



Manufactured capital

SDGs IMPACTED



Responsible manufacturing for a resilient future

We adhere to the principle of prudent capital investment to develop a robust manufacturing infrastructure, optimise processes and resources, and scale our operations. Our responsible supply chain embeds ESG targets by conserving water and energy, ensuring resource optimisation, reducing waste, and adhering to safe and sustainable principles.

FY 2022-23 KEY HIGHLIGHTS

130+

Improvement projects across manufacturing facilities

54

Awards for manufacturing sites across various category

3

Manufacturing facilities awarded with the Sword of Honour by the British Safety Council

7,000+

Kaizens/improvement suggestions submitted by employees across all manufacturing sites

ESG STRATEGY

- Energy conservation
- Water neutrality
- Product stewardship
- Nature positive
- Safe workplace
- Sustainable supply chain management

KEY MATERIAL ISSUES

- Climate change
- Occupational health, safety and well-being
- End-of-life management of product and packaging
- Responsible supply chain
- Product stewardship

INTERLINKAGES TO CAPITALS



STAKEHOLDERS IMPACTED



Manufacturing excellence

Our focus on 'Manufacturing Excellence' has enabled us to successfully transform our production processes and establish world-class facilities. Our ability to lead and manage change is a strategic and foundational pillar that allows us to engage, develop, and empower autonomous work teams that are propelling our manufacturing units toward accelerated growth.

We have achieved seamless integration of all 35 decorative paints manufacturing facilities which includes in-house as well as outsourced processing centres.



Aerial view of Khandala plant

1,730,000

Installed in-house decorative paint capacity (KL/annum)

8,760

Penta production capacity (MT/annum)

MANUFACTURING EXCELLENCE HIGHLIGHTS FY 2022-23

- Our focus on empowerment of 40 multi-disciplinary and 135 shift-based teams to drive the excellence initiatives resulted in renewed focus on trainings, recognitions and skilling of workforce.
- Received over 7,000+ kaizen ideas focused on productivity, safety, product quality, delivery, cost, morale, and environmental sustainability.
- Launched a manufacturing excellence programme for our contract partners to join us on the journey toward achieving excellence.
- Completed over 130+ improvement projects across performance parameters which also resulted into direct cost saving.
- Emphasis on the Sort, Set in order, Shine, Standardise and Sustain (5S) methodology has resulted in improved safety, hygiene, asset care, and maintenance while removing multiple sources of contamination.
- Secured the commitment of our unionised workforce to be active participants in our journey towards excellence through the settlement and enrolment of unions across our plants.

CASE IN POINT



Manufacturing excellence in action

Volume Damaged Per Tonne (VDPT) levels at our plant exceeded expected levels, indicating increased damage during transit.

The dispatch team launched an initiative to minimise VDPT numbers in their home state, accounting for more than 40% of dispatches using shorter transportation routes. The team used data analysis and problem solving technologies to optimise routes and cargo security, as well as collaborated with production to improve pail durability during transportation.

The team's exceptional problem-solving skills and commitment to excellence resulted in a 50% reduction in damages and considerable cost savings for us. More notably, the project was completed by a team of junior executives with minimal intervention from management, highlighting the importance of empowering the workforce to foster motivation and competitiveness toward achieving manufacturing excellence.

Manufactured capital

Enhancing our manufacturing capabilities

During the year, we undertook initiatives that improved our manufacturing capacity, flexibility, scalability, safety, and sustainability as well as our processes and practices.

IMPROVEMENT INITIATIVE: DIGITAL

We have launched a program to elevate our manufacturing standards by utilising a digitally integrated improvement solution that implements best practices and streamlines work processes across our manufacturing units.

By doing so, we are confident that we can enhance our manufacturing excellence, improve our overall efficiency, and promote sustainable growth for the long-term benefit of our Company and the environment.

Focus areas

- Reduce material and operational costs
- Implement state-of-the-art manufacturing technologies
- Leverage data analytics



Breaking the mould with cutting-edge technologies

At Asian Paints, our technology and innovation capabilities are significant value propositions that benefit our customers.

Cutting-edge technologies drive efficiencies and cost savings throughout our supply chain. Scalable technology platforms accelerate automation, improve manufacturing accuracy, and reduce waste while increasing production. Our latest technology deployments deliver timely information on material additions and recipe adherence, optimising our manufacturing practices and meeting cost-reduction goals.

The impact of these technologies is tangible, including reduced cycle times, lower energy and material costs, and faster problem resolution. By constantly exploring new technologies, we gain insights into customer behaviour, design better products, and deliver exceptional customer experiences.

