CLIMATE-RELATED FINANCIAL DISCLOSURES

Aligned with the recommendations of Task Force on Climate-related Financial Disclosures

2024

Marico Limited

marico

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About this Report

Marico Limited, 'the Company' is pleased to present its first report on climate-related financial disclosures for financial year 2023-24. This report, crafted in alignment with TCFD recommendations, offers a comprehensive and transparent update on the Company's governance structure and its strategy for integrating climate-related issues into its business strategy.

Reporting Framework

This report has been prepared following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Established by the Financial Stability Board with input from a wide range of industry experts including major banks, insurance firms, asset managers, pension funds, large non-financial corporations, and accounting and consulting organizations, TCFD provides a comprehensive framework for disclosing climate-related financial information.

As of November 2023, the IFRS S2 Climate-Related Disclosures Standard (International Financial Reporting Standards) has succeeded TCFD. While companies are currently transitioning to IFRS S2, which incorporates TCFD's foundational recommendations along with additional guidance, the Company has chosen to align this report with TCFD standards during this period of transition.

Reporting Period

This report provides detailed information on the Company's climate-related metrics, including energy consumption, greenhouse gas emissions, and water usage, for the period from April 1, 2023, to March 31, 2024.

Reporting Boundary

The information presented in this report pertains to Marico's India operations, which includes 7 plants and 5 offices.

Message from the Managing Director

Dear Readers,

I am delighted to share our first report on Climate-Related Financial Disclosures, prepared **with reference to the TCFD recommendations**.

The urgency of addressing climate change has reached a tipping point. Its effects are far-reaching, influencing not only our industry but also the future of our global community. At Marico, we firmly believe that combating climate change requires a collective effort. Failure to act now poses a significant risk to our journey toward a sustainable future. However, this challenge also presents a valuable opportunity for us to make a substantial and positive impact on the society.

Recognizing the significant risks associated with rising energy demands in the context of climate change, we have instituted a comprehensive and forward-looking carbon management strategy. We have embedded **'Responsible Growth'** as a core value, guiding our efforts to both tackling climate change and enhancing societal well-being. As part of our "Sustainability Vision for 2030", climate change is one of the eight key focus areas. We aim to achieve net-zero emissions for our own India-based manufacturing units by 2030, and for our global operations by 2040. To reach this goal, we are prioritizing a shift to renewable energy, investing in low-carbon technologies, engaging in carbon forestry, and fully eliminating fossil fuel use in our operations. These initiatives will help us in transitioning towards a net-zero, carbon-neutral, and climate-resilient future. Along the way, we will focus on reducing emissions, conserving energy, advancing water stewardship, and promoting responsible sourcing, all supported by a strong governance framework.

Considering the variety of locations in which we operate, we are extremely aware of the increased risks associated with climate change, particularly severe weather events such as floods, cyclones, droughts, and sea level rise. We are proactively developing strategies to improve our business's resilience and adaptation across a range of climate scenarios, guided by thorough climate risk assessments. Our aim is not only to mitigate the effects of climate change but also to support and empower the communities in which we operate, helping them navigate their challenges. Moreover, we are committed to uplifting small-scale industries impacted by climate change through targeted supplier programs, ensuring that our entire value chain contributes to a sustainable and resilient future.

