waste disposal and treatment of products. |
| 13. Downstream leased assets | 0 | Not relevant as Asian Paints does not own downstream leased assets. |
| 14. Franchises | 0 | Not relevant as Asian Paints does not own or operate franchises. |
| 15. Investments | 0 | This is not relevant as we are into the manufacturing of paints and coatings. |
| Other upstream | 0 | Not relevant as Asian Paints does have any other upstream activities. All the emissions pertaining to Upstream activities is already reported in the above relevant categories. |
| Other downstream | 0 | Not relevant as Asian Paints does have any other Downstream activities. All the emissions pertaining to Downstream activities is already reported in the above relevant categories. |

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 50)

**Third-party verification/assurance report:** Asian Paints IR23-24.pdf (Pages: 521-530) The relevant GRI standards have been assured as part of the Integrated Report.

## Waste & Pollutants

### Waste Management Programs

Our company is committed to minimizing environmental impact through robust waste management programs with quantified medium and long-term targets. Waste audits are conducted by subject matter experts to identify opportunities for improving waste performance. Our waste management enables us to pinpoint areas where waste can be reduced, reused, or recycled more effectively, ensuring that our operations remain efficient. We have integrated recycle/reuse programs to significantly reduce the amount of waste sent to landfill. Further, training is provided to the teams to enhance knowledge and skills necessary to safely handle and actively contribute to minimizing waste.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 9, 10, 53-55, 58-60, 218, 301-302)

**Third-party verification/assurance report:** Asian Paints IR23-24.pdf (Pages: 521-530) The relevant GRI standards have been assured as part of the Integrated Report. The Assurance covers waste disposal along with the method of disposal.

## Non-Hazardous Waste (NHW) Disposal

| | FY 2020-21 | FY 2021-22 | FY2022-23 | FY2023-24 |
|---|---|---|---|---|
| Total NHW disposed (Metric Tonnes) | 9466 | 11247 | 11770 | 9759 |

For the above disposal below is the break-up of disposal method for non-hazardous waste:

| | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|---|---|---|---|
| Total NHW waste recycled/reused (Metric Tonnes) | 3079.2 | 4362 | 4759 | 9759 |
| Other Disposal Method (Metric Tonnes) All our Non Hazardous wastes are sent to authorised recyclers. The same has been provided here in this row until FY 2022-23. Plastic waste which is sent to CPCB authorised recyclers used to be considered in recycled. For the current year, FY 2023-24 we have provided all our waste in the recycled/reused in line with BRSR reporting guidance. All the Non Hazardous Waste are being channelised to authorised recyclers. Assurance on the same has been provided by Price Waterhouse Chartered Accountants LLP. | 6286.4 | 6885 | 7011 | 0 |

All our Non Hazardous Wastes are sent to authorised recyclers. The same has been provided here in this row until last year. Plastic waste which is sent to CPCB authorised recyclers used to be considered in recycled. For the current year, we have provided all our waste in the recycled/reused in line with BRSR reporting guidance. All the Non Hazardous Waste are being channelised to authorised recyclers. Assurance on the same has been provided by Price Waterhouse Chartered Accountants LLP.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 58, 59) (Values provided in the reference link are percentages and not in absolute terms. The absolute value can be derived considering the total non-hazardous waste generated and the percentage directed by the recycle/reuse and disposal method.)

**Third-party verification/assurance report:** Asian Paints IR23-24.pdf (Pages: 521-530) The relevant GRI standards have been assured as part of the Integrated Report.

## Hazardous Waste Disposal

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Total hazardous waste disposed (Metric Tonnes) | 1101.73 | 1154.58 | 849.81 | 768.88 |

For the above disposal below is the break-up of disposal method for non-hazardous waste:

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|
| Total hazardous waste recycled/reused (Metric Tonnes) | 57.82 | 31.07 | 79.39 | 18.04 |
| - Hazardous waste landfilled (Metric Tonnes) | 95.62 | 70.11 | 44.54 | 64.55 |
| - Hazardous waste incinerated with energy recovery (Metric Tonnes) | 437.94 | 485.44 | 378.74 | 369.66 |
| - Hazardous waste incinerated without energy recovery (Metric Tonnes) | 568.17 | 599.03 | 426.53 | 334.67 |

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 58, 59) (Values provided in the reference link are percentages and not in absolute terms. The absolute value can be derived considering the total non-hazardous waste generated and the percentage directed to disposal method)

**Third-party verification/assurance report:** Asian Paints IR23-24.pdf (Pages: 521-530) The relevant GRI standards have been assured as part of the Integrated Report.

## Chemical Oxygen Demand

All our manufacturing plants are Zero Liquid Discharge facilities, i.e., zero discharge of effluent outside premises.

Recognizing the importance of water as a resource, we undertake several initiatives to optimise consumption and reduce resultant wastewater generation through our reuse or recycle schemes. Whatever effluent cannot be reused is recycled in our ETP and advanced treatment systems. This recycled water is then utilised to fulfil both process and non-process requirements. Since we do not release any liquid pollutants from our factory premises, we found Chemical Oxygen Demand to be 'Not Applicable' to us.

