

Taskforce on Climate Related Financial Disclosures (TCFD): Summary Report

Governance

Our comprehensive governance system for long-term development not only ensures openness and responsibility at all levels of management, but it also improves our corporate image and integrity. The framework encompasses all levels of our business entities, from the Board of Directors to senior management.

ORGANISATIONAL CLIMATE GOVERNANCE STRUCTURE

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BOARD OVERSIGHT

We believe in good governance processes, which begin with guaranteeing Board supervision of important concerns. The Board of Directors of the Company ('Board') through its Risk Management and Sustainability Committee guides and directs the management on company's sustainability and climate change related risks and action plans for mitigation of risks.

The Chief Sustainability Officer (CSO) works closely with the Risk Management and Sustainability Committee and various business units of the Company. The CSO and Sustainability teams at the business units regularly review the progress of all sustainability initiatives and required actions.

Key Issues Overseen by Board-Level Risk Management and Sustainability Committee:

- Guiding and directing the management on implementing the strategy and plans for sustainable business operations
- Monitoring and reviewing the progress against the targets for addressing climate-related issues
- Reviewing and guiding Risk Management policies

The Business CEOs are responsible for driving the sustainability agenda across multiple business functions and verticals, defining sustainability objectives, assessing identified critical risks and other climate change-related challenges, and developing action plans, in collaboration with corresponding Business Heads.

In the implementation and assessment of climate performance, the Chief Sustainability Officer (CSO) collaborates closely with the Board level committee and various business units. On a monthly basis, the CSO conducts a management level business safety and sustainability meeting and reports to the appropriate Business Head. The Chief Sustainability Officer is also responsible for driving the sustainability agenda with selected suppliers/service providers across the value chain. There is a detailed supplier wise analysis conducted on an annual basis.

MANAGEMENT OVERSIGHT

As a part of business review process, the each business units meets quarterly to oversee enterprise risks, mitigation measures, and the sustainability performance of each business, including climate-related challenges.

At each unit/plant, a Safety and Sustainability Committee has been constituted, led by the Unit Head and comprised of members from critical functions. The Committee oversees identifying problem areas and implementing measures to enhance performance. The Committee meets once a month and reports to the relevant Business-level Safety and Sustainability Committee on its progress.

At Grasim, we rely solely on the approach of incentivising to align the interests of our leaders with our businesses' long-term

viability and health. We offer incentives for initiatives related to climate protection including reducing emission, improving energy efficiency, and expanding the array of sustainable products. For driving renewable energy projects and activities, we have a Business Review committee. Furthermore, the committee assigns objectives that are tied to the Business Unit Manager's KRA.

OUR POLICIES

Grasim has adopted relevant sustainability and climate-change policies to guarantee that sustainability strategies are executed effectively and that targets are met. Below are the specifications of the risk and sustainability policies.

Energy and Carbon Policy

The policy covers the company's aspirations to reduce energy consumption and carbon emissions and develop strategies to enhance these parameters as the company acknowledges these as the most pressing challenges. We are dedicated to taking measures within our companies and supply chains, as well as collaborating with our stakeholders to reduce our energy and carbon footprint over time. Link to policy: <https://www.grasim.com/Upload/PDF/grasim-energy-carbon-policy.pdf>

Environment Policy

The policy specifies that Grasim's management and governance systems shall incorporate strong business practises to reduce environmental impacts and achieve a leading position in environmental responsibility. Link to the policy: <https://www.grasim.com/Upload/PDF/grasim-environmental-policy-2021.pdf>

Water Stewardship Policy

The policy covers the Grasim's commitment towards water conservation and responsible management. The policy also states the company to establish robust monitoring system to measure and report water performance. Link to policy: <https://www.grasim.com/upload/pdf/water-stewardship-policy.pdf>

Risk Management Policy

The policy states the company's approach to effectively develop strategy for risk management towards achieving sustainable growth. Link to policy: <https://www.grasim.com/Upload/PDF/risk-management-policy.pdf>

Biodiversity Policy

The policy establishes the company's commitment to biodiversity preservation by adhering to all biodiversity-related laws and actively working towards conservation goals. This includes setting goals to protect species, habitats, and ecologically sensitive significant areas. Link to the policy: <https://www.grasim.com/Upload/PDF/biodiversity-policy.pdf>

