

#livingthegodrejway

# VEGETABLE OIL IN SOAPS. A FIRST FOR INDIA.

*Innovation  
for a culture-conscious  
economy.*

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## Discussion on stakeholders, materiality and externalities

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## STAKEHOLDER ENGAGEMENT

# CONNECTING BEYOND BUSINESS

## The stakeholder engagement process

In consultation with our multiple business functions, we identified and formed a list of the most relevant stakeholders who are critical to our business. We formulated a stakeholder engagement process that will enable us to consult them, keep them informed of the latest activities, engage with them regularly and collaborate with or empower them. We gauged the level of engagement of each stakeholder group. We also organised stakeholder engagement workshops to understand their views and obtain feedback regarding our performance.

## Our approach

### Identification

For us, at GCPL, stakeholders are those individuals or groups of individuals who can be impacted by and have an impact on our products, services and activities. We identified stakeholder groups from our various business functions.

### Prioritisation

We prioritised the stakeholders based on the extent of their influence on our business functions and also their dependence on us.

### Engagement

We selected a representative sample of each stakeholder group from each location. We then conducted engagements through various forums and discussion platforms.



*Our Argentina team in a workshop for The Godrej Way – the values that connect us as a business.*

**Stakeholder prioritisation**

**Collaborate/empower**

We engage and collaborate with the stakeholders to find solutions to issues and make the greatest efforts to keep them satisfied.

**Inform/engage**

We ensure that the stakeholders' concerns are proactively addressed using constant communication and engagement initiatives.

**Consult/evolve**

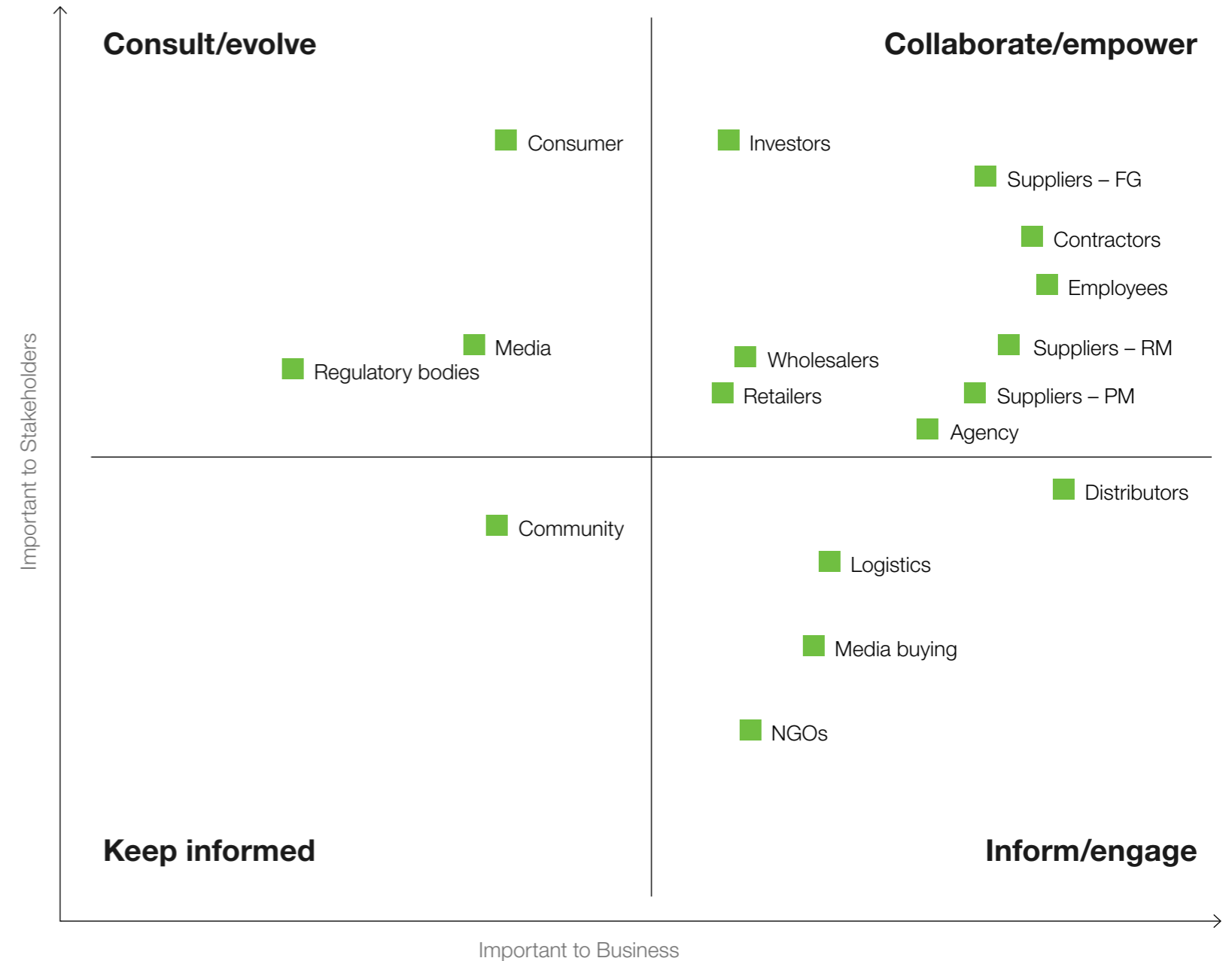
We consult our stakeholder groups with regard to policies and practices that can materially affect them or their livelihoods.

