INTERNAL CARBON PRICING (ICP)

This summary on Internal Carbon Pricing (ICP is intended for public release. It reflects Granules' strategic priorities, methodology, and results, without operational or sensitive financial data. All information aligns with current SBTi guidance as of FY2025.

1. Introduction and Strategic Context

Granules India Limited recognizes climate change as a core business and societal risk, as reflected in its validated net zero commitments, CDP Supplier Engagement A-list inclusion, and ESG leadership within India's pharmaceutical sector. Internal carbon pricing (ICP) is a strategic tool to drive low-carbon choices and achieve Science Based Targets initiative (SBTi)-aligned emissions reductions across its operations and supply chain.

2. Approach and Methodology

Granules has developed its ICP program using best practice guidance:

- **Shadow Pricing:** ICP is calibrated using reference prices from voluntary carbon markets, compliance emissions trading schemes, and regulatory penalties or incentives, ensuring it reflects realistic future costs of carbon.
- **Implicit Pricing:** The cost of investments and expenditures made to reduce emissions (e.g., renewable power, energy efficiency) is mapped against annual CO_2e reductions, creating an implicit price for avoided emissions.
- **Benchmarking and Alignment:** ICP levels are benchmarked against peers and sector averages, referencing SBTi sector guidance and CDP case studies to ensure competitiveness and regulatory readiness.

3. Coverage and Scope

Granules India's ICP is designed to cover:

- Scope 1: Direct emissions from company facilities.
- Scope 2: Indirect emissions from purchased electricity and energy.
- Scope 3: Selected categories of value chain emissions, chiefly from upstream procurement and logistics, for comprehensive climate risk management.

And Covers the All Granules manufacturing and R&D facilities, subsidiaries, and joint ventures and supply chain Partners

4. Results and Key Findings

- Granules increased its renewable energy share to 68.7 % in FY25, a marked improvement from previous years.
- The company avoided 42,020 metric tons of CO_2 equivalent through focused decarbonization initiatives in FY25.
- Benchmarking with peer companies and sector guidance, Granules has established an ICP range of 12–15 USD per metric ton CO_2e, consistent both with Indian pharma standards and international average recommendations.
- This ICP supports internal investment planning, project prioritization, and capital allocation to climate-positive projects.

5. Alignment with International Standards (SBTi)

Granules' ICP approach is informed by guidance from SBTi:

- **SBTi validation** confirms the company's near-term (42% absolute reduction in Scope 1/2/3 by 2030) and long-term **(net zero by 2050)** science-based targets.
- **CDP guidance** encourages comprehensive coverage across all relevant emissions scopes and stakeholder engagement (notably suppliers) for holistic climate action.
- The ICP facilitates adherence to national climate policies, future regulatory scenarios, and growing investor expectations for climate risk disclosure.

6. Implementation and Governance

- The carbon price is embedded in investment appraisals, project screening, and R&D budgeting, driving climate-aligned decision-making across the organization.
- Annual review and adjustment of ICP levels ensure timely response to market, policy, and technological advances.
- Granules publishes ICP results, methodology, and progress in its Business Responsibility & Sustainability Report and responds annually to CDP Climate disclosures.

7. Future Roadmap and Stakeholder Engagement

- Granules will regularly benchmark and recalibrate its ICP, engage value chain partners, and collaborate with industry groups, in line with evolving **SBTi sector standards.**
- The **ICP program** will continue to support decarbonization, ESG integration, and robust climate risk management, keeping Granules India Limited aligned with national and global sustainability leadership.