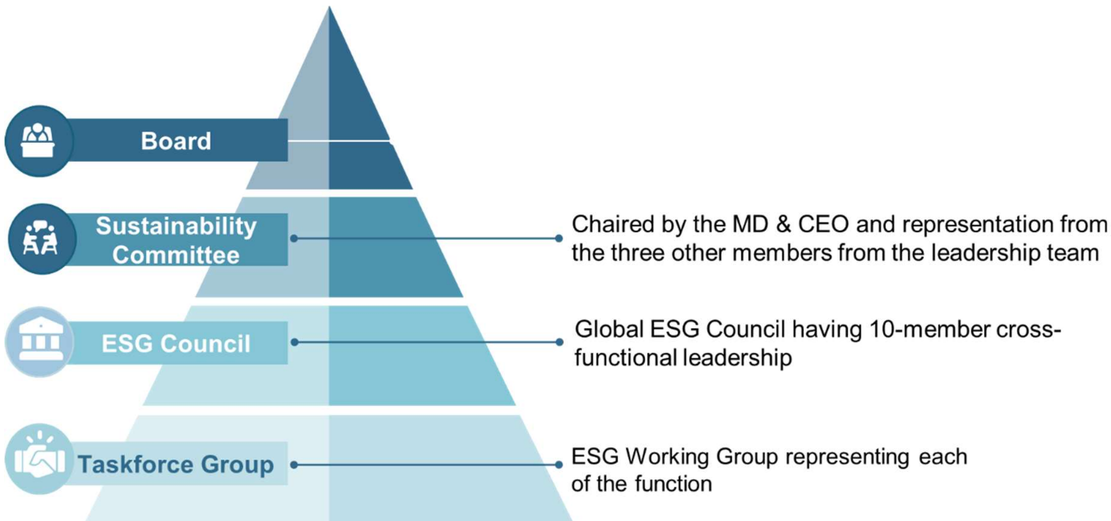
Finally, I would like to express my gratitude for your continued support. By turning climate issues into opportunities for a sustainable growth, shared prosperity for Marico and all of its stakeholders, we collectively have the capacity to bring about substantial change.

Warm Regards,

Saugata Gupta
Managing Director & Chief Executive Officer

Governance

The Company has established a robust governance framework to oversee climate-related matters at both corporate and business unit levels. The Company has a four-tier governance structure.



Board Oversight

At the apex level, the Managing Director (MD) & CEO holds the overall responsibility for Marico's sustainability performance. He is accountable for closely monitoring and apprising the Board on the Company's sustainability progress and steering efforts towards climate resilience and risk mitigation at the group level. The Sustainability Committee chaired by the MD & CEO are composed of three other members from the leadership team assist the MD & CEO. This committee tracks performance against climate-related targets and ensures transparent reporting to stakeholders, including shareholders, regulators, and the public. The committee convenes half-yearly to review the progress.

Management Oversight

At the management level, Marico has established a Global ESG Council, comprising a 10-member cross-functional leadership team. This council is composed of Executive Vice Presidents (EVPs), General Managers, and Functional Heads. The ESG Council is responsible for steering the Company's sustainability initiatives, playing a pivotal role in promoting leadership-driven excellence in sustainability and ensuring that the Company's sustainability objectives are effectively implemented. In addition, the ESG Council is responsible to ensure climate-related goals integrated in the Company's overall governance structure. This Council meets on a quarterly basis to monitor the sustainability performance across various functions, assesses risks, identifies mitigation strategies and reports its findings to the Sustainability Committee. The Global ESG Council is supported by functional task forces, responsible for planning, integrating, executing and reporting progress of key performance indicators (KPIs) assigned to their respective functions.

The Sustainability team serves as the core of the Company's governance framework, supporting at all levels—from the Sustainability Committee to the functional task force members. The Head of Sustainability oversees SHE (Safety, Health, and Environment) and OE (Operational Excellence), who also serves as the Secretary to the Sustainability Committee. The Sustainability Head is supported by the Lead of Sustainability, who is accountable for strategy planning and the effective execution of Marico's entire ESG agenda. Assisting the Lead are ESG Managers and Sustainability Executives, who collaborate closely with various teams across the Company to ensure the smooth implementation of sustainability initiatives.

Our Purpose

To transform in a sustainable manner, the lives of those we touch, by nurturing and empowering them to maximize their true potential.