**Keep informed**

We periodically keep our stakeholders informed as they influence our business operations.

Sl. No.	Stakeholder group	Frequency of interaction	Mode of interaction	Key concerns
1	Employees	Ongoing	Internal surveys	Company's development strategies
2	Consumers	Ongoing	Customer feedback channels	Product quality, safety of product
3	Investors	Quarterly	Analyst meets	Macroeconomic performance in a rapidly changing global environment
4	Suppliers	Need-based	Supplier meets, audits	Long-term business commitments

**Stakeholder prioritisation matrix**



**MATERIALITY**

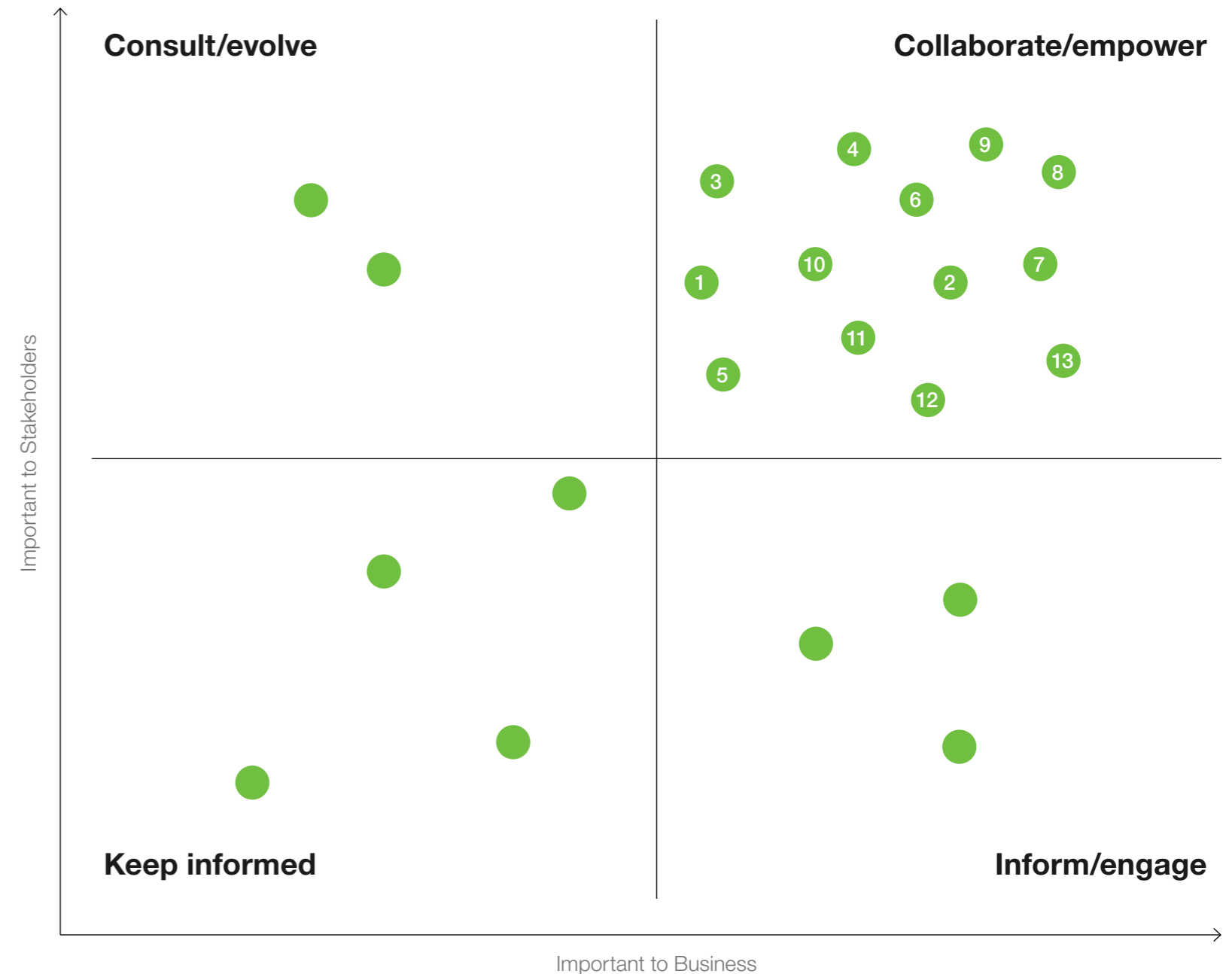
# PRIORITISING THE MATERIAL FACETS

## Determining materiality

We initiated the process of arriving at material issues concurrently with the stakeholder engagement process. After evaluating the material issues reported among peers in the FMCG sector and after consultation with sector guidelines for the retail sector and our management, we identified and presented a broad list of material issues. After a thorough assessment, we reduced the list to 37 issues that were the most important and relevant. Our stakeholder groups (i.e. our team members, consumers, distributors/retailers, investors and suppliers) then ranked each issue presented to them based on their perception of its criticality to GCPL. Once all the scores were obtained, we collated them to determine the top issues, ranked by importance.

1. Product safety and quality
2. Occupational health and safety
3. Energy consumption
4. Emissions
5. Waste and effluents
6. Water
7. Solid waste
8. Economic performance
9. Diversity and equal opportunity
10. Packaging
11. Supply chain
12. Employee engagement
13. Emerging regulations

## Materiality matrix



## MATERIALITY

## MATERIAL ISSUES

Sl. No.	Material issue	Boundary	Indicator	Page reference
1	Product safety and quality	Outside	GRI 416-2	28
2	Occupational Health and Safety (OHS)	Inside	GRI 403-2	54
3	Energy consumption	Inside	GRI 302-1, 302-3	38
4	Emissions	Inside	GRI 305-1, 305-2, 305-4	40
5	Waste and effluents	Inside	GRI 306-2	44
6	Water	Inside and outside	GRI 303-3 + Beyond	41
7	Solid waste	Inside and outside	GRI 306-2+ Beyond	75
8	Economic performance	Inside	GRI 201-1	60

