Climate Risk and Strategy Report

February 2024

PRISM JOHNSON LIMITED

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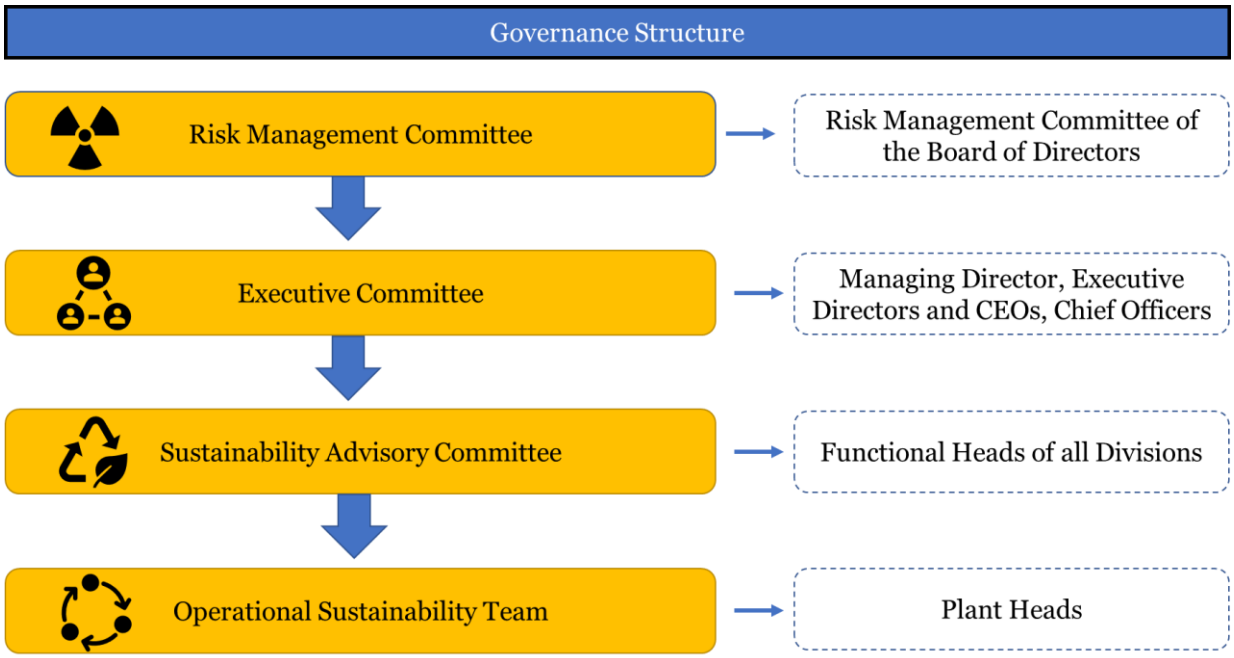
About the Report

The Task Force for Climate Related Financial Disclosures (TCFD) Framework was conceptualized by the Financial Stability Board (FSB) and the TCFD taskforce in 2017. The framework was developed with the objective of ensuring access to transparent climate related disclosures, specifically pertaining to climate risks and opportunities, to enable informed decision making by stakeholders. This report has been prepared in alignment with the TCFD framework and its disclosure recommendations pertaining to Climate Risk Governance, Strategy, Risk Management and Metrics and Targets for performance management. The disclosures in this report supplement the disclosures in the Annual Report and Sustainability Report of Prism Johnson Limited.

As one of India's leading Integrated Building Materials provider, the Company aims to create long term sustainable value for all its stakeholders while exhibiting strong economic growth. To this end, the Company is responsive to and aims to leverage evolving socio-economic, environmental and regulatory considerations. Through this report, the Company aims to communicate the integrated climate risk governance and management framework that it has adopted to address climate related risks and leverage climate related opportunities.

Climate Risk Governance at Prism Johnson Limited

To ensure effective implementation of its sustainability agenda, the Company has formulated a four tier Sustainability Governance Framework. The framework facilitates the formulation, implementation and governance of sustainability strategies and risk and opportunity management, including the risks and opportunities that stem from climate change. The risk management framework of the Company has specifically been formulated in accordance with the principles of the COSO[1] Enterprise Risk Management (ERM) framework.