We are committed to continue operating all our plants as Zero Liquid Discharge facilities.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 56, 59, 300)

## Other Emissions

We have been monitoring and measuring other significant emissions through our stacks. We not only ensure to comply with the regulatory requirements but also strive to maintain these emissions at near-zero levels.

Across our plants, we have switched to cleaner fuels, replaced the diesel-based DG sets with gas-based, undertaken DG retrofitting, and reduced boiler use by utilizing community steam boilers and setting heat recovery units.

### *Particulate Matter*

| | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|---|---|---|---|
| Particulate Matter (Metric Tonnes) | 3.2 | 4.8 | 4.8 | 5.3 |

### *NOx Emissions*

| | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|---|---|---|---|
| Direct NOx Emissions (Metric Tonnes) | 12.04 | 13.5 | 9.9 | 7.7 |

### *SOx Emissions*

| | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|---|---|---|---|
| Direct SOx Emissions (Metric Tonnes) | 2.57 | 6 | 2.7 | 2.8 |

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 60)

**Third-party verification/assurance report:** Asian Paints IR23-24.pdf (Pages: 521-530) The relevant GRI standards have been assured as part of the Integrated Report.

## Volatile Organic Compounds

We have a well-documented procedure for VOC monitoring wherein we track Short-term exposure VOC values at multiple locations in each of our plants at defined frequency. The same is measured and monitored diligently. We use scrubbers as an effective solution for controlling VOC emissions. They capture and neutralise VOC pollutants from our manufacturing processes, helping to prevent harmful compounds from entering the atmosphere. We also have limits defined for VOC exposure in the plant. However, the short-term exposure values cannot be converted to quantifiable values.

We ensure the well-being and safety of our workforce through our OHS framework. This framework includes periodic assessments of potential health risks conducted by an industrial hygienist every three years to identify and mitigate hazards within our plant premises. Weekly monitoring of Volatile Organic Compound (VOC) emissions and fortnightly sampling for Respirable Suspended Particulate Matter (RSPM) are carried out at selected locations. These samples undergo analysis by accredited external labs.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 90)

# Water

## Water Efficiency Management Programs

Water is a critical resource for our business operations and, therefore, a material topic. Water stewardship is an essential element of our sustainability efforts at Asian Paints. As a responsible paint manufacturer, we bring together water conservation, quality management, and community engagement to safeguard this resource. We have developed a comprehensive water management

strategy that includes risk assessment, water conservation, and replenishment both within and outside our factories.

Our company is committed to responsible water management through a series of targeted initiatives. We conduct water use assessments to identify opportunities for improving water efficiency across our operations.

Across our operations, water withdrawal occurs through two primary sources: groundwater and third-party water. We have augmented rainwater harvesting capacity within the plant in the form of reservoirs which is then being used in our processes. A part of the total water withdrawn is used in the product, while the remainder is directed towards domestic, utility, and gardening purposes.

Our worldclass water treatment infrastructure, along with our dedication to water reuse and recycling within the premises, ensures Zero Liquid Discharge (ZLD). All our manufacturing plants are Zero Liquid Discharge facilities, i.e., zero discharge of effluent outside premises. Recognizing the importance of water as a resource, we undertake several initiatives to optimise consumption and reduce resultant wastewater generation through our reuse or recycle schemes. Whatever effluent cannot be reused is recycled in our ETP and advanced treatment systems. This recycled water is then utilised to fulfil both process and non-process requirements.

We are committed to continue operating all our plants as Zero Liquid Discharge facilities.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 8, 56-59)

### Water Consumption

| | Units | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|---|---|---|---|---|
| Water Withdrawal (Excluding saltwater) | Megalitres | 622.2 | 767.0 | 814.9 | 1125.3 |
| Water Discharge | Megalitres | 0 | 0 | 0 | 0 |
| Total Net Freshwater Consumption | Megalitres | 622.2 | 767.0 | 814.9 | 1125.3 |

All our manufacturing facilities are Zero Liquid Discharge Facilities

**Third-party verification/assurance report:** Asian Paints IR23-24.pdf (Pages: 521-530) The relevant GRI standards have been assured as part of the Integrated Report.

### Water Consumption in Water-Stressed Areas

Our sites in India are assessed on water stress risk in line with guidance from Central Ground Water Board ('CGWB') groundwater block classification as recommended by SEBI under BRSR disclosure. As of 31st March 2024, none of our manufacturing plants falls under the water-stressed area.

The same has been provided in our Annual Integrated Report 2023-24.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 56)

### Water Risk Management Programs

As part of the climate risk assessment, we evaluated RCP 4.5 and RCP 8.5 scenarios for all our decorative paint manufacturing locations.

During FY 2022-23, we carried out a climate risk assessment in line with the TCFD recommendations. The assessment covered Physical and Transition Risks and involved identifying and engaging all relevant internal stakeholders, gathering inputs on key issues, prioritizing climate risks, utilising scenarios to spot risks and opportunities, evaluating business impact, devising potential responses, and disclosing the findings.

The assessment helped us understand the Physical and Transition Risks we are exposed to, and while the exposure was minimal, it helped strengthen our adaptation strategy with stronger resilience measures. The potential climate change adaptation risks are part of our Risk Management framework.