Sl. No.	Material issue	Boundary	Indicator	Page reference
9	Diversity and equal opportunity	Inside	GRI 405-1 (Partly covered)	50
10	Packaging	Inside and outside	GRI 301-1 (Partly covered)	30
11	Supply Chain Management (SCM)	Outside	GRI 308-2, 414-2	32
12	Employee engagement	Inside	GRI 401-1, 404-1 + Beyond 405	52
13	Emerging regulations	Inside and outside	–	63

## RISKS AND OPPORTUNITIES

# MANAGING THE EXTERNALITIES

As a large organisation with a global footprint, we are indeed exposed to certain macro trends that can have a material impact on our business. Some of these trends include the emergence of fast-evolving digital technologies and global economic uncertainties. At GCPL, we are highly cognisant of the uncertainties in our areas of operations. We have therefore devised a business strategy to capitalise on the opportunities presented and mitigate the risks.

## Risk identification and management

Our comprehensive risk management process includes prioritisation of risks related to increase in operational costs, Occupational Health and Safety (OHS) and environmental protection, among others. We also focus on other risks such as legislative changes resulting in a change in taxes, duties and levies, whether local or central, that impact business performance and relative competitiveness.

Expanding our market reach will eventually also expose us to the increasing risk of climate change, which can impact our operational and financial performance, and overall sustainability.

## Board and senior-level interventions in risk management

Our Board-level risk management committee is chaired by an Independent Director. The role of this committee is to identify potential risks and develop mitigation strategies. In this regard, the Board and Senior Management scrutinise business activities to mitigate the risks that may arise. Additionally, we have set up certain procedures that guide us in risk management. We also conduct regular trainings on Enterprise Risk Management to create awareness in the organisation as a whole. We train team members on risk definition, risk identification, risk rating, risk classification, risk prioritisation, and risk mitigation, control, and review.

## RISKS AND OPPORTUNITIES

### Business

#### RISK DESCRIPTION

- Emergence of new players in the market with organic product Unique Selling Propositions (USPs)
- Unfavourable fluctuations in the currency and/or open exposures could put pressure on the cash flow and margins

#### MITIGATION STRATEGIES

- Launched new products in the natural category space
- GCPL Forex Committee-devised forex policy to monitor all exposures and hedging. Monthly review meetings of the committee to ensure proper execution of the policy.
- Decision-making to be aided by contemporary tech-enabled platforms
- Maintain net exposure limit

### Supply chain

#### RISK DESCRIPTION

- With a vast and extensive supply network comes the additional responsibility of ensuring every member of the value chain is carrying out business activities in the most efficient manner possible
- It becomes imperative for us to evaluate and select our suppliers keeping in mind their environmental performance, among others, because failure to do so may result in adverse effects

#### MITIGATION STRATEGIES

- Our Supplier Risk Assessment helps to identify and mitigate risks that could come up along our value chain. Critical suppliers are segregated based on their monopoly and the impact they could have on our overall business. We carry out our own assessments as well as employ the services of a third party to assess suppliers' quality and their economic, social and environmental performance. The key risks identified are then mitigated through various approaches.

- We also build the competency of suppliers through our training and capacity building programmes. As a means of motivation and positive reinforcement, we recognise and award our suppliers and distributors that demonstrate exemplary performance.
- We have also developed a Sustainable Procurement Policy that includes recognised international standards and is applicable to all our suppliers. We are working closely with our suppliers to monitor and better their sustainability performance.

 *Read more about our SCM on Page 32*

### Environment

#### RISK DESCRIPTION

- With a call to action by major nations and governments alike to reduce the impact of industries on the environment, we must run our operations in the most efficient manner, either by improving processes or by employing newer and cleaner technologies. The costs associated with non-compliance and side-stepping local laws and regulations carry significant monetary fines as well as reputational damage.