The power of digital transformation

We have integrated data analytics solutions across our manufacturing plants, with six plants already utilising diagnostic analytics through advanced Manufacturing Execution Systems and Analytics Cloud integration. During the year, we added data analytics to our seventh plant and have plans to activate the eighth plant next year.

By leveraging data analytics, our diagnostics and higher order predictive analytics have delivered significant savings in FY 2022-23.

ADVANCED WAREHOUSE OPERATIONS FOR OPTIMISED PERFORMANCE

Our distribution network consists of over 160+ warehouses, which allow us to ensure seamless product availability to meet our customers' demands. Our plants and warehouses for decorative products are equipped with cutting-edge technology and operate using advanced robotic warehousing solutions. These solutions are integrated with our ERP system, helping us tackle issues such as overstocking, high operational costs, and losses at the plant level.

160+

Warehouses which are part of our distribution network allow us to ensure seamless product distribution to meet our customers' demands



INVESTING FOR THE FUTURE

We are positioning ourselves in the medium term to meet the needs of a rapidly expanding paints and coatings industry.

We are in the process of expanding our existing facilities at Ankleshwar, Kasna, and Khandala, which are nearing completion. Additionally, our expansion project at Mysuru facility is underway, which is expected to double the plant's annual production capacity from 300,000 KL/annum to 600,000 KL/annum. This expansion will enable us to meet the increasing demand for water-based paint in the southern part of the country.

We regularly assess our manufacturing footprint and have planned to set up our next greenfield manufacturing facility with an annual production capacity of 400,000 KL. We are in the process of setting up the said facility in the state of Madhya Pradesh.

→ For details of the initiatives undertaken by us for environmental linked ESG strategies, please refer to the Natural Capital section of this Integrated Annual report on page no. 112

CASE IN POINT

GREEN MANUFACTURING

Hazardous waste reduction

As an environmentally responsible Company, we had set an ambitious target of reducing our waste footprint to near zero by 2025 which would be a reduction of a staggering 60% starting from FY 2019-20.

In line with our commitment, we have leveraged new technologies with a focus on reducing waste at the source, implementing process changes benchmarked against industry best practices, upgrading existing equipment with modern/latest technology and strategically building newer setups with minimal waste footprint. This was how we combined technology with the 3R principle of Reduce, Reuse, and Recycle.

As a result, we made significant progress against this target and reduced our waste footprint to 0.77 KG/KL.

Manufactured capital

Sustainable supply chain*

As Asian Paints, we have been working closely with our suppliers to identify and minimise supply chain risks in order to ensure secure and sustainable supply to our customers. Supplier management programs are in place to drive continuous improvement of existing supply chain and develop meaningful collaboration opportunities.

We have deployed a well-defined stage-gate process for evaluation and onboarding of prospective suppliers which assesses and addresses all techno-commercial aspects. As part of the evaluation, suppliers are assessed on legal compliance as well as critical social and environmental criteria such as comprehensive environmental policy, implementation of the management system as well as self-declaration on key Human Rights.

We have in place a Code of Conduct for Business Partners that sets our expectations from suppliers in terms of their Environmental, Social and Governance performance among other matters. During the year, guided by the Code of Conduct for Business Partners, we have enhanced and formalised our Sustainable Supply Chain Framework, setting out our approach, expectations, process and promises towards sustainability in the supply chain. We have also established a Responsible Procurement Policy to guide our internal procurement decision-making process in line with the code of conduct.

Further, our top suppliers representing more than 50% of the raw material procurement by value are certified to be compliant with social and environmental standards such as SA 8000, ISO 14001, OHSAS 18001/ISO 45001, EcoVadis (bronze or higher) or any other relevant labels.

~71.1%

Procurement from local suppliers#

All purchases of materials within the geographical location of India have been considered as local.



Sustainable Supply Chain	
Areas	Process
All suppliers	Acknowledgement of Code of conduct for Business Partners ESG criteria in new supplier screening ESG disclosure
Critical suppliers	Comprehensive site assessment Capturing environment performance data

Foundation: Code of Conduct for Business Partners & Responsible Procurement Policy

For the purpose of assessment under this framework, we have adopted a two-tier approach to effectively drive sustainability and address risks:

- All suppliers:** This represents all business partners with whom we have a business relationship.
 - We expect all our suppliers to acknowledge our Code of Conduct for Business Partners. By 30th April 2023, 1,279 existing vendors have acknowledged the policy which includes more than 65% of raw material suppliers by value.
 - Environmental & social criteria are part of suppliers screening process.
 - Suppliers' disclosure of ESG criteria and performance or leveraging intelligence tools to assess suppliers on social and environmental standards based on information available in public domain.