Policies

The Company has implemented a range of policies that act as guiding principles for its sustainability initiatives, all of which are available on its website. Among these, the following policies specifically highlight the Company's climate goals:

1. Environmental Policy: This policy outlines the Company's commitment for environment protection, conservation of natural resources, and reduction of negative environmental impacts due to its operations, value chains, and product's life cycle.
2. Product Stewardship Policy: This policy elaborates on the Company's commitment towards making its choices of raw materials, product formulation and packaging design that ensures in minimising any negative impact on people, animals, and environment.
3. Responsible Sourcing Policy: This policy reflects the Company's commitment to establish robust processes to assess and mitigate negative environmental and social impacts including biodiversity loss and deforestation within its supply chain

Strategy

Climate Change impacts on the FMCG Sector

Climate change is already having a profound impact on the FMCG sector, with rising temperatures, frequent droughts, and severe flooding increasingly disrupting supply chains. There is a significant reliance of the FMCG sector on agricultural commodities such as grains, fruits and oils. The FMCG industry has long grappled with issues such as deforestation, forced labour in agriculture, and now faces an even greater threat from the cascading effects of climate change. The sector's supply chain infrastructure is at risk, particularly for small and medium-sized enterprises (SMEs). These companies are likely to encounter harsher operating conditions, making it difficult to maintain consistent production and distribution. Many FMCG companies are unprepared to address these risks effectively, as they may lack the resources to develop large-scale adaptive infrastructure or relocate operations to more sustainable agricultural regions. To combat the impact of climate change, companies throughout the supply chain are adopting innovative methods to increase sustainability and circularity. For example, agricultural firms are using cattle waste as organic fertilizer, distribution companies are developing biodiesel schemes, and FMCG brands are employing buyback models to reduce food and packaging waste. However, smaller businesses (SMEs) within the supply chain face added pressure from clients to meet stringent certification requirements, such as providing emissions data or adhering to standards like fair trade or plastic-free packaging, which they often struggle to meet due to limited oversight and resources.[1]

Consumer awareness is steadily rising. People are increasingly holding companies accountable for their environmental and social impacts. Consumers now prefer brands that embrace eco-friendly practices, such as sustainable packaging, transparent labelling, and ethical sourcing, compelling FMCG companies to rethink their operations in light of both climate and social responsibility.

Approach to tackling climate change

As a leading FMCG company, Marico is deeply committed to address climate-related risks and opportunities with transparency, accountability, and proactive action. Its approach to climate change is structured around clear time horizons: short-term (up to 2 years), medium-term (2 to 5 years), and long-term (5 to 10 years), ensuring that the Company can adapt and respond effectively across different phases.

The Company's climate strategy focuses primarily on:

Marico uses a multi-dimensional strategy to identify and manage its climate risks, focusing on those with significant financial and strategic implications. Financial impacts refer to critical issues that could influence the Company's

[1] Source: https://www.pwc.com/sg/en/publications/assets/page/enabling-sme-resilience-in-fmcg-supply-chains.pdf

revenue, costs, liabilities, or overall profitability. Strategic impacts, on the other hand, involve risks to the key projects, production lines, supply chains, and broader business goals.

The company evaluates its climate-related risks following the guidelines of TCFD, which offers a framework for identifying both climate risks and opportunities. These risks are classified into two main categories:

a. **Transition Risks**: These are risks related to transitioning to a lower-carbon economy. The categories of risks under transition risks include – Policy and legal risks, technology risks, market risk and reputation risk
b. **Physical Risks**: Risks related to the physical impacts of climate change. These risks include acute risks which refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods while chronic risks s refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

Below are the key climate-related risks and mitigation measures identified by the Company:

Type of Risk	Risk Category	Description	Financial Impact	Timeframe	Mitigation Measures
Physical	**Acute Risk**	• Approximately 50% of the Company's operations are located in proximity to the western and southern coastal regions of India, which are susceptible to extreme weather events. Moreover two of the Company's manufacturing facilities are situated in northeast India are prone to floods. • Unavailability or scarcity of resources to run plant operations or from the occurrence of extreme weather events can cause damage to the Company's assets. In India, 75% of Marico's operations are located in the water stress region contributing to about 80% of India's business revenue.	• Extreme weather events can potentially affect the Company's operations including asset damage, replacement and inventory losses. These losses can impact the Company's gross investment by 5-15% • Fluctuation in the availability of raw materials could affect the revenue of the Company, as Marico might not be able to increase its prices to maintain consumer trust. • Extreme weather events can also result in lowering of the production volumes which approximately the revenue of the Company by 1%	Long-term	The Company's approach to mitigating this risk includes - • Analysing risk exposure of natural hazards for potential new locations and selecting areas that are least vulnerable. • Conducting an annual assessment of local sites to ascertain their exposure to dangers from climate change and water-related risks. • Underwriting insurance coverage to protect against financial risk from natural disasters. • Providing each facility with a Business Continuity Management (BCM) plan that can be used in the event of a business disruption. These plans mostly consist of alternate locations where production can resume following the disruptive incident. • Investing in climate-resilient infrastructure • Developing contingency plans based on different climate-related scenarios

					• Collaboration with industry associations and academia
Transition	**Market – Increase cost of raw of materials**	Marico's product portfolio is reliant on agriculture-based raw materials (copra, edible oils etc). Any changes in the weather and rainfall patterns may affect Marico's supply of critical raw materials, especially agricultural commodities.	Potential impact of this risk will result fluctuations in prices of raw materials and reduction in production volume	Long-term	• Identifying regions or suppliers that are vulnerable to physical climate risks and diversifying the supply chain to reduce dependency on high-risk areas.
Transition	**Policy and Legal - Mandates on and regulation of existing products and services**	Failure in complying with laws and regulations is a potential risk to the Company. For example, the evolving regulatory framework on Plastic Waste Management (PWM) encompasses the Extended Producer Responsibility (EPR) guidelines. Under these guidelines, all brand owners required to ensure proper collection, energy recovery/recycling, and environmentally safe disposal of plastic waste generated from their products. The PWM law is likely to be strengthened further in the coming years.	Compliance breaches can potentially result in increase of indirect costs of the Company	Short-term	• Marico under its flagship program 'Upcycle' is exploring alternate sustainable packaging solutions and taking proactive steps to manage post-consumer plastic waste. • Marico's Upcycle program is designed to integrate the principles and key performance metrics related to circularity within its overall packaging portfolio. A set of 9 opportunity levers have been established to achieve this.

Resilience

The Company has adopted the Representative Concentration Pathway (RCP) 4.5 scenario and SSP2 scenarios for conducting climate-related scenario analysis. The RCP 4.5 Pathway represents a future where stringent climate policies are implemented, resulting in a moderate level of greenhouse gas emissions. RCP4.5 scenario indicates a moderate greenhouse gas emissions trajectory with a projected 2.4°C temperature increase by 2100. SSP2 focuses on moderate success in addressing environmental challenges while prioritizing socio-economic development and balanced growth. The Company has also assessed climate conditions and vulnerabilities in regions where it procures raw materials by taking an average of 20 years climate data to ensure data authenticity. This analysis has helped in identifying climate-related risks to the supply chain and development of strategies to ensure raw material availability and minimize disruptions.

Marico has undertaken ambitious targets to achieve net zero for its own manufacturing units in India by 2030 while for its global manufacturing units by 2040. The Company has developed a net-zero roadmap with a goal of prioritising 1.5-degree net zero ambition as per SBTi requirements. The Company has committed to reduce its Scope 1 and Scope 2 GHG emissions (in owned manufacturing facilities) by 93%, and offset remaining 7% emissions through sequestration, and carbon offset by 2030, from the baseline year FY13. This roadmap provides a detailed guidance on optimising the Company’s energy footprint and investing in low-carbon technology to minimise operational emissions. Moreover, the Company is ensuring its procurement spent on low carbon materials and services to ensure sustainability in the supply chain as well.

Risk Management

Every business encounters various inherent risks that need to be identified and managed proactively and promptly to ensure smooth value creation for stakeholders.

