

# Governance

Our corporate governance philosophy is the bedrock of our ethical and resilient Company, enabling our continued leadership. Through good governance, we arrive at effective decision-making that are aligned with our values.

## FY 2023-24 highlights

5 out of 6

Committees chaired by  
Independent Director

7 out of 13

Directors as of 31st March 2024  
were Independent

42.5%

Time spent by the Board of  
Directors on matters of strategic  
importance

100%

Of our new suppliers are screened  
based on our Environmental and  
Social criteria\*

\*GRI 308-1: New suppliers that were screened using environmental criteria

\*GRI 414-1: New suppliers that were screened using social criteria

## ESG strategy

### World-class governance

### Ethics, transparency, quality and accountability

### Sustainable supply chain management

## Key material topics

- Business Ethics and Corporate Governance
- Organisation Resilience
- Policy Advocacy
- Anti-competitive Behaviour
- Anti-corruption and Anti-bribery
- Responsible Supply Chain
- Financial Performance

## SDGs impacted



## Stakeholders impacted



Customers



Employees



Investors



Communities



Vendors



Government and regulatory bodies



Influencers

## CASE STUDY

### Code of Conduct Compass – Make the wise choice



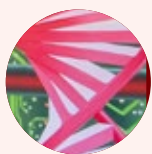
The Code of Conduct (CoC) Campaign at Asian Paints is designed to embed ethical practices into our corporate culture. Through awareness, we promote an ethical environment, and ensure compliance, with an aim to uphold our reputation as a responsible and trustworthy organisation. This campaign is a testament to our unwavering commitment to integrity and excellence in all our endeavours.

- CoC training for all employees via e-learning modules, workshops and sessions
- Regular updates through newsletters to keep ethical conduct top of the mind
- Posters and signage across Company locations to remind employees of key principles
- Robust feedback mechanism allowing employees to ask questions and report concerns anonymously
- CoC Awareness Week was conducted to sensitise employees

**91.8%**

Employees completed the CoC training in FY 2023-24

## Governance



### World-class governance

#### Management approach

Governance at Asian Paints is based on robust systems and processes that encourage collaboration and partnership to achieve high levels of sustainability, transparency and ethics. Our management approach goes beyond the prescribed regulatory requirements, embodying the highest standards of corporate governance principles. Corporate governance is upheld through strong Board governance processes, internal control systems, and stringent audit mechanisms. These principles are detailed in our governance policies, Codes of Conduct, charters of Board Committees, disclosures and reporting procedures.

#### 2025 TARGET

Committed to achieving best-in-class governance as rated by investors and third-party governance firms



#### ESG Scores - Leading governance rating agencies

##### S&P Global Sustainability Yearbook 2024

An "Industry Mover (IM)" as per S&P Global Sustainability Yearbook - 2024 rankings, our Company ranked # 2 in Chemical industries in India and in top 30 companies globally.

IM

##### ISS Scorecard

We moved to "Leadership" score (1) in the Institutional Shareholder Services scorecard.

1

##### CDP Climate Change Score

We have been upgraded to the "Leadership (A-)" category from the Management (B).

A-

##### MSCI ESG Ratings

We have sustained "AA ESG rating (Leader)" for three consecutive years.

AA

#### Recognitions

##### Best Governed Company in Listed Segment - Large Category

The Institute of Company Secretaries of India (ICSI) honoured our Company with the 23<sup>rd</sup> ICSI National Awards for 'Excellence in Corporate Governance' in 2023.

##### Excellence in Corporate Governance

Our Company was awarded with the 'Golden Peacock' Award by the Institute of Directors for 'Excellence in Corporate Governance - 2023' in the paints category.

##### India's Best Annual Report Awards 2023

The Free Press Journal, in partnership with CareEdge Analytical Group, honoured our Company for excellence, clarity, and transparency in its Annual Report, in the paints category.

##### Silver Award

The Institute of Chartered Accountants of India (ICAI) awarded our Company with the ICAI Sustainability Reporting Awards 2022-23.



## Corporate Governance at Asian Paints

Governance at Asian Paints is built on pillars of a holistic Governance structure, Board effectiveness and implementing the best practices across the group through Group Governance.

Governance structure

Board effectiveness

Group governance

### Governance structure<sup>\*^</sup>

Our governance structure plays a crucial role in shaping the decision-making process, ensuring that it is aligned with our strategic objectives and the interests of all the stakeholders.

#### Shareholders

##### Board of Directors<sup>@</sup>

Our experienced and diverse directors provide astute oversight, rigorous counsel and an independent examination in integrated thinking.

The Board establishes and steers strategic direction, oversees and monitors performance, manages risk, and ensures accountability and compliance with policies.

Read more about our Board of Directors on [+ Pg. 221](#)

##### Auditors

Comprises Statutory Auditors, Secretarial Auditors, Cost Auditors and Internal Auditors.

Our Company also engages with external agencies to carry out due diligence and review on an assignment basis.

Read more about our Auditors on [+ Pg. 186](#)

#### Board Committees

Our six Board Committees play a significant role in the governance structure. These Committees oversee specialised areas of operations and provide recommendations based on expertise. Committee Chairpersons relays relevant matters to the other Board Committees as required and provides updates on Committee activities to the Board at its meeting.

Read more about our Board Committees on [+ Pg. 229](#)

##### Audit Committee (AC)

##### Nomination and Remuneration Committee (NRC)

##### Corporate Social Responsibility Committee (CSRC)

##### Risk Management Committee (RMC)

##### Stakeholders Relationship Committee (SRC)

##### Investment Committee (IC)

#### Management

- Responsible for the day-to-day management and implementation of policies and procedures
- Appropriately empowered to execute the strategy

#### One Link

- The One Link comprises of the General Managers, Associate Vice Presidents, Vice Presidents, Senior Vice Presidents, Presidents and the Managing Director & CEO. The Managing Director & CEO leads One Link
- Spearheads transformation initiatives that ignite change

#### Employees

- Responsible for working to deliver on our Purpose, whilst adhering to the standards of behaviour set out in our values and CoC

Regulatory bodies

Regulatory bodies

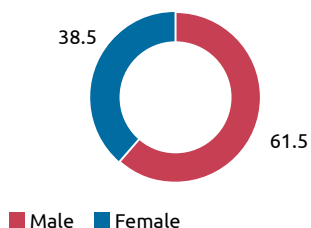
<sup>^</sup>as on 31<sup>st</sup> March 2024

<sup>\*</sup>GRI 2-9: Governance structure and composition <sup>@</sup>GRI 2-13: Delegation of responsibility for managing impacts