- Critical Supplier:** This represents the business partners which fall in the top quartile (75%) of value by spend or suppliers having significant ESG footprint
 - Critical suppliers are expected to undergo comprehensive ESG assessment which may include comprehensive site visits. We intend to assess 20% of the total critical suppliers in FY 2023-24.

Our Sustainable Supply Chain framework will help us assess maturity of our strategic and critical suppliers as well as progression of all our suppliers on the sustainability journey, and shall pave way for collaboration with suppliers.

100%

of our new suppliers are screened using Company's Environmental and Social criteria**

From road to rail to sea: Sustainable logistics

To ensure a sustainable transportation system and optimise costs, we have adopted an innovative approach. As the national logistics policies gained traction, we swiftly adopted multimodal transportation and worked toward a greener supply chain.

We collaborate with leading FMCG/FMCD industries for load pooling and reverse logistics synergies. To increase supply chain agility and responsiveness, we track our finished goods trucks and have modified our planning engine to predict market changes more accurately and supply materials more efficiently.

These efforts have led to significant results including freight cost savings, while reducing Scope 3 GHG emissions. These initiatives saw us bagging awards in the categories of 'Innovator in Supply Chain' and 'Excellence in Transport Optimisation' in the "Future of Logistics and Supply Chain Excellence Awards, 2022".

Outsourced Processing Centres (OPCs)

To meet the ever-increasing demand, we use facilities of 27 OPCs for flexible production support. We also have tie-ups with 33 OPCs for procurement of certain products to meet this growing demand.

Quality, timely delivery, and reasonable prices are our top priorities, and we implemented a rigorous quality assurance process to ensure standards are being met.

It was ensured that such products were delivered to us on a timely basis and at reasonable prices. Strict adherence to quality standards was ensured through quality assurance by our personnel.

Supplier's training and development

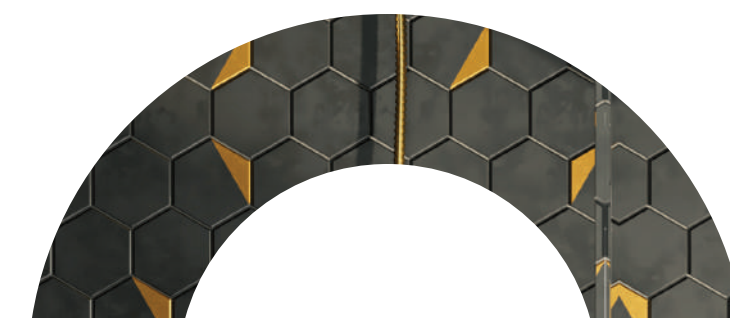
We are dedicated to empowering our value chain partners to build capacity and grow alongside us as we expand our footprint and business.

Through training and upskilling courses, supplier meets, forums, and seminars, we collaborate closely with our vendors. By investing in our partners' development, we strengthen relationships and create a mutually beneficial ecosystem that fosters trust, transparency, and collaboration throughout our value chain.

Quality control throughout the supply chain

Our R&T and Corporate Quality and Safety teams rigorously assess social, legal, and environmental compliance throughout our supply chain. We regularly evaluate and rank our suppliers based on their performance in quality, delivery, price competitiveness, and collaboration on initiatives ranging from material innovations to logistics.

We are dedicated to empowering our value chain partners to build capacity and grow alongside us as we expand our footprint and business. Through training and upskilling courses, supplier meets, forums, and seminars, we collaborate closely with our vendors.



Manufactured capital

Supplier evaluation

At Asian Paints, selecting the right partners is crucial to achieving our business objectives, fulfilling our social and environmental commitments, and ensuring the sustainability of our Company.