The water risk management measures include dependency- and impact-related water risks considered in risk assessment, assessment of future water availability - quantity and quality-related risks, assessment of impacts on local communities, and assessment of future potential regulatory changes at a local level.

**Physical Risk Analysis:**

As part of our physical risk assessment approach, we focused on analysing acute risks arising from extreme weather events and chronic risks resulting from long-term changes in climate patterns for our all-eight-paint manufacturing locations in India. The risks were analysed over the short-term (2030) and long-term (2050), using IPCC Representative Concentration Pathways – RCP 4.5 (moderate climate change scenario) & RCP 8.5 (high climate change scenario).

To prioritise the risks, a composite rating was calculated based on the likelihood and impact of the risks considering RCP 4.5 as probable scenario and short-term (2030) time horizon to facilitate effective decision-making. Along with scenario analysis findings, historical events and the probable impact of the risks were also considered for likelihood and impact scores.

Summary of physical risk and resilience measures:

| | Heat Wave | Drought | Cyclone | Floods |
|---|---|---|---|---|
| No. of sites with Very High Risk | 2 | 1 | 1 | 0 |
| No. of sites with High Risk | 1 | 2 | 1 | 1 |

Resilience measures are already part of the design considerations for climate events like cyclones, floods depending on geographical regions. Similarly, for water risk, our approach already encompasses reduction of non-process water consumption as well as increasing grey water utilisation across our plants.

**Transition Risk analysis:**

Transitioning to a lower-carbon economy may entail policy & legal, technology, and market changes. These changes offer both risk and opportunities to the organisation. To analyse potential transition risks for the company, we conducted a comprehensive assessment aligned with the International Energy Agency's scenarios (IEA SDS) and India's Net Zero commitments, current and anticipated policies.

**Additional Public Reference 1:** Asian Paints IR23-24.pdf (Pages: 8, 52, 57)

**Additional Public Reference 2:**
sustainability.asianpaints.com/sustainability/pdf/Asian_Paints_SR_22_23.pdf (Pages: 15-16, 18-19, 62-69)