Strategy

OUR CLIMATE-RELATED RISKS AND OPPORTUNITIES

Climate action failure, extreme weather, biodiversity loss, human environmental damage and natural resource crisis are identified amongst the top ten most severe risks on a global scale over the next 10 years as found in Global Risk Report 2022 by World Economic Forum. The world

has witnessed global record-breaking temperatures and uncertain rainfall patterns at an unprecedented rate in the recent years. This facilitates stakeholder activism towards climate performance of organisations including changing customer demands, investor expectations, employee motivation and our leadership's outlook towards Grasim's role in the global climate agenda.

We acknowledge that climate-related risks and opportunities can impact business decision in our Company. To understand the scale of impact and define our climate strategy, we analysed the frequency, impact, and exposure of physical and transition risks due to climate change. We also overviewed our strategy on different opportunities to capitalise on them effectively. The methodology of our analysis is detailed here:

1 Identification of Risks and Opportunities

1.1 We studied and analysed peer risks and opportunities, sectoral trends and international policy and regulations including:



Physical Risks

- Chronic
- Acute



Transition Risks

- Regulatory
- Market
- Technology
- Reputational



Opportunities

- Resource Efficiency
- Energy Source
- Products
- Market
- Resilience

1.2 We developed a universe of risks and opportunities for all our businesses.

2 Risk and Opportunity Analysis

2.1 We analysed the universe of transition risks with customised risk rating (risk rating = Impact x Frequency x Exposure of Indian sites), timeline of impact and SSP scenario applicability.

We also analysed opportunities with the timeline of impact and SSP scenario applicability.

2.2 Further, we projected emission reduction pathways as per rigid scenarios to assess impact of expected emission trading scheme in India.

We also conducted physical risk assessment for our facility locations to assess the impact of changing climate on temperature, precipitation, and sea level at the sites.

3 Assessing Climate Strategy of the Company

Lastly, as per the assessment outcomes, we overviewed our resilience strategies for each risk and growth strategy for each opportunity. We performed this exercise by listing our initiatives for different businesses and identifying key areas of improvement.

This assessment improved the understanding of our action plan and climate strategy at Grasim for different scenarios and time frames.

TRANSITION RISKS

Policy actions around climate change continue to evolve. Their objectives generally fall into two categories: Policy actions that attempt to constrain actions that contribute to the adverse effects of climate change, or policy actions that seek to promote adaptation to climate change. Some examples include implementing carbon-pricing mechanisms to reduce GHG emissions, shifting energy use toward lower emission sources, adopting energy-efficiency solutions, encouraging greater water efficiency measures and promoting more sustainable land-use practices. The risk associated with and financial impact of policy changes depend on the nature and timing of the policy change.

We conducted a comprehensive transition risk scenario analysis to assess the impacts of emerging Emission Trading Scheme regulation in India as per International Energy Agency (IEA)

Net-Zero Emissions (NZE) Scenario, Shared Socio-Economic Pathway (SSP) 1-1.9 scenario, and SSP 1-2.6 scenario. As a result of this study, we found that we have steep targets in Viscose business, i.e., 50% reduction in emission intensity by FY30 from baseline FY19 and achieve Net Zero Emission by FY40 is in line with the most stringent emission reduction pathways. This implies that the business will be immune to financial consequences from regulatory risks. Grasim is in the process of developing a decarbonisation roadmap in line with the SBTi recommendations. However, the businesses of Grasim are actively setting targets towards reducing their carbon footprint such as the Chemical business has targeted to reduce GHG emission (Scope1 and Scope2) of the main product by 30% by 2030 (over the base year of FY17). VSF business has committed to reduce GHG emission intensity by 50% by 2030 and achieve Net Zero by 2040.

In our Chlor-alkali business, we plan to increase share of renewable power. Target is to reach 25% by FY25 for the business. In Textile, we are progressing our journey towards emission reduction to reduce the estimated carbon liability. Our Textiles business contributes very minimal amount to the total GHG emissions of Grasim. However, we aim to increase the share of renewable energy to 70% by FY30 in Textiles business. Also, all the businesses are already taking actions in line with the Aditya Birla Group's commitment to reach Net-Zero Emissions by 2050. These projects will greatly increase our resilience from regulatory risks. These projects will greatly increase our resilience towards regulatory risks.