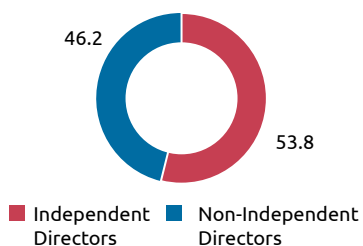
# Governance

## Board Statistics (%)^

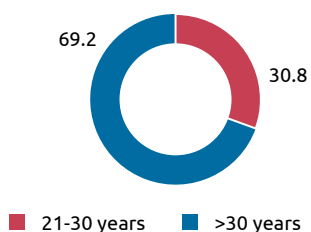
### Diversity#



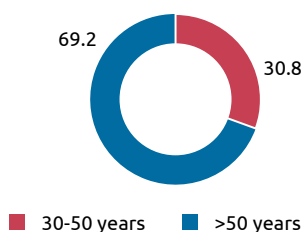
### Independence



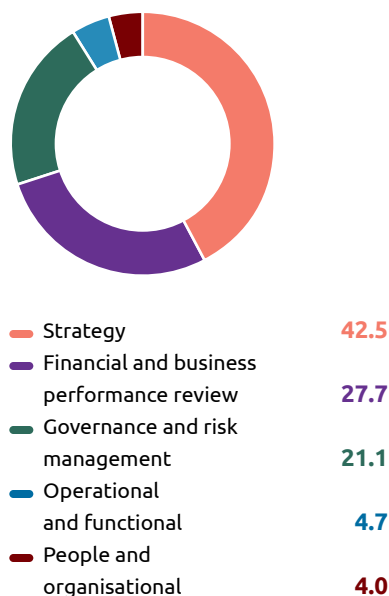
### Experience



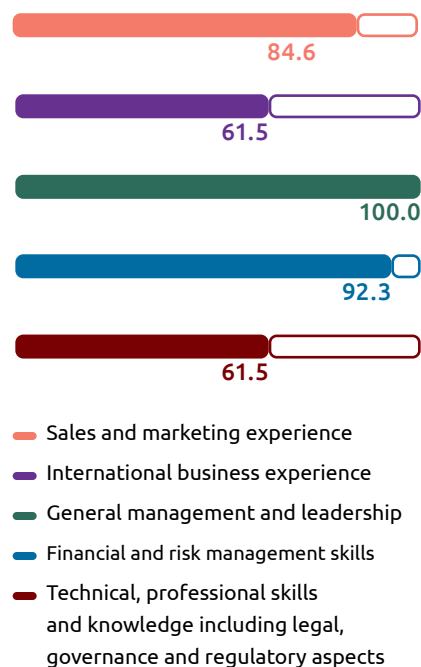
### Age profile



### Insight into Board discussions (%)



### Expertise of our Board members (%)



**5 years**  
Average tenure of Board of Directors@

**Our Company is led by an Independent Non-Executive Chairman\$**

### Board committee membership

	Members	Independent Directors
Audit Committee*	5	5
Nomination and Remuneration Committee*	3	2
Corporate Social Responsibility Committee^	4	1
Risk Management Committee*	6	3
Stakeholders Relationship Committee*	3	1
Investment Committee*	7	3

\* Chaired by Independent Director

^ Chaired by Non-Executive Director

^as on 31<sup>st</sup> March 2024

@GRI 2-9: Governance structure and composition

\$GRI 2-11: Chair of the highest governance body

#GRI 405-1: Diversity of governance bodies

## Board effectiveness<sup>^</sup>

NRC has developed a structured assessment process for Board evaluation. The process has been designed to measure the effectiveness of the Board by evaluating the functioning of the Board, its Committees, and individual Directors annually. We believe that the collective effectiveness of the Board significantly impacts our performance.

Therefore, the Board performance is closely assessed based on the roles and responsibilities outlined in the statute and our Company's policy.

Once in every three years, an externally facilitated independent evaluation is carried out under the guidance of NRC.

The Board evaluation process provides an opportunity to identify greater efficiencies, maximise strengths, and highlight areas of further development to enable the Board to continually improve its performance and effectiveness.

Read more about the criteria for the evaluation, outcomes thereto and the action plan in our Report of Corporate Governance on [+ Pg. 235](#)

### Cross-functional expertise for Board effectiveness

Corporate governance is most effective with the overlap of members across committees. This ensures effective bifurcation of responsibilities, consistency and alignment of strategies, goals, and decisions across different areas of our Company. It facilitates transparency, holistic decision-making, and promotes integration and collaboration within our Company.

Name of the Committees	Shared members with other Committees	Name of the overlapping Committees
AC	✓	NRC, RMC, SRC, CSRC, IC
NRC	✓	AC, IC
CSRC	✓	IC, SRC, AC, RMC
RMC	✓	AC, SRC, CSRC
SRC	✓	AC, RMC, CSRC
IC	✓	AC, CSRC, NRC

The CFO and Company Secretary acts as the Secretary to all the Committees of the Board of Directors.

### Double Focus on Materiality in ESG

Shared members between RMC and SRC ensure that our ESG issues are addressed with a focus on both internal risk management and external stakeholder relationships in an integrated manner.

### Additional Oversight in the area of Risk

Shared members between RMC and AC ensure that AC has additional oversight of financial risk and controls. This ensures efficient communication, coordination for risk management, leading to streamlined processes and enhanced organisational performance.


## Familiarisation Programme

Our Familiarisation Programme is extended to Independent and Non-Executive Directors, covering business strategy plans for the entire Group, as well as legal and regulatory updates.

The programmes, conducted from time to time, aim to provide an understanding of the business and its operations, business strategies, management structure, risk management framework, and the regulatory environment.

Directors are encouraged to engage in professional programmes to stay abreast of legal amendments and regulatory changes. In addition, they are continually familiarised with our Company's performance, risk management, HR processes, IT, CSR, safety, sustainability, and governance initiatives, and more.

This year an external session on cybersecurity awareness was conducted.

[Click here to know more](#) 

<sup>^</sup> GRI 2-18: Evaluation of the performance of the highest governance body

# Governance

## Policies and position statements

Our business policies and position statements are aligned with the Group's overarching values and principles. We empower our employees to comprehend and apply these policies effectively, enabling them to achieve and establish new benchmarks. Our policies provide guidance and clarity on expected behaviour for stakeholders and encourages ethical decision-making and responsible business practices.

The policies are adopted post-approval by the Board of Directors or Managing Director & CEO. Further, these policies are communicated to the relevant stakeholders and periodic awareness sessions are carried out to ensure understanding and sensitivity among all involved.

Our CoC serves as a guiding framework and ensures adherence to legal, regulatory, and internal standards. It also encourages ethical decision-making and provides clarity on expected behaviour from stakeholders and promotes responsible business practices. The policies delineate procedures for disciplinary actions, when necessary, ultimately upholding integrity and accountability within our Company.

## Nomination and Remuneration Policy<sup>§</sup>

Our Nomination and Remuneration Policy ensures that our personnel have the required resources and advanced capabilities needed to support our ambitions and are recognised and rewarded fairly for their performance and the value they create for our stakeholders.