## Climate Strategy

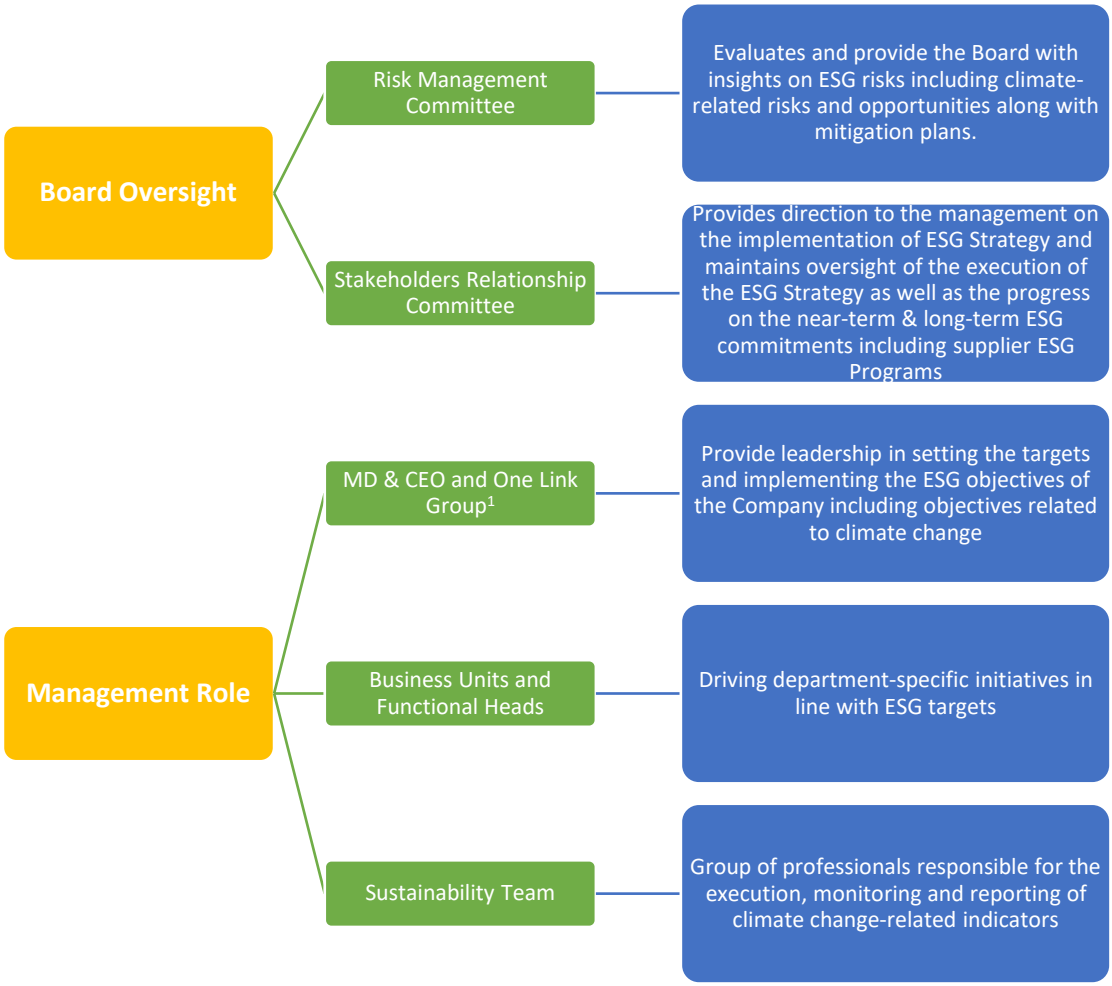
### Climate Governance

**Sustainability Governance - Board Oversight & Management Role:**

Sustainability is a top priority at Asian Paints and has long been integrated into our decision-making process across the board. Through our robust and outcome-oriented governance structure, our Board maintains keen oversight and together with the senior management, drives the implementation of our ESG agenda.

The Board has provided guidance in developing our recently adopted ESG strategy and monitors progress in fulfilling the objectives set therein. The Stakeholders Relationship Committee of the Board is entrusted with the responsibility to support the Board in ESG oversight. Further, the Risk Management Committee of the Board evaluates and provides insights on ESG risks and opportunities including climate-related, along with mitigation plan.

The Company's One Link1 group, led by the Managing Director & CEO, is tasked with implementing the ESG objectives of the Company, including climate change mitigation and adaptation. Relevant business unit heads are responsible for driving specific initiatives such as R&T for product stewardship, Manufacturing Technology team for renewable electricity etc.




[1]One Link group is led by the Managing Director & CEO and comprises General Managers, Associate Vice Presidents, Vice Presidents, Senior Vice Presidents and Presidents.

**Additional Public Reference:**
sustainability.asianpaints.com/sustainability/pdf/Asian_Paints_SR_22_23.pdf (Pages: 3)

## TCFD Disclosure

The company integrates the TCFD framework. board's oversight of climate-related risks and opportunities and management's role have been defined above.

The information related to Climate-Related Strategy, Risk management and Metrics & Targets are available in the public reports as per the references provided below:

**Additional Public Reference 1:** Asian Paints IR23-24.pdf (Sustainable Operations Section; Pages: 8, 47, 52, 103, 107-115, 520)

**Additional Public Reference 2:**
sustainability.asianpaints.com/sustainability/pdf/Asian_Paints_SR_22_23.pdf (Pages: 3, 62-69)

## Climate-Related Management Incentives

***ESG PERFORMANCE LINKED REMUNERATION AND INCENTIVES***

To align with our ESG commitments, we have incorporated weightage for achievement of ESG linked targets for one link members' variable pay scheme.[#]

[#]The variable pay achievement targets of Managing Director & CEO, inter alia, include revenue growth, specific targets for focused products, market share, ESG priorities, employee engagement & collaboration score, and people development & succession planning for senior management.

| **Employee entitled to benefit from climate change-related incentives** | **Type of Incentive** | **KPI** |
|---|---|---|
| Chief Executive Officer (CEO):<br><br>One Link Team comprises General Managers, Associate Vice Presidents, Senior Vice Presidents, Vice Presidents and Presidents, and is led by the Managing Director & CEO. | Monetary | Emissions Reduction:<br>One Link Team comprises General Managers, Associate Vice Presidents, Senior Vice Presidents, Vice Presidents and Presidents, and is led by the Managing Director & CEO. The One Link Team is tasked with implementing the ESG objectives of the Company, including mitigating the risks of climate change on the operations of the Company. The board has linked ESG targets fulfilment i.e., performance incentives with the remuneration of the One Link Team.<br>The ESG agenda of the company is comprehensive and sets targets through 2030 and has metrics such as Emissions reduction, energy efficiency and renewable electricity, water neutrality and consumption reduction, waste & wastewater reduction, etc. |
| Business Unit Managers:<br><br>Relevant business units and their heads are responsible for driving specific initiatives. For instance, the execution of mitigation measures related to water, waste and emissions is driven by the Plant Leadership. Renewable energy augmentation is driven by the Manufacturing Technology team. Our Research & Technology team along with the Sales & Marketing functions drives the Product Stewardship agenda and is tasked with augmenting our sustainable products portfolio that provides consumers with unique value while improving product sustainability and safety. Based on the decisions and targets set by the Board, the business units are responsible for managing budgets including capital & operational | Monetary | Emissions Reduction:<br>APL has sustainability/EHS teams at plant as well at corporate which include Senior Managers and Managers. The KPIs of the teams is directly linked to the environment management and performance, projects and targets. Similarly, the sustainability performance of the plants and blocks/departments within the plant is linked to the performance of plant management (Manager and above) including plant head. The performance of these employees is evaluated basis of associated sustainability KPIs. The outcome of these evaluations determines variable pay. |

| | | |
|---|---|---|
| expenditures, executing & monitoring climate transition plans, risks & opportunities, and engaging value chain partners across the value chain on climate-related issues. | | |
| Employees:<br><br>The performance of employees is evaluated basis the associated sustainability KPIs. The outcome of these evaluations determines variable pay. This cycle happens annually. | Recognition | Efficiency:<br>The plant performance forms a part of the employee compensation structure for managers and below. Individuals/teams from various departments are recognised towards their significant contribution in environmental improvement activities. There is a provision available wherein employees can be recognised and provided monetary rewards.<br><br>The performance of employees is evaluated basis the associated sustainability KPIs. The outcome of these evaluations determines variable pay. This cycle happens annually. |

## Climate Risk Management

Our climate risk assessment has been integrated with our Company-wide risk management processes.