Marico India's product portfolio heavily relies on agriculture-based input materials, which accounted for 60-80% of the company's revenue in 2023. A significant portion of these raw materials includes edible oils, copra, oats, and soy, all of which are vulnerable to climate-related risks. Disruptions in the availability or supply of these agro-based inputs due to adverse weather events could have serious financial and strategic consequences for the company.

In the financial year 2022-23, more than 60% of the raw materials procured by Marico, by spending, were agro-based. The quality and availability of these materials are influenced by numerous climate and eco-physiological factors, making the company susceptible to emerging risks.

Risk Management Approach

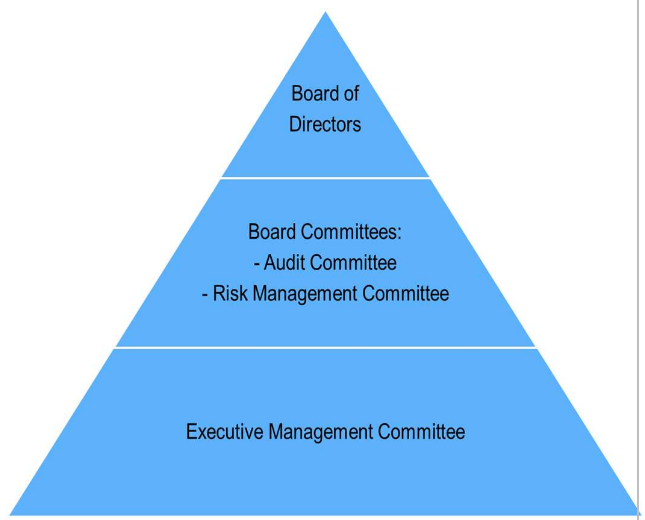
Marico has a well-established risk management framework that encompasses both the external environment and internal processes. The Company's Enterprise Risk Management (ERM) system is designed to assess and address key business processes throughout the value chain, focusing on various categories of risks namely, strategic risks, financial risks, operational risks, compliance and legal, governance risk, climate-related risks, technological risks, market risks social risks and emerging risks. The approach to identifying, assessing, and responding to climate-related risks and opportunities spans the entire value chain, including direct operations, upstream activities, and downstream impacts. The Company conducts risk assessments annually considering short, medium and long-term time horizons to ensure a comprehensive outlook.

The Company’s risk management process is guided by the following key principles:

1. **Identify**: Pinpoint the top risks for each functions business;
2. **Quantify**: Rate the risks on ‘impact’ and ‘vulnerability’ factors and prioritize the top ten risks at the company level
3. **Plan**: Develop a mitigation plan for each risk with relevant measures and metrics and recommend the plan to the Board for approval
4. **Implement**: Execution of the risk mitigation plan
5. **Monitor**: Examine whether the mitigation plans are on track and periodically review the existing risks and related metrics

Risk Governance

Marico has implemented a well-defined Risk Management Policy that serves as a foundation to steer its risk management efforts. At the Board-level the Risk Management Committee (RMC) monitors and reviews the risk management plans and provides guidance on the mitigation strategies. It assists the Board in monitoring and reviewing the risk management plan and implementation of the risk management framework of the Company. The Audit Committee, in coordination with the Risk Management Committee, reviews the risk management systems in the Company. The Risk Management Committee meets at least twice a year to monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems, assessment of risks associated with the Company and mitigation measures for the same.



Key responsibilities of the Risk Management Committee include:

- Providing management with strategic guidance and direction to ensure the long-term viability of the business
- Monitoring and evaluating progress made in achieving climate-related goals
- Examining and providing guidance on the development and application of risk management processes

At the management level, the Executive Management Committee reviews the risks and reports to the Board Committees through periodic assessment and reports. The Company also has a management audit team which carries out internal control reviews and follow-up audits. The team is also responsible for monitoring implementation of action points arising out of internal audits. The internal auditors and management audit team, as part of their audit process, carry out a systems and process audit to ensure that systems have adequate internal controls.

