Climate Transition Strategy

Zydus Wellness

Nurturing Wellness

VISION

We bring wellness to your life. We will create new experiences with our products that will nourish, nurture & energize your life.

We shall lead the way through innovation.

OUR DNA

To build new emergent categories with differentiated product propositions. Philosophy of building products that are good for you.

OUR COMMITMENT

We are dedicated to fostering resilience, sustainability, and innovation across all aspects of our operations, ensuring a healthier planet while enriching lives through our products and practices.

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Purpose of the Document

This position statement outlines Zydus Wellness' approach to climate change. Climate change is one of the critical global challenges of our time. Action in line with the goals of the Paris Agreement is essential to achieving the Sustainable Development Goals, given the interconnected links between climate change, water, biodiversity, & socio-economic development. This integrated approach is central to Zydus Wellness' Sustainability Strategy, reflecting our enduring commitment to responsible business practices & to contributing to sustainable development.

Zydus Wellness is dedicated to being part of the solution by responsibly managing its operations, enhancing the resilience of its communities, & aligning its strategies to support the transition to a Sustainable future. With a focus on innovation & sustainability, we aim to ensure our products & practices contribute positively to a sustainable future.

Our Transition Plan to a Sustainable Future

Climate change presents an unprecedented challenge, with tangible impacts on our business, supply chains, ecosystems, & the communities we operate in. The stakes couldn't be higher. Our ability to achieve the Sustainable Development Goals (SDGs) depends on taking urgent action to combat climate change. The challenge is significant both in terms of urgency & the scale of action required. Furthermore, there are intricate links between food security, livelihoods, & environmental sustainability.

At Zydus Wellness Ltd., we recognize that where challenges are greatest—within agriculture & food systems—lie some of the most promising solutions. These solutions not only reduce emissions but also address pressing issues like food security & biodiversity preservation. We see an opportunity to transform our food systems, increasing access to healthy & nutritious food for a growing population while minimizing environmental impact.

We firmly believe that delivering superior healthy nutrition to consumers & patients depends on preserving & regenerating nature & ensuring thriving people & communities. This is a strategic imperative to fulfil our mission & ensure sustainable performance in the short, medium, & long term.

We also recognize our responsibility to ensure a just transition to a low-carbon economy. This includes addressing the human rights risks & impacts of climate change, as well as the potential impacts of our mitigation & adaptation efforts on people—especially vulnerable stakeholders who are disproportionately affected by the climate crisis & the transition.

The following pages outline our roadmap & the key pillars of our Climate Transition Plan, which will guide us in meeting our 2030 targets. It provides an overview of the detailed work that we will continue to refine & develop over the coming years. More fundamentally, it serves as a blueprint for the future of our business—seizing opportunities for efficiency, innovation, & growth from a low-carbon transition, & reaffirming our commitment to addressing the climate crisis.

The Plan for Future: Key Focus Areas

Partnering with Sustainable Suppliers	•Mapping and collaborating with suppliers, including dairy farmers, in water -stressed areas to mitigate supply chain risks and promote resilience. •Ensuring compliance with ZWL Sustainability Standards to integrate accountability and sustainability into the supply chain.
Reformulating Products with Sustainable Ingredients	•Reformulating product compositions for Nycil and Glucon-D jars, reducing environmental impact while maintaining product quality and consumer trust. •Aligning formulations with sustainable practices and low -GHG ingredients, focusing on innovation and product improvement.
Sustainable Agriculture and Lower Carbon Dairy	•Promoting water-efficient practices in dairy supply chains and mapping suppliers in water -stressed regions to address future supply chain risks. •Developing methane-reduction strategies for dairy suppliers as part of a broader Scope 3 emissions mitigation plan.
Optimizing Packaging for Circularity	•Transitioning to lightweight packaging, including reductions in Nycil and Glucon-D jar weights, to lower material usage and emissions. •Designing packaging with recyclable and sustainable materials to support circular economy principles.
Energy Efficiency and Renewable Integration	•Installing a 2MW solar power plant at Aligarh and adopting bio -briquettes as boiler fuel across all operational sites. •Implementing energy-efficient retrofitting technologies at facilities to reduce operational emissions.
Water Resource Management	•Reducing freshwater dependency by 25% by 2030 through Zero Liquid Discharge (ZLD) systems at Ahmedabad and Sikkim. •Expanding rainwater harvesting systems and wastewater reuse programs across operational sites to enhance water stewardship.
Streamlining Logistics for Lower Emissions	•Optimizing logistics through enhanced route efficiency and transitioning to low -emission networks to reduce transport -related emissions. •Adopting digital tracking systems to improve supply chain efficiency and monitor logistics -related emissions.
Strengthening Climate Resilience Across Operations	•Conducting climate risk assessments to identify vulnerabilities and enhance operational preparedness. •Diversifying supply chain routes and establishing co-manufacturing setups to mitigate disruptions caused by natural disasters.
Driving Innovation for Low-Carbon Growth	•Leveraging R&D to develop low-impact processes and products, driving innovations in sustainable formulations. •Accelerating future-ready solutions to support net-zero ambitions and meet evolving consumer expectations.

Bringing Wellness to Life through Nourish, Nurture, & Energize

At Zydus Wellness Ltd., our sustainability framework is structured around three pillars—**Nourish**, **Nurture**, & **Energize**—to drive meaningful impact for consumers, communities, & the planet. These pillars are supported by our commitment to collaboration with our ecosystem of partners.

Nourish: Delivering Health & Sustainable Nutrition

Zydus Wellness' product portfolio is designed to provide innovative & healthier choices for consumers. Each brand under the **Nourish** pillar focuses on delivering nutrition while promoting sustainability & reducing environmental impact.

- ***Sugar Free:***
  - Market leader with a 96% share in the sugar substitute category, offering options like **Sugar Free Gold**, **Natura**, & **Green** to help consumers manage calorie intake without compromising on taste.
  - Expansion into **Sugar Free D'lite Dark Chocolates** & **Oat Cookies** ensures healthier snacking alternatives with natural ingredients & low-calorie options.
- ***Glucon-D:***
  - Legacy glucose-based energy booster with over 40 years of trust & a market share of 60.1%.
  - Continuous innovation with variants like **ImmunoVolt** for boosting immunity & convenient single-serve sachets for energy on the go.
- ***Complan:***
  - Iconic heritage brand for 75+ years, known for its superior protein content & clinically proven benefits for faster growth & cognitive development.
  - Made from 100% high-quality milk protein, addressing nutritional requirements sustainably.
- ***Nutralite:***
  - Leading the butter substitutes segment with products like **Nutralite Table Spread**, fortified with Omega-3 & vitamins.
  - Recent innovations include **Nutralite Doodhshakti Probiotic Butter Spread** & **Pure Ghee**, designed to enhance immunity & provide sustained energy.

Nurture: Caring for Communities & Preserving Nature

Under the **Nurture** pillar, Zydus Wellness emphasizes creating a positive social & environmental impact through its operations, supply chain, & community initiatives.

- **Sustainable Agriculture & Dairy Supply Chains**:

    - Partnering with 25,000 farmers through 36 milk collection centres to ensure sustainable & ethical sourcing practices.
- **Water Stewardship**:
    - Implementation of rainwater harvesting projects, ZLD systems, & water conservation measures across manufacturing sites in Aligarh, Sikkim, & Ahmedabad.
    - Commitment to reducing freshwater consumption by 25% by 2030.
- **Biodiversity & Ecosystem Preservation**:
    - Tree plantation initiatives, including Miyawaki forests, to restore ecosystems & support local biodiversity.
    - Adherence to responsible sourcing practices to eliminate deforestation risks.
- **Community Development**:
    - Organizing Dairy Development Camps & farmer training programs to support rural livelihoods.
    - Promoting access to affordable & nutritious food through brands like **Glucon-D** & **Complan**.

Energize: Driving Innovation & Low-Carbon Growth

The **Energize** pillar focuses on accelerating Zydus Wellness' transition to a low-carbon economy by leveraging innovation & operational excellence.