***Transition Risk Analysis:***

Transitioning to a lower-carbon economy may entail policy and legal, technology, and market changes that create both risks and opportunities. Transition Risks include policy and legal risks, market risks, reputational risks and technology risks as well as opportunities under categories of products and services, resource efficiency and energy source. To analyse the risks we could face, we conducted a comprehensive assessment aligned with the International Energy Agency's scenarios (IEA SDS) and India's Net Zero commitments and current and anticipated policies. Our comprehensive ESG agenda strengthens our preparedness and response to various identified risks while also leveraging the opportunities they present.

***Physical Risk Analysis:***

The Physical Risk Analysis analysed acute and chronic risks caused by extreme weather events and long-term changes in climate patterns at our 8 decorative paint manufacturing locations in India. The risks were analysed over the short-term (2030) and long-term (2050), using IPCC RCP 4.5 (moderate climate change scenario) and RCP 8.5 (high climate change scenario). To facilitate effective decision-making, a composite risk rating was calculated based on the likelihood and impact of the risks considering RCP 4.5 as a probable scenario and short-term (2030) time horizon for risks such as heatwaves, drought, cyclones and floods.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 8, 47, 52, 99, 103, 107-115, 520)

## Financial Risks of Climate Change

(More on this is available in our CDP Climate Change Disclosure)

Brief description of the most significant risk and methods used to manage this risk:

In June 2023, the central government introduced the Carbon Credit Trading Scheme (CCTS), establishing a national framework for the Indian carbon market aimed at reducing GHG emissions through carbon credit trading. In July 2024, the Bureau of Energy Efficiency (BEE) released the "Detailed Procedure for Compliance Mechanism under CCTS." The framework classifies carbon-intensive sectors as "obligated entities" required to meet emission intensity targets and participate in carbon trading. The paint sector, being low carbon intensive, is not currently classified as an obligated entity, and we do not anticipate this changing soon. However, if notified, our investments in renewable electricity (standing at 65.8%) and energy efficiency measures (36% reduction since 2013-14) should ensure compliance with the stipulated targets, thus mitigating the identified risk. We will continue to reassess and update as necessary.

Resilience Measures: We have achieved a 75% reduction in Specific scope 1 and scope 2 emissions from FY 2013-14 baseline through:- Sustained efforts in increasing the share of RE in our energy mix, with a 65.8% contribution to our electricity consumption in 2023-24- Efforts in energy efficiency resulting in a decline in specific power consumption by 36% from the 2013-14 baseline. We target to reduce specific emissions by 75% and 80% by 2025 and 2030 respectively. With a high share of RE & other emission reduction measures, we expect a reduced emission obligation. We shall participate in policy consultations to understand the impact of carbon markets.

We diligently evaluate risk factors that have the potential to significantly and negatively impact our business. Aligning with the recommendations of the TCFD, we have conducted a climate risk assessment encompassing both physical risks and transition risks. Physical Risk: The physical risk assessment thoroughly examined both acute risks stemming from extreme weather events and chronic risks arising from long-term climate shifts. We considered short-term (2030) and long-term (2050) time-frames, using RCP 4.5 and RCP 8.5 scenarios. Key physical risks identified included exposure to cyclone for two sites, exposure to heatwave or rise in temperature and water stress risk for multiple sites. Resilience measures are already part of the design considerations for climate events like cyclones depending on geographical regions. Regarding water risk, our approach focuses on reducing non-process water consumption and promoting the utilisation of grey water across our plants. Additionally, resilience measures have been identified for other physical risks, and their implementation is planned to mitigate anticipated risks. Transition Risk: The transition risk assessment analysed climate-related risks and opportunities across policy and legal, market, technology, and reputational aspects. We considered short-term, medium-term, and long-term time-frames. Policy risks included emissions obligations and litigation exposure. Market risks encompassed changing consumer behaviour and the demand for sustainable products. Technology risks involved transition costs to lower emissions technology. Reputational risk focused on demonstrating a commitment to carbon footprint reduction. We aim to address these risks and seize opportunities in the evolving climate change landscape. At Asian Paints, we prioritise compliance with existing regulations and maintain agility to swiftly adapt to new legislation. Our dedicated efforts to enhance sustainability performance, product stewardship, and ESG commitments for 2030 position us well in meeting emission obligations, mitigating market risks, and safeguarding our reputation. Through the identification and implementation of the best available technologies, we effectively address potential technology risks.

