

# Materiality Assessment

As part of our ESG efforts, we focus on multiple aspects related to our business's impacts on stakeholders. Given the broad scope of ESG topics and frameworks, it is important that we must prioritise areas directly impacting our stakeholders. We conduct a dedicated materiality assessment every two years. The assessment helps us identify, refine and assess potential material topics that may affect the environment and society, including human rights. The outcome of the materiality assessment helps us align our ESG efforts with strategic priorities, risks, and opportunities.



We conducted a materiality assessment the previous year based on the Impact of Materiality defined in GRI Standards 2021. The assessment considered responses from both internal and external stakeholders. However, with the evolving ESG landscape, we have aligned our current material topics in coherence with the concept of double materiality during the reporting period.

## Impact Materiality

From the perspective of impact materiality, we considered the context of our organisation, its sector, and operations to determine several actual/potential and positive/negative impacts. We assessed their influence and effects on respective internal and external stakeholder groups. We conducted the assessment based on the responses from individual stakeholder groups in the previous financial year.

## Financial Materiality

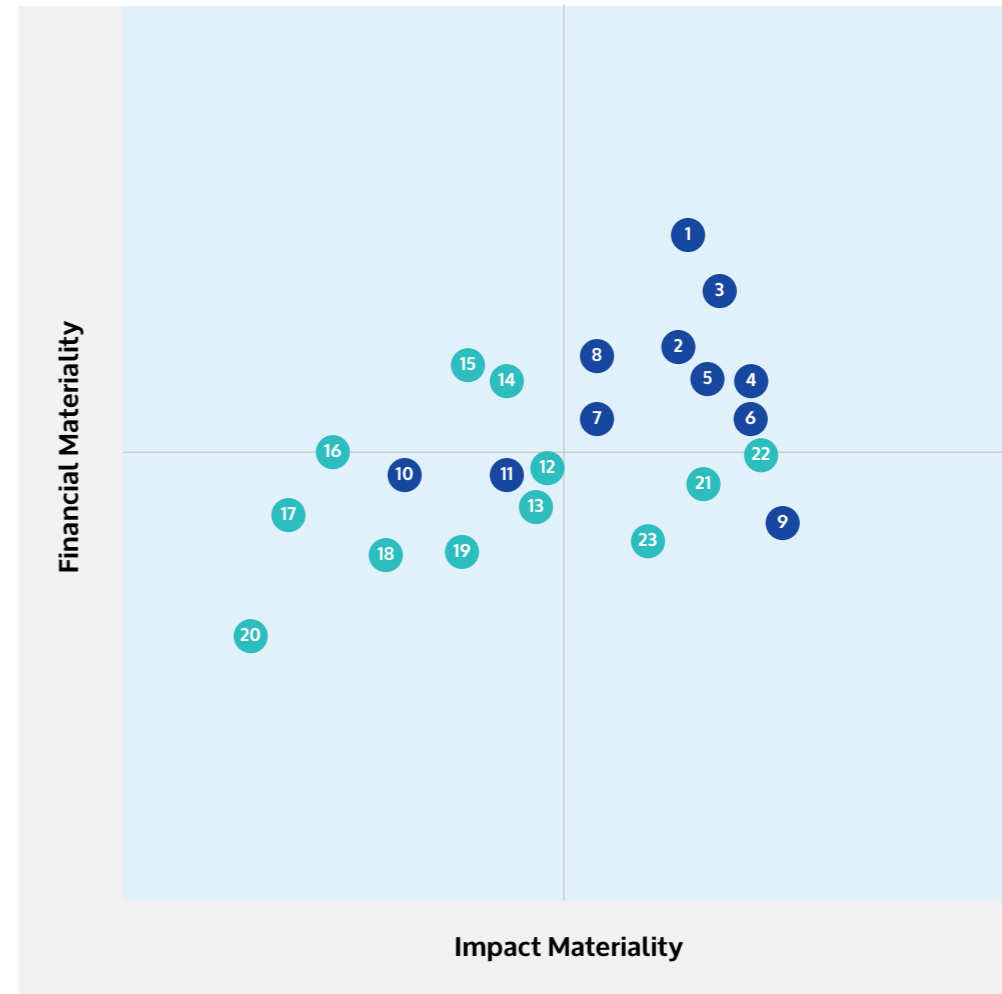
We identified the risks and opportunities of the identified impacts to determine financial materiality. Our leadership assessed key material topics to determine the financial implications based on the probability of occurrence and financial effects of risk and opportunities.

After analysing the results, we developed a matrix depicting 11 high-priority material topics which are significant from both impact and financial materiality perspectives.

Our Board of Directors/ Senior Management has duly signed off on the materiality matrix after evaluating it.

Our ESG Key Performance Indicators (KPIs) are mapped to respective material topics and further aligned with respective SDGs, strategic priorities, and risks. Additionally, these material topics are integrated into our Enterprise Risk Management (ERM) framework and are reviewed annually to align with our business strategy.







## Materiality Matrix






## Material Topics

- |  |                                      |   |
|--|--------------------------------------|---|
| 1 Energy & GHG Emissions Management        | 9 Occupational Health and Safety     | 18 Diversity and Inclusion                |
| 2 Waste and Hazardous Materials Management | 10 Biodiversity                      | 19 Communicable Disease and Public Health |
| 3 Economic performance                     | 11 Supply Chain Transformation       | 20 Artisanal and Small-Scale Mining       |
| 4 Market presence                          | 12 Material Management               | 21 Employee Wellbeing                     |
| 5 Water Management                         | 13 Product Stewardship               | 22 Ethics and Integrity                   |
| 6 Compliance Management                    | 14 R&D Innovation and Technology     | 23 Security and Human Rights              |
| 7 Community Relations                      | 15 Digitalisation and Cyber Security |   |
| 8 Air Emissions                            | 16 Macro-Economic Fluctuations       |   |
|  | 17 Land Use                          |   |

# Materiality Assessment

Material Topic	GRI Topic	SDG Alignment	Reference in IR	Alignment with Strategic Priority and Risk	Risk or Opportunity	Approach to Mitigation, in Case of Risk	Financial Implications	KPIs
<b>Environment</b>								
<b>Energy and GHG Emissions Management</b>	▶ Energy Emissions		▶ Natural Capital	SP-3 R1	<b>Risk:</b> Coal is one of the primary sources of energy for Indian operations. We are engaged in a continuous process industry dependent on coal. Hence, it is challenging to replace coal with any alternate material soon.	<ul style="list-style-type: none"> <li>▶ We have invested in renewable energy projects to run other operations, such as townships.</li> <li>▶ We are also evaluating the feasibility of other energy sources, including increasing the use of biomass in power plants.</li> <li>▶ We have also been working on carbon capture as well as energy storage.</li> </ul>	Negative	<ul style="list-style-type: none"> <li>▶ Energy consumption (within the organisation)</li> <li>▶ Energy intensity</li> <li>▶ Reduction of energy consumption</li> <li>▶ Direct (Scope 1) GHG emissions</li> <li>▶ Energy indirect (Scope 2) GHG emissions</li> <li>▶ Other indirect (Scope 3) GHG emissions</li> <li>▶ GHG emissions intensity</li> </ul>
<b>Waste and Hazardous Materials Management</b>	▶ Effluents and Waste		▶ Natural Capital	SP-3 R5	<b>Risk:</b> Proper waste disposal from operations is essential for protecting the environment and safety. Some of the waste is stored in a secured area for which substantial land is required. Land availability is becoming complex, and waste storage in 'ponds' also has its own risks. We need to adhere to evolving regulatory requirements within specified time frames.	<ul style="list-style-type: none"> <li>▶ We have set up a year-on-year target of 5% for recycling and reusing generated waste to achieve zero-waste-to-landfill by 2050.</li> <li>▶ Several pipeline initiatives include utilising bauxite residue for backfilling and road building and establishing long-term contracts with cement/road developers. We monitor the progress of these initiatives regularly.</li> </ul>	Negative	<ul style="list-style-type: none"> <li>▶ Waste generated</li> <li>▶ Waste diverted from disposal</li> <li>▶ Waste directed to disposal</li> </ul>
<b>Water Management</b>	▶ Water		▶ Natural Capital	SP-3 R6	<b>Risk:</b> Natural resource depletion is a risk all over the world and can eventually impact our immediate environment and operations. Our business depends on coal supply, bauxite, copper concentrate, and water. Four of our plants are in water-stress areas.	<ul style="list-style-type: none"> <li>▶ We have planned several initiatives for water recycling and rainwater harvesting at various plants. We aim to achieve zero liquid discharge and water positivity across mining and downstream verticals by 2025.</li> </ul>	Negative	<ul style="list-style-type: none"> <li>▶ Water withdrawal</li> <li>▶ Water discharge</li> <li>▶ Water consumption</li> </ul>
<b>Air Emissions</b>	▶ Emissions		▶ Natural Capital	SP-3 R7	<b>Risk:</b> Our non-GHG air emissions result from both fuel combustion and production processes. Our aluminium smelting process contributes to fluoride emissions, while the burning of fossil fuels contributes to Oxides of Sulphur (SOx), Oxides of Nitrogen (NOx) and Particulate Matter (PM).	<ul style="list-style-type: none"> <li>▶ We are taking up several projects to minimise emissions from our operations. We are installing pilot Flue Gas Desulphurisation (FGD) units at Mahan, Aditya, and Renusagar.</li> </ul>	Negative	<ul style="list-style-type: none"> <li>▶ Nitrogen oxides (NOx),</li> <li>▶ Sulphur oxides (SOx), and other significant air emissions</li> </ul>
<b>Biodiversity</b>	▶ Biodiversity		▶ Natural Capital	SP-3 R6	<b>Risk:</b> Our operations depend on coal and bauxite mines. Furthermore, many of our locations are situated near areas of high biodiversity. Proper biodiversity management is critical for continued operations at our sites.	<ul style="list-style-type: none"> <li>▶ We are taking up several initiatives towards biodiversity conservation, including developing biodiversity management plans.</li> </ul>	Negative	<ul style="list-style-type: none"> <li>▶ Operational locations in areas with high biodiversity value.</li> </ul>
<b>Social</b>								
<b>Occupational Health and Safety</b>	▶ Occupational Health and Safety		▶ Human Capital	SP-3 R9	<b>Risk:</b> Health and safety is of utmost importance. However, we face injuries due to safety-related risks in our manufacturing processes.	<ul style="list-style-type: none"> <li>▶ We have implemented the 'Serious Injuries and Fatality (SIF) prevention programme', a unique initiative in Indian manufacturing which standardises contractor safety management processes across Hindalco. Additionally, we are incorporating digitalisation to reduce human intervention.</li> </ul>	Negative	<ul style="list-style-type: none"> <li>▶ Work-related injuries</li> <li>▶ Work-related ill health</li> </ul>

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<b>Social</b>								
<b>Community Relations</b>	▶ Local Communities		▶ Social and Relationship Capital	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="border: 1px solid black; padding: 2px;">SP-2</div> <div style="border: 1px solid black; padding: 2px; margin: 2px;">R7</div> <div style="border: 1px solid black; padding: 2px;">SP-3</div> </div>	<b>Opportunity:</b> To actively contribute to underserved communities' social and economic development, lifting the burden of poverty and helping bring inclusive growth in sync with the UN Sustainable Development Goals. In doing so, we are building a better, sustainable way of life for the weaker sections of society and raising the country's Human Development Index. In line with our Group's CSR vision, Hindalco has adopted socially responsible practices where these SDGs are enumerated through the five focus areas of education, health care, sustainable livelihood, social empowerment, and infrastructure development. We positively impacted more than 2 Million lives through our community development programme.	▶ Not applicable	Positive	<ul style="list-style-type: none"> <li>▶ Operations with local community engagement, impact assessments, and development programmes</li> <li>▶ Operations with significant actual and potential negative impacts on local communities</li> </ul>
<b>Governance</b>								
<b>Economic Performance</b>	▶ Economic Performance		▶ Financial Capital	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="border: 1px solid black; padding: 2px;">SP-1</div> <div style="border: 1px solid black; padding: 2px; margin: 2px;">R3</div> <div style="border: 1px solid black; padding: 2px;">SP-2</div> <div style="border: 1px solid black; padding: 2px; margin: 2px;">R4</div> </div>	<b>Opportunity:</b> We have achieved our deleveraging target well ahead, leading to a strong balance sheet. This outperformance has resulted in increased trust between the shareholders and lenders. We have a robust approach to the capital allocation framework. Furthermore, our focus has been maximising shareholder return by directing our growth capex towards value-added downstream expansion projects.	▶ Not applicable	Positive	▶ Direct economic value generated and distributed
<b>Compliance Management</b>	▶ Non-GRI		<ul style="list-style-type: none"> <li>▶ Natural Capital</li> <li>▶ Social and Relationship Capital</li> </ul>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="border: 1px solid black; padding: 2px;">SP-3</div> <div style="border: 1px solid black; padding: 2px; margin: 2px;">R9</div> </div>	<b>Risk:</b> Regulations in the metals and mining industry are essential in shaping the business. Frequent regulatory changes give rise to uncertainty in the surrounding environment. Our value chain is highly dependent on the resources available to the government.	▶ We continuously engage with Government agencies and work on policy advocacy at various levels. We also actively participate in industry association activities. This approach helps us proactively engage with the government and prepares us for regulatory changes.	Negative	<ul style="list-style-type: none"> <li>▶ Environmental compliance</li> <li>▶ Socio-economic compliance</li> </ul>
<b>Market Presence</b>	▶ Non-GRI	-	<ul style="list-style-type: none"> <li>▶ Intellectual Capital</li> <li>▶ Manufactured Capital</li> </ul>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="border: 1px solid black; padding: 2px;">SP-1</div> <div style="border: 1px solid black; padding: 2px; margin: 2px;">R1</div> <div style="border: 1px solid black; padding: 2px;">SP-4</div> </div>	<b>Opportunity:</b> Increased demand for aluminium in various sectors allows Hindalco to expand its market presence.	▶ Not Applicable	Positive	<ul style="list-style-type: none"> <li>▶ Technology and Innovation</li> <li>▶ Enhanced customer experience</li> </ul>
<b>Supply Chain Transformation</b>	▶ Non-GRI	-	<ul style="list-style-type: none"> <li>▶ Natural Capital</li> <li>▶ Social and Relationship Capital</li> </ul>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="border: 1px solid black; padding: 2px;">SP-3</div> <div style="border: 1px solid black; padding: 2px; margin: 2px;">R2</div> </div>	<b>Opportunity:</b> Sustainable supply chain initiatives, effective use of natural resources, decarbonisation, ethical sourcing, and fair trade will enable risk reduction, increased innovation, and even more substantial returns on investment.	▶ Not Applicable	Positive	▶ Digitalisation of the supply chain

We aim to prioritise the impacts of these identified material topics while creating long-term value. We strive to reduce our emissions through initiatives such as deploying new technologies for emission reduction, procurement and generation

of renewable energy, and reducing fossil fuel-based energy. Water is an essential resource for our operations, so we utilise it judiciously, especially in the water-stress zones. Several projects have been identified and implemented to reduce the

dependency on freshwater and reuse and recycle water. Furthermore, we adhere to the regulatory requirements and ensure that effluent discharge is within the permissible limits, providing the most

negligible impact on the aquatic habitat and neighbouring communities.

Moreover, through our commitment, we enrich the lives of society, the environment, and our people. To ensure the health and safety of our workforce, we

conduct regular safety training exercises and awareness sessions to sensitise them to workplace hazards and create a safe and healthy workplace for them. We also run several hazard identification and other assessments to ensure the incorporation

of appropriate health and safety measures while reducing their impacts on our business operations.