- **Renewable Energy & Operational Efficiency**:
    - Scaling solar energy adoption, including ongoing projects at Aligarh & other sites, to achieve 50% renewable energy use by 2030.
    - Retrofitting facilities with energy-efficient technologies to reduce GHG emissions by 50% by 2030 & achieve carbon neutrality by 2040.
- **Circular Packaging & Waste Reduction**:
    - Transitioning to 100% recyclable or biodegradable packaging across product lines.
    - Reducing waste generation through closed-loop systems & improved resource efficiency.
- **Logistics Optimization**:
    - Streamlining logistics networks with route optimization & alternative fuel vehicles to lower transportation emissions.
    - Enhancing digital tools to track & reduce supply chain inefficiencies.
- **Product Innovation for Sustainability**:

- Reformulating products like **Sugar Free Green** & **Everyuth Naturals** to reduce environmental impact while delivering superior consumer benefits.
- Expanding R&D efforts to develop low-GHG ingredients & energy-efficient production processes.

Differentiated Brands Driving Wellness

Zydus Wellness' differentiated brands, including **Everyuth**, **Nycil**, & others, play a pivotal role in advancing sustainability.

- **Everyuth Naturals**:
  - Leveraging natural ingredients to offer sustainable skincare solutions, with market leadership in scrubs (43.8% share) & peel-offs (78.9% share).
- **Nycil**:
  - Trusted prickly heat powder with a unique Ayurvedic formula, designed to provide relief while promoting sustainable sourcing practices.

Climate Governance Mechanism

At Zydus Wellness Ltd., climate governance is embedded within the company's overarching Environmental, Social, & Governance (ESG) framework. A comprehensive governance structure ensures alignment of climate-related strategies with corporate goals, regulatory requirements, & global ESG standards.

Board Oversight

The **CSR & ESG Committee**, composed entirely of members of the Board of Directors, provides strategic oversight of climate-related initiatives. This committee is tasked with:

- **Strategic Vision**: Defining the ESG agenda, including climate-related strategies, to drive sustainability across operations.
- **Risk & Opportunity Assessment**: Evaluating climate-related risks & opportunities to ensure resilience & adaptability in the company's business model.
- **Monitoring & Approvals**: Reviewing & approving public climate-related disclosures to ensure compliance with regulatory requirements & alignment with global best practices.
- **Reporting**: Providing quarterly updates to the Board of Directors on climate-related risks, opportunities, & progress against strategic ESG objectives.

The Board ensures that climate-related issues are regularly scheduled on its agenda (at least quarterly), demonstrating its commitment to accountability &

integration of climate considerations into the company's broader business strategy.

Management Responsibility

The implementation & day-to-day management of climate-related strategies are driven by a robust framework consisting of the **ESG Steering Committee**, **CEO oversight**, & the **ESG Leads & Working Council**.

ESG Steering Committee: This committee comprises Heads of Departments (HoDs) from critical functions & aligns Zydus Wellness Ltd.'s ESG strategy with its corporate vision. The committee is responsible for:

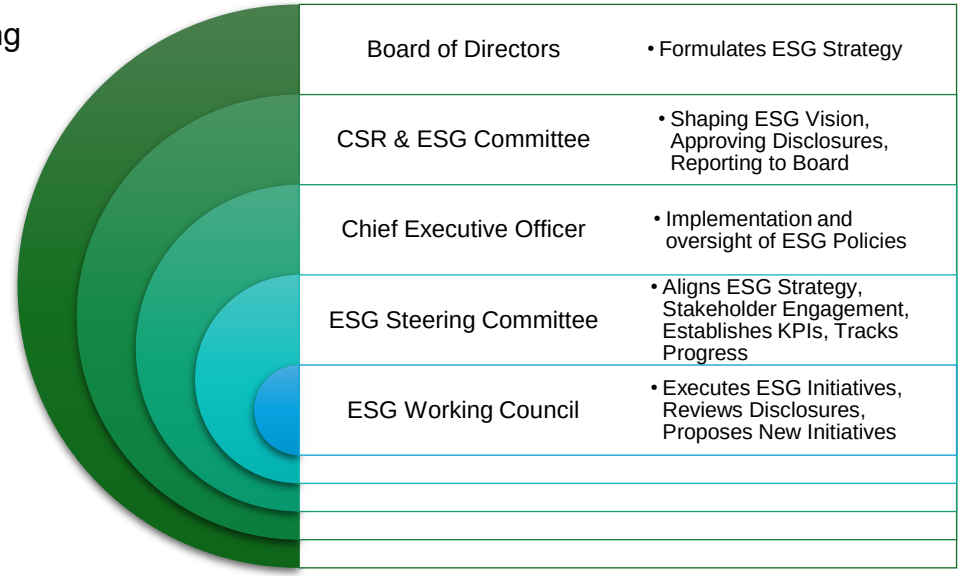
- Conducting stakeholder engagement & setting ESG key performance indicators (KPIs).
- Tracking the progress of climate-related goals & preparing recommendations for the board-level CSR & ESG Committee.
- Overseeing both internal & external ESG communications to ensure transparency.

CEO Oversight: The Chief Executive Officer is directly accountable for:

- Leading the implementation of Business Responsibility & Sustainability policies.
- Overseeing climate-related initiatives to ensure they align with the company's long-term ESG commitments & Board directives.

ESG Leads & Working Council:

- **ESG Leads**: Designated for each ESG pillar (Environment, Social, & Governance), these leads oversee climate-related activities, external certifications, & ratings.
- **ESG Working Council**: Led by Single Points of Contact (SPOCs) from various departments, the council ensures on-ground implementation of climate-related programs, updates the ESG Steering Committee, & develops policies & SOPs for review.



Climate-Related Management Incentives

To ensure accountability & align organizational goals with climate-related targets, Zydus Wellness Ltd. integrates climate performance metrics into its incentive structure. Employees across various levels of the organization, from business unit managers to operations staff, are incentivized through individual Key Performance Indicators (KPIs) tied to climate-related goals. These incentives are designed to drive energy efficiency, renewable energy adoption, & operational improvements, fostering a culture of sustainability & continuous improvement.

For more details on the performance appraisal process & the design of KPIs, you can refer to the **Performance Appraisal Deck (PEAK)** available on the company's website.

Beneficiaries of Incentives	Type of Incentive	Description of Incentivized Climate KPIs
Business Unit Managers	Monetary	**Energy Reduction Initiatives**: Assigned individual KPIs focused on energy reduction. These KPIs influence their variable pay (bonus), with weightages defined by management to reflect performance.
Plant Heads & Named Executives	Monetary	**Renewable Energy Adoption**: Plant heads have KPIs aimed at increasing renewable energy usage. Their variable pay (bonus) is tied to achieving these targets, with specific weightages set by management.
Production & Operations Employees	Monetary	**Operational Efficiency Improvements**: KPIs assigned to improve production efficiency & reduce resource use. Achievement of these KPIs is linked to variable pay (bonus), encouraging sustainable operations.

Table 1: Climate Related management Incentives

Understanding Climate Change Impacts: Assessing Risks & Unlocking Opportunities

Zydus Wellness Ltd. integrates climate-related risks & opportunities into its centralized enterprise risk management framework as outlined in the ZWL Risk Management Policy & Procedures. This comprehensive approach encompasses strategic, operational, financial, & compliance domains to ensure resilience & sustainability across all operations. The framework leverages robust monitoring systems, predictive

analytics, & stakeholder engagement strategies to proactively address climate-related risks & seize opportunities. Detailed risk identification, mitigation, & monitoring processes are systematically guided by the Risk Management Policy, ensuring informed decision-making at every level of the organization.

The process incorporates detailed assessments, stakeholder collaboration, & regular audits to identify & manage potential impacts on operations, supply chains, & infrastructure.

Key Processes in Assessing Climate Risks & Opportunities

1. **Physical Risk Management**
    - **Modelling Tools:** Climate risk modelling tools are used to pinpoint high-risk & vulnerable areas across operations, supply chains, & infrastructure.
    - **Detailed Assessments:** The company evaluates specific physical risks such as floods, droughts, cyclones, & heatwaves, focusing on their potential impact on operations & raw material availability.
    - **Site-Specific Risk Evaluation:** Special emphasis is placed on high-risk zones, including Sikkim (prone to landslides & earthquakes), Aligarh & Ahmedabad (facing water scarcity). Mitigation strategies are customized for these locations to ensure continuity in operations.
2. **Regulatory & Legal Compliance**
    - The Climate Transition Policy integrates compliance with regulations through a strategic focus on Extended Producer Responsibility (EPR). This ensures proper management of recycling & sustainability obligations while addressing regulatory risks.
    - Comprehensive audits & third-party assessments are conducted to ensure adherence to environmental laws, Zero Liquid Discharge (ZLD) mandates, & water-use efficiency standards.
3. **Stakeholder Collaboration**
    - ZWL actively engages with local communities & suppliers to identify shared risks & explore joint solutions, particularly in managing water availability & preparing for extreme weather events.
    - The ESG Steering Committee & Working Council hold regular discussions to monitor & address evolving climate-related risks.