### Key objectives of our Nomination and Remuneration Policy and broad responsibilities of our NRC

#### Board membership

- Formulate the criteria for appointing Director
- Identify people as potential candidates who are qualified to be Directors
- Nominate candidates for approval of the Board

#### Performance evaluation

Determine a process for effective evaluation of performance of the Board, its Committees and individual Directors

#### Appointment of senior management

Approve the appointment for Senior Management positions

## Remuneration of Directors, Senior Management and Employees

- Review the executive compensation
- Determine the remuneration payable to the Non-Executive Directors
- Review the performance of the Senior Management
- Review the remuneration structure for Company employees

### Administrator to Employee Stock Option Plan

Plays the role of the Compensation Committee and administers our Company's ESOP Plan

### Succession planning

NRC assesses the policy for succession planning and oversees the development of a diverse pipeline for succession of both Board members and Senior Management

## Policy Advocacy

We engage with governments and regulators in public policy discussions directly and through institutional bodies to share our views and the perspectives of our stakeholders on issues relevant to our business. We perform the function of policy advocacy in a transparent and responsible manner.

### During the year, the following Policies were reviewed and revised to align with amendments in laws, evolving practices and with leading industry practices:

- Nomination and Remuneration Policy
- Environment Policy
- Policy for Determination of Materiality of Events/Information
- Code of Conduct for Employees
- Code of Conduct for Board Members and Senior Management Personnel
- Communications and Social Media Policy\*
- Investors' Grievances Redressal Policy

To know more about our Policies, please click here 

To know more about our Position Statements, please click here 

\* This policy is not available in public domain.

<sup>§</sup>GRI 2-10: Nomination and selection of the highest governance body <sup>§</sup>GRI 2-19: Remuneration policies <sup>§</sup>GRI 2-20: Process to determine remuneration

## Legal and regulatory requirements

Compliance forms the foundation of our operations and we prioritise all legal and regulatory obligations, ensuring strict adherence, both in letter and spirit. Our experienced team of legal and regulatory professionals help us establish and maintain best practices across our global operations. The teams monitor the relevant laws and their updates, conducts risk assessments, formulates internal policies, provides training, reviews contracts, investigates incidents, collaborates with external experts, and reports to our Company's leadership.

Timely compliance is a priority, and it is crucial to us that every employee understands and complies with our policies and all relevant and applicable legal requirements. We also adopt the latest technology to ensure and facilitate streamlined compliance processes. This helps us adhere to product safety standards, environmental regulations, antitrust laws, data privacy rules, intellectual property protection, maintenance of unpublished and confidential information, and labour laws, among others.

## ESG Governance\*

The Board of Directors of our Company has developed ESG framework of our Company and laid down ESG strategies and targets. The Board has empowered the SRC to provide direction to the management and exercise oversight on the implementation of targets committed under ESG and reviews our Company's progress and performance on its long term targets.

Further, the Board has empowered the RMC to evaluate ESG risks (including climate related risks and opportunities) along with mitigation strategies.

The Managing Director & CEO and One Link is responsible in implementing ESG objectives and ESG risk mitigation strategies. The Management along with relevant Business teams, Sustainability team and Functional heads executes, monitors and reports these targets.

## Group Governance

At Asian Paints, we have well-defined governance structure embedded across the Group. We serve as an interconnected entity within a corporate ecosystem.

## Extending policies to group companies

Several of our policies extend to the Group company level, aligning our goals across the Group. The extension reinforces oversight and fosters better governance practices within each Group company, ensuring transparency, accountability, and ethical practices.

The following policies are extended to our Group companies and are adopted by them to the extent relevant:

- Whistle Blower Policy
- Code of Conduct for employees
- Code of Conduct for business partners
- Policy on engagement of Statutory Auditors
- Communications and Social Media Policy
- Environment Policy
- Health and Safety Policy
- Policy on equal opportunity and non-discrimination

## Oversight measures

The Audit Committee reviews the performance of the Group companies and consolidated financial results, including investments made by unlisted subsidiaries. Additionally, it conducts review of the consolidated financial statements. The Committee also reviews related party transactions entered into by the subsidiaries as per applicable laws. Any significant transactions and arrangements entered by unlisted subsidiaries are periodically brought to the attention of the Audit Committee and the Board of Directors.

We do not have any material subsidiary companies. Further, the synopsis of the minutes of the Board meetings of our subsidiary companies is presented at our Company's Board meetings every quarter. These minutes are also made accessible to Directors through a secured web-based platform.



\*GRI 2-14: Role of the highest governance body in sustainability reporting



## Governance



# Ethics, transparency, quality and accountability<sup>^</sup>

Our Company values transparency and operates with the highest ethical and integrity standards. We are developing robust business strategies, and strong risk management practices to ensure transparency, quality and accountability.

To empower our stakeholders to make informed decisions, we ensure that all pertinent information is disclosed to them in a timely and transparent manner.

### 2025 TARGET

100% of risk impacting business resilience: Annual assessment and score

Qualitative assessment from the investor community

### Shareholder's Corner

We offer shareholders a platform to access the relevant information, submit requests, and review our policies. Central to our stakeholders relationship governance is the commitment to listen to and consider their perspectives.

We also have a grievance policy outlining procedures along with a dedicated team to help investors quickly resolve their complaints.

We have also made available on our website responses to frequently asked questions with respect to investor related services.

[Click here to know more](#) 

### Investor engagement

- We actively engage with our investors on a regular basis and understand their concerns and suggestions
- We participate in various investor meetings/conferences. These interactions help our Company showcase its offerings, financials, and goals to the investor community and clarify apprehensions, if any, thus building investor confidence and helping them in making informed decisions

Read more on [+ Pg. 41](#)

### Related party transactions

- We have a policy on dealing with and materiality of related party transactions
- We follow strong internal rules before opting to do business with related parties
- Our Company enters into related party transactions only with the approval of AC which comprises only Independent Directors

Read more on [+ Pg. 188](#)



<sup>^</sup>GRI 2-16: Communication of critical concerns

## Conflict of interest\*

- Our Company's CoC for the Board of Directors and Senior Management Personnel, and CoC for the employees provide clear guidelines for avoiding and disclosing actual or potential conflicts of interest with our Company
- Employees are required to report the conflict of interest
- Conflict of interest reported are reviewed by the Chief Human Resources Officer and Internal Auditors to mitigate any potential conflict which might hamper our Company's interest
- Directors abstain from participating in agenda items at the Board/Committee meetings in which they are interested or are deemed to be interested

[Click here to know more](#)

## Stakeholders and corporate governance

Our stakeholders ensure accountability in our actions and that we continue to operate responsibly and ethically. Their involvement helps maintain transparency and encourages long-term sustainable practices. We constantly strive to serve the interests of all our stakeholders, following a value-led approach.