**Additional Public Reference 1:** Asian Paints IR23-24.pdf (Pages: 8, 47, 52, 103, 107-115, 520)

**Additional Public Reference 2:** CDP Climate Change Disclosure

## Financial Opportunities Arising from Climate Change

(More on this is available in our CDP Climate Change Disclosure)

## Climate-Related Scenario Analysis

***Transition Risk Analysis:***

Transitioning to a lower-carbon economy may entail policy and legal, technology, and market changes that create both risks and opportunities. Transition Risks include policy and legal risks, market risks, reputational risks and technology risks as well as opportunities under categories of products and services, resource efficiency and energy source. To analyse the risks we could face, we conducted a comprehensive assessment aligned with the International Energy Agency's scenarios (IEA SDS) and India's Net Zero commitments and current and anticipated policies. Our comprehensive ESG agenda strengthens our preparedness and response to various identified risks while also leveraging the opportunities they present.

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**Additional Public Reference 1:** Asian Paints IR23-24.pdf (Pages: 8, 47, 52, 99, 103, 107-115, 520)

**Additional Public Reference 2:**
sustainability.asianpaints.com/sustainability/pdf/Asian_Paints_SR_22_23.pdf (Pages: 3, 62-69)

## Physical Climate Risk Adaptation

We have a context-specific plan to adapt to physical climate risks. The details on climate-related risk included in the risk assessment is part of our Sustainability Report. In the report following details are disclosed as per TCFD recommendations: 1. Governance 2. Climate Strategy 3. Risk Management 4. Metrices. It shall covers details on the selected risks, their time horizon, magnitude and resilience measures. A detailed response has also been provided on CDP climate change disclosure. More on this can also be found in the below references.

**Additional Public Reference 1:** Asian Paints IR23-24.pdf (Pages: 8, 47, 52, 99, 103, 107-115, 520)

**Additional Public Reference 2:**
sustainability.asianpaints.com/sustainability/pdf/Asian_Paints_SR_22_23.pdf (Pages: 3, 62-69)

## Emissions Reduction Targets

We have been tracking our Scope 1 and Scope 2 emissions for a decade now and have recorded a significant reduction in both absolute and intensity terms. We also have set our 2025 and 2030 targets to further reduce the intensity of our Scope 1 and Scope 2 emissions. Notably, we have already met the 2025 target during the 2023-24 period.

| Metric | Baseline 2013-14 | 2023-24 | Target 2025 | Target 2030 |
|---|---|---|---|---|
| Emission Reduction: | 131.2 | 32.6 (75% reduction) | 32.8 (75% reduction) | 26.2 (80% reduction) |

| | | | | |
|---|---|---|---|---|
| (Reduction in specific (Scope 1 & 2) emission per KL of finished product (KgCO2e/KL) | | | | |

### Low-Carbon Products

Sustainable Product optimization using product LCA: We have leveraged Product Life Cycle Assessment (LCA) studies based on ISO 14040 to identify hotspots related to GHG emissions. We have undertaken product LCA for our top volume products across interior and exterior paints. For example, the rutile grade of titanium dioxide is a key contributor to the cradle-to-gate product carbon footprint. Over the years, we have focused on improving the scattering efficiency of the rutile. Similar initiatives were undertaken for other raw materials as well. All these efforts helped us to avoid 30,413 tCO2e in FY 2023-24.

Renewable content in product offerings Renewability is at the centre of our product at Asian Paints. We accomplish this by integrating ecofriendly and renewable raw materials into our formulations. Our product line-up proudly features items that incorporate renewable content, including plant-based resins and raw materials derived from biomass. During 2023-24, 7.2% of renewable/bio-based raw materials by volume was used in product offerings.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 53-55)

### Net-Zero Commitment

We have a publicly available Position Statement on Net Zero Carbon Emissions. It covers our overall strategy and commitment to reducing our carbon footprint. It is available in the below-mentioned link.

**Additional Public Reference:** Asian Paints Position Statement: Our Commitment to Excellence

## Biodiversity

### Biodiversity Risk Assessment

Environmental Impact Assessment was conducted for each project and no significant impact on biodiversity was realised. Further, the Company operates from sites that are located in industrial areas and are not in the vicinity of ecologically sensitive areas. However, we constantly undertake initiatives to nurture biodiversity which is underpinned by our Environmental Policy.

Prioritising biodiversity conservation in and around our operational areas has been a longstanding focus at Asian Paints. We lead this approach by conducting thorough baseline studies and crafting comprehensive action plans, followed by phased implementation of interventions aligned with these plans.

By the nature of our operations, our impact on biodiversity is limited. During the year, we assessed our manufacturing locations using the Integrated Biodiversity Assessment Tool (IBAT) for mapping biodiversity protected areas from the World Database on Protected Areas (WDPA) which meets the IUCN definition of protected areas.

Based on the assessment, we identified that none of our manufacturing units are situated within or close to these protected areas. Moreover, we conducted comprehensive ecosystem service dependency and impact risk assessments across all eight of our manufacturing plants, employing a

location-specific approach. By estimating ecosystems within a 10 km radius of our operations, including those adjacent to our facilities, we gained insights into our dependencies on ecosystem services and potential impacts on surrounding ecosystems using the Ecosystem Service Matrix (ESM) based on CII India Business and Biodiversity Initiative's ESM methodology. This matrix serves as a strategic tool for identifying areas of low to high impact or dependency on ecosystem services, allowing us to prioritise conservation efforts effectively. While our assessments generally indicate low to medium impacts on ecosystems, we remain committed to addressing any gaps, particularly in areas of medium-high impact/dependency.