4. **Annual Audits & Continuous Monitoring**
    - Annual climate risk audits are conducted across all manufacturing sites to assess current vulnerabilities & drive potential improvements.
    - Climate risk findings & mitigation actions are integrated into ZWL's overarching Climate Transition Policy, ensuring alignment with long-term sustainability objectives.

Climate Scenario Analysis

ZWL integrates qualitative scenario-based analyses to evaluate potential climate-related risks & opportunities across its operations & value chain. The analyses are aligned with pathways reflecting less than 2°C & greater than 2°C temperature increases, ensuring preparedness for a range of climate-related scenarios.

Key Insights from Scenario Analysis:

1. **Transition Risks & Opportunities**:
    - The assessments consider the impact of stringent climate policies & regulatory shifts on operational processes, energy strategies, & procurement frameworks.
    - Focus is placed on evaluating the implications of transitioning to renewable energy & adopting sustainable practices across the value chain.
2. **Physical Risks**:
    - Climate scenarios are used to assess the potential impacts of long-term physical risks, such as extreme weather events, water scarcity, & supply chain disruptions.
    - Emphasis is given to understanding regional vulnerabilities & strengthening operational resilience in high-risk zones.

This scenario analysis supports ZWL's ability to anticipate & guide the company's mitigation measures & strategic decisions, ensuring sustainable growth & operational continuity in a changing climate.

Risk Category	Type of Risk	Description of Risk	Mitigation Plan
Physical Risk	**Acute Physical Risk**	Short-term risks, such as extreme weather events (e.g., floods, cyclones, and landslides), are assessed for their impact on operations, supply chains, and logistics.	Multi-site manufacturing mitigates disruptions at single locations, while supply chain strategies address logistics challenges in high-risk regions like Sikkim. Emergency response systems are implemented to reduce operational impacts.
	Chronic Physical Risk	Long-term risks, including rising temperatures, water stress, and sea level rise, are considered for their potential impact on the company's assets and supply chains.	Investments in water recycling systems (e.g., rainwater harvesting) and diversification of sourcing locations for high-risk raw materials ensure continuity. Transitioning to renewable energy and building sustainable supply chain partnerships reduce vulnerabilities.
Transitional Risk	**Current Regulation**	Compliance with existing environmental laws and regulatory reporting requirements, such as ZLD standards and regular audits.	Regular environmental audits, ZLD compliance, and air/water quality monitoring ensure alignment with regulatory expectations. Collaboration with third-party auditors enhances compliance.
	Emerging Regulation	Risks associated with anticipated changes in policies, such as stricter carbon standards and enhanced environmental regulations.	Engagement with policymakers, proactive adaptation to evolving standards, and integration of renewable energy projects. Development of long-term compliance strategies, such as renewable energy agreements, mitigates risks.
	Technology Risk	Risks from adopting emerging technologies for energy efficiency, renewable energy integration, and carbon capture.	Investments in renewable energy projects, such as the 2MW solar project at Aligarh, and exploration of energy procurement opportunities in Ahmedabad. Adoption of emerging technologies to drive operational sustainability and maintain competitiveness.
	Legal Risk	Potential risks from litigation related to non-compliance, environmental impacts, or unmet climate commitments.	Robust compliance framework, third-party audits, and alignment with the Extended Producer Responsibility (EPR) requirements under the Plastic Waste Management Rules, 2022 Amendment, mitigate legal risks.
	Market Risk	Shifts in consumer preferences, raw material price volatility, and demand for sustainable products.	Diversification of sourcing strategies, monitoring market trends, and aligning product development with sustainable practices. Collaboration with suppliers to manage cost and availability risks for key raw materials like sugar and cocoa.
	Reputational Risk	Risks of stakeholder perceptions of climate actions, supply chain practices, and sustainability commitments impacting the company's reputation.	Transparent sustainability reporting, active stakeholder engagement, and alignment with global standards (e.g., GRI) to enhance credibility and build trust with stakeholders.

Type of Opportunity	Description of Opportunity	Actions to Leverage Opportunity
Energy Efficiency	Reducing energy consumption and operational costs by adopting energy-efficient technologies and optimizing processes.	Implementation of energy-efficient manufacturing systems, optimization of HVAC systems, and advanced energy monitoring technologies. Investments in renewable energy projects, such as the 2MW solar power plant at Aligarh, to reduce reliance on traditional energy sources and cut costs.
Renewable Energy Transition	Transitioning to renewable energy reduces dependence on fossil fuels, lowers emissions, and ensures long-term energy security.	Scaling renewable energy contributions to 50% by 2030. Initiating renewable energy procurement at Ahmedabad. Entering into long-term agreements with solar and wind energy providers to stabilize energy costs and reduce carbon footprint.
Increased Product Demand	Changing climate patterns, such as rising temperatures and increased humidity, drive demand for products like **Glucon-D** (for hydration and energy replenishment) and **Nycil** (for skin protection against heat rashes).	Expanding production capacity to meet growing seasonal demand for heat-focused products. Strengthening the supply chain to ensure uninterrupted availability of raw materials. Investing in R&D to improve product performance under extreme climate conditions to maintain market leadership.
Sustainable Supply Chain	Enhancing supply chain resilience through diversified sourcing of raw materials and strategic partnerships with sustainable suppliers to mitigate climate-related disruptions.	Establishing diversified sourcing for sugar, cocoa, and other raw materials to reduce dependency on single regions. Maintaining strategic inventory buffers for high-risk materials like milk. Ensuring long-term supplier agreements to handle disruptions caused by extreme weather events.
Water Stewardship	Reducing water dependency and improving water management to ensure sustainable production, especially in water-scarce regions like Aligarh.	Implementing rainwater harvesting systems at manufacturing sites, using treated ETP/STP water for non-potable applications, and scheduling water-intensive operations during periods of greater water availability. Partnering with suppliers to promote sustainable water usage practices.

Type of Opportunity	Description of Opportunity	Actions to Leverage Opportunity
Product Innovation	Developing sustainable products with reduced environmental footprints to meet evolving consumer preferences for eco-friendly solutions.	Redesigning lighter packaging for products like Nycil (reducing weight from 23.5g to 19g) and Glucon-D jars (achieving a 20% reduction). Introducing lower oil-content formulations for products like Retail Mayonnaise to reduce resource dependency. Innovating heat-resistant and low-carbon products.
Regulatory Compliance Advantage	Proactively adapting to stricter regulations gives ZWL a competitive edge and demonstrates leadership in sustainability.	Aligning operations with Plastic Waste Management Rules, 2022 Amendment. Achieving Zero Liquid Discharge (ZLD) compliance for plants, conducting regular third-party environmental audits, and ensuring waste management policies are robust to align with regulatory frameworks.
Market Differentiation	Positioning ZWL as a leader in climate action and sustainability creates an opportunity to attract environmentally conscious customers and investors.	Highlighting sustainability achievements, such as reduced carbon emissions and increased renewable energy usage, in annual ESG reports and marketing campaigns. Aligning product offerings with consumer preferences for eco-friendly, sustainable products to grow brand loyalty.
Resilient Infrastructure	Strengthening manufacturing infrastructure to withstand extreme weather events ensures operational continuity and reduces vulnerability to climate-related disruptions.	Retrofitting facilities in high-risk zones like Sikkim with seismic-resistant designs. Constructing cyclone-resistant facilities in vulnerable areas. Regular risk assessments to adapt infrastructure for floods, heatwaves, and landslides, ensuring production and supply chains remain uninterrupted.
Increased Revenue from Sustainable Products	Growing consumer preference for sustainable and energy-efficient products drives demand for low-carbon options.	Scaling up production and marketing of low-carbon products, such as Glucon-D, Nycil, and Retail Mayonnaise with reduced environmental impacts, to capture new market segments. Establishing partnerships with distributors focusing on sustainable product portfolios.