Resilience Measures

Market Risk

Increased cost of raw material

The high demand for coal in key sectors is causing scarcity, which could lead to price increases and lower manufacturing costs

- We are actively working towards increasing the share of renewable energy in our processes
- We are focusing on optimising the fuel mix and undertaking energy efficiency measures to address this risk

Technology Risk

Costs to transition to lower emission technology

Some of our operations are energy intensive and heavily relies on electricity. Nearly 70% of the variable cost for the Chemicals business contributes to electricity cost. Lower availability of captive/exchange power may affect our operations

- We are minimising our reliance on grid electricity and using renewable power by using biomass to reduce our carbon footprint

Policy and Legal Risk

Exposure to litigation

Any default in complying to environmental regulations may attract penal provisions and impact the company at a financial and reputational level

- We are ensuring adherence to regulatory norms and also constantly monitoring any regulatory changes to ensure compliance
- Regular audits are conducted to identify any gaps or findings and preventive measures taken to rectify them

Reputation Risk

Increased stakeholder concern or negative stakeholder feedback

Increased stakeholder activism can affect the company's reputation

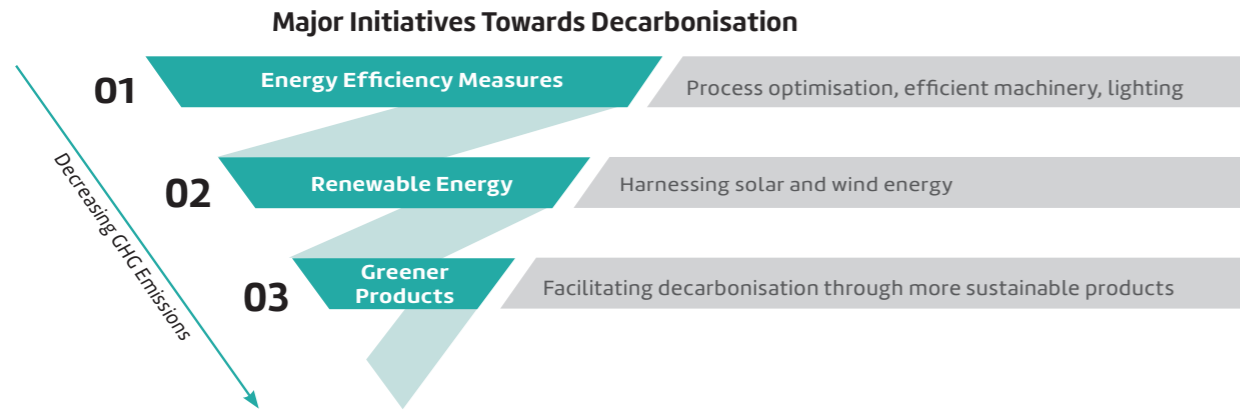
- We actively engage with the community through regular programmes, implement grievance management procedures, sustain transparency by publicly stating our policies and performance, as well as establish various corporate social responsibility initiatives. These efforts aim to strengthen our ties with our stakeholders and foster long-term partnerships.

REDUCING OUR CARBON EMISSIONS

Our businesses are taking progressive steps in their decarbonisation journeys. Sustainability is taken into consideration

in our business decisions. Our goal is to ensure in reducing carbon footprint in all the businesses, while developing sustainable products to facilitate decarbonisation in the products' lifecycle as well. Therefore, we are focusing on

three major areas to reduce our carbon emissions, namely, improving energy efficiency, installing renewable energy, and developing more greener and sustainable product ranges.



A summary of our major initiatives:

1. Energy Efficiency

This is one area which gives us an opportunity to reduce our operational costs and carbon emissions at the same time, for a long-lasting period. We achieve energy efficiency by mainly focusing on process optimisation, replacing old and inefficient machinery, and increasing efficient lighting across all the locations. More information on each Energy efficiency initiatives can be found in 'Metrics and Targets' section.

2. Process Improvement

We are utilising organic waste to generate energy. For example, using biogas reactors aid in decreasing the consumption of fossil fuels such as furnace oil.