## Supplier management

- We have a CoC for Business Partners and a Responsible Procurement Policy
- We do engagement activities (trainings, courses, meets, forums and seminars) with our value chain partners

Read more on [+ Pg. 126](#)

## Employee welfare

- We provide benefits to our employees towards wealth creation
- ESOP plans are in place to reward, incentivise and retain employees

Read more on [+ Pg. 84](#)

## Culture of integrity

Our commitment to integrity drives our efforts to prevent corruption, protect data, and promote human rights. We have a robust policy framework to address fraud, including the CoC and Whistle Blower Policy that encourages our employees to provide feedback and voice any concerns. We maintain a zero-tolerance approach towards violations of our CoC.

We have a stringent anti-bribery and gifting policy that deters employees and their immediate family members from giving or receiving any favours from suppliers, vendors, or competitors.

There were no confirmed cases of corruption during the year<sup>^</sup>.

## Whistle Blower Policy

- We have a Whistle Blower Policy which provide an effective vigil mechanism system to our Directors, employees and business associates to voice concerns responsibly and effectively regarding suspected unethical behaviours
- Protected Disclosure can be made directly to the Chairperson of the Audit Committee if the whistleblower has a reasonable doubt that the members of the Ethics Committee or the Investigating Officer are part of the Protected Disclosure

[Click here to know more](#)



\*GRI 2-15: Conflicts of interest

<sup>^</sup>GRI 205-3: Confirmed incidents of corruption and actions taken

## Governance

### Data privacy

We ensure that we have an appropriate framework with enhanced legal and security standards to safeguard the data of our stakeholders. We have implemented systems and procedures to prevent instances of non-compliance that could lead to data breaches. Our network architecture and information security controls adhere to industry best practices, ensuring compliance with our Data Privacy framework.

We have deployed Data Classification and Digital Rights Management capabilities across our Company and configured data leakage prevention systems on computers, emails and file-sharing services. Organization believes in creating strong awareness and conducting regular assessment through ethical phishing mails to identify potential training needs.

An annual cycle of assessment is performed on our cyber programme and it is rated each year.

In our ISO 27001 audits, we have received no major observations and non-conformance, which boosts our continued efforts to keep our platforms secure.

In our IT Plan for FY 2024-25, we aim to implement top-notch technologies and foster a security-focused culture to ensure a safe digital workspace by March 2025.

### Technology, innovation and digitisation

Our Board recognises the critical importance of technology and digitisation for our Company's current and future success. It is committed to integrating the latest innovations in a way that aligns with our strategic objectives, ensuring the long-term sustainability of our business and promoting the cause of corporate governance.

At Asian Paints, IT enhances customer interactions, optimises partner collaborations, empowers sales teams, streamlines employee experiences, and enables data-driven decisions.

### Compliance<sup>^</sup>

We recognise the significance of adhering to legal, regulatory, and ethical obligations, understanding their impact on our operations and our accountability to all our stakeholders.

The Compliance function employs a control and risk-based approach, considering the nature, scale, and complexity of our business to ensure the enforcement of good governance, efficiency, effectiveness and robust compliance structure. Behaving ethically is a business imperative as we strive to meet regulatory compliances with all applicable laws.



<sup>^</sup>GRI 2-27: Compliance with laws and regulations

## Managing risks

Efficient risk management is vital for achievement of sustainable growth and strategic objectives. To achieve this, we have Risk Management Process that pre-emptively identifies emerging risks and instil measures to mitigate its implications on our Company. This includes building a risk-aware culture through governing bodies, conducting frequent risk assessments and employee training. We conduct discussions with several functional heads to gauge, understand and evaluate relevant risks and take corrective actions.

Our resilient risk management framework is guided by our Risk Management Committee (RMC), chaired by an Independent Director and comprising Independent and Non-executive Directors and Senior Management. The RMC oversees implementation of the risk management policy, including evaluating the adequacy of risk management systems, providing insights for effective risk mitigation, and ensuring that key strategic and business risks are identified and addressed by the management.

The risk management function formulates policies, identify risks, and monitor mitigation measures, with functional heads responsible for the implementation as per the Committee's direction. The management uses the ISO 31000 framework as a guiding tool in its risk management process. This ensures accurate risk identification and accommodates decentralised risk management practices.

### Approach

Our Company operates under a charter approved by our Board. The RMC works in line with an approved risk management policy to have a balanced approach to Risk and Opportunities. It defines the risk appetite and tolerance levels across organisational objectives, categorising risks along two axes. The RMC meetings were convened three times during the year to review the risk management practices and structure and recommend changes to ensure their adequacy.

We follow a materiality matrix to identify critical risks.

Each critical risk has a detailed risk management framework, outlining controls and responsible parties for both overall risk management and individual mitigation plans. For us, the PESTLE factors (Political, Economic, Social, Technological, Legal and Environmental) continue to present dynamic risks however we successfully manage these risks and strengthen our position.

### We evaluate risks based on the following areas of impact:

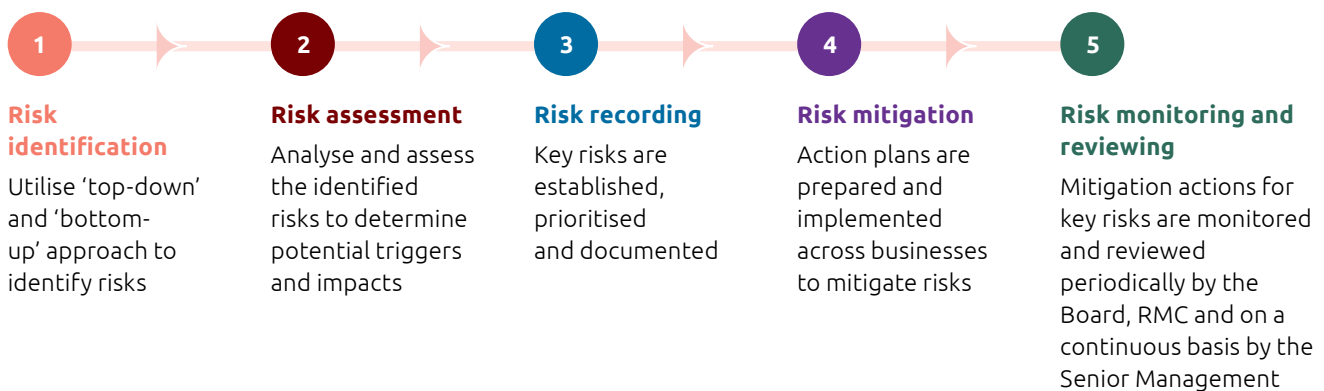
- Financial objectives
- Overall strategy of Asian Paints
- Operations of Asian Paints
- Statutory non-compliance
- Damage to reputation
- Reporting objectives

### Climate-related risks:

- Climate-related physical and transition risks & opportunities identified are integrated with our Risk management framework.

## Risk management process

We have established a 5 stage comprehensive risk management process to help us streamline our risks and ensure proper implementation of our Action Plan.