Type of Opportunity	Description of Opportunity	Actions to Leverage Opportunity
Biodiversity Conservation	• Protecting biodiversity helps enhance ecosystem resilience and improves relationships with local communities and stakeholders.	• Partnering with local communities for conservation initiatives, such as tree plantation drives and sustainable farming techniques. Supporting biodiversity through reduced emissions and water conservation efforts, aligning with ZWL's broader sustainability goals.

Metrics & Targets: Driving Accountability for Climate Goals

Category	Short-Term Goals	Long-Term Goals
Energy Targets	• **Aligarh Plant:** Reduce energy consumption by 3% by FY 24-25 (baseline: 559 KWh/MT). • **Sikkim Plant:** Achieve a 5% reduction, lowering consumption from 366 KWh/MT to 348 KWh/MT. • **Ahmedabad Plant:** Achieve a 5% reduction, reducing consumption from 184.46 KWh/MT to 181.99 KWh/MT. • Implement site-specific energy efficiency programs to optimize operations.	• Achieve a 50% reduction in energy consumption by 2030, measured against the 2022 baseline. • Ensure renewable energy sources contribute 50% of total energy requirements across all operations by 2030. • Transition key facilities to solar energy integration.
Emissions Targets	• Reduce Scope 1 and 2 emissions intensity by 20% by FY 2028-29, benchmarked against FY 2021-22 (reduction from 0.11 to 0.06 emissions per unit turnover). • Transitioning the Aligarh plant to 50% Renewable Energy by FY 2025-26.	• Reduce greenhouse gas emissions from direct operations (Scope 1 and Scope 2) by 50% by 2030. • Achieve net-zero carbon neutrality for all operations by 2040 through emission reduction measures and carbon offsetting where necessary.

Water Conservation Targets	• **Aligarh Plant:** Reduce daily water consumption by 5%, lowering from 984 KL to 935 KL. • **Sikkim Plant:** Achieve a 10% reduction in water intensity, reducing from 4.0 KL/MT to 3.6 KL/MT. • **Ahmedabad Plant:** Achieve a 5% reduction in water intensity, reducing from 1.41 KL/MT to 1.17 KL/MT. • Strengthen water recycling systems at all facilities to minimize dependency on freshwater resources.	• Achieve a 25% reduction in freshwater consumption across all manufacturing sites by 2030, measured against the 2022 baseline. • Expand the use of rainwater harvesting systems at all plants and implement advanced wastewater recycling systems to reduce freshwater withdrawal.
Waste Management Targets	• Conduct waste audits across all facilities to identify and implement reuse and recycling opportunities. • Strengthen partnerships with recycling vendors to increase the proportion of materials diverted from landfills.	• Achieve zero landfill waste across all operations by 2030 by ensuring 100% of manufacturing waste is either reused or recycled. • Transition to fully recyclable packaging materials for all products, in line with global Extended Producer Responsibility (EPR) compliance standards.
Sustainable Supply Chain Targets	• Collaborate with critical raw material suppliers to develop sustainable sourcing strategies for key inputs like palm oil, Corn based Dextrose, cocoa powder, and sugar. • Partner with logistics providers to implement low-carbon transportation solutions for inbound and outbound operations.	• Ensure 100% of critical suppliers and co-packers adhere to ZWL's Sustainability Standards by 2030. • Strengthen supplier capacity-building initiatives to ensure compliance with global ESG standards and certifications by 2030.

Safety, Diversity, and Inclusion Targets	• Implement mandatory safety training programs across all operational sites to achieve 100% compliance with ZWL safety protocols. • Conduct gender diversity workshops to enhance inclusion across teams.	• Achieve zero Lost Time Incidents (LTI) across all sites by 2030, reflecting a fully safe work environment. • Achieve 20% gender diversity across the workforce by 2030 by focusing on equitable hiring practices and leadership development programs for underrepresented groups.

Financial Implications of Climate Action

Zydus Wellness Ltd. recognizes that climate-related actions present not only challenges but also significant opportunities for long-term financial growth and resilience. Our sustainability initiatives, including renewable energy adoption, resource efficiency, and sustainable product innovation, are designed to drive cost savings, increase operational efficiency, and enhance revenue streams.

By aligning with global climate goals, we also strengthen our market position, mitigate regulatory risks, and ensure supply chain stability. The financial impacts of these actions have been carefully assessed across short-, medium-, and long-term horizons, ensuring a comprehensive approach to sustainable growth while delivering value to our stakeholders.

Time Horizon	Financial Impacts	Examples/Details	% Impact on Revenue
Short-Term (2-4 years)	- Cost savings from renewable energy adoption: Reduced operational costs through the 2MW solar installation at Aligarh.	- ₹32 Lakhs annual savings from solar integration at Aligarh, contributing to operational efficiency and cost reduction.	**1.5 %**
	- Packaging material reduction: Lower production costs from light weighting efforts in Nycil and Glucon-D jars.	- ~20% plastic weight reduction for jars results in reduced procurement costs and aligns with circular economy goals.	**0.2 %**

	- Increased market demand for sustainable products: Enhanced consumer preference for low-GHG products like Glucon-D.	- Rising demand for products addressing climate-specific needs boosts revenue in hotter and water-stressed regions.	**5 %**
Medium-Term (5-7 years)	- **Revenue growth from sustainable product lines**: Higher demand for eco-friendly products like **Complan** and **Mayonnaise Lite**.	- Product reformulations catering to health-conscious and climate-aware consumers increase brand loyalty and revenue.	**10 %**
	- **Compliance cost avoidance**: Regulatory adherence (e.g., ZLD systems) mitigates fines and improves cost efficiency.	- All our facilities meet compliance standards, avoiding penalties and reducing operational risks.	**N/A**
	- **Logistics cost savings**: Optimized supply chains and the adoption of low-emission transportation reduce operational expenses.	- Alternative fuel vehicles and digital route optimizations decrease transport-related emissions and associated costs.	**0.5 %**
	- **Dairy sourcing efficiency**: Methane-reduction strategies for dairy suppliers lower long-term supply chain costs.	- Reduced emissions and water use improve sourcing efficiency and ensure stability in milk procurement during disruptions.	**N/A**
Long-Term (8-10 years)	- **Operational resilience during climate disruptions**: Minimized financial losses through disaster-resilient operations.	- Supply chain diversification and co-manufacturing setups reduce dependency on single locations during extreme events.	**< 5 %**
	- **Sustainable agriculture and Scope 3 alignment**: Reduced long-term sourcing costs through regenerative farming practices.	- Sustainable sourcing of palm oil, sugar, and cocoa ensure steady supply and protects against market volatility.	**0.5 %**
	- **Investor confidence and market positioning**: Enhanced ESG credentials attract long-term investors and improve funding access.	- Achieving emissions reduction targets and strengthening ESG performance fosters investor trust and market competitiveness.	**5 %**

Pathways to Sustainability: Achieving Climate and Operational Goals

Zydus Wellness Ltd. (ZWL) is steadfast in its commitment to transitioning towards a sustainable and resilient operational model. Our sustainability efforts are driven by a holistic strategy that aligns resource conservation, renewable energy transitions, sustainable sourcing, and product innovation. By embedding these principles across our value chain, we aim to create a meaningful impact on the environment, our stakeholders, and the communities we serve.

This section outlines ZWL's targeted strategies under key operational areas, showcasing our approach to overcoming current challenges, achieving established targets, and laying the groundwork for a sustainable future. These pathways not only address immediate risks but also create opportunities for innovation, collaboration, and long-term resilience.

We have grouped our efforts into the following key focus areas:

1. **Resource Conservation and Efficiency**:
   Focused on water stewardship and minimizing plastic waste, this section outlines our conservation efforts, technology investments, and operational improvements aimed at reducing our environmental footprint.
2. **Sustainable Products and Processes**:
   Highlighting low-carbon product innovations, this section covers how ZWL is evolving its product portfolio to align with global sustainability goals, reduce emissions, and address shifting consumer expectations.
3. **Renewable Energy Transitions:**
   This section discusses our steps toward renewable energy adoption, such as the integration of solar power at manufacturing facilities and the exploration of long-term renewable energy partnerships.
4. **Sustainable Raw Material Sourcing:**
   Delving into procurement strategies for key inputs such as palm oil, cocoa powder, sugar, milk, corn-based dextrose, and plastic packaging, this section details how ZWL ensures sustainable supply chains while maintaining operational reliability.
5. **Natural Disaster Resilience and Supply Chain Diversification:**
   This section emphasizes ZWL’s commitment to building resilience against natural disasters by adopting disaster-resilient manufacturing practices and diversifying supply chain routes. It also highlights the development of co-manufacturing setups and alternate supply chain strategies to

mitigate risks associated with climate-induced disruptions, ensuring continuity and adaptability in operations.

