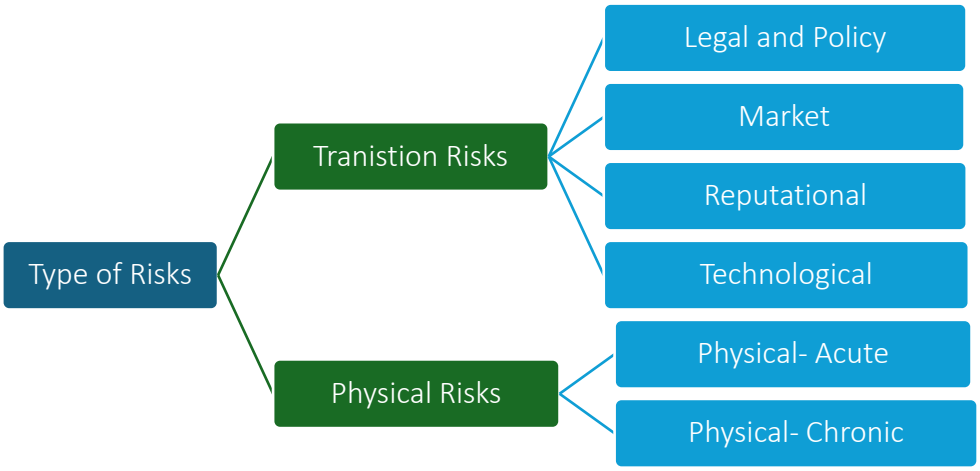
TCFD Report

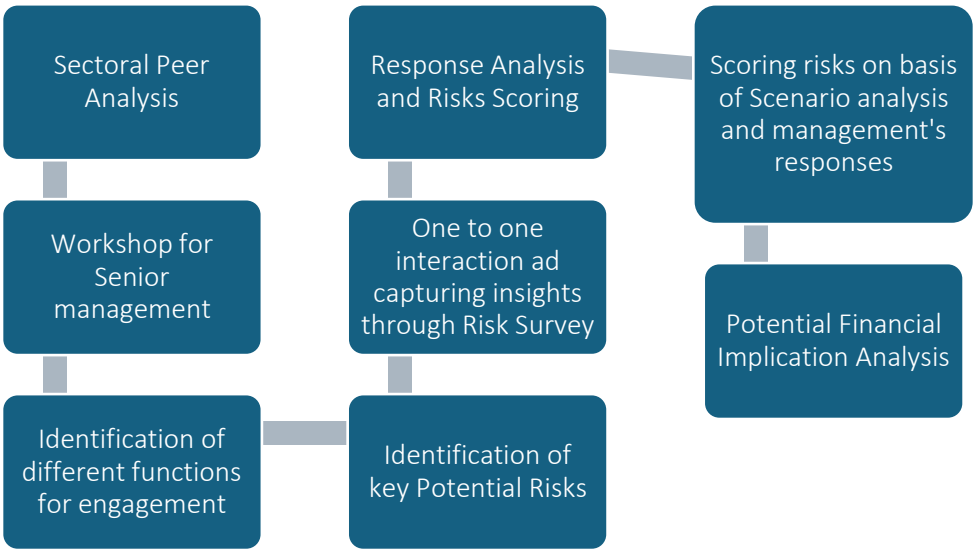
Introduction

KNPL, from its inception, has been committed to sustainable development. The continually changing climate brings in both risks and opportunities for us. At KNPL, we effectively plan to address all the climate-related risk and opportunities through well devised plans. We also ensure that our operations are resilient to all climate related threats.

As we grow, we are also looking forward to cutting down our energy use and emissions through operations. Using this TCFD assessment, we seek to understand and quantify all the climate related risks associated to our business.



Methodology:



Risk Type - Physical Risks- Scenario Assessment

Warming temperatures, variations in precipitation, increases in the frequency or intensity of some extreme weather events, and rising sea levels are all effects of climate change. These consequences endanger our health by influencing the food we consume, the water we drink, the air we breathe, and the weather we encounter. We have carried out scenario assessment to understand which of our facility is susceptible to high physical risks on basis of two criteria-

1.) Mean Air Temperature - Mean Air Mean air temperature refers to the average temperature of air masses near the Earth's surface (2 meters above the ground in this case).
2.) Precipitation - Precipitation is defined as the mass of water (both rainfall and snowfall) falling on the Earth's surface, per unit area and time.

Modelled Scenario:

RCP 2.6: The most ambitious approach is RCP2.6, which limits global warming up to 1.5°C, as per the Paris Agreement goals. This scenario assumes active carbon dioxide removal from the atmosphere, resulting in emissions peak in early 2020s and then subsequently decline.
RCP 8.5: Emissions continue to climb in RCP 8.5 throughout the twenty-first century. RCP8.5, which is commonly used to model worst-case climate change scenarios, was predicated on overestimation of anticipated coal production.

Risk Type - Transitional Risks - Scenario Assessment

To analyze all the transitional risks, we have considered two scenarios. One is Business-As-Usual (BAU): Business-as-usual projections assume that operating practices and policies remain as they are at present. We used contrasting warming scenarios, corresponding to world average temperature rises of around 1.5°C by 2100 and 4°C by 2100 relative to pre-industrial levels. Scenarios for GHG emissions have been estimated by considering production growth, change in grid emission factor in line with target to achieve 70% Renewable Electricity by 2030.

Environmental Impact Metrics and Target:

We believe our objectives should convey to our stakeholders that we are dedicated to lowering our environmental effect. To help guide the implementation, we continue to improve on our existing indicators and targets. At KNPL, we recognize our role in combating climate change and have established overarching goals to minimize our carbon footprint through operations, educate our value chain on the impact, and have Board-level oversight to mitigate the anticipated risks.

Water Replenishment: KNPL became a Water Positive organisation in FY 23-24 by replenishing more water than water withdrawal and intends to continue this in the future.
Emission Reduction: We have aligned and approved our emission reduction targets in line with SBTi 1.5-degree trajectory.
Renewable Electricity: Commitment to increase the electricity from renewable sources to 70% by FY 2029-30.

Risk Management- Governance Framework

The Risk Management Framework comprises of the Risk Management Committee (Board Level) and Chief Risk officer (CRO). All functional heads are responsible for risk management for their respective functions

The risk management process involves: Identification of risk, Analyzing Risk along with evaluation and risk prioritization, Treating and Monitoring Risk, Frequency of meetings, Retention of Risk management documents, Reporting of risks, Training and awareness of risks, controls and mitigation plans. At KNPL risk assessment is done Biannually.
Climate Change risk Identified at per TCFD framework has been integrated with our Enterprise Risk Management (ERM) and is a part of our risk events in Risk Register.

Governance

KNPL has always prioritized building long-term value for our stakeholders in an ethical manner. Our value generation strategy is based on a strong corporate governance structure. It is a comprehensive approach that addresses all pillars of our interactions - economy, society, and environment – while retaining integrity, transparency, and responsibility. We have a separate ESG committee which ensures the achievement of ESG & Climate change targets set by the company. It also participates in identification and mitigation of risks related to ESG & Climate change. The committee provides assurance to the Management and ensures governance as per the OHSE policy.

Strategy

At KNPL we have put in place strategy to minimize our environmental impacts due to our operations and mitigating strategies related to risk events identified as part of our Enterprise Risk Management.
We have identified our Materialities as: Decarbonization, Resource use, Quality of Life, Diversity and Governance. We have identified key focus areas and undertaken Short and Medium Term ESG targets (Mentioned in Metrics and Targets). We have prepared our roadmap of initiatives to drive these targets. The progress is reviewed by the ESG Committee and actions are taken accordingly.

Risk Mitigation Strategy and Associated opportunities for the key climate change related risks are as follows:

S. No.	Climate Change Risk	Risk Type	Associated Opportunity and Mitigation Measures
1	Extreme events may lead to lack of resource availability	Physical	KNPL already has a business continuity framework & Policy in place. KNPL has adopted a comprehensive strategy to enhance the resilience of its critical infrastructure in response to increasing natural hazards and risks. Key components include identifying seismic zones and implementing earthquake-resistant designs, alongside the establishment of heavy wind-resistant infrastructure. KNPL also prioritizes emergency preparedness through on-site management plans, warning systems, and regular mock drills to ensure readiness during crises. By investing in redundancy and robustness in infrastructure systems, the organization aims to maintain functionality during disasters and enhance overall community well-being posed by climate change and other hazards
2	Water scarcity Risks	Physical	KNPL is a water positive organization, and we conduct Internal water audit to identify areas of improvement. Our specific water consumption (manufacturing facilities) decreased by 26% since FY 2018-19. We prioritize rainwater harvesting and obtain 26 % of our water supply from rainwater and recycled sources while maintaining our ZERO Liquid Discharge status at all major plants. We do not use ground water in our plants situated in Water stressed areas.
3	Changing consumer behavior	Market	Although changing consumer behavior is always a threat to company's operations, but to match the expectation we practice best in class customer management by engaging with clients, understanding their expectations, and customizing our services accordingly. We have obtained GRIHA certification for interior and exterior emulsion and construction chemical range of products and conducted LCA for interior and exterior emulsions, Enamels, Construction chemicals, coil coating, powder coating, performance coating and auto refinish. EPD Link for LCA : ENVIRONMENT PRODUCT DECLARATION (EPD) FOR SOLVENT BASED PAINTS (environdec.com)
4	Resource (raw materials) consumption and increase cost of resources	Market	Even in volatile and uncertain circumstances KNPL ensures continuity of operations for all its customers. Over 65% of KNPL's materials are sourced from suppliers with formal sustainability programs. This helps us in reducing the environmental footprint by selecting suppliers who prioritise resource efficiency, waste reduction and renewable materials and encouraging other suppliers to adopt sustainable practices. These steps help minimize the impact of the disruptions and ensure business continuity.