Metrics & Targets

Metric Category	Selected Metric	Description	Reference	Page Number
Energy	Total Energy Consumption (GJ)	Total energy consumption for the financial year 2023-24 by source. Non-renewable energy sources including grid electricity, diesel, natural gas, LPG, petrol. Renewable energy sources include biomass, wind and solar	GHG Report	9
	Total Non-Renewable Energy Consumption (GJ)		GHG Report	9
	Energy Intensity (GJ/Crore Revenue)	Year-on-year energy intensity	GHG Report	10
	Energy Intensity (GJ/MT Oil Produced)	Year-on-year energy intensity	GHG Report	11
	Energy Management Initiatives	During the year under review, more than 25 initiatives were undertaken across the manufacturing locations to save energy of approximately 3.2 lakh KWH/ annum.	GHG Report	11
Emissions	Total Scope 1 and Scope 2 Emissions (tCO2 eq.)	Total Scope 1 and Scope 2emissions for the financial year 2023-24	GHG Report	14
	Total Biogenic Emissions (tCO2 eq.)	Biogenic emissions from biomass for the financial year 2023-24	GHG Report	14
	Total Scope 3 emissions (tCO2eq.)	Scope 3 emissions for the financial year 2023-24 by categories – 1, 2, 3, 4, 5, 6, 7, 8, 9, 12 and 15	GHG Report	14
Water	Total Water Withdrawal (kl)	Total water withdrawal by source, namely – Surface water, groundwater, third party water, seawater/desalinated water, other sources	Annual Integrated Report 2023-24	257
	Water Intensity (kl/Cr INR)	Water intensity per rupee of turnover	Annual Integrated Report 2023-24	258
	Water Discharge (kl)	Water discharge by destination and level of treatment	Annual Integrated Report 2023-24	258
Waste	Total Waste generated (MT) and disposal	Total waste generated and disposal for categories, namely – Plastic Waste, E-Waste, Biomedical waste, Battery waste, other hazardous and non-hazardous waste and disposal method – recycled, reused and incineration	Annual Integrated Report 2023-24	261

Marico has unveiled its focus areas and related targets through the launch of the Marico ESG 2.0 framework. This framework serves as the foundation for its journey into the "Decade of Action 2030." Climate Change, Water Stewardship and Circular Economy are among the eight key focus areas that are central to the Company's sustainability agenda.

Focus Area	Target Summary	Target	Performance FY 2023-24	Reference	Page Number
Climate Change	To achieve **"Net zero"** in India operations (own manufacturing facilities) by 2030 and **"Net zero"** for global operations (own manufacturing facilities) by 2040. For its India operations, the Company has set targets to reduce Scope 1 and Scope 2 GHG emissions by 93% through internal measures and offset the residual 7% emissions through sequestration and carbon offsets from the baseline year 2013.	1,777.5 tCO_2e	10,112.4 tCO_2e	GHG Report	15
Water Stewardship	Aim to achieve certified water-neutral operations across all manufacturing facilities by offsetting 100% of water consumption volume with water capacity created for community use	100%	• >2.5x Water capacity created in FY24 as compared to total consumption in operations • 84.31 crore litres cumulative of water conservation potential created • Jalgaon unit externally certified as Water Neutral	Annual Integrated Report 2023-24	48, 183

Circular Economy	• Strive to achieve 100% recyclable packaging by 2030, however, we aim to achieve this by 2027, focusing on sustainable packaging initiatives and promoting circularity to reduce carbon footprint • Achieve Zero Hazardous Waste to Landfill by 2030	100%	• 95.30% recyclable packaging by weight, across product portfolios achieved • <1% PVC in packaging • Three of the Company's manufacturing units, namely Perundurai and two units at Guwahati have achieved ZHWL	[Annual Integrated Report 2023-24]	48, 193, 197