Together, these initiatives demonstrate ZWL's proactive approach to addressing sustainability challenges while ensuring business continuity and value creation for all stakeholders. The subsequent subsections will provide a detailed analysis of each focus area, articulating the challenges faced, actions taken, and expected outcomes in our journey towards sustainable growth.

Resource Conservation and Efficiency

Resource conservation lies at the core of Zydus Wellness Ltd.'s sustainability framework. Recognizing the increasing pressure on natural resources due to climate change, population growth, and industrialization, ZWL has developed a comprehensive approach to optimize resource use, reduce wastage, and build operational resilience. With a focus on water stewardship and minimizing plastic waste, our initiatives aim to safeguard critical resources for future generations while ensuring business continuity.

This subsection provides a detailed overview of ZWL's resource conservation strategies, challenges faced, steps taken, targets set, and their anticipated impact on both the environment and our operations.

Water Stewardship and Conservation Efforts

Identifying and Addressing Water-Related Risks

Zydus Wellness Ltd. places significant emphasis on sustainable water stewardship by implementing a structured framework for identifying and mitigating water-related risks across its operations and supply chain. As water scarcity and quality challenges become increasingly prominent, the company's efforts align with its broader environmental and operational goals.

Water Catchment Risk Assessment

The first step in water stewardship involves a detailed assessment of water catchments around the company's operational sites. ZWL has initiated a process to:

- **Understand water catchment risks:** Evaluate the physical zones where water is sourced and wastewater is discharged, considering both current and future challenges like resource availability, pollution, and community reliance on water resources.
- **Gather site-specific water use data:** Analyse water withdrawal, consumption, and discharge at all facilities. This includes using metrics for water recycling and reusing treated effluents for landscaping, gardening, and other non-potable applications.

- **Assess business impact:** Understand how operational activities influence local water resources, including community access, ecological balance, and long-term sustainability.
- **Determine zones of impact:** Map the geographical and seasonal significance of water risks and explore replenishment opportunities for affected catchments.

Tools and Frameworks for Risk Identification

To ensure comprehensive risk identification, ZWL employs a combination of global and local tools, ensuring an accurate understanding of water-related risks:

- **Global Screening Tools:** Resources like the WRI Aqueduct Water Risk Atlas and other screening methodologies are utilized to identify overarching risks related to water availability, quality, and access at a regional level.
- **Local Assessments:** Site-specific assessments are conducted to validate global insights with on-the-ground data. This approach enables the company to address risks such as water scarcity, pollution from effluent discharge, and infrastructure challenges in treatment facilities.
- **Supplier Mapping Based on Water Risks:** ZWL extends its water risk assessments to key suppliers. Using global screening tools like the WRI Aqueduct, suppliers in water-stressed regions are identified and assessed for potential risks. This ensures sustainable sourcing practices, particularly for high-impact materials like milk, palm oil, sugar, and corn-based dextrose.
- **Stakeholder Engagement:** Regular discussions with local communities, suppliers, and government authorities help identify shared water challenges and develop collaborative solutions for effective water management.

Risk Categorization and Mitigation

Water risks are categorized based on three key factors: **water quantity, water quality,** and **water access.** ZWL has identified the following key risks:

- **Water Quantity:** High risk in regions where water demand exceeds availability due to climatic and operational pressures.
- **Water Quality:** Medium risk arising from local pollution and inadequate wastewater management infrastructure.
- **Water Access:** High risk linked to infrastructure limitations affecting supply chain and community requirements.

Current Actions and Initiatives

ZWL has already implemented several measures to address these challenges:

- **Rainwater Harvesting:** Rainwater collection systems have been set up at manufacturing sites like Aligarh to mitigate water scarcity risks and reduce dependency on external sources.
- **Wastewater Recycling:** Effluent Treatment Plants (ETPs) and Sewage Treatment Plants (STPs) have been upgraded to treat wastewater, which is then reused for non-potable applications across operational sites.
- **Supplier Collaboration:** ZWL has worked with suppliers in high-risk regions to promote water-saving technologies & sustainable sourcing practices.
- **Water-Saving Technologies:** Smart water metering and flow management systems are being deployed to track and optimize water use at high-consumption sites.

Future Focus and Targets

Looking ahead, ZWL plans to scale its efforts in water stewardship:

- **By 2030:** Achieve a 25% reduction in freshwater consumption across all operational sites, compared to a 2022 baseline.
- **Integrated Catchment Approach:** Collaborate with local stakeholders to restore aquifers and improve water availability for both industrial and community use.
- **Circular Water Economy:** Expand the reuse of treated wastewater to additional sites, reducing freshwater dependency significantly.

Sustainable Plastic Management and Circular Economy Initiatives

Plastic packaging plays an essential role in preserving product integrity and extending shelf life for Zydus Wellness Ltd. (ZWL). However, the environmental implications of single-use plastics and increasing regulatory pressures have necessitated the adoption of sustainable practices. ZWL is aligning its plastic management strategy with global best practices and national requirements**,** to ensure responsible consumption and production. The company remains steadfast in its commitment to transitioning towards a circular economy while minimizing its environmental footprint.

Key Challenges in Plastic Management

1. **EPR Compliance Requirements:**

- Extended Producer Responsibility (EPR) under the **Plastic Waste Management Rules, 2016** requires ZWL to take ownership of the entire lifecycle of its plastic packaging, ensuring waste collection, processing, and recycling.

2. **Material Challenges:**
    - Food-grade and structurally durable virgin plastics remain critical for certain product categories, creating challenges in substituting them with recycled or alternative materials.
3. **Consumer Awareness Gap:**
    - Improper disposal of plastic packaging by consumers complicates efforts to ensure traceability and effective recycling.
4. **Recycling Infrastructure Deficiencies:**
    - Fragmented and inconsistent waste management and recycling systems pose logistical hurdles for achieving company-wide circularity goals.
5. **Market Trends and Expectations:**
    - Increasing demand from environmentally conscious consumers and stricter scrutiny from regulators require a more sustainable and transparent approach to plastic management.

Current Initiatives and Actions

1. **Lightweight Plastic Packaging:**
    - **Glucon-D Jars:** Achieved a 20% reduction in plastic weight per jar by optimizing material usage without compromising product functionality or consumer experience.
    - **Nycil Bottles:** Reduced the weight from 23.5 grams to 19 grams, representing a 19% material saving per unit.
    - **Mayonnaise Jars:** Adjusted designs to utilize lighter plastic packaging, reducing overall material use.
2. **Recycling and Closed-Loop Initiatives:**
    - Recycling partnerships have enabled ZWL to recycle the equivalent of **80% of its annual plastic production by weight.**
    - Initial trials in incorporating **Post-Consumer Recycled (PCR) plastics** into certain product packaging have shown promising results, with plans to scale up these efforts.

- Supported waste segregation and processing facilities in key operational areas to enhance the collection of post-consumer plastics.

3. **Innovations in Material Alternatives:**
    - Pilot programs evaluating biodegradable and bio-based plastics for select product categories to reduce dependence on virgin plastics.
    - Development of **mono-material packaging designs** to improve recyclability rates without compromising packaging functionality.
4. **EPR Implementation:**
    - Comprehensive registration of plastic packaging volumes by material type and category.
    - Engagement with certified collection agencies to ensure compliance with **EPR targets** and enhance traceability through documented processes.
5. **Stakeholder Engagement:**
    - Collaborated with suppliers and urban local bodies to improve waste collection and recycling efforts in high-impact regions.
    - Conducted consumer awareness campaigns to educate users about proper disposal methods and recycling practices.

Future Targets and Commitments

ZWL has defined ambitious, measurable targets to address plastic sustainability:

- **Reduction in Virgin Plastic Usage:**
    - Reduce reliance on virgin plastics by 15% across all product lines by 2028-29.
- **Recycled Content Goals:**
    - Integrate 25% recycled plastic content in total packaging material by 2028-29.
- **Recyclability Commitment:**
    - Ensure that 100% of plastic packaging is recyclable, reusable, or compostable by 2030.
- **Waste Management Enhancements:**

- Scale up partnerships with third-party recyclers to meet and exceed EPR compliance requirements.
- Support the establishment of decentralized waste collection hubs to facilitate effective segregation and processing.