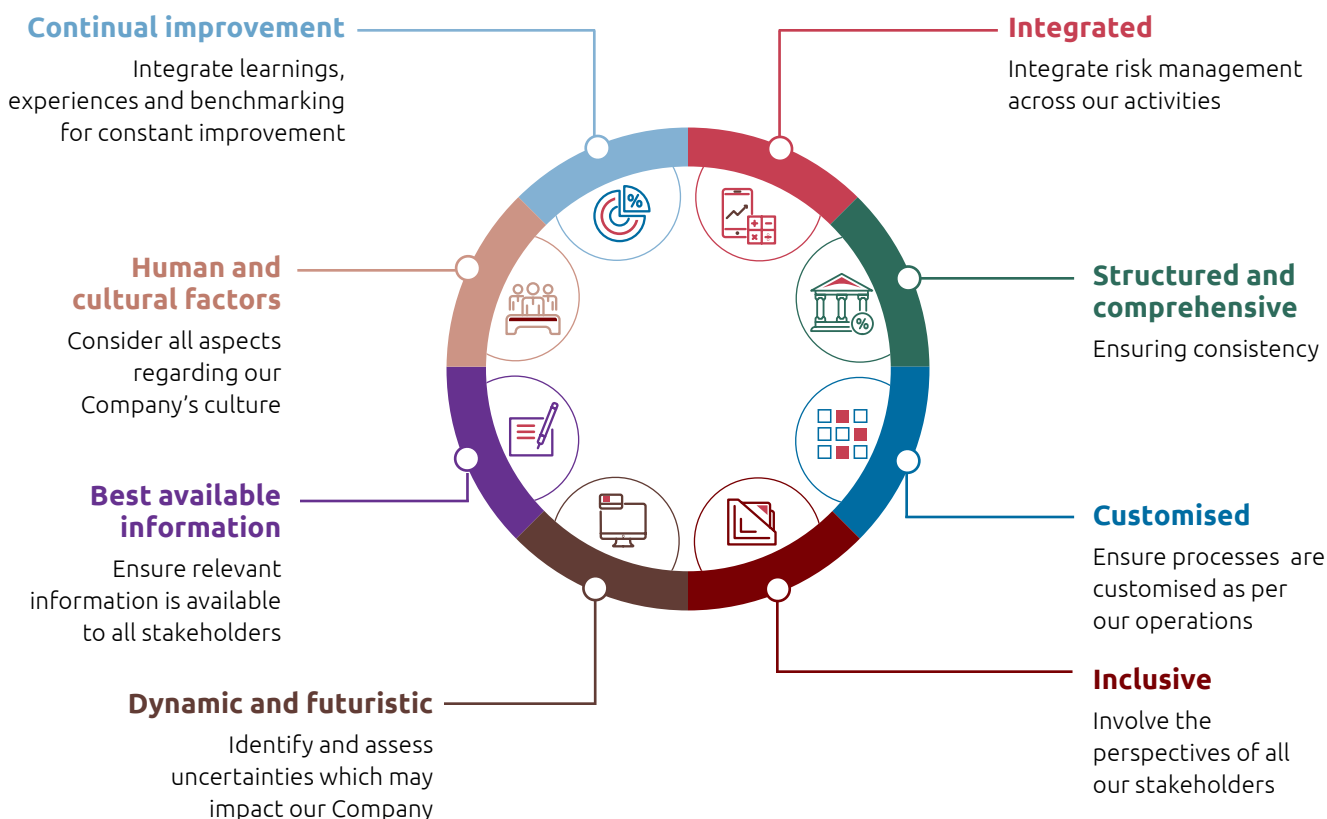




## Governance

### Enterprise Risk Management

Our Enterprise Risk Management (ERM) process is instrumental in creating value amidst uncertainty, ensuring good governance, meeting stakeholder expectations, and enhancing organisational resilience for sustainable growth. Our ERM is guided by eight principles:



### Risk matrix

We categorise our risks using a matrix, with two axes and four quadrants for tolerance. The horizontal axis represents endogenous (caused by internal factors emerging from business) and exogenous (caused by external events) factors, and the vertical axis represents strategic and operational considerations.

		Endogenous		Exogenous	
		Strategic	Operational	Strategic	Operational
	Strategic	<ol style="list-style-type: none"> <li>1 People risk</li> <li>2 New business complexities</li> </ol>	<ol style="list-style-type: none"> <li>1 Shifting consumer preferences</li> <li>2 Competition risk</li> <li>3 Climate risk</li> <li>4 Reputation risk</li> </ol>		
	Operational	<ol style="list-style-type: none"> <li>1 Evolving regulatory landscape</li> <li>2 Process and Product Technology</li> <li>3 Safety risk</li> <li>4 Fraud risk</li> <li>5 Large capex execution and management</li> </ol>	<ol style="list-style-type: none"> <li>1 Counterfeit products</li> <li>2 Information/Cyber Security risk</li> </ol>		

## Critical risks and mitigation measures

We have identified key material topics and mitigation strategies for each:

No Change Decrease Increase



**We have mitigation measures for all the key risks in FY 2023-24:**

### Linkage to materiality matrix

Consumer Delight	Product Stewardship	Consumer Health and Safety
Financial Performance	Anti-Competitive Behaviour	Business Ethics and Corporate Governance
Climate Change	Toxic Emissions, Waste and Effluents	Water Management
Biodiversity	Local Communities	Responsible Supply Chain
Supplier Sustainability	Influencer Management	Policy Advocacy
Organisational Resilience	Technology, Innovation and Digitalisation	Diversity and Inclusion
Industrial Workforce Management	Occupational Health, Safety and Well-Being	Human Rights
Anti-Corruption and Anti-Bribery	End-of-life Management of Product and Packaging	Talent Management and Employee Engagement



### Shifting consumer preferences



#### Impact

- Increase/Decrease in sales
- Gain/Loss in market share

#### Description

Consumer preferences are shifting towards greener products, integrated solutions, niche offerings and socially responsible brands

#### Rationale for identifying Risk/Opportunity


Shifting consumer preferences necessitate aligning our offerings with evolving preferences, presenting both risks and opportunities when delivering differentiated solutions to consumers

#### Mitigation strategies

- Greater focus on differentiated and wholesome solutions and services like Beautiful Home Services
- Providing customers with greener products through our range of certified low-VOC products, products with high durability, cool coating, and other sustainable propositions
- Have a healthy new product pipeline offering value for money and catering to the specific needs of the consumer
- Tie-ups to provide consumers a choice from a wider range of products and price points in the décor segment
- Aggressively target the home décor and services space for building long-term connect with the consumer; introduced the Beautiful Homes Studio that offers unique furniture, furnishing, lighting and their customisation
- Identify unique products and technologies basis patent landscaping, academic research, and competitor literature for exploration in new product development


