

# DOUBLE MATERIALITY ASSESSMENT REPORT



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# Double Materiality Assessment

## 1. Introduction

CEAT conducted its first materiality assessment in FY 2019-20 as outlined by the Global Reporting Initiative (GRI) standards. Since then, CEAT has conducted its materiality assessment annually and reported the material issues prioritized in a materiality matrix. CEAT involves consultation from internal and external stakeholders while identifying & reviewing its material issues.

In FY 2023-24, CEAT extended the materiality assessment adopting a double materiality approach, as outlined by the EU Corporate Sustainability Reporting Directive (CSRD) and its European Sustainability Reporting Standards (ESRS - General disclosures), which considers internal impact on the business as well as external impact on society and the environment. The exercise was conducted with the support of CRISIL Limited.

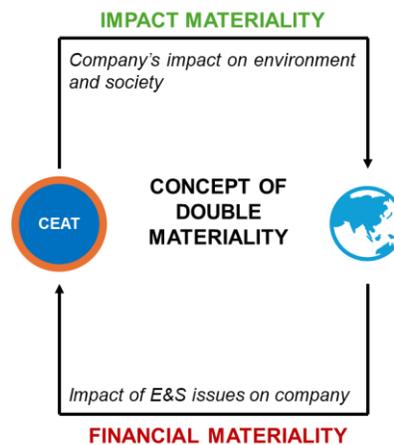
### 1.1 Introduction to Double Materiality

Double materiality is a concept which provides criteria for the determination of whether a sustainability matter has to be included in the company's list of material topics. A sustainability matter meets the criteria of double materiality if it is material from either the impact perspective or the financial perspective or both perspectives.

According to ESRS guidance on double materiality, a sustainability matter should be material from:

**Impact perspective:** When a matter pertains to have actual or potential, positive or negative impacts on people or the environment over the short, medium, and long term. Impacts include those connected with CEAT's own operations and the upstream and downstream value chain, including through its products and services, as well as through its business relationships.

**Financial perspective:** If a matter triggers or could reasonably be expected to trigger material financial effects on CEAT's business. This is the case when a sustainability matter generates risks or opportunities that have a material influence or could reasonably be expected to have a material influence, on the undertaking's development, financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term. The financial materiality assessment corresponds to the identification of information that is considered material for primary users of general-purpose financial reports in making decisions relating to providing resources to CEAT.



## 2. Approach on Double Materiality Assessment

### 2.1 Impact Materiality Assessment

Impact Materiality includes assessing material topics based on three factors:

**Scale:** The scale of a material topic can be defined as how grave the impact is (i.e., extent of infringement of access to basic life necessities or freedoms (e.g., education, livelihood, etc.))

**Scope:** The scope of a material topic can be defined as how widespread the impact is (i.e., number of individuals affected or the extent of the environmental damage).

**Remediability:** Remediability (irremediable character) concerns whether and to what extent the negative impacts could be remediated, restoring the environment, or affected people to their prior state (e.g., through compensation or restitution; whether the people affected can be restored to their exercise of the right in question).

Impact materiality is calculated as a sum of scale, scope and remediability scores for the material topic.

### 2.2 Financial Materiality Assessment

Financial Materiality pertains to whether or not a sustainability matter triggers, or may trigger, material financial effects on CEAT. This includes sustainability matters that generate or may generate risks or opportunities, derived from past or future events, that have a material influence (or are likely to have a material influence) on cash flows, development, performance, position, cost of capital or access to finance over the short, medium and long term

To determine the score on financial materiality of a material topic, it needs to be assessed on:

**Continuation of use of resources:** This indicates whether CEAT will be able to continue to use the resources (including workforce) needed in their business process due to any negative impact of a material topic.

**Reliance on relationships:** This indicates whether CEAT will be able to continue to rely on the relationships needed in their production process on the same terms as the ones currently prevailing or whether the company practices will trigger an adverse reaction due to any negative impact of a material topic.

The financial impact of sustainability topics needs to be assessed on six capitals (financial, manufacturing, natural, intellectual, human, social & relationship) over various durations such as short, medium and long term.

#### Steps for conducting Double Materiality Assessment

We understand that our long-term success is closely tied to our ESG priorities. Through an in-depth double materiality assessment, we engage with internal teams and external stakeholders to gather diverse perspectives and expectations. Our robust risk management approach enables us to drive innovation and maintain a competitive edge. Our material concerns are dynamic, evolving with changes in our operational landscape and stakeholder expectations. To effectively prioritize these issues, we analyse market trends, benchmark against peers, and align with global ESG frameworks.

We conducted a thorough double materiality assessment to identify fifteen key issues that are significant for our business operations and stakeholder interests. These issues were ranked based on impact materiality & financial materiality scores. The relative importance of these issues is shown in our materiality matrix, tailored to CEAT's context.

### Identify set of material issues

Key sustainability topics were selected by leveraging previous materiality assessment results as well as complementary desk research on ESG reporting frameworks, ratings, standards, and peer benchmark. This resulted in a list of 15 sustainability topics to be assessed for materiality.



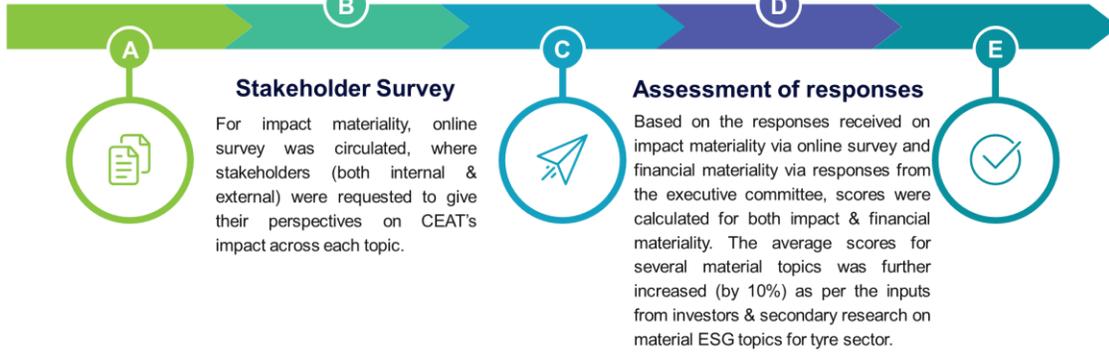
### Internal Consultation

For financial materiality, selected sustainability topics were assessed through a management workshop, where the executive committee ranked each topic according to their potential financial impacts (taking into consideration indicative risks and opportunities).



### Prioritization of material topics.

For the topics highlighted as priority topics for CEAT team, the impact materiality scores & financial materiality scores were increased by 10%. Then, sustainability topics were ranked as per their impact materiality and financial materiality scores. Topics were categorized as 'material' as per EFRAG Implementation Guidance

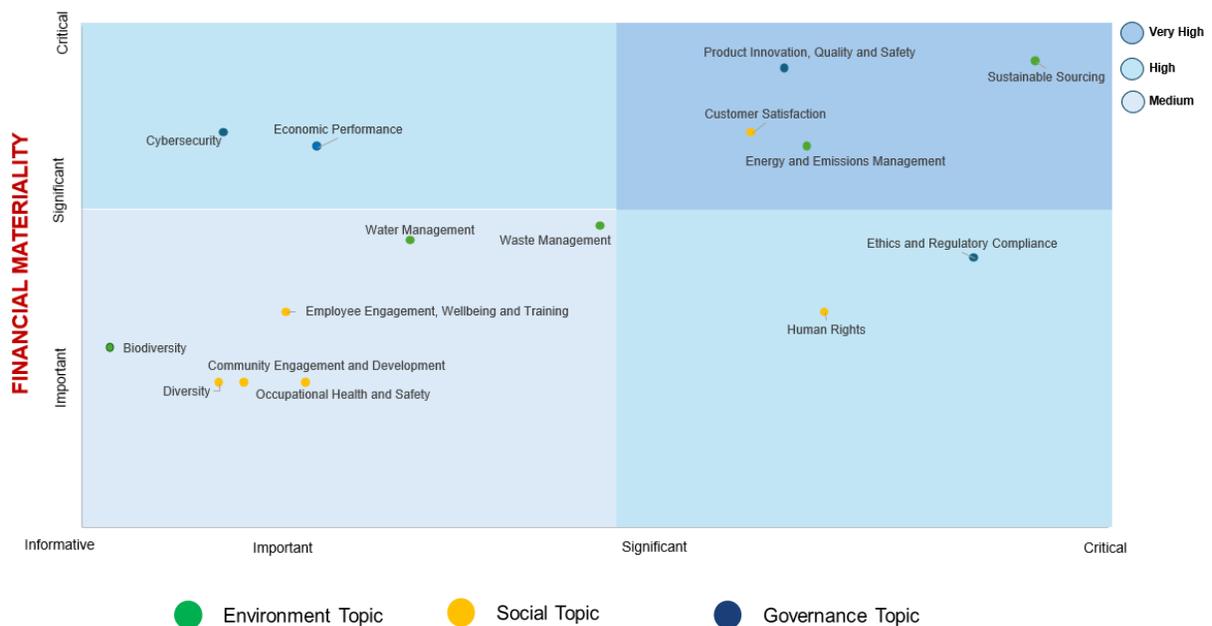


### Methodology for Double Materiality Assessment

### 3. Materiality Matrix for CEAT

We categorized our material topics into 5 categories as mentioned below:

Category	Description
<b>Minimal</b>	Minimal impact on environment & society / CEAT's financial performance
<b>Informative</b>	Minimal impact currently but could have possible impact in future
<b>Important</b>	Medium impact on environment & society / CEAT's financial performance
<b>Significant</b>	Significant impact on environment & society / CEAT's financial performance
<b>Critical</b>	Critical impact on environment & society / CEAT's financial performance



As per the double materiality assessment, we found that the no material topics were identified as minimal or critical from both impact & financial materiality perspective and the top three material issues for CEAT's long-term value creation from a financial materiality perspective are sustainable sourcing, cybersecurity and energy & emissions management.

- 1. Sustainable Sourcing:** It is a key material issue as the sourcing of raw materials is a considerable cost for manufacturing tires. It is essential that the raw materials (such as rubber and chemicals) procured by CEAT are done in a sustainable way. Thus, sustainable sourcing is a significant material issue for CEAT's business as well as for its financial performance.
- 2. Cybersecurity:** Due to the increasing frequency and sophistication of cyber threats, which can result in data breaches, financial losses, and damage to reputation, cybersecurity is more critical than ever for CEAT. Protecting sensitive information and maintaining the trust of stakeholders are critical aspects of cybersecurity that directly impact CEAT's success in the digital age.
- 3. Energy and Emissions Management:** It is essential to reduce energy consumption which contributes to emissions. Further, reducing energy consumption and improving energy efficiency not only reduces operational costs as well as gains shareholder's trust.

Further, we also identified key material issues for external stakeholders' (consumers/end users and external employees such as supply chain contractors) from impact materiality perspective which have a positive

and/or negative impact on external stakeholders resulting from our business operations, products & services and/or supply chain. The top two material issues identified for external stakeholders are human rights and energy & emissions management.

1. **Human Rights:** Violation of human rights can have a negative impact on the Company's business and can lead to reputational damage with external stakeholders, legal repercussions, and financial losses, emphasizing the necessity for CEAT to prioritize the respect for human rights in its supply chain.
2. **Energy and Emissions Management:** Emissions from greenhouse gases (GHGs) contribute to global warming, thus, have a negative impact on the environment. However, focusing on reducing energy and emissions creates a positive impact and hence, CEAT aims to take key actions towards reducing emissions to reach a net-zero carbon economy by undertaking energy efficiency projects at its operation sites and improving the renewable mix. This would enable CEAT to reduce its external impact on the environment and society.

Material Topics	CEAT's Response	KPIs
Energy and Emissions Management	<ul style="list-style-type: none"> <li>• Effective management of energy consumption and energy costs</li> <li>• Decarbonizing energy usage</li> </ul>	<ul style="list-style-type: none"> <li>• Energy consumption within the organization</li> <li>• Reduction of energy consumption</li> <li>• Scope 1/ 2/ 3 GHG emissions</li> <li>• Reduction of GHG emissions</li> </ul>
Water Management	<ul style="list-style-type: none"> <li>• Commitment for 50% reduction in water consumption by 2030</li> <li>• ZLD plants</li> </ul>	<ul style="list-style-type: none"> <li>• Water Consumption</li> </ul>
Waste Management	<ul style="list-style-type: none"> <li>• Integration of 4R principle</li> <li>• Management of end-of-life tyres</li> </ul>	<ul style="list-style-type: none"> <li>• Waste generated</li> <li>• Waste diverted from disposal</li> <li>• Waste directed to disposal</li> </ul>
Sustainable Sourcing	<ul style="list-style-type: none"> <li>• Responsible procurement of agricultural raw materials by 2030</li> </ul>	<ul style="list-style-type: none"> <li>• % of materials sourced sustainably</li> </ul>
Employee Engagement, Wellbeing and Training	<ul style="list-style-type: none"> <li>• Employee engagement and wellness initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• New hires and employee turnover</li> <li>• Parental leave</li> </ul>
Customer Satisfaction	<ul style="list-style-type: none"> <li>• Produce a wide product range while maintaining quality</li> <li>• Adapting to the customers' needs in the current times and responding quickly on claim settlement</li> </ul>	<ul style="list-style-type: none"> <li>• No. of customer grievances</li> </ul>
Occupational Health and Safety	<ul style="list-style-type: none"> <li>• Ensure safety at the workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Work-related injuries</li> </ul>
Diversity	<ul style="list-style-type: none"> <li>• Focused efforts towards new hirings with diversity and reducing biased opinions</li> </ul>	<ul style="list-style-type: none"> <li>• Diversity of governance bodies and employees</li> </ul>
Ethics and Regulatory Compliance	<ul style="list-style-type: none"> <li>• Conducting business ethically</li> </ul>	<ul style="list-style-type: none"> <li>• Confirmed incidents of corruption and actions taken</li> </ul>

Material Topics	CEAT's Response	KPIs
Cybersecurity	<ul style="list-style-type: none"> <li>Invest in high quality digital technology</li> </ul>	<ul style="list-style-type: none"> <li>No. of data breaches and cyberattacks</li> </ul>
Product Innovation, Quality and Safety	<ul style="list-style-type: none"> <li>Enhance product portfolio</li> <li>Robust research &amp; development on new technologies</li> </ul>	<ul style="list-style-type: none"> <li>Material Consumption</li> <li>Assessment of the health and safety impacts of products</li> <li>Incidents of non-compliance concerning the health and safety impacts of products</li> </ul>
Economic Performance	<ul style="list-style-type: none"> <li>Effective management of costs</li> </ul>	<ul style="list-style-type: none"> <li>Revenue Profit</li> <li>Direct economic value generated and distributed</li> </ul>
Biodiversity	<ul style="list-style-type: none"> <li>Afforestation projects</li> <li>Green area development</li> </ul>	<ul style="list-style-type: none"> <li>No. of trees planted</li> <li>Types of trees planted</li> </ul>
Community Engagement and Development	<ul style="list-style-type: none"> <li>CSR Projects</li> <li>Regular community engagement</li> <li>Resolving grievances</li> </ul>	<ul style="list-style-type: none"> <li>CSR Expenditure</li> <li>No. of community grievances resolved</li> </ul>
Human Rights	<ul style="list-style-type: none"> <li>CEAT's human rights policy</li> <li>Monitoring Suppliers on human rights practices</li> </ul>	<ul style="list-style-type: none"> <li>POSH Cases</li> <li>No. of grievances resolved related to human rights violations</li> </ul>

### 3.1 Disclosure on Management Approach for Material Topics

Topic	Description
<p><b>Energy and Emissions Management</b></p> 	<p>CEAT acknowledges the need to combat CO<sub>2</sub> emissions and therefore takes deliberate steps to effectively manage energy consumption and decarbonize its value chain. CEAT undertakes actions to move to cleaner and non-fossil-based energy sources by procuring renewable power, shifting to sustainable fuel sources; i.e.; briquette and working on energy efficient processes and product developments. We are in the process of exploring sustainable alternatives such as increasing use of renewable and biodiesel. We also procure renewable energy (solar &amp; wind) through power purchase agreements. In order to achieve its commitment to reduce its carbon footprint 50% by 2030, CEAT has set internal targets at the plant level.</p>
<p><b>Water Management</b></p> 	<p>Water is one of the most precious natural resources on the planet. CEAT aims to make the operations water efficient through various infrastructural measures for storage, recycling, and reuse of water for the benefit of the local community. To improve water efficiency and limit wastage of water, regular maintenance of valves and taps is carried out and treated effluents are reused in toilets, cooling towers and boilers. CEAT also has Zero Liquid Discharge ('ZLD') setup at three facilities and ETPs at other facilities. CEAT's facility at Bhandup has also implemented ISO 46001:2019, Water Efficiency Systems to effectively manage water consumption and discharge. Furthermore, in order to conserve water and recharge groundwater, all facilities of CEAT have a rainwater harvesting system to recharge the groundwater during the monsoon season.</p>
<p><b>Waste Management</b></p> 	<p>CEAT makes a conscious effort to manage the waste in an environmentally friendly manner. The Company follows the 4R approach (Reduce, Reuse, Recover and Recycle) to achieve the aim of becoming a resource efficient company. In line with the statutory norms, all business processes are evaluated for potential waste generation before the operation commences. To handle the waste generated, CEAT examines alternate resources, technologies and processes which enable waste optimization. Along with this, CEAT is also involved with Automotive Tyre Manufacturers Association ('ATMA') in the formulation of a framework for the management of end-of-life of tires. Furthermore, CEAT uses reusable packaging materials and has achieved zero packaging waste by reusing and recycling packaging materials. This ensures reduction in total plastic waste generated due to operations.</p>
<p><b>Sustainable Sourcing</b></p> 	<p>At CEAT, we encourage the use of renewable and recycled material consumption in manufacturing. The recycled materials consumed during manufacturing processes are High Density Polyethylene ('HDPE') bags, bead spacers etc. In addition to these recycled input materials, CEAT has enhanced its procurement of reclaimed rubber. CEAT has also set a target to increase the quantity of green materials to reduce the environmental impact of its manufacturing process. CEAT endeavors to achieve this target by increasing the percentage usage of sustainable materials like natural rubber, crum rubber, wood raisins, rayon, etc. CEAT regularly engages with its value chain partners on communicating policies, quality parameters and related regulatory compliances to ensure they are compliant with certain defined norms.</p>
<p><b>Biodiversity</b></p> 	<p>Tyre manufacturing requires a variety of raw materials, including natural rubber, which is sourced from nature. Hence, biodiversity is important for CEAT, as it needs to ensure that the raw materials are obtained from diverse and healthy ecosystems, reducing the risk of supply chain disruptions and ensuring the quality of the materials. In order to reduce impact on nature, CEAT relies on procuring recycled and renewable material as well as reducing use of synthetic rubber to move towards sustainable natural rubber. We also conduct regular plantation drives to improve the green area of our locality.</p>

Topic	Description
<p><b>Employee engagement, well-being and training</b></p> 	<p>CEAT takes conscious efforts to develop its human capital and has always believed that its people are an important asset and that training &amp; development is necessary for the betterment of its people and the business. CEAT also has a happiness index to capture the happiness levels of the employees and to improve its business functions.</p> <p>Employee well-being is also paramount to the Company’s commitment for sustainable operations and organizational effectiveness and various initiatives during the year were introduced with the aim of promoting health and wellbeing of employee and their family.</p>
<p><b>Customer Satisfaction</b></p> 	<p>Customer satisfaction is paramount for CEAT, viewed not just as a priority but as an obsession. Satisfied customers not only drive repeat business but also serve as brand advocates, spreading positive word-of-mouth and bolstering CEAT’s reputation. Moreover, in the competitive automotive industry, where customer loyalty is crucial, ensuring satisfaction fosters long relationships and enhances brand loyalty. CEAT focuses on deep customer relationships to continuously enhance brand value and deliver long-term value to its stakeholders. In order to improve our consumer experience, we have started various customer centric initiatives to address the concerns and improve customer satisfaction.</p>
<p><b>Community Engagement and Development</b></p> 	<p>CEAT’s community engagement strategy focuses on achieving measurable impact through its various corporate social responsibility (CSR) programs. CEAT aims to address critical concerns and concentrates on achieving impact in the targeted areas to make a difference by implementing effective CSR initiatives to deliver effective outcomes at the grassroots level, aligned with the Sustainable Development Goals (‘SDGs’). CEAT’s CSR team works closely with communities through partnerships with individuals, institutions, NGOs and local government bodies to leverage their expertise and resources. This ensures the Company’s CSR initiatives are relevant, effective and aligned with the needs of the people.</p>
<p><b>Human Rights</b></p> 	<p>CEAT is committed to improving the quality of life of its people, value chain partners, and communities where it operates based on the RPG code of conduct and CEAT’s Human Rights Policy. CEAT has a responsibility to respect human rights by playing an affirmative role in the communities in which CEAT operates and adhere to the National / International Policy and Frameworks. The Company conducts adequate awareness and training programs for its people (including security personnels) on the Company’s policies. In addition, CEAT vigilantly monitors its supply chain for any human rights violations and any incidents related to non-compliance with respect to Human Rights (including child labor, forced labor, etc.).</p>
<p><b>Occupational Health and Safety</b></p> 	<p>CEAT is dedicated to ensuring the health and safety of its employees, visitors, and value chain partners. As a responsible and safety-conscious company, we prioritize the well-being of our employees by ensuring that all safety protocols are strictly adhered to throughout the entire process. Our goal is to provide and maintain a safe and healthy work environment by establishing and practicing safe operating procedures that protect our employees from ill health and injury. We have also implemented the latest safety measures to eliminate risks at all our worksites. In addition, all our manufacturing plants are ISO 45001:2018 certified. CEAT has a policy of zero accidents and to benchmark its own systems, the Company has adopted the Five Star Occupational Health and Safety Management System of the British Safety Council (‘BSC’).</p>
<p><b>Diversity</b></p> 	<p>CEAT acknowledges the significance of a diverse workforce and is dedicated to providing equal opportunities in employment and fostering an inclusive work environment where every employee is treated with respect and dignity. By embracing diversity, CEAT aims to drive innovation, creativity, and productivity, while ensuring that all employees feel valued, respected, and empowered to succeed.. Employees have access to an effective grievance redressal system via which they can voice any workplace problems. CEAT provides digital forum, “Bol Bindass”, &amp; “R-SHIELD” for its employees to voice their complaints about daily</p>

Topic	Description
	<p>operations. Additionally, CEAT has partnered with the BCCI to support and recognize female talent through the "strategic timeout" partnership in the inaugural Women's Premier League.</p>
<p><b>Ethics and Regulatory Compliance</b></p> 	<p>Ethics and regulatory compliance requirements are changing at a significant pace in terms of sustainability mandates and sustainable product requirements. In order to ensure legal adherence, mitigate the risks of fines or sanctions, and safeguard reputation and brand integrity, CEAT places high importance to the adhere to ethical business conduct and regulatory compliances and it understands that failure to comply with ethical standards and regulations could result in financial penalties, loss of stakeholders' trust, and affect the company's business continuity in the market. CEAT has robust governance structure and system to ensure compliance with the provisions of all applicable laws are in place and to monitor that systems are adequate and are operating effectively.</p>
<p><b>Cybersecurity</b></p> 	<p>CEAT places great emphasis on cyber security and continues to invest in appropriate tools and technologies to safeguard its operations and regularly assesses the risks of cyber-attacks to its system and takes preventive and detective measures to mitigate them. Cybersecurity threats can compromise the integrity of the products' performance, posing a risk to driver safety and potentially leading to accidents. In order to maintain cybersecurity at CEAT, External IT consultants are involved to provide inputs for securing systems against cyber-attacks. CEAT has an Enterprise Risk Management framework covering cyber security and risk related to data privacy. Our Risk management committee reviews the business risks related to information and cyber security and approves the mitigation plans and monitors effectiveness thereof. Every year, we aim to achieve zero instances of cyberattacks or data breaches. By taking a proactive approach to cybersecurity, CEAT ensures the safety and reliability of their products, protects their brand reputation, and maintains customer trust.</p>
<p><b>Product Innovation, Quality and Safety</b></p> 	<p>Product Innovation, quality and safety is critical in the tires industry as it provides comfort, satisfaction, durability and safety. Therefore, CEAT's R&amp;D team strives to create innovative and sustainable solutions with the needs of the consumer at the forefront. We focus on designing and manufacturing tyres that enable mobility, environment friendly, high product life and cost efficiency. In FY 2022-23, the Company's R&amp;D team received "Golden Peacock Award" in the Innovative Product/Service category for Energy Drive EV tyre. Also, CEAT Tyres has received a 5-star rating from the Bureau of Energy Efficiency ('BEE') for the passenger car tyres ('PCR'). Furthermore, CEAT is also the first tyre company outside Japan to win the Deming Prize, a prestigious international quality award given to organizations for their contributions to the field of TQM.</p>
<p><b>Economic Performance</b></p> 	<p>CEAT's purpose is to create long-term value for all its stakeholders while also ensuring a significant return on investment for shareholders in the form of dividend payments. The company's economic performance is closely linked to the quality and durability of its products, as well as its ability to meet customer demand and respond to market trends. Factors such as production costs, pricing strategies, and distribution channels all impact the bottom line and long-term viability. Furthermore, CEAT is committed to optimizing its productivity and business performance through investments in research, development, and digitization. In addition, the company is implementing effective financial management strategies, utilizing various financial instruments to minimize financial impact and enhance profit margins.</p>