Impacts of Current and Planned Actions

1. **Environmental Impact:**
   - Reduced plastic waste generation through lighter packaging and increased use of recycled materials.
   - Minimization of plastic leakage into the environment by aligning with EPR mandates and investing in closed-loop solutions.
2. **Regulatory Compliance:**
   - Full adherence to the Plastic Waste Management Rules, 2016, mitigating potential regulatory risks.
   - Proactive alignment with emerging regulatory expectations for sustainable plastic usage.
3. **Brand Equity and Consumer Trust:**
   - Positioning ZWL as a sustainability leader in the consumer goods sector, strengthening consumer loyalty and attracting environmentally conscious buyers.
4. **Operational Efficiencies:**
   - Cost savings from reduced material usage and long-term contracts with recycling partners.
   - Improved supply chain transparency and resilience by collaborating with suppliers on sustainable material sourcing.

Sustainable Products and Processes: Driving Innovation for a Greener Future

Zydus Wellness Ltd. (ZWL) is committed to aligning its product portfolio and operational processes with the principles of sustainability. The company is integrating environmentally friendly practices across the value chain, from sourcing to manufacturing and product design, to meet the increasing demand for sustainable solutions

from consumers, regulators, and stakeholders. This section explores ZWL's efforts to innovate in product development and manufacturing processes to minimize environmental impacts while delivering high-quality, consumer-centric offerings.

Current Initiatives

- **Lightweight Packaging**: ZWL has successfully reduced the weight of plastic packaging for several of its key products. For instance:
    - **Nycil Jars**: Reduced weight from 23.5 gms to 19 gms per unit, contributing to lower material usage and associated emissions.
    - **Glucon-D Jars**: Achieved a 20% reduction in plastic weight per jar, showcasing the company’s focus on material efficiency.
- **Reformulated Products**:
    - **I'M Lite**: Developed with 50% less sugar equivalent compared to traditional formulations, catering to consumer demand for healthier, more sustainable options.
    - **Mayonnaise Lite**: Reduced oil content from 45% to 25%, further supporting ZWL's commitment to low-impact product offerings.
    - **Retail Mayonnaise Variant**: Introduced a new formulation with oil content reduced from 50% to 35%, demonstrating continuous innovation for environmental and health benefits.

Planned Future Actions

To strengthen its portfolio of low-carbon products, ZWL is exploring the following:

- **Carbon Footprint Assessments**: Plans are in place to conduct detailed lifecycle assessments (LCAs) for major product lines to better understand and reduce their overall carbon impact. This initiative will enable informed decision-making and the development of targeted mitigation strategies.
- **Expanded Packaging Innovations**: Continued efforts to innovate with sustainable packaging materials, including further reductions in plastic use and the potential integration of recycled content, are key areas of focus.
- **Engagement with Sustainable Supply Chains**: ZWL aims to enhance collaboration with suppliers to ensure the sourcing of raw materials aligns with its low-carbon objectives, particularly for ingredients with significant environmental footprints.

Policy Commitments for Low Carbon Product Development

ZWL's low-carbon product strategy is supported by a structured policy framework, which includes the following commitments:

- **Strengthening Research and Development (R&D)**:
  - Allocating resources to innovate new product formulations with reduced environmental footprints.
  - Scaling up investment in low-carbon technologies and partnerships to accelerate product transition efforts.
- **Establishing Standards and Metrics**:
  - Developing standardized criteria for low-carbon product classification to guide internal decision-making and external reporting.
  - Regularly assessing product portfolios for alignment with climate objectives using lifecycle analysis (LCA) methodologies.
- **Supplier Engagement**:
  - Collaborating with raw material suppliers to promote sustainable sourcing practices and ensure alignment with ZWL's low-carbon goals.
  - Incorporating carbon performance metrics into supplier evaluation and procurement processes.
- **Consumer Education and Transparency**:
  - Integrating environmental information into product labels to empower consumers to make sustainable choices.
  - Proactively communicating the company's progress on low-carbon product targets to stakeholders through regular sustainability disclosures.

Future Directions

ZWL plans to enhance its low-carbon product strategy by:

- Expanding the use of renewable and recycled materials in product packaging.
- Strengthening traceability mechanisms to better understand and mitigate upstream carbon impacts.
- Partnering with industry bodies and scientific organizations to drive low-carbon innovation and advocacy.

By embedding these policies into its operations, ZWL aims to ensure that its product portfolio contributes

meaningfully to a lower-carbon economy while meeting stakeholder expectations for sustainability and innovation.

Renewable Energy Transition: Accelerating Decarbonization

Zydus Wellness Limited (ZWL) has made renewable energy a key element of its climate strategy, recognizing it as a critical driver for reducing greenhouse gas (GHG) emissions, mitigating climate risks, and achieving operational sustainability. Through structured policies, measurable targets, and actionable initiatives, ZWL is committed to transitioning its energy portfolio towards renewable sources. This section outlines the company's strategic approach to renewable energy adoption, current progress, challenges, and future commitments.

Policy Framework for Renewable Energy Integration

ZWL's renewable energy policy is designed to drive long-term decarbonization while enhancing operational efficiency. It is structured around the following key principles:

- **Commitment to GHG Emissions Reductions**: Renewable energy projects directly contribute to achieving ZWL's GHG emissions reduction targets for Scope 1 and Scope 2 emissions, aligning with global climate agreements.
- **Diversification of Energy Sources**: Reducing dependency on conventional energy sources and accelerating the integration of renewable energy, such as solar and wind, into the energy mix.
- **Localized and Scalable Solutions**: Prioritizing site-specific renewable energy solutions tailored to the unique requirements of each manufacturing facility.
- **Partnerships and Advocacy**: Collaborating with energy providers, policymakers, and industry peers to advance renewable energy adoption while addressing operational and regulatory challenges.
- **Scope 3 Emissions Preparation**: ZWL has initiated the preparation for comprehensive Scope 3 emissions accounting and reporting. This will include mapping emissions across the value chain and incorporating renewable energy adoption as a critical component of reducing indirect emissions.

Current Renewable Energy Initiatives

1. **On-Site Renewable Energy Projects**:
    - **Solar Power Generation at Aligarh Plant**:
        - A **2 MW solar power project** has been commissioned, reducing annual power costs by ₹32 lakhs and

contributing significantly to reducing the facility's carbon footprint.

- The project demonstrates ZWL's commitment to achieving energy self-sufficiency and enhancing resilience against energy market fluctuations.

- **Solar Transition Goal for Aligarh**:
  - ZWL has set a milestone to transition the Aligarh facility to 100% solar energy by FY 2025-26. This transition is expected to deliver significant cost savings, operational efficiencies, and emission reductions.

2. **Renewable Energy Procurement for Ahmedabad**:
   - The company is actively conducting feasibility studies to integrate renewable energy procurement at the Ahmedabad facility. These efforts aim to replicate the successes at Aligarh while addressing site-specific energy needs.

3. **Bio-Briquettes as Boiler Fuel:**
   - All ZWL manufacturing sites currently use bio-briquettes as boiler fuel, replacing conventional fossil fuels. This transition reduces Scope 1 emissions and aligns with the company's commitment to adopting sustainable energy practices.

4. **Renewable Energy Contribution Targets**:
   - ZWL has committed to ensuring that 50% of its total energy consumption comes from renewable energy by 2030. This ambitious target aligns with its broader decarbonization goals and sets an industry benchmark.

5. **Scaling Renewable Energy Agreements**:
   - ZWL is exploring long-term renewable energy purchase agreements with energy providers to ensure the reliable supply of clean energy. These agreements will mitigate energy-related risks while supporting national renewable energy capacity development.

Policy Commitments for Renewable Energy Transition

To ensure a systematic and sustainable transition, ZWL's renewable energy strategy includes the following commitments:

1. **Expanding On-Site Renewable Infrastructure**:

- Continuously investing in on-site renewable energy projects, including rooftop and ground-mounted solar installations, across manufacturing facilities.
- Exploring wind energy installations for regions where wind potential aligns with energy needs.