Linkage to materiality matrix

## Governance

Competition 			
Impact	Description	Rationale for identifying Risk/Opportunity	
<ul style="list-style-type: none"> <li>Increase/Decrease in sales</li> <li>Gain/Loss in market share</li> </ul>	Migration of end consumers/dealers due to a higher number of choices	<b>Risk:</b> Loss of market share on account of increased competition	<b>Opportunity:</b> Upgradation of the consumers from the unorganised market to brand-based product offerings. Launch of differentiated solutions to consumers
<b>Mitigation strategies</b> <ul style="list-style-type: none"> <li>Launch of differentiated products, new variants in our existing portfolio, focus on ease of use as well as differentiated features</li> <li>Launch of décor and painting solutions to revolutionised customer experiences thereby creating a differentiator vis-à-vis competition</li> <li>Building on current relationships with dealers and ensuring dealer's profitable growth</li> <li>Upgradation of influencers, constant engagement through training, schemes, etc.</li> </ul>			

Linkage to materiality matrix



Climate* 			
Impact	Description	Rationale for identifying Risk/Opportunity	
Increase/Decrease our impact on our operations	Climate change-related impact on operations	<b>Risk:</b> Changes in climate conditions manifest in the form of increased physical and transition risks which if not managed appropriately could impact business operations	<b>Opportunity:</b> Minimise the negative environmental impact of our operations and maximise the positive impact
<b>Mitigation strategies</b> <ul style="list-style-type: none"> <li>Identifying and assessing climate related physical and transitional risks in line with TCFD recommendations</li> <li>Action on short-term &amp; long-term mitigation plans for addressing the impact of climate change on the operations of our Company</li> <li>Include climate change in our long-term strategies and decision-making</li> <li>Focus on energy conservation, improving renewable energy footprint, using alternate water sources, and ensuring water neutrality, emission reduction across operations and logistics, engaging with our suppliers to reduce their emissions</li> <li>Extended producer responsibility to manage plastic waste</li> </ul>			

Linkage to materiality matrix



\*GRI 201-2: Financial implications and other risks and opportunities due to climate change

Reputation		
<b>Impact</b> Increase/Decrease in brand value and market capitalisation	<b>Description</b> Positive or negative perceptions regarding our Company and our products/ services can have implications on customer relations, revenues, and interactions with regulatory bodies	<b>Rationale for identifying Risk/Opportunity</b> <div><b>Risk:</b> Negative publicity from any news/reports arising out of any act/inaction by our Company</div> <div><b>Opportunity:</b> Improved brand presence and reputation through proactive engagement with stakeholders</div>
<b>Mitigation strategies</b> <ul style="list-style-type: none"><li>• Active monitoring of feedback on social media and addressing concerns in a timely manner</li><li>• Actively addressing product complaints and creating a delight for the customers at the end of the complaint redressal</li><li>• Ensuring product and service delivery as promised</li><li>• Compliance with all regulatory norms</li><li>• Strengthening corporate governance norms, including adherence to the code of conduct</li></ul>		

Linkage to materiality matrix   

Evolving regulatory landscape

Impact

Penalties and other impact due to non-compliance

Description

Changes in current regulations or the emergence of new regulations may have an impact on our operations

Rationale for identifying Risk/Opportunity

**Risk:** Non-compliance and penalties may have a direct impact on our operations and cause financial stress

Mitigation strategies

- Being the next level in the paint industry (ahead of the prevalent statutes) in India through benchmarking with the best in the world
- Prioritise compliance with existing regulations and maintain agility to swiftly adapt to new legislation
- Review of all applicable compliances through a third-party compliance tool
- Compliance review by the senior management and Board on quarterly basis
- Well-governed compliance framework and internal controls
- Active engagement with policymakers and trade associations

Linkage to materiality matrix   



## Governance

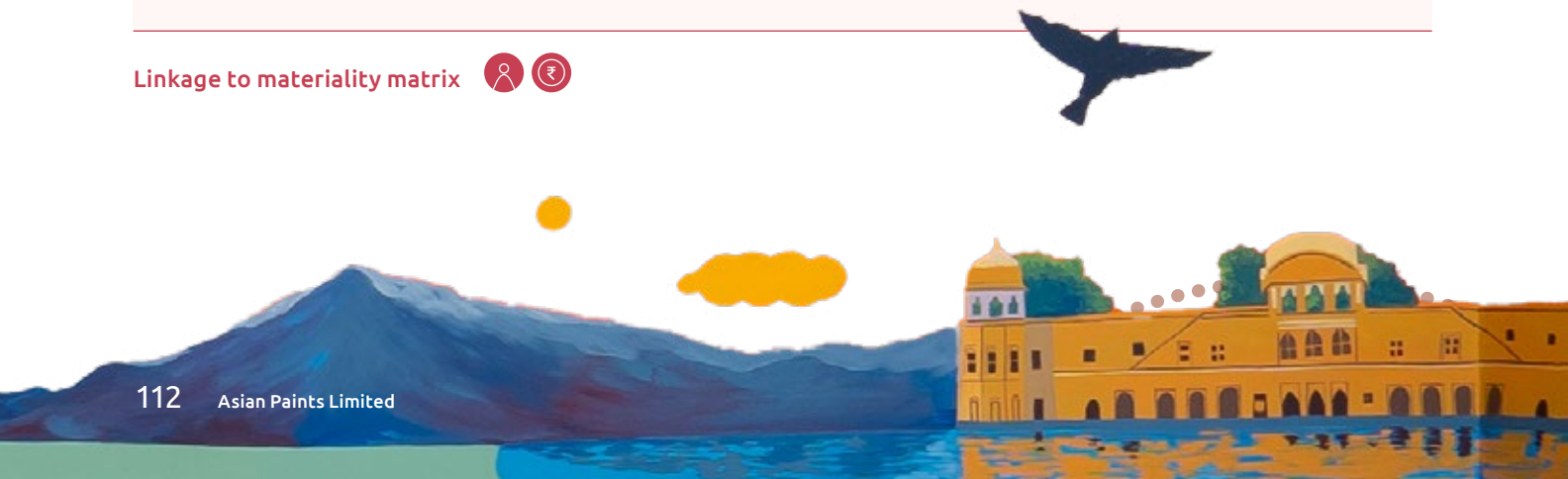
Process and product technology		
<b>Impact</b> Significant decrease in cost	<b>Description</b> Technology as a disruptor continues to be a top uncertainty. The digital economy has disrupted the interface of the customer with the industry. Product and manufacturing technology continues to provide opportunities to disrupt the offering to the customer with high efficiency and reliability	<b>Rationale for identifying Risk/Opportunity</b> <b>Opportunity:</b> Product and manufacturing technology continually provides opportunities for efficient and reliable offerings to the customer
<b>Mitigation strategies</b> <ul style="list-style-type: none"><li>• Have a robust pipeline of ideas for patenting and implementation</li><li>• Regular benchmarking with global players and internationally granted patents in paint and other allied industries</li><li>• Identify players for tie ups on areas where there is a technology gap in the product portfolio</li><li>• Consciously invest in emerging digital technology and create a first-mover advantage with a differentiated offering</li><li>• Scanning and early adoption of efficient and cutting-edge processing technologies</li></ul>		


Linkage to materiality matrix




Counterfeit products		
<b>Impact</b> Decrease in revenue	<b>Description</b> Counterfeit and spurious products pose a widespread global challenge, affecting nearly every sector and resulting in substantial losses for both industries and governments	<b>Rationale for identifying Risk/Opportunity</b> <b>Risk:</b> Counterfeit and duplicate products pose a serious risk to the entire industry causing loss of revenue, poor performance of products, and less reliability of the brand
<b>Mitigation strategies</b> <ul style="list-style-type: none"><li>• Work with agencies and local authorities across states to identify and target spurious and counterfeit products manufacturers, including label printers, and conducting regular raids and legal action</li><li>• Augmenting/enhancing anti-counterfeit measures in our packaging</li></ul>		

Linkage to materiality matrix





People




<div><b>Impact</b></div> <ul style="list-style-type: none"><li>• Increase in diversity of thought through induction of laterals</li><li>• Loss of talent</li></ul>	<div><b>Description</b></div> <p>Potential challenges and uncertainties associated with the employees.</p>	<div><b>Rationale for identifying Risk/Opportunity</b></div> <div><div><b>Risk:</b> Attrition of key talent impacting succession pipeline.</div><div><b>Opportunity:</b> Introduction of lateral talent within the workforce and opportunities for growth to the existing employees.</div></div>
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**Mitigation strategies**

- Identifying and developing the talent pipeline for all individuals in leadership position
- Regular engagement, evaluation and identification of pain points for employees with conscious efforts to improve on such identified areas
- Pegging of remuneration and benefits with the industry
- Driving efforts on Inclusion, Equity and Diversity (IED)

Linkage to materiality matrix   



Safety



Impact

Increase in the number of incidents occurred

Description

Our manufacturing operations involve employees interacting with machinery and material handling equipment, posing inherent risks of injury and potential exposure to hazardous materials or waste

Rationale for identifying Risk/Opportunity



Risk: Injury or occupational hazard

Mitigation strategies



- Adherence to standards pertaining to OHS, our Company's EHS policy, and highest operational standards for handling hazardous materials
- Continuous engagement with suppliers for identifying any new threats/better options to mitigate the risks
- Periodic risk assessments using quantitative risk assessment and closure of action plans arising out of such assessments
- Having a comprehensive Emergency response plan (ERP) in place
- Plant design to adhere to inherent safe design based on various applicable standards and adopting process Safety as a disciplined framework and closed loop handling of hazardous material
- Continuous progress in the Behaviour Based Safety journey by all plants

Linkage to materiality matrix    

## Governance

<div>  <b>Fraud</b>  </div>		
<b>Impact</b> Financial loss	<b>Description</b> Financial loss and hesitation to reporting of frauds	<b>Rationale for identifying Risk/Opportunity</b> <b>Risk:</b> Frauds lead to financial losses and stress on control systems
<b>Mitigation strategies</b> <ul style="list-style-type: none"> <li>Awareness sessions / trainings to encourage reporting of frauds and malpractices; new e-module released for online training</li> <li>Weekly reminders through 'CoC Compass – make the wise choice' issues released to guide employees on the decisions to be made in case of dilemma</li> <li>Investigations and disciplinary actions; investigation guidelines defined</li> <li>Stringent action against erring employees/entities involved</li> <li>Strengthening of fraud detection mechanism and periodic fraud risk assessments (FRA) through Fraud Risk Management governance framework</li> </ul>		

Linkage to materiality matrix   

<div>  <b>Information/cyber security</b>  </div>		
<b>Impact</b> Leakage of information	<b>Description</b> Threats to external cyber-attacks/hacking and internal leakage/modification of information/failure to protect information	<b>Rationale for identifying Risk/Opportunity</b> <b>Risk:</b> Loss of sensitive and confidential information and impact on the reputation of our Company
<b>Mitigation strategies</b> <ul style="list-style-type: none"> <li>5 level architecture in place to curb information and cyber security risk – Data Centre, Network, Application, Device and User Security</li> <li>Cyber Program Maturity (CPM) assessment by an external agency</li> <li>Vulnerability assessment done on a regular basis to identify weaknesses</li> <li>Continuous protection of confidential information across the IT landscape</li> <li>Investment in contemporary IT tools like firewall, VPN, identity management, email security, antivirus, etc. to ensure adequate protection of underlying data</li> <li>Periodic audits to ensure adherence to the processes</li> </ul>		

Linkage to materiality matrix 



## New business complexities


NEW

<p><b>Impact</b></p> <p>Financial loss</p>	<p><b>Description</b></p> <p>Tackling complexities of new business like:</p> <ul style="list-style-type: none"> <li>Requirement of unique technical expertise</li> <li>Managing different set of raw material and their safety requirements</li> <li>Compliance to new laws and regulations</li> </ul>	<p><b>Rationale for identifying Risk/ Opportunity</b></p> <p><b>Risk:</b> Difficulty in managing issues due to lack of experience in the new business leading to delayed commencement or financial loss.</p>
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**Mitigation strategies**

- Engaging with external advisors on niche roles having relevant knowledge experience.
- Involving technical and safety experts right from plant design stage to ensure safety related risks are minimised
- Involvement of expert to ensure all compliances are adhered to

Linkage to materiality matrix    



## Large capex execution and management

NEW

<p><b>Impact</b></p> <ul style="list-style-type: none"> <li>Delay in completion</li> <li>Cost overrun</li> <li>Safety incidents</li> </ul>	<p><b>Description</b></p> <ul style="list-style-type: none"> <li>Delay in commissioning on account of design change/rework, delay from vendor, manpower constraints, and other unforeseeable reasons or increase in capex cost due to delay or otherwise.</li> <li>Safety incidents that cause harm to people, property, and interrupt operations</li> </ul>	<p><b>Rationale for identifying Risk/ Opportunity</b></p> <p><b>Risk:</b> Overrun in the budgeted capital expenditure and timeline and safety incidents.</p>
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**Mitigation strategies**

- Before beginning any capex project, desired outcome from the project is identified and timeline within which it needs to be achieved is aligned
- Progress report is periodically prepared along with the Project Management team to track the actual spend against budget
- Safety based inputs incorporated at the designing stage itself
- Safety Manual containing detailed steps and precautions is available
- Basis Failure Mode and Effects Analysis (FMEA) and Hazard and Operability (HAZOP) study problems that may represent risks to personnel or equipment, or prevent efficient operation have been identified
- Permits system in place for evaluating the situation before critical operations are undertaken

Linkage to materiality matrix   



## Governance

### Residual risks

While our Company endeavours to mitigate risks within its articulated risk appetite, certain remote possibilities such as acts of God or macroeconomic factors may exceed these boundaries. Despite proactive measures, these risks persist, necessitating ongoing efforts to minimise their impact.

### Emerging risks

The Management has identified additional uncertainties such as supply chain disruptions due to political or geographical issues in foreign countries, as well as market risks associated with e-commerce. Proactive measures are being implemented as needed to mitigate the impact of these uncertainties.



## Business continuity plan

We have implemented a comprehensive Business Continuity Plan (BCP) to address, prevent or swiftly recover from any major disruption to its operations.

#### Risk/Scenario identification

Identify various scenarios and potential risks associated with it

#### Business impact analysis

Various impacts that might occur in case the scenarios are not addressed/prevented

#### Solution Design & Implementation Plan

Develop policies and response plans

#### Train & Maintain

Conduct different types of drills for additional preparedness

### Quality Assurance Review

During the year, our Company engaged with a reputed external agency to conduct an External Quality Assurance Review (QAR) of our Internal Audit function. The review aimed to independently evaluate the effectiveness of our Internal Audit function and assess the maturity of our audit processes. It encompassed various aspects such as structure, risk assessment, audit planning and delivery, compliance, methodologies, technology usage, knowledge management, and quality assurance. The review focused on three main pillars: process, people, and positioning, to determine if our internal audit processes, team, and positioning within the business were conducive to fulfilling our role effectively.

The assessment revealed that our Internal Audit function was at an advanced level in most sub-areas, with some areas identified for improvement, which were duly addressed. The outcomes, maturity assessment, and action plan status were reviewed by our Audit Committee.

### Trustees of tomorrow

Our employees are trustees of our Company's legacy – its resources, assets and opportunities. At Asian Paints, we ensure that we work towards the benefit of all our stakeholders.

### 'Kavach' Campaign: Securing Every Click

To address the increasing significance of information security, our Company launched a comprehensive campaign called 'Kavach.' This initiative is designed to raise awareness, educate employees, and mitigate cyber threats. Several strategies have been rolled out under the 'Kavach' campaign:

- Educational video snippets
- Email campaigns
- Phishing campaigns and training
- E-learning modules
- Awareness sessions

**11,300+**

**Employees received training under 'Kavach' in FY 2023-24\***

\* Additionally, 2851 off-roll staff has done training.



# Sustainable supply chain management@

Our effective supply chain management keeps us competitive by delivering an outstanding contribution to our top and bottom-line growth through impeccable product quality and excellent timely service while maintaining cost optimality. Through ethical sourcing, we minimise our environmental impact and actively promote social responsibility to create a more sustainable supply chain.

## 2025 TARGET

Proactive engagement with value chain partners to educate, empower and align them with our ESG commitments.

## Performance highlights

**~76.2%**

**Procurement from local suppliers<sup>^</sup>**

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

**~90%**

**RM/PM suppliers by value acknowledged the CoC for Business Partners**

**~77%**

**RM/PM of suppliers assessed for ESG maturity and impact under Program Samaveta**

## Approach

We are committed to embedding sustainability and resiliency across our value chain through our Sustainable Supply Chain Framework. This involves adopting a systematic

approach to engage with business partners resulting in increased awareness, deep collaboration, improved sustainability performance, and better disclosures. Further, we employ a rigorous stage-gate process for supplier evaluation, considering quality, delivery, price, and ESG factors such as environmental policies and human rights compliance.

## Sustainable supply chain framework

Our Code of Conduct for Business Partners outlines our expectations for suppliers regarding their ESG performance. In line with this, we

have formalised our Sustainable Supply Chain Framework and established a Responsible Procurement Policy to align internal procurement decisions with our ethical standards.

The framework focuses on criteria under the themes of Environment, Social and Governance. The criteria are based upon international sustainability standards such as United Nations Global Compact principles, International Labour Organisation (ILO) conventions, Global Reporting Initiative (GRI) standards, ISO 26000 standards, and CERES principles.

### Sustainable supply chain

Types of suppliers	Process	Tools
All suppliers	Acknowledge Code of Conduct for Business Partners	Supplier outreach
	ESG criteria in new supplier screening	Supplier onboarding process
	ESG Disclosure	Program Samaveta
Critical suppliers*	Comprehensive Site Assessment	
	Capturing Environment performance data	
Foundation: Code of Conduct for Business Partners & Responsible Procurement Policy		

\* Business partners that fall in the top quartile (75%) of value by spend or suppliers having a significant ESG footprint

@GRI 2-6: Activities, value chain and other business relationships

\*GRI 204-1: Proportion of spending on local suppliers

@GRI 308-2: Negative environmental impacts in the supply chain and actions taken



## Governance

### Vendor selection and onboarding criteria

Our vendor selection and onboarding criteria include the mandatory evaluation of compliance with environment-related regulations, such as valid consent and other authorisations, availability of environment policy and management system as well as self-declaration on key human rights principles. During the year, 149 suppliers were onboarded based on the evaluation.

### Code of Conduct for Business Partners

Our Code of Conduct for Business Partners sets the foundation for driving the ESG agenda across our value chain. The Code of Conduct for Business Partners has been acknowledged by 2,793 suppliers, accounting for 90% of the total raw material and packaging material suppliers.

### Engagement with suppliers – Program Samaveta

During the year, we rolled out our Supply Chain Sustainability program “Samaveta”, to institutionalise collaboration on Sustainability by establishing the ESG baseline & maturity and identifying areas of possible collaboration. We seek information from suppliers through self-declaration forms (SDFs) and also assess publicly disclosed information.

Under this program, 77% of our RM/PM suppliers by value were assessed on maturity and impact using ESG criteria.

### Assessing our suppliers on ESG parameters

We circulated a detailed Self-Declaration Form (SDF) to our suppliers to gain insights into their ESG practices, assess their impact and identify collaboration opportunities. Over 80% of raw material procurement by value is certified to meet social and environmental standards like SA 8000, ISO 14001/EMS, OHSAS 18001/ISO 45001, and EcoVadis ratings or relevant labels. We also conduct site-based or virtual assessments for suppliers with significant ESG footprints and plan to undertake capacity-building initiatives and common minimum programmes to engage them on key ESG aspects.

#### Key ESG criteria covered

##### Environment

- Energy and emissions
- Waste management
- Biodiversity
- Water

##### Social<sup>^</sup>

- Child labour and forced labour prohibition
- Human rights
- Healthy and safety
- Promoting work culture amongst suppliers
- Anti-discrimination
- Freedom of associations and right to collective bargaining
- Training, career and development
- Fair compensation

##### Governance

- General laws and regulations
- Business management and continuity
- Anti-bribery and Anti-corruption

#### Key highlights from the assessment through SDFs:

**75%**

of suppliers working on their environmental footprint

**70%**

of suppliers have documented human rights policies or position statements

**66%**

of suppliers have anti-bribery & anti-corruption policy / position statement

<sup>^</sup>GRI 408-1: Operations and suppliers at significant risk for incidents of child labor

<sup>^</sup>GRI 408-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor