



WWF

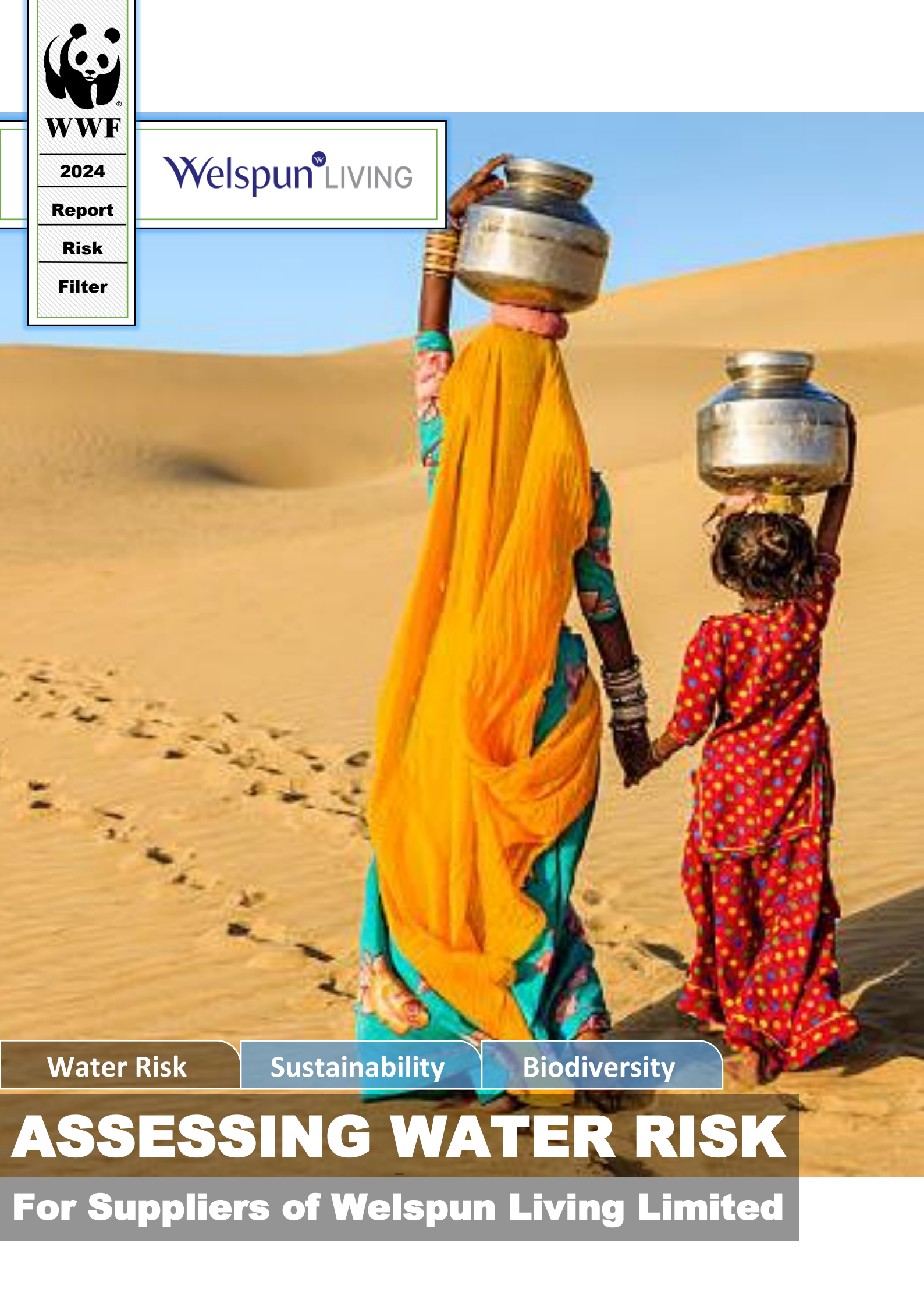
2024

Report

Risk

Filter

Welspun<sup>W</sup>LIVING



Water Risk

Sustainability

Biodiversity

# ASSESSING WATER RISK

For Suppliers of Welspun Living Limited

## Table of Contents

---

1. Introduction
  - 1.1 About Welspun Living
  - 1.2 About Report
  
2. Distribution of Welspun's 63 Critical Suppliers
  - 2.1 Global Supplier Distribution
  - 2.2 Indian Supplier Distribution
  - 2.3 Risk Wise Supplier Categorization
  
3. Mitigation of Risk
  - 3.1 Introduction to Risk
  - 3.2 Types of Risk
  - 3.3 Mitigation Measures
  
4. Conclusion

## Graphics Included

---

1. World heat map with all supplier locations plotted and colours indicating the intensity of risk.
2. Filter levels.
3. India heat map with all Indian suppliers locations plotted and colours indicating the intensity of risk.
4. Categorization of suppliers by country.
5. Categorization of suppliers by proximity to water basins.
6. Table showing categorization of risk.

## 1. Introduction

---

### 1.1 About Welspun Living

Welspun Living Limited, part of the globally renowned Welspun Group, stands as a leader in home textiles and flooring solutions, known for its innovative products and commitment to sustainability. The company serves a diverse clientele, including major global retailers and individual consumers, from its cutting-edge manufacturing facilities in Anjar, Vapi, and Chandanvelly near Hyderabad. Sustainability is at the core of Welspun Living's operations, with a strong emphasis on water conservation, energy efficiency, and minimizing environmental impact. The company has implemented various eco-friendly initiatives, such as recycling wastewater, reducing carbon emissions, and transitioning to renewable energy sources. Welspun Living's commitment to responsible growth is reflected in its rank as 16th out of 211 companies in the Sustainalytics ESG risk rating, and its recognition as one of the top 100 sustainable companies in India. With its focus on ESG standards, the company not only enhances its operational efficiency but also ensures that its supply chain partners share the same values of environmental stewardship and social responsibility. This dedication allows Welspun Living to set a benchmark for sustainability in the industry while maintaining a positive impact on the environment and society.

### 1.2 About Report

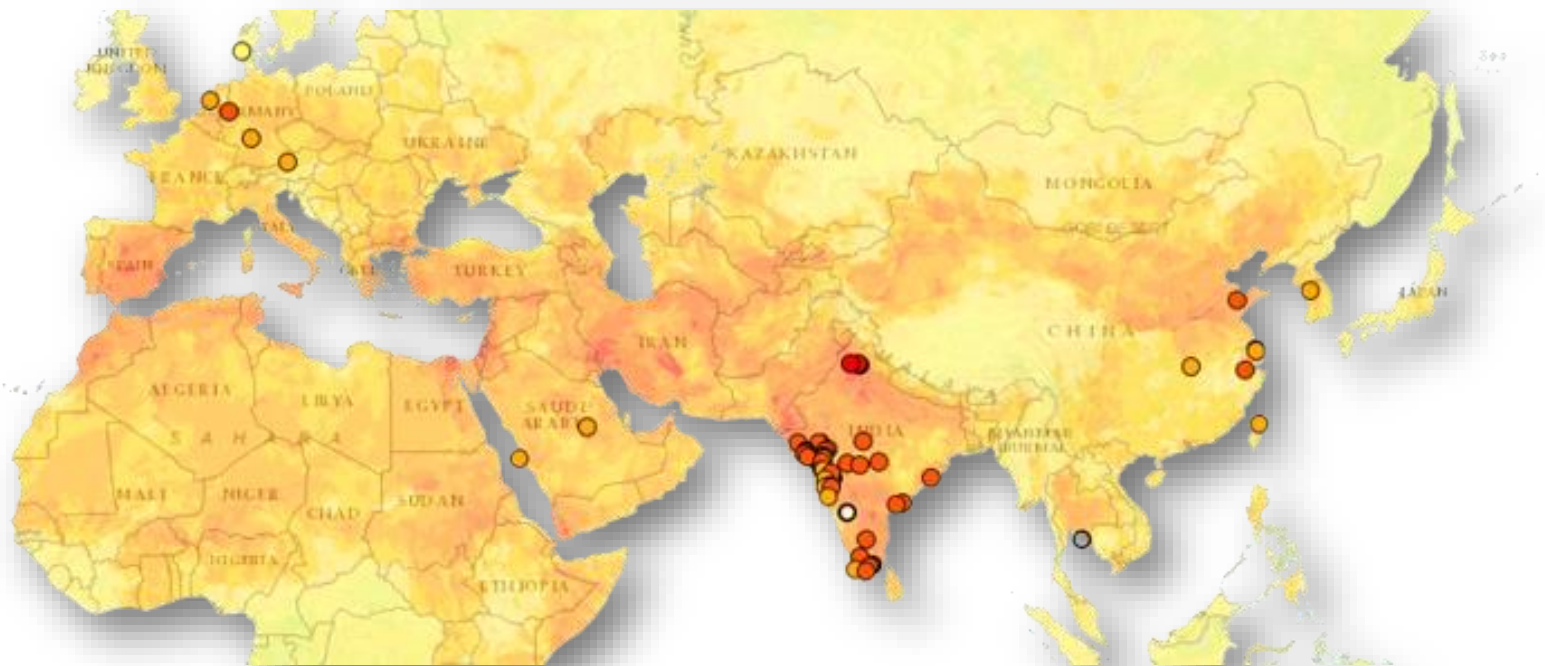
This report provides an in-depth examination of Welspun Living's supplier network, focusing on their geographic distribution and categorization based on water risk intensity. Utilizing the WWF Water Risk Filter, we have developed a comprehensive heat map that visually represents the global and Indian spread of Welspun's suppliers, with colour coding to indicate their risk scores, measured on a scale of 1 to 5. This mapping highlights the areas where suppliers face varying degrees of water-related risks, including scarcity, quality concerns, and regulatory issues, depending on the regions in which they operate. The heat map serves as a visual tool to pinpoint suppliers functioning in water-stressed zones, enabling us to identify critical vulnerabilities within the supply chain.