1. **The Risk Management Committee** - The governance framework is headed by the Risk Management Committee of the Board. It evaluates the Company's progress on its sustainability agenda and how effectively it is addressing environmental, social and specifically climate related risks and opportunities. The Risk Management Committee convenes at least annually to review how relevant ESG risks and opportunities are being factored into business planning and the effectiveness of these strategies.

2. **The Executive Committee (EC)** – The Executive Committee of the Company comprises the Managing Director (MD), Executive Directors/CEOs of all three business divisions, Chief Financial Officer, Chief Human Resource Officer, Chief Commercial Officer, Chief Legal Officer, Chief Investor Relations and Strategy Officer, Chief Innovation Officer, Company Secretary, and the Chief Operating Officer (Cement Division). The EC is responsible for identifying climate related risks and opportunities. In conjunction with the Risk Management Committee, the EC oversees the operation of the Enterprise Risk

[1] Committee of Sponsoring Organizations

Management Framework of the Company and the implementation of risk management strategies. The EC reports to the Risk Management Committee every quarter.

3. **The Sustainability Advisory Committee** - Comprises of the functional leads across Operations, and in consultation with the Head of Management Assurance and Risk Management , the Committee formulates risk management strategies and reviews the implementation of the strategies by the Operational Sustainability Team. The advisory committee engages with the EC on a periodic basis to address progress.

4. **The Operational Sustainability team** - is present in each manufacturing plant and comprises plant heads, environment, and safety officers. The Operational Sustainability team monitors daily performance and implements new initiatives under the guidance of the Sustainability Advisory Committee

Risk Management Framework

The Company recognizes that effective management of risks is crucial for the long-term success of any organisation. To this end the Company has implemented an ERM framework that facilitates the identification, assessment and mitigation of relevant risks. The identification, prioritization and mitigation of climate related risks has been integrated into the ERM of the Company through incorporation of climate related models and assessments in the process.

Risk Identification

The first step of the risk management process is Risk Identification. Significant risks are identified through a comprehensive assessment of market, economic, regulatory, climate and technological conditions. Subsequently risks are categorised as External, Strategic, Compliance, Operational, Financial, Information and Technology or Cyber Security risks. The outcome of this process is the Risk Register of the Company which is subsequently presented to the Board and the Risk Management Committee.

Risk Prioritisation

The likelihood and impact potential (these impacts are quantified in terms of Turnover and EBITDA[2]) of each risk is assessed over the short, medium and long term for prioritisation.

Subsequently, a final rating is assigned to all identified risks, allowing for their prioritisation and categorisation as High, Medium or Low.

[2] EBITDA: Earnings Before Interests, Taxes, Depreciation and Amortization

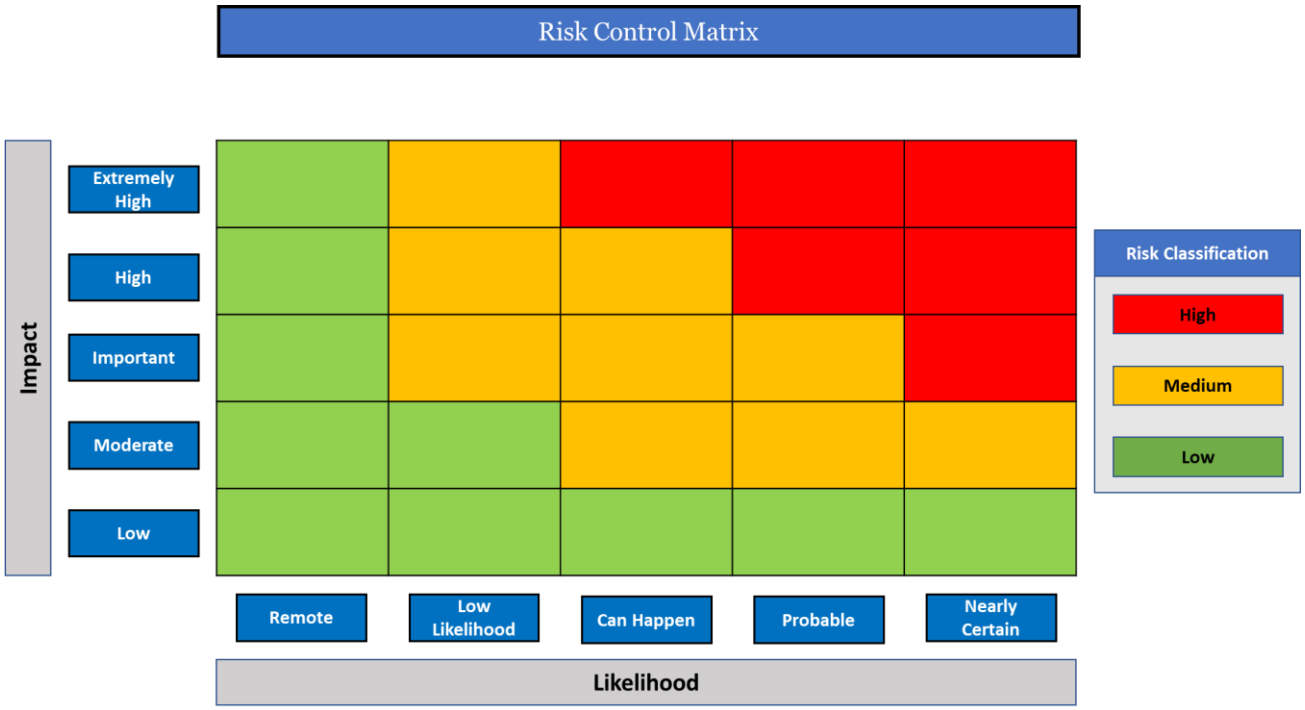


Figure 1: Risk Heat Map

Risk Mitigation

Risk mitigation strategies and control mechanisms are formulated basis the risk identification and prioritisation process by the Head of Management Assurance and Risk Management. A Risk/ Mitigation Plan owner is then identified to implement the mitigation plan for each risk across the Company's operations.

Monitoring and Report

The implementation of mitigation plans is monitored and reported through a formal process that has been defined to update the Risk Management Committee of the Board and the Executive Committee on the risk profile and effectiveness of implementation of mitigation plans.

The Risk Register of the Company is updated on a quarterly basis, in order to ensure that the risk register of the Company is reflective of evolving socio-economic and regulatory conditions.

Prism Johnson's Climate Strategy

The Company's business strategy and financial planning is responsive to and integrates the risk and opportunity potential of the aspects identified through its risk management process in its decision-making framework.

In its commitment to transition to a low carbon business, the Company has formulated a decarbonisation strategy and has adopted, emission reduction, energy and water efficiency targets for 2024-25. Further, the Company aims to adopt long term decarbonisation targets in alignment with the Science Based Targets Initiative (SBTi) and the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCC), in the next few years.

Key levers for decarbonisation and resource efficiency

To achieve its decarbonisation ambitions, the Company has identified five key levers, including the use of alternate raw materials and clinker factor reduction, alternative fuels, energy conservation and efficiency, renewable energy, and Carbon Capture and Storage (CCS).

1. Alternate Raw Materials and Clinker Factor Reduction

The calcination of limestone into clinker accounts for approximately 50% of the Company's carbon emissions. Consequently, the substitution of clinker with alternate low-carbon raw materials is one of the primary levers of the Company's decarbonisation strategy. Prism Cement and Prism RMC use fly ash, Ground Blast Furnace Slag (GGBS), copper slag, and Pulverised Fuel Ash (PFA) as alternative raw materials.

2. Alternate Fuels

The Company is focused on substituting conventional fossil fuels with alternate fuels. Prism Cement utilises alternate fuels in its kilns. The Company has also established a clear road map to increase the Thermal Substitution Rate (TSR) in its operations. To make the use of alternate fuels more efficient and safer, the Company has mechanised the feeding process for alternate fuels. The Company's HRJ[3] Division also utilises locally sourced cashew husk, sludge waste as green fuel.

3. Energy Conservation and Efficiency

The Company strives to routinely upgrade its technologies and processes to optimise energy consumption. The Company has adopted advanced kiln technologies, such as Variable Frequency Drives and car drier blowers. The HRJ Division has replaced old

[3] H & R Johnson (India)

kilns with new and efficient kilns at some of its plants. The faucet manufacturing units have also installed automated power-cut-off systems in the core shooter machines, in addition to electroplating the bath tanks for temperature control. Systems have been installed in certain RMC[4] plants to enable effective monitoring of energy consumption and leakages.

4. Renewable Energy

Over the last few years, the Company has ramped up its investment in renewable energy. At present, Prism Cement has an installed capacity of 22.5 MW of solar power and 22.4 MW of (Waste Heat Recovery Systems) WHRS. The Division has also adopted a target to increase the share of renewable power to 50% by 2024-25. Additionally, HRJ has a total installed capacity of 4.5 MW of solar energy across its plants. The division also leverages the waste heat generated from its kilns for spray drying reducing fossil fuel consumption.

As part of its sustainability initiatives, Prism Johnson is in the process of setting up a captive wind power project aggregating to 24 MW and 8MW of additional solar power for supply to the cement plant of the Company at Satna, Madhya Pradesh. The additional solar power is expected to be commissioned by June 2024 and the wind power is expected to be commissioned by March 2025. This will help Prism Cement increase the utilisation of renewable energy for the cement plant in Satna.

5. Carbon Capture and Storage

CCS is a process through which, carbon from industrial processes is captured and stored, reducing the amount of carbon that is released into the atmosphere. The Company acknowledges the decarbonisation potential of CCS and is exploring different technologies and cost-effective solutions.

Water conservation strategy

The Company remains highly committed to responsible water management and actively invests in technologies and processes to optimise the use of water. Prism Cement has formulated a Cross Functional Team (CFT) for water management. The team is responsible for devising water conservation initiatives.

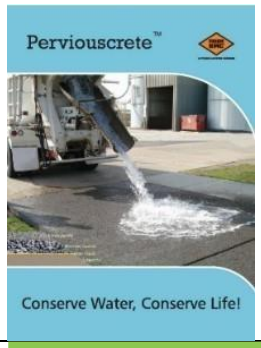
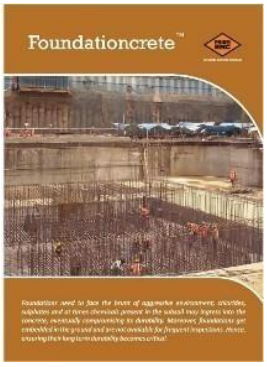
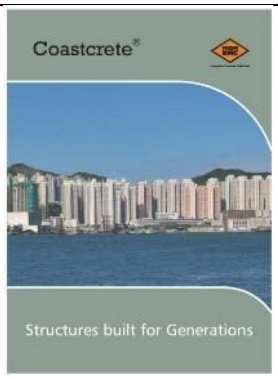
At present, all of the Company's plants are Zero Liquid Discharge (ZLD) plants. Additionally, the Company has constructed rainwater harvesting structures and put in place Effluent Treatment Plants and Sewage Treatment Plants to process wastewater. The Prism Cement's water conservation initiatives have recharged nearly 21 Lakh cubic meters of groundwater. Through multiple water credit initiatives, Prism Cement is 3.4 times water positive.

[4] RMC (India)

Low Carbon Solutions

Prism Cement
Prism Cement has developed various grades of Portland Pozzolana Cement (PPC), which is developed through the substitution of clinker with fly ash. Since clinker production accounts for most of the emissions in the cement production process, the Company has developed many PPC alternatives, which have a lower emission footprint, to meet the increasing demand for green building materials.
The Company's PPC offerings include Prism Champion cement, Prism Champion Plus cement, Prism Champion Duratech cement and the recently launched Prism Champion All Weather cement.

HRJ
Cool Roof Endura Tiles - These tiles have the capacity to reduce the ambient indoor temperature by 10-15%, thereby reducing the need for air conditioning and enabling customers to save energy. Johnson Endura Cool Roof Tiles have been accredited by Leadership in Energy and Environmental Design (LEED) and have a Solar Reflective Index (SRI) value of over 90, which exceeds the benchmark of 78 as required by the LEED certification.

Prism RMC	
❖ **Perviouscrete™** – This product allows water and storm-water runoff to percolate to the ground. This prevents flooding in surrounding areas or stormwater drains. Its properties make it ideal for use in rainwater harvesting structures. A significant environmental and social advantage of using Perviouscrete™ is that it enables ground water recharge and prevents water logging. This enables buildings to obtain more points for a LEED certification.	
❖ **Envirocrete®** - This product is made by substituting Ordinary Portland Cement (OPC) with Pulverised Fuel Ash (PFA) and Ground Granulated Blast Furnace Slag (GGBS). The product has a low heat of hydration and has been designed to meet environmental goals.	
❖ **Foundationcrete - T**his concrete has enhanced plastic properties and protects the environment by minimising cement consumption through increased absorption of cementitious by-products.	
❖ **Coastcrete:** Coastcrete is a high speciality climate resilient concrete designed to withstand extreme coastal environmental conditions. The product is durable, corrosion resistant, impermeable and resistant to chlorides, sulphates and alkali aggregate reactions.	

Climate-Related Opportunities

In addition to acknowledging the risk potential of climate related aspects, the Company also believes that a low carbon future holds many opportunities including resource efficiency and access to new markets and low carbon solutions. To this end, the Company has also categorised certain climate aspects as opportunities.

Type	Climate –related opportunities
Resource Efficiency & Resilience	Through its energy, alternate materials and water efficiency measures, the Company is optimising the use of resources which will help reduce its operational cost.
Energy Sources	The Company's operations depend on conventional energy sources such as coal, petcoke, which contribute to carbon emissions and escalate operational costs. Through its investment in renewable energy and alternate fuels, the Company is also addressing the challenges pertaining to the fluctuating costs of conventional fuels.
Products & Services	In response to the increasing demand for green building materials the Company has developed a range of solutions that have a lower emission footprint and positive environmental impact in the use phase.

Climate Risks Identification and Mitigation

Categorisation of Climate Risks

In accordance with the TCFD framework, the climate related risks included in the Company's risk register have been categorised as the following:

1. **Physical Risks:** These are risks emerging from sudden events or long-lasting alterations in climate patterns, leading to impairment of assets or disruption of operations. Such physical risks result in operational interruptions or damage to property.

Risk Type	Risk Description	Time Horizon
Acute physical risk	Floods, cyclones, and droughts	Short-term
Chronic physical risk	Variation in temperature, precipitation patterns and water stress	Long-term

2. **Transition risks:** The risks that stem from the transition towards a low-carbon economy, incorporating regulatory adjustments, technological modifications, and market transformations, aimed at fulfilling climate change mitigation and adaptation necessities.

Risk Type	Risk Description	Time Horizon
Policy & regulations risks	Climate related regulations including carbon taxes and emission trading schemes	Medium-term
Technology risks	Substitution of existing assets or premature retirement due to transition to low carbon technologies	Long-term
Market risks	Increasing cost of raw materials and changing customer behaviour and preferences	Long-term
Reputation risks	Impact on relationship with stakeholders if sustainability ambitions are not achieved	Medium-Term