Moreover, we adhere to legal requirements for green belt development and implement additional measures to enhance local biodiversity. This includes cultivating native plant species within our facilities, refraining from clearing existing forests, and safeguarding wildlife habitats.

**Additional Public Reference 1:** Asian Paints IR23-24.pdf (Pages: 60-61)

**Additional Public Reference 2:** Asian Paints Position Statement: Our Commitment to Excellence (Position Statement on Biodiversity & No Deforestation)

### Biodiversity Commitment

Recognizing our interdependencies with the local biodiversity, we are committed to biodiversity conservation which is also underpinned by our Environment Policy. We are aligned with the United Nations Sustainable Development Goals (SDGs) of promoting, preserving, and protecting our biological ecosystems.

We also have a Position Statement on Biodiversity & No Deforestation on our website. The link for the same has been provided below as 'Additional Public Reference 2'. The Position Statement delves deep into the focus areas. This includes:

- Enhancing Biodiversity in and around our manufacturing plants
- No-Deforestation
- Biodiversity in our value chain – Upstream (suppliers) and Downstream
- Other ecosystem services

**Additional Public Reference 1:** Asian Paints IR23-24.pdf (Pages: 8, 52, 57)

**Additional Public Reference 2:** Asian Paints Position Statement: Our Commitment to Excellence (Position Statement on Biodiversity & No Deforestation)

### No Deforestation Commitment

We operate only from sites that are notified industrial areas devoid of impacting forests & deforestation and away from ecologically sensitive areas.

We comply with legal requirements for green belt development within our facility. We also take up afforestation activity outside the facility in collaboration with communities.

We also have a Position Statement on Biodiversity & No Deforestation on our website. The link for the same has been provided below as 'Additional Public Reference 2'. The Position Statement delves deep into the focus areas including No-Deforestation.

**Additional Public Reference 1:** Asian Paints IR23-24.pdf (Pages: 8, 52, 57)

**Additional Public Reference 2:** Asian Paints Position Statement: Our Commitment to Excellence (Position Statement on Biodiversity & No Deforestation)

## Product Stewardship

### Product Design Criteria

***Choice of raw materials or components that have a lower environmental footprint:***

Rutile grade of titanium dioxide is a key contributor to the cradle-to-gate product carbon footprint. Our efforts in optimizing the rutile & similar raw materials helped us to avoid 30,413 tCO2e in the FY. In FY 2023-24, we utilised 35,760 MT of wash water in our products, resulting in the avoidance of freshwater consumption. Also, we were able to reuse 471 MT of solvent in products. We have been able to segregate, reprocess and produce 2,928 MT of economy-grade paint in FY23-24. All architectural paints we produce are lead and heavy-metal-free since the year 2008, and subsequently free from added Respirable Crystalline Silica (RCS) since 2013 well before it was mandated by regulation. Further, the total quantity of recycled plastic used in our packaging was 10,324 MT in FY 2023-24. We used 7.2% of Renewable or bio-based raw materials by volume (not including water).

***Direct operations, production & manufacturing:***

Owing to our continuous focus, we implemented a host of tech-enabled energy-efficient measures across our factories through which we were able to reduce our energy consumption. There was an improvement in specific energy consumption to 74.2 KWh/Kl in FY 2023-24 from 116 KWh/Kl in the base year 2013-14. We achieved a RE footprint of 65.8% in FY 2023-24 compared to 0.1% in FY 2013-14 (against total electricity consumed). Some other key performances are: We replenished 387% of water against our total freshwater consumption and all our plants are Zero Liquid Discharge (ZLD); We reduced specific non-process water consumption by 54% to 0.44 KL/KL of production from 0.97 in 13-14. We reduced specific hazardous waste generation of 0.61 Kg/Kl in FY 2023-24 from 0.77 Kg/Kl in the previous year.

***Distribution, storage and transportation:***

Transit safety: We focus on optimizing our packaging design and thickness using simulations to assess transit worthiness and stackability, and implement cargo securing measures to reduce VDPT (transit damage).

Packaging choice: We increased the use of recycled plastic in a host of our product packaging. The total quantity of recycled plastic used in our packaging was more than 10,324 tonnes in FY 2023-24. For our Nilaya naturals product, we have packaging with 100% marine recycled plastic. This accounts for 7.8% of total plastic packaging and has helped reduce environmental impact of packaging used in our products.

Transportation: We use multimodal dispatches including rail and sea, which helped us avoid 5,500 tCO2e of emissions. Additionally, we focus on upsizing our vehicles and use of cleaner fuels to further reduce emissions.

***Use phase - operation and servicing/maintenance:***

We have been focusing on sustainability in use-phase through:

1. Products which reduce surface temperature such as our Damp proof range of waterproofing products

2. Longer lasting performance, with host of offerings having high durability. The SmartCare Damp Proof provides a warranty of 8 years while SmartCare Damp Proof Ultra and SmartCare Bathroom waterproofing membrane provide a warranty of 10 years. In the paints category, Ultima Protek and

Ultima Protek Duralife exterior paints come with a first-of-a-kind 10 years and 15 years performance warranty respectively.

***End of life management:***

We have been ensuring the collection and safe disposal of our packaging waste through the Extended Producer Responsibility (EPR) approach since 2018. Under plastic Extended Producer Responsibility (EPR), we have collected over 7,200 MT of flexible plastics and 70,000 MT of rigid plastic. The collection and responsible channelisation were ensured across 25 states. Nearly 95% of the total plastic collected was channelised for recycling while the remaining was co-processed.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Sustainable Operations Section, Pages: 8, 48, 49, 50, 53-55, 60, 130, 220, 32, 218, 283)

## Life Cycle Assessment

During FY 2023-24, the Company has undertaken a third-party product LCA for 53 products which included a range of exterior & interior paints, wood finishes, waterproofing, colorants and adhesives in line with ISO 14040. The key impacts covered under the LCA are Abiotic Depletion (ADP elements), Abiotic Depletion (ADP fossil), Acidification Potential (AP), Eutrophication Potential (EP), Global Warming Potential (GWP 100 years), Global Warming Potential (GWP 100 years) excluding biogenic carbon, Ozone Layer Depletion Potential (ODP, steady state), Photochemical Ozone Creation Potential (POCP), primary energy demand (net calorific value), bluewater consumption, ecotoxicity, human toxicity cancer, and non-cancer.

| NIC Code | Name of Product/Service | % of total Turnover Contributed | Boundary for which the Life Cycle Perspective/ Assessment was conducted | Whether conducted by independent external agency (Yes/No) |
|---|---|---|---|---|
| 202 | Top volume products across exterior & interior paint, wood finishes, waterproofing, colorants and adhesives | 70% | Cradle to grave | Yes |

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 53, 130, 284, 285)

## Renewable Raw Materials

We evaluate low embodied carbon alternatives for existing raw materials such as alternate grades, alternate chemistries as well as increased renewable/ bio-based content, suppliers with efficient operations.

Currently, 7.2% of renewable/bio-based raw materials are used in product offerings and 14.6% of recycled content in plastic packaging. Recycled content resulted in the avoidance of ~10,638 tCO2e tonnes of carbon emission.

We target to significantly increase renewable/bio-based raw materials by 20% and 30% by 2025 and 2030, respectively. Similarly, we strive to increase the recycled content in our plastic packaging to 30% by 2025 and 60% by 2030.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: Pg 8, 9, 50, 53-55)

### Exposure to Hazardous Substances

100% of our products (in terms of revenues) has undergone risk assessment for their potential impact on human health and the environment.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 8, 9, 53-55)

### Hazardous Substances Commitment

Our unwavering commitment lies in eliminating harmful ingredients from our products and safeguarding the well-being of our customers, employees, and the environment. We adhere to a stringent process that involves meticulous testing, substituting hazardous substances, and complying with applicable regulations and standards. We have a robust screening protocol for raw material introduction, using IT platform. Each raw material introduction is treated as a distinct project, subject to multiple stage gates, acting as a formidable barrier against inclusion of harmful ingredients.

All our architectural paints are free from lead & added heavy metals since 2008, RCS since 2013; well before regulation.

Further to the control on introduction, we are committed to reducing and eventually eliminating existing CMR classified raw materials. Proposed investment in Vinyl Acetate Monomer and Vinyl Acetate Ethylene emulsion manufacturing facility is a strong step in this direction.

% of Architectural products free from lead and added heavy metals remains 100 %.

We have been tracking and reducing CMR raw materials in our formulations and reducing and eliminating such raw materials over the years. Styrene was classified as CMR in 2020, hence is monitored and reported separately. Against a target of reducing CMR substances in products by 15 % by 2025 and 25% by 2030 against the baseline year of 2020-21 we achieved:

% Reduction in CMR substances in products (with styrene) reduced from 19.9 Kg/KL in Base Year 2021-22 to 19.4 Kg/KL in FY 2023-24.

% Reduction in CMR substances in products (without styrene) reduced from 4.5 Kg/KL in Base Year 2021-22 to 3 Kg/KL in FY 2023-24.

**Additional Public Reference:** Asian Paints IR23-24.pdf (Pages: 8, 9, 53-55)

## Supplier

### KPIs for Supplier Screening

| Supplier Screening | FY 2023-24 |
|---|---|
| Total No. of tier-1 suppliers | 618 |
| Total No. of significant suppliers in tier-1 | 72 |
| % of total spend on significant suppliers in tier-1 | 75 |
| Total number of significant suppliers in non tier-1 | 0 |
| Total number of significant suppliers (Tier-1 and non Tier-1) | 72 |

### KPIs for Supplier Assessment and/or Development

| Supplier Assessment | FY 2023-24 |
|---|---|
| Total number of suppliers assessed via desk assessments/on-site assessments | 61 |
| % of unique significant suppliers assessed | 84.7 |