In addition, we are doing huge investments towards installing more efficient technologies. An investment of over ₹3.5 crore was done for emission reduction initiatives for our business and introducing large-scale emission reduction technologies like Steam Accumulator for the first time in the history of the Asian textile industry. This technology aids in the optimisation of boiler operations, lowering steam consumption in the shop floor, thereby lowering GHG emissions.

3. Renewable Energy

In FY23, we used 5.6% renewable energy across our businesses that includes biomass fuel (steam and heat generation) and solar and wind (electricity generation). For the steam and heat generation, we are utilising non-fossil fuel sources such as biomass fully and partially for the Textiles and Viscose business respectively. In addition, we have installed renewable power share of 8% and 7% for Chemical and Textiles business respectively.

4. Sustainable Product Development

Grasim has already invested about 18% of its total R&D expenditure in developing low-carbon products, lifecycle analysis and use of recycled waste. From sourcing to use phase, we ensure sustainability throughout the products' lifecycle. We have a sustainable stringent 'Wood Sourcing Policy' to ensure sustainable wood sourcing. Our viscose business fall in top category of 'Dark Green Shirt' in not-for-profit Canopy's Hot Button Report published annually on account of our continuous efforts on the conservation of ancient and endangered forests, and robust initiatives to scale circular business model in fashion industry. One of our latest innovation

'tree-free' lyocell fibre derived from bacterial cellulose grown from industrial waste has been awarded 'Cellulose Fibre Innovation of the Year' during Cellulose Fibers Conference 2023 held in Feb 2023 in Germany.

Chemical business has introduced TWIST range of phthalate free specialty blends serves as best alternative to Primary plasticisers which are added with PVC to make it softer and more flexible.

Textile business has also developed a sustainable product offering, i.e., Cavallo, which is made from linen waste and cotton. More information on each of these products can be found in 'Our Sustainable Products' section.

5. Carbon Sequestration

We also target to plant 2 lakh trees in across multiple location in vicinity of our manufacturing sites to sequester carbon dioxide.

Going forward, we also aim to explore emerging low-carbon technologies including, but not limited to green hydrogen, electric vehicles, and carbon sequestration technologies amongst others.

PHYSICAL RISKS

A brief on the climate-related physical risks for our Company:

Resilience Measures	
Acute Risk	<p>Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods. This risk can have the following impacts:</p> <ul style="list-style-type: none"> • Reduced revenue from decreased production capacity (e.g. transport difficulties, supply chain interruptions). • Reduced revenue and higher costs from negative impacts on workforce (e.g. health, safety, absenteeism). • Write-offs and early retirement of existing assets (e.g. damage to property and assets in 'high-risk' locations). • Increased operating costs (e.g. raw material prices). • Increased capital costs (e.g. damage to facilities).
Chronic Risk	<p>Chronic physical risks refer to longer-term shifts in climate patterns that may cause sea level rise or chronic heat waves.</p> <p>Further, heatwaves have a potential to reduce the workforce efficiency in hot climate. The frequency and intensity of all acute weather is estimated to increase with rising temperature as well.</p> <ul style="list-style-type: none"> • Scarcity of water may impact business operations in our Viscose and Chemical Businesses. We are taking concrete steps towards reduction in freshwater consumption by applying the 3R Principles (Reduce, Reuse, Recycle). In addition, we have implemented zero-liquid discharge plants across 9 sites (one plant commissioning). • We are also undertaking infrastructural changes such as developing reservoir closer to our plant locations as a resilience mechanism.

Physical Risk Scenario Analysis

We conducted a site-level scenario analysis to assess the acute drought, riverine flood, coastal flood, cyclone and heatwave risk and chronic changes in temperature, precipitation and sea level till 2100 under different scenarios

to understand the hotspots for extreme weather events and take necessary strategic changes to increase our resilience. We began the process of identifying climate-related hazards by doing a site-specific baseline

physical risk analysis and evaluating past weather occurrences. It was then linked to scenario-specific forecasts to better understand risk variability and its impact across short, medium, and long-time periods.

For detailed report please refer to, <https://www.grasim.com/sustainability/sustainability-reports>