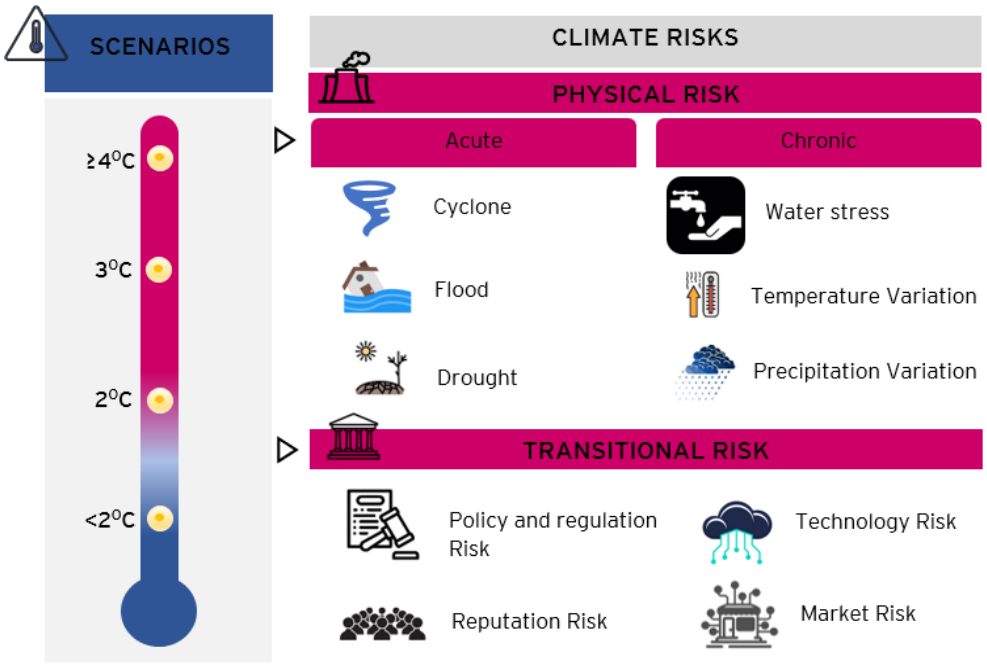


Figure 2: Climate Related Risks

Evaluation of Physical Risks

The Company employs scenario analysis to predict the impact of climate related risks to assess the potential performance of the business under various future hypothetical scenarios, essentially evaluating resilience and robustness.

Acute Physical Risks

Using historical data, the Company has performed a Business as Usual (BAU) analysis across its three businesses to geographically identify its plant locations that are susceptible to such acute events.

i. Flood and drought risk have been analysed at latitude-longitude level using the WRI[5] aqueduct tool under the baseline scenario.
ii. Cyclone risk have been identified at district level using the National Disaster Management Authority's (NDMA) methodology document which is based on historical data.

Chronic Physical Risks

For chronic physical risks, the company has considered the most recent set of scenarios mentioned in the Intergovernmental Panel on Climate Change's (IPCC) AR6 (6th Assessment Report) including SSP 1.9, SSP 2.6, SSP 4.5, SSP 7.0, SSP 8.5, also known as **Shared Socioeconomic Pathways (SSPs)**. These SSPs are projections of global socioeconomic changes up until 2100 and are utilised to generate greenhouse gas emissions scenarios under varying climate policies.

[5] WRI: World Resources Institute

Evaluation of Transition Risks

The impact of transition risks on the business has been evaluated through different scenarios that assume the implementation of climate policies, fluctuation in market price for energy and the impact on performance due to stakeholder considerations.

Mitigation Strategies

Acute Risks	
Type	Strategy
Acute Physical Risks	Prism Johnson Limited has developed a robust mitigation and adaptation plan to mitigate climate-related acute physical risks. For instance, the plinth is kept higher in facilities located in coastal and flood prone areas. While additionally, pumping equipment is installed as contingency for flooding. Additionally, Insurance coverage is in place to safeguard against damages to business assets or the loss of materials in warehouses or transit resulting from extreme weather events.
Chronic Risks	**Water Stress:** • Rainwater harvesting • Internet of Things (IoT) systems • ZLD plants **Temperature Variation** • Minimal work in mid-day hours in warehouses or outdoor areas during peak summer days, flexible work hours with early morning and late evening hours to avoid exposure to heat waves. • Regular maintenance of equipment's including conducting IR thermography audits at regular intervals to monitor temperature of installed machines and equipment. • Plantation of trees across plants

Chronic Risks	
Type	Strategy
Policy and regulation: Current regulation	**<u>Perform Achieve and Trade (PAT) Scheme</u>** Prism Johnson Limited (Cement Division - Unit I) & Prism Johnson Limited (Cement Division - Unit II) have been identified as designated consumers under the PAT scheme. Unit I have completed two PAT cycles - Cycle-I (2012-2015) and Cycle-II (2016-2019). Unit I achieved its target in both the cycles, earning Energy Saving Certificates. Currently, Unit I is under PAT Cycle-VII (2022-25). Unit II has Completed one PAT cycle (Cycle-III 2017-2020). Unit II also achieved its target and Energy Saving Certificates. Currently, Unit -II is under PAT Cycle-VII (2022-25).
Policy and regulation: Emerging regulation	**<u>Carbon Pricing Mechanism</u>** The Company has formulated a decarbonisation strategy and has identified key levers that will enable it to achieve its ambitions.
Technology	The Company strives to routinely upgrade its technologies and processes to optimise energy consumption. As specified, the Company has also adopted energy efficiency targets to improve performance.
Markets	The Company has ramped up its investment in renewable energy and has established a clear road map to increase the Thermal Substitution Rate (TSR) in its operations.
Reputation	The Company has formulated a sustainability strategy and has adopted targets to meet its ambitions. The Company has formulated a robust governance framework to govern the implementation of its strategy. The Company has also implemented stakeholder engagement mechanisms to assess stakeholder expectations.