#### MITIGATION STRATEGIES

- We focus on energy and water conservation, Greenhouse Gas (GHG) mitigation, waste minimisation and use of renewable energy to tackle climate change. The team then proposes the necessary mitigation measures. This has been working successfully and several measures proposed by the team have been implemented and have yielded excellent benefits.

 *Read more about our Environmental Initiatives on Page 35*

## RISKS AND OPPORTUNITIES

### Natural resources

#### RISK DESCRIPTION

- Dependence on natural resources is a long-term economic threat as well as a threat to the environment, considering their limited availability
- There is an additional pressure to source raw materials from suppliers who meet sustainable agriculture and environmental guidelines
- Water management is another similar issue that affects not only the production growth, but also the local communities in which we operate

#### MITIGATION STRATEGIES

- As part of our efforts to sustainably source natural resources, we strongly promote and develop products that are not energy- and water-intensive and opt for materials that emit lesser GHGs

- We are progressing towards looking at our value chain in a cyclical manner by focusing on lifecycle costs and preferring 100% recyclable and renewable alternatives
- We understand the problems caused by water shortage and have invested in an integrated watershed development project in the drought-prone regions of Siddipet district, Telangana, India, to help restore the ecological balance of the region

 *Read more about our Water-related Initiatives on Page 41*

### Community unrest

#### RISK DESCRIPTION

- Being a resource-heavy industry, we must be especially aware of our consumption and production patterns, keeping in mind the communities that work around our factories. Our business activities must not come in the way of their ability to live a healthy life. Failure to do so may result in agitations and unrest, along with regulatory sanctions.

#### MITIGATION STRATEGIES

- To better understand our community stakeholders, we carry out a detailed community needs assessment at our priority plant locations
- We work closely with the community members to understand their priorities and work towards the overall development of the region where we operate. As a result, we have streamlined our development activities and run a number of community initiatives to address the immediate needs

of the communities we operate in across our locations in India.

- We primarily invest in education, water, sanitation and skill building initiatives in villages in and around our manufacturing facilities

 *Read more about our Social Initiatives on Page 65*



## RISKS AND OPPORTUNITIES

# OPPORTUNITIES

We believe that on the other side of every risk is an opportunity waiting to be explored.



*Product range customised to the region*

Our 3x3 strategy of building presence in the emerging markets of Asia, Africa, and Latin America across 3 product categories (home care, personal wash, and hair care) in itself presents great opportunities.

We have been persistently expanding our businesses and market reach in these regions building upon short-term and long-term growth opportunities. Emerging markets account for a majority of the world population with a growing section of people with disposable income. These consumers are interested in purchasing consumer products previously unavailable in the region. As a leading consumer goods company, this scenario presents a great potential to acquire a significant share of this growing market. We constantly adopt better tools and strategies for market penetration to explore these economies.

Climate change imposes a great threat on businesses world over. As a responsible business, this has challenged us to be more innovative and sustainable in our approach.

We designed our Good and Green initiative in 2011 and set ambitious targets for ourselves, with an aim to build an inclusive and greener world. One of the key goals is to generate a third of our revenues from good and/or green products. Continuing on this journey, this year, we are in the process of developing a first-of-its-kind, powder-to-liquid handwash that will positively impact the environment in terms of plastic waste and emissions reduction.

There is a possibility of the Perform, Achieve and Trade (PAT) scheme, under the purview of the National Mission on Enhanced Energy Efficiency, being extended to the FMCG sector.

As per the existing regulation for energy-intensive sectors under this mechanism, the baseline energy intensity levels of companies within the industrial sector are assessed. Based on the industry average, the Bureau of Energy Efficiency (BEE), a regulatory body, sets a target. If a company exceeds the set target, they can sell the credits, and if they fail to achieve the target, they have to buy the credits. We are prepared for this and our performance is improving year after year. Our major manufacturing facility located at Malanpur has also been awarded the CII-GreenCo Gold certification for its overall performance on environmental sustainability indicators.