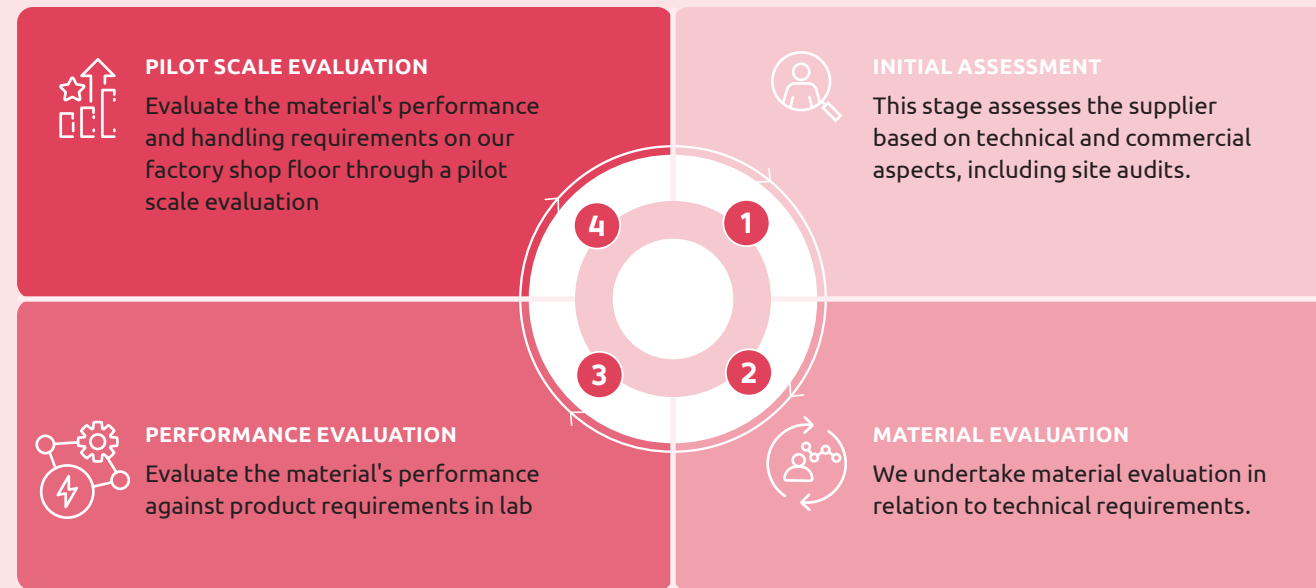
Asian Paints has a Code of Conduct for Business Partners. This requires Business Partners to comply with applicable laws, labour standards, environmental regulations, and uphold human rights and principles of ethics and integrity in their operations.

All Business Partners are expected to meet the requirements of this Code.

In addition, the Company's business associates (vendors and dealers) affirm their commitment to comply with applicable regulatory requirements, including but not limited to, prohibition of child labour and prevention of sexual harassment of women at workplace, by submitting declarations during their onboarding process.*

During the year, 98 suppliers were onboarded based on the evaluation. Once onboarded, the suppliers are routinely assessed and ranked. Business to these suppliers is awarded the basis of their performance with respect to quality, delivery, price competitiveness and collaborative working on various initiatives ranging from new material innovations and logistics.

To ensure that we choose the best possible material and business partners, we use a well-defined process as below:



Supplier engagement and recognition

We prioritise maintaining open communication with our suppliers to address any potential roadblocks that may hinder our ability to create long-term, sustainable value. We recognise and acknowledge exceptional supplier performance through various means such as certificates of recognition, a higher sourcing preference, and opportunities for further collaboration.

MEETS ORGANISED IN FY 2022-23

With the challenges posed by the pandemic in the past two years, we made a concerted effort in FY 2022-23 to engage in collaborative partnerships with our vendors.



PACE
Partners Affiliating for Collaboration & Excellence

27
Outsourced processing centres

Celebrating shared success and discussion on best manufacturing practices.



SAHYOG
Transporters' meet

75
Transport partners and associated Company personnel

Emerging transportation trends, the impact of the National Logistics Policy, and the importance of collaboration.



PACON'22
Packing material partners meet

93
Packing material business partners

Asian Paints' past journey and the vision of packing materials domain for the future.

Occupational health and safety at our warehouses and depots**

At Asian Paints, the safety of our employees is our top priority. We have implemented strict measures across all our warehouses and depots to ensure compliance with statutory requirements, electrical safety, fire safety, man-machine interface, material handling equipment, racking, and visual management. We continuously strive to adopt world-class practices at our plants to improve safety levels, enhance quality and deliver superior products in a timely manner.

To improve warehouse safety standards, we have made significant engineering innovations, including the installation of fork cameras. We celebrated the road safety awareness week to educate employees about the importance of road safety.

Additionally, we have tied up with hospitals around all our warehouse locations through external agencies to ensure that our employees and workers receive immediate medical attention in case of emergencies.

We understand the importance of safety and are committed to creating a safe work environment for all our employees. Our efforts towards occupational health and safety at our warehouses and depots are ongoing, and we will continue to strive towards achieving the highest safety standards possible.

WAY FORWARD – HOLISTIC IMPROVEMENT

We are committed to embracing new technologies and institutionalising data analytics in all aspects right from product development to manufacturing and supply chain. We will continue to lay focus on process improvement and implementing the latest technologies while ensuring to deliver quality to our customers.

*GRI 408-1 Operations and suppliers at significant risk for incidents of child labor
GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor

**GRI 403-1 Occupational health and safety management system