Climate Change Performance and Metrics

Targets

- **Prism Cement**

1. Prism Cement has adopted emission intensity targets for Clinker, OPC and PPC. The Company has adopted an ambition to reduce the emission intensity of Clinker, OPC and PPC production by 5% each by 2024-25. Against the baseline year of 2021-22.

2. The business division has adopted a target to meet 50% of its power consumption needs from green and renewable sources including Waste Heat Recovery Systems (WHRS), by 2024-25.

   Progress: 32% of Prism Cement's power consumption requirements were met through green and renewable sources in 2022-23

- **HRJ**

1. Has adopted the target to improve energy efficiency by 10%, from the baseline year of 2021-22.

   Progress: Energy efficiency improvement of 4% in 2022-23

2. The division has adopted a revised target to meet 20% of its water consumption requirements from rainwater harvesting by 2024-25, against the baseline year of 2021-22.
   (In FY 23 the original target of 15% was restated as the division surpassed it)

   Progress: Share of rain water harvesting to total water consumption increased to 18% during 2022-23.

- **Prism RMC**

1. Has adopted a target to improve Specific Electricity Consumption by 4% from the baseline year 2022-23.

2. The division also aims to reduce the water intensity of production process by 4% by 2024-25 against the baseline year of FY2022-23.

Key Performance Indicators

Scope 1 Emissions

	FY2022-23	FY2021-22
Scope 1 Emissions (tCO_2e)	3,567,633	3,453,431

Scope 2 Emissions

	FY2022-23	FY2021-22
Scope 2 Emissions (tCO2e)	2,45,682	2,45,442

Emission Intensity

	FY2022-23	FY2021-22
Emission Intensity (Per ton of Cementitious Material)	626	650

Scope 3 Emissions

Scope 3 Emissions (tCO_2e)	FY2022-23
C1: Purchased goods and services (spend based method)	4,18,479
C3: Fuel and energy related activities not covered under scope 1 & 2 (average data method)	2,59,536
C6: Business travel (spend based method)	5,750
C7: Employee commuting (distance-based method)	4,631
C9: Downstream Transportation	78,461
Total Scope 3 Emissions	7,66,856

Alignment with TCFD

Prism Johnson Limited's climate risk and strategy is aligned with TCFD guidelines for climate-related disclosures. The following table highlights the pages on which the various TCFD disclosures can be found within the report:

S. No	Disclosure	TCFD disclosure	Section	Page
1	Disclose the organisation's governance around climate-related issues and opportunities	Governance 1: Describe the board's oversight of climate-related risks and opportunities.	Climate Risk Governance at Prism Johnson Limited	4-5
		Governance 2: Describe management's role in assessing and managing climate-related risks and opportunities.		4-5
2	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning where such information is material.	Strategy 1: Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Prism Johnson's Climate Strategy Scenario Analysis	13
		Strategy 2: Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Prism Johnson's Climate Strategy Scenario Analysis	13; 14-16
		Strategy 3: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Prism Johnson's Climate Strategy Scenario Analysis	13; 14-16
3	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Risk Management 1: Describe the organisation's processes for identifying and assessing climate-related risks.	Climate risks Identification & mitigation	13-14
		Risk Management 2: Describe the organisation's processes for managing climate-related risks.	Climate risks Identification & mitigation	13-16
		Risk Management 3: Describe how processes for identifying, assessing, and	Risk Management Framework	6-7

S. No	Disclosure	TCFD disclosure	Section	Page
		managing climate-related risks are integrated into the organisation's overall risk management.		
4	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Metrics and targets 1: Disclose the metrics used by the organisation to assess climate--related risks and opportunities in line with its strategy and risk management process.	Climate performance against metrics	17
		Metrics and targets 2: Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.		17-18
		Metrics and targets 3: Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.		17-18