The report categorizes these suppliers into different levels of water risk exposure, offering valuable insights into the intensity of risk that each supplier may encounter based on their location and operational environment. By identifying high-risk areas, the report facilitates the prioritization of risk mitigation strategies.

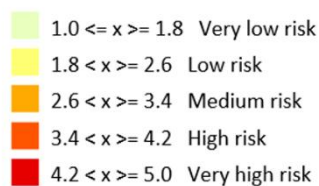
## 2. Distribution of Welspun's 63 Critical Suppliers

### 2.1 Global Supplier Distribution

The Below heat map shows the global spread of Welspun's suppliers and the intensity of the colour is corresponding to the risk associated with the suppliers according to WWF water Risk Filter.



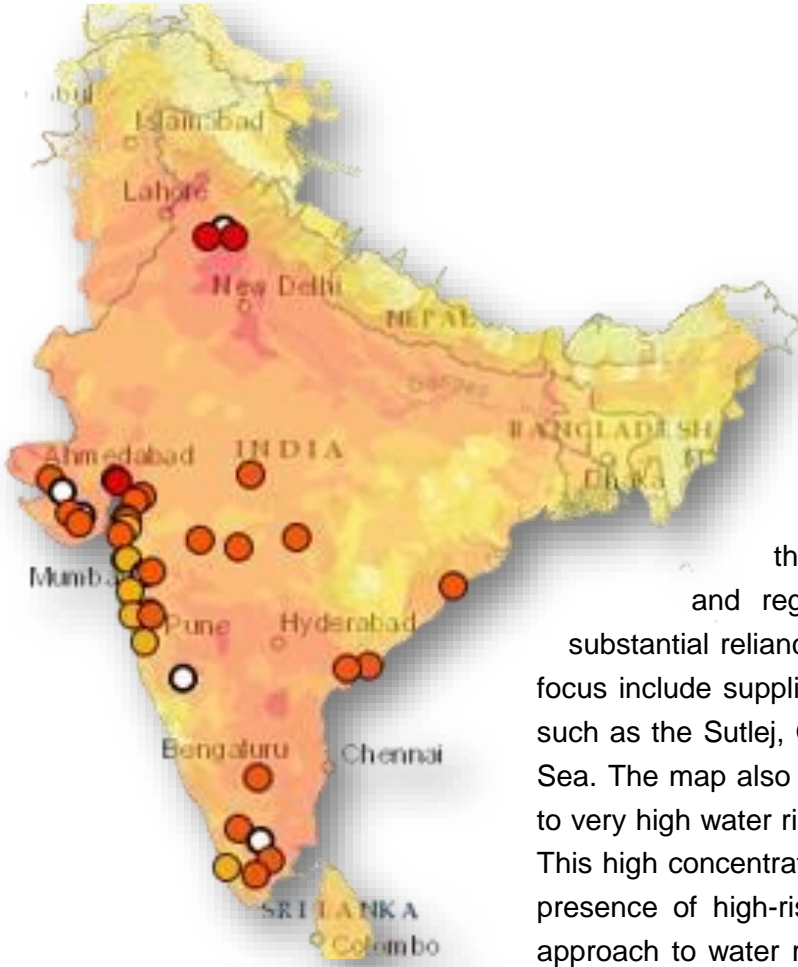
WWF Water Risk Filter levels



The global map illustrates the spread of Welspun Living's 63 critical/major suppliers, emphasizing the company's heavy reliance on Indian suppliers, with 46 out of these 63 based in India. In addition to these, 7 suppliers are from China, 2 each from Thailand, Saudi Arabia, and Germany, and 1 supplier each from Austria, South Africa, Netherlands, and Denmark out of these main 63 suppliers. This distribution highlights that Welspun's supply chain is predominantly concentrated in India, with the remaining suppliers spread across various international locations. The map also indicates that only two suppliers face very high water risk, and both are situated in India, underscoring the significance of managing water risk within the country. India's prominence in the supply chain links many of the suppliers to key river basins such as the Sutlej, Godavari, Yamuna, and Arabian Sea. The global reach includes suppliers linked to other major basins.

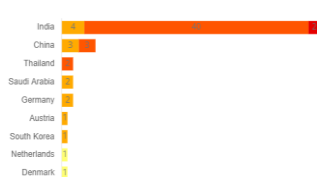
## 2.2 Indian Supplier Distribution

The following map shows the spread of Welspun's Major Indian Suppliers on the water risk intensity heat map of India.



The Indian map provides a detailed visualization of Welspun Living's supplier network within India, where 46 out of the total 63 major suppliers are located. This map highlights the geographical distribution of these suppliers across various states and regions, emphasizing the company's substantial reliance on Indian suppliers. Key areas of focus include suppliers situated near major river basins such as the Sutlej, Godavari, Yamuna, and the Arabian Sea. The map also identifies the two suppliers exposed to very high water risk, both of which are based in India. This high concentration of suppliers within India and the presence of high-risk suppliers necessitate a targeted approach to water risk management. By examining the map, it becomes evident that managing water risk in India is crucial for maintaining the stability and sustainability of Welspun Living's supply chain.

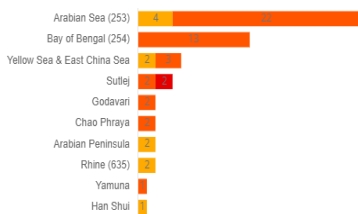
Number of Sites by Country



## 2.3 Risk Wise Supplier Categorization

The classification of Welspun Living's suppliers based on water risk highlights the varying levels of water stress across different regions. Out of the 63 suppliers, two are identified as facing very high water risk, with operations located in areas experiencing significant water challenges, such as the Sutlej and Godavari basins. A group of 45 suppliers falls into the high-risk category, reflecting operations in regions where water concerns are more pronounced, including basins like the Yamuna, Arabian Sea, and Yellow Sea. The remaining 13 suppliers fall under medium risk, mainly situated in regions around the Chao Phraya, Rhine, and other areas with moderate water stress. This classification helps identify opportunities for improving water management and promoting sustainability across the supply chain.

Number of Sites by Major