2. **Developing Energy Storage and Management Systems**:
   - Evaluating battery storage systems to complement intermittent renewable energy sources, ensuring energy reliability and stability.
   - Modernizing grid infrastructure at operational sites to seamlessly integrate renewable energy into existing systems.
3. **Target-Driven Implementation**:
   - Defining clear, time-bound targets for renewable energy adoption and closely monitoring progress against these benchmarks.
   - Setting interim milestones to evaluate energy performance and alignment with corporate sustainability goals.
4. **Stakeholder Engagement and Collaboration**:
   - Engaging with renewable energy providers to overcome procurement and integration challenges.
   - Actively participating in industry forums to advocate for favourable policies and incentives that support renewable energy adoption in the industrial sector.
5. **Enhancing Transparency and Accountability**:
   - Including renewable energy metrics in ZWL's ESG disclosures to demonstrate progress toward its energy transition targets.
   - Publishing detailed updates on renewable energy projects in sustainability reports.

Challenges and Mitigation Strategies

While renewable energy transition presents significant opportunities, ZWL acknowledges certain challenges that require proactive solutions:

1. **Initial Investment Costs**:
   - Renewable energy projects, such as solar and wind installations, involve high upfront capital investments. ZWL addresses this challenge through phased investments and

exploring financing options, such as green bonds and government incentives.

2. **Regulatory and Policy Complexities**:
    - Navigating state-specific renewable energy policies and ensuring compliance with evolving regulations requires continuous engagement with policymakers and energy regulators.
3. **Technological Integration**:
    - Ensuring compatibility of renewable energy systems with existing operational infrastructure. ZWL plans to implement smart energy management systems to address integration challenges.
4. **Geographical Limitations**:
    - Variability in renewable energy potential across different operational sites necessitates customized solutions. For example, while solar energy is suitable for Aligarh, wind energy options are being explored for other facilities.

Future Commitments and Pathways

Looking ahead, ZWL is focused on driving renewable energy adoption across its value chain. The company plans to:

- **Collaborate with Suppliers and Partners**: Encourage suppliers to adopt renewable energy solutions and integrate sustainable practices into their operations.
- **Leverage Innovation**: Invest in cutting-edge renewable energy technologies, such as hybrid solar-wind systems and advanced energy storage solutions.
- **Initiating Scope 3 Emissions Reporting**: Develop robust methodologies for Scope 3 emissions accounting and reporting, with plans to engage suppliers and value chain partners in the renewable energy transition.
- **Regional Expansion**: Extend renewable energy projects to additional facilities and operations as part of its long-term decarbonization roadmap.

Sustainable Raw Material Sourcing: Aligning Supply Chains with Climate Goals

Sustainable raw material sourcing is at the core of Zydus Wellness Limited's (ZWL) climate and sustainability strategy. Recognizing the environmental and social impacts of its supply chain, ZWL is committed to embedding sustainability principles into the procurement

of raw materials. This approach ensures that sourcing practices contribute to reducing greenhouse gas emissions, promoting biodiversity, and supporting ethical labor standards.

ZWL's policy on sustainable raw material sourcing emphasizes collaboration with suppliers, transparency across the value chain, and alignment with global sustainability frameworks. By prioritizing renewable and responsibly sourced materials, the company aims to minimize the ecological footprint of its operations while addressing critical challenges such as climate resilience, water scarcity, and resource depletion.

Key Principles of Sustainable Sourcing:

- **Environmental Stewardship**: ZWL adopts a lifecycle approach, assessing the environmental impact of materials from sourcing to end-of-life. This includes transitioning to renewable materials and minimizing dependence on non-renewable resources.
- **Supplier Engagement**: The company works closely with suppliers to ensure compliance with sustainability standards, integrating water and energy efficiency measures into sourcing practices.
- **Traceability and Accountability**: Robust monitoring mechanisms are in place to trace raw materials back to their source, ensuring ethical and sustainable procurement.
- **Innovation and Circularity**: ZWL fosters innovation in material use, exploring alternatives such as recycled content and bio-based materials to replace conventional inputs.
- **Community and Ecosystem Impact**: The company collaborates with local communities to support responsible sourcing practices that benefit both the environment and livelihoods.

The following subsections provide a detailed analysis of ZWL's sustainable sourcing practices for each critical raw material, highlighting challenges, initiatives, and future commitments.

Milk Procurement: Sustainable Sourcing Practices

Zydus Wellness Limited (ZWL) ensures a robust and sustainable milk procurement process to support its operations and foster long-term supplier relationships. The company collects approximately 400,000 Liters of milk daily through a network of 36 strategically located milk collection centres across Aligarh and neighbouring districts. This extensive network ensures efficiency, accessibility, and resilience in milk sourcing.

Supplier Engagement and Community Development

ZWL collaborates directly with 25,000 FSSAI Certified farmers, emphasizing trust, transparency, and mutual

growth. To strengthen these relationships, ZWL has implemented the Milk Procurement Policy, which prioritizes:

- Fair, transparent payment systems ensuring timely and equitable compensation for farmers.
- Rigorous quality and traceability systems to uphold the highest standards across the supply chain.

The company also organizes 25 Dairy Development Camps annually to empower small and marginal farmers. These initiatives focus on:

- Enhancing animal health through free distribution of deworming medicines and mineral mixtures.
- Providing infertility treatments and promoting preventive care through regular vaccinations.
- Capacity-building programs for sustainable dairy farming practices.

Climate Risk Assessment and Water Mapping

Recognizing the critical importance of water in dairy farming, ZWL has undertaken a comprehensive mapping of its milk suppliers based on water-stressed regions. Using tools like the WRI Aqueduct Water Risk Atlas, suppliers are assessed for their exposure to water scarcity and other hydrological risks. This data enables ZWL to:

- Identify regions vulnerable to water shortages.
- Develop proactive strategies to mitigate potential supply chain disruptions, such as sourcing diversification and establishing backup suppliers in less vulnerable areas.
- Collaborate with suppliers in water-stressed areas to improve water efficiency through sustainable practices.

Future Strategies for Resilience

In alignment with its broader climate strategy, ZWL aims to integrate milk procurement practices into its overall sustainability framework by:

- Encouraging water stewardship practices among milk suppliers.
- Facilitating access to resources and training to improve farm-level water management.
- Exploring partnerships with local governments and NGOs to address water-related challenges in dairy farming communities.

Addressing Scope 3 Emissions: Methane Reduction Strategies

As part of its long-term sustainability goals, ZWL is working toward strategies to address methane emissions from dairy farming, which constitute a significant

component of Scope 3 emissions. These strategies include:

- Promoting improved feed practices to reduce enteric fermentation in cattle, thereby lowering methane emissions.
- Facilitating the adoption of manure management systems, such as anaerobic digesters, which convert methane into biogas that can be used as an energy source.
- Collaborating with suppliers to adopt methane-reducing feed additives and dietary supplements.
- Conducting training sessions and workshops for farmers on innovative and sustainable farming practices that directly reduce methane output.

This comprehensive approach ensures not only a stable and sustainable milk supply but also contributes to the overall resilience and adaptability of ZWL's supply chain in the face of climate change. Through these efforts, ZWL reinforces its commitment to responsible sourcing and sustainable growth.

Forest Risk-Based Commodities: Sustainable Sourcing Practices

Zydus Wellness Limited (ZWL) recognizes the critical importance of ensuring sustainable sourcing practices for forest risk-based commodities, including sugar, corn-based dextrose, cocoa powder, and palm oil. These raw materials are integral to ZWL's product portfolio but are also associated with environmental and social challenges such as deforestation, biodiversity loss, and climate change. In response, ZWL has adopted a strategic approach to mitigate risks and promote sustainability across its supply chain.

Current Practices and Commitments

1. **Sugar Sourcing:**
    - ZWL sources sugar from certified suppliers committed to responsible agricultural practices.
    - The company emphasizes partnerships with suppliers that adhere to sustainable land use practices and avoid contributing to deforestation or habitat destruction.
    - Suppliers are assessed for water usage efficiency, ensuring that sugarcane cultivation practices align with sustainable water management principles to mitigate stress in water-scarce regions.
2. **Corn-Based Dextrose:**
    - Corn-based dextrose, a critical ingredient in ZWL's product formulations, is procured

from suppliers that emphasize responsible corn cultivation practices.

- The company works closely with suppliers to minimize environmental impact by promoting techniques such as crop rotation, soil conservation, and efficient fertilizer usage to reduce greenhouse gas emissions.
- Efforts are underway to evaluate the carbon and water footprints of corn sourcing, ensuring alignment with ZWL's broader sustainability targets.

3. **Cocoa Powder:**
   - Cocoa powder is sourced from trusted suppliers who are committed to responsible supply chain practices, including compliance with global standards for sustainable cocoa farming.
   - ZWL actively discourages suppliers from engaging in practices that contribute to deforestation or the exploitation of farming communities.
   - Emphasis is placed on sourcing cocoa from regions with robust governance frameworks that promote sustainable agricultural practices and ensure fair treatment of smallholder farmers.
4. **Palm Oil:**
   - ZWL is committed to responsible palm oil sourcing and prioritizes suppliers that adhere to recognised international certification standards.
   - The company's focus is on ensuring that palm oil procurement does not contribute to deforestation, peatland degradation, or social conflicts in supplier regions.
   - Strategies include collaboration with suppliers to improve traceability and ensure compliance with sustainable palm oil production standards.

Risk Mapping and Supplier Engagement

To mitigate the environmental and social risks associated with forest risk-based commodities, ZWL has implemented a risk mapping process using tools such as the WRI Aqueduct Water Risk Atlas and other geospatial assessments. Key actions include:

- Identifying sourcing regions vulnerable to deforestation, water stress, and climate-related challenges.

- Evaluating suppliers based on their environmental and social practices, prioritizing partnerships with those committed to sustainability.
- Engaging in direct dialogues with suppliers to encourage adherence to responsible sourcing practices, including conservation of natural ecosystems and support for local communities.

Future Strategies for Sustainability

ZWL is committed to enhancing the sustainability of its forest risk-based commodity supply chains through the following strategies:

- **Transparency and Traceability:** Improving supply chain transparency by leveraging digital tools and certifications to trace raw materials back to their origins.
- **Supplier Partnerships:** Collaborating with suppliers to adopt regenerative agricultural practices, such as agroforestry systems for cocoa and sustainable irrigation techniques for sugarcane.
- **Deforestation-Free Supply Chains:** Working toward a deforestation-free supply chain by sourcing materials only from regions with robust governance frameworks and sustainable land use policies.
- **Climate-Smart Practices:** Promoting climate-smart farming techniques among suppliers, including carbon sequestration through better land management practices.

Addressing Scope 3 Emissions

As part of its long-term climate strategy, ZWL recognizes the significant role that forest risk-based commodities play in its Scope 3 emissions profile. Steps are being taken to:

- Assess the carbon footprint of sourcing these commodities and establish reduction targets.
- Collaborate with suppliers to adopt low-emission farming practices, such as reduced fertilizer use and no-till farming.
- Support smallholder farmers in transitioning to sustainable practices, thereby reducing deforestation-related emissions.

By integrating sustainability into the sourcing of sugar, corn-based dextrose, cocoa powder, and palm oil, ZWL aims to reduce its environmental impact, enhance supply chain resilience, and support global efforts to combat climate change and preserve biodiversity.

Natural Disaster Resilience and Supply Chain Diversification

Zydus Wellness Limited (ZWL) recognizes the increasing frequency and severity of natural disasters such as floods, cyclones, droughts, and landslides, which pose significant risks to manufacturing and supply chain continuity. To mitigate these risks and ensure operational resilience, ZWL has adopted a multi-pronged strategy centred on disaster-resilient manufacturing and supply chain diversification.

Natural Disaster-Resilient Manufacturing

ZWL has implemented robust measures to enhance the resilience of its manufacturing facilities against climate-induced disasters. These measures include:

1. **Site-Specific Risk Assessments:**
    - Comprehensive climate risk assessments are conducted for all manufacturing locations to identify vulnerabilities to natural disasters.
    - For instance, facilities in **Sikkim**, prone to landslides and heavy rainfall, and **Aligarh**, exposed to water scarcity risks, have been prioritized for targeted interventions.
2. **Infrastructure Upgrades:**
    - Manufacturing plants are equipped with cyclone-resistant structures, flood barriers, and advanced drainage systems to withstand extreme weather events.
    - Earthquake-prone regions, such as Sikkim, have been retrofitted with seismic-resistant designs to reduce risks of structural damage and downtime.
3. **Energy Resilience:**
    - Investment in renewable energy sources such as a 2 MW solar power plant at Aligarh ensures energy security during grid disruptions caused by natural disasters.
    - Transitioning all boilers to bio briquettes further supports uninterrupted energy supply while aligning with sustainability goals.
4. **Water Security Measures:**
    - Rainwater harvesting systems and Zero Liquid Discharge (ZLD) setups have been implemented at key sites to reduce dependency on external water sources during droughts.

- Emergency water storage systems are in place to mitigate disruptions caused by water supply shortages.

Supply Chain Diversification

Recognizing the vulnerability of supply chains to natural disasters, ZWL has taken strategic steps to diversify its supply chain networks to ensure business continuity. These steps include:

1. **Alternate Supply Chain Routes:**
    - ZWL has mapped its supply routes to identify critical bottlenecks and develop alternate transportation corridors to minimize disruptions during natural disasters.
    - Collaboration with logistics partners ensures contingency plans are in place for rapid rerouting of shipments.
2. **Co-Manufacturing Setups:**
    - ZWL has partnered with co-manufacturing units in geographically diverse locations to mitigate risks of production halts at any single site.
    - These partnerships allow for production capacity to be shifted seamlessly in the event of site-specific disruptions.
3. **Supplier Risk Mapping:**
    - Using tools such as the WRI Aqueduct Water Risk Atlas, ZWL has mapped supplier locations to assess exposure to natural disaster risks, such as floods and droughts.
    - Strategies are being developed to diversify sourcing regions, particularly for high-risk raw materials like sugar, cocoa, and corn-based dextrose.
4. **Inventory Buffering:**
    - Strategic inventory buffers are maintained for critical raw materials in high-risk regions to prevent supply chain disruptions.
    - Advanced inventory management systems are used to optimize stock levels and enable proactive responses to anticipated risks.

Future Strategies for Resilience

ZWL is committed to further strengthening its disaster resilience through innovative solutions and strategic planning:

1. **Digital Risk Management Tools:**
    - Explore possibilities of adoption of AI-powered supply chain risk monitoring tools

to identify and address vulnerabilities in real-time.

- Use of predictive analytics to forecast potential disruptions and optimize contingency planning.

2. **Supplier Collaboration for Resilience:**
    - Partnering with suppliers to co-develop disaster-resilient practices, including investment in local infrastructure and sustainable farming techniques.
    - Incentivizing suppliers in high-risk regions to adopt climate-smart agriculture and water-efficient practices.
3. **Global Supply Chain Expansion & Stakeholder Engagement:**
    - Exploring new sourcing and manufacturing opportunities in regions with lower climate vulnerability to reduce dependency on high-risk locations by diversifying partnerships with global logistics providers for enhanced transportation resilience.
    - Collaborating with local communities near manufacturing and supply chain hubs to build shared resilience for disaster preparedness resources and infrastructure.

Our Journey Toward a Sustainable Future

This strategy reflects Zydus Wellness's unwavering dedication to addressing the complex challenges of climate change while fostering a sustainable future.

We approach this journey with a sense of optimism and determination, recognizing the hurdles ahead, particularly in achieving long-term goals like Net-Zero emissions and building climate-resilient systems. Acknowledging these challenges inspires us to channel our efforts and resources into driving impactful change.

Our Climate Strategy is not a static framework but a dynamic and evolving roadmap. We are committed to continually reviewing and refining our approach, integrating the latest advancements in science, technology, and international standards to remain aligned with our goals.

We firmly believe that our vision can only be realized through collaboration. It is a shared journey that requires the active participation of our partners, suppliers, policymakers, trade associations, and civil society. We extend an open invitation to all stakeholders to join us, engage with us, and provide feedback to enrich and strengthen our collective impact.

At the heart of this strategy lies our steadfast belief in the power of innovation, resilience, and shared purpose. Guided by our vision of bringing wellness to life and rooted in our commitment to sustainability, we aim to inspire meaningful transformation for a better tomorrow.

As we move forward, we echo the sentiment of commitment and determination that has shaped our journey thus far:
“Together, we are limitless in our capacity to create positive change, driven by a shared responsibility to nurture our planet and future generations.