
A Message from our Managing Director



Vivek Gambhir
Managing Director

Dear Readers,

I am very pleased to share with you, the second Sustainability Report for Godrej Consumer Products Limited. Through this report, we will share with you, an overview of our performance during the year and how, as a company, we are reinforcing our commitment to sustainability.

As a group, Godrej has always actively championed social responsibility. We are also deeply committed to driving the social progress of the communities that our businesses operate in. We have a 'shared value' approach to business growth and innovation. The idea is to link business success with social progress. At GCPL, we are trying to best leverage this as we grow into an emerging markets FMCG leader. Our strategy is to drive growth in the categories where we are leaders and have a competitive advantage. We follow a 3 by 3 approach to international expansion - a focus on 3 categories (home care, hair care, personal care) in 3 geographies (Asia, Africa, Latin America). We are looking for ways to drive longer-term inclusive and sustainable growth in these markets.

We delivered a resilient and reasonably good performance last year. The environment was challenging across most of our operating geographies and consumer demand was sluggish. However, we continued to outperform the market and sustained

market share across our categories. We expanded our gross margins and operating margins, while investing competitively to further strengthen our brands. Our company has also become stronger in many areas; this will enable us to deliver a more robust performance as the macroeconomic environment in many of our operating geographies improves.

We adapted well to the changing dynamics in the Indian environment. In particular, we navigated the adverse impact of demonetisation relatively well. We outperformed the market and delivered robust growth in profits. Our focus on premiumisation and cost optimisation helped ensure that our EBITDA growth was ahead of sales growth. We sustained or extended our market share in our core categories. We invested competitively in strengthening our brands. We also continued to make our go-to-market approach more robust. In the latter half of the year, we launched some exciting innovations such as the range of Goodknight personal repellents, the bathroom air freshener aer pocket, HIT Gel Stick and the *BBLUNT* Salon Secret crème hair colour.

Today, we rank among the largest household insecticide and hair care players in emerging markets. In household insecticides, we are the leader in India, the second largest player in Indonesia and are expanding our

₹9,548 Cr

Net sales

35%

Reduction in greenhouse gas
emission intensity

footprint in Africa. We are the leader in hair extensions in Africa, the number one player in hair colour in India and Sub-Saharan Africa, and among the leading players in Latin America. Last year we ventured into hair colour in Indonesia and we will continue to scale this up. The acquisition of Strength of Nature in the USA, a leading player in ethnic hair care, catapulted us to become one of the largest players globally, serving the hair care needs of women of African descent. It will, over time, also provide a platform for us to further build and drive global leadership. We rank number two in soaps in India. We are leaders in air fresheners in India and Indonesia and this has evolved into a core category for us globally.

'Godrej Good & Green', is our Group's vision for playing our part in creating a more inclusive and environmentally sustainable world. As part of Good & Green by 2020, we will aspire to train 1 million rural and urban youth in skilled employment, work towards environmental sustainability, and innovate for good and green products. Over the years, we have aligned our targets in line with global objectives like the United Nations Sustainable Development Goals, as well as regional priorities in the geographies we operate in.

As part of our environmental goals, we have set ourselves targets around carbon neutrality, water stewardship, zero waste to landfill, energy conservation, and increased renewable energy. As of March 2017, in India, compared to our baseline performance of fiscal year 2011, we have achieved a 35 per cent reduction in greenhouse gas emission intensity, 27 per cent reduction in specific energy consumption, 15 per cent

reduction in specific water consumption, 58 per cent reduction in specific waste to landfill, and have obtained 25 per cent of our energy from renewable sources at our India operations. We are also exploring ways in which we can extend our sustainability efforts to impact the entire life-cycle of the products. So, we have initiated life-cycle assessments of our manufacturing processes and are developing strategies to mitigate the impacts identified. I am happy to share that we have incorporated over 30 initiatives on clean technology, energy efficiency and renewable energy, across our manufacturing facilities in India. Our environmental efforts have been consistently recognised by industry peers. We ranked on the CDP India Climate Disclosure Leadership Index for the second time in a row in 2016. Our flagship manufacturing unit in Malanpur was rated 'GreenCo Gold' for consistent environmental performance by the CII-Sohrabji Godrej Green Business Center. Highlights of these, along with our initiatives across other locations, are detailed in subsequent sections of this report.

Since 2015, we have been expanding our environmental sustainability portfolio to gradually include our international operations, starting with a baseline evaluation. While we are in the process of streamlining green initiatives, we have made significant progress in several locations. For example, in Ghana we have reduced our specific water consumption by 64 per cent and reduced our Greenhouse Gas (GHG) emission intensity by 14 per cent. In Indonesia, we have reduced our energy and emission intensity by 18 per cent and reduced specific water consumption by 29 per cent.

187,000

Youth trained across India and Kenya

3,500,000

People reached out to as part of the EMBED programme

In Nigeria, we have reduced our specific water and energy consumption by 25 and 23 per cent respectively. We are committed to keep investing in green technologies and achieve performance of global standards for all our manufacturing units.

We are also working closely with all our partners, suppliers and vendors to drive sustainable practices across their operations as well. For example, all our suppliers are required to align with the [Sustainable Procurement Policy](#) that we introduced in 2015-16. This policy draws from internationally recognised standards and details our partnership expectations around aspects like integrity, human rights, health and safety, environmental sustainability and community development.

Climate change is a matter of great concern, globally. Among its other effects, changes in weather patterns impacts the livelihood of many people. We are partnering with National Bank for Agricultural and Rural Development (NABARD) in India, to help mitigate the risk of climate change for local farmers. We are also creating renewable energy ecosystems in parts of rural India and making local youth more aware about the potential of renewable energy to meet their energy needs. Additionally, to tackle the serious challenge of solid waste management, we have extended our commitment to send zero waste to landfill beyond our manufacturing plants to include local communities. We are working with non-profit organisations, colleges, and local municipalities to segregate and process waste in an environmentally friendly manner, which otherwise would end up in landfills.

A focal point of our sustainability strategy, is creating shared value in the communities where we operate. We initiated the Elimination of Vector Borne Endemic Diseases (EMBED) programme with the aim to reduce morbidity and mortality due to malaria and dengue in regions reporting high Annual Parasitic Index (API). In the first phase, we are working in Madhya Pradesh, a state with one of the highest malaria burdens in India. We have collaborated with non-profit organisations and the state government to run intensive behavior change programmes for vulnerable and marginalised groups. The programme currently addresses 36 per cent of the malaria burden of the state and has reached out to over 35,00,000 people. As a result of our efforts, we were awarded the Porter Prize 2016 for creating shared value impact.

By improving access to the labour market through vocational training, we can help increase incomes and strengthen social networks for youth from under-privileged communities. Such access can also be a powerful tool for poverty reduction. So, skilling youth is high on our agenda. We are working towards building a pipeline of talent and simultaneously addressing the cause of livelihood creation in these areas. Since 2011, we have trained more than 1,87,000 youth in India and Kenya in skills that will enhance their earning potential. We collaborate with non-profit organisations and social enterprises to run these programmes. Our flagship programme in India, Godrej Salon-i, a beauty and wellness programme, has been recognised by industry peers such as the Beauty & Wellness Sector Skill Council. In Kenya, we are training young girls and young

#12

In Asia's Best Workplaces 2017

1,000

Godrejites volunteer every year
during Godrej Global
Volunteering Day

mothers from underprivileged backgrounds in hair care and beauty skills. Since 2012, the Darling Hair and Beauty centers have trained over 1,700 women across Nairobi and Kisii, Migori and Machakos Counties, enabling them to increase their earning potential.

Being an employer of choice is a very important part of our overall ambition of being a leading global FMCG player. We take much pride in creating a supportive, enabling work environment with stretch roles and great career opportunities to help people learn and grow. Attracting and developing top women talent, to have a robust pipeline of potential leadership, is a key priority for us. So, we are reviewing policies and infrastructure to ensure that we provide the support that women require to thrive at work. We are also very fortunate to be able to build on the strong Godrej legacy of trust, integrity and respect for others. GCPL has consistently been ranked as the best FMCG Company to work for in India, 13 years in a row, in the Great Place to Work Study (most recently in 2016).

We encourage our team members to volunteer their time and skills for their communities. One of our initiatives is the Godrej Global Volunteering Day, our annual day of community service, and is celebrated across all our locations worldwide. Over 1,000 of our team members volunteer every year in schools and local education institutes and spend a day coaching students.

For us at Godrej, it has always been most important that besides our strong financial performance and innovative, much-loved products, we remain a 'good' company. This has held us in very good stead for over 120 years now. We believe that together with your

partnership and support, we will continue to further this commitment to sustainability and use the tremendous opportunity and responsibility we have, to address some of the biggest socio-economic problems of our times.

Yours sincerely,

Vivek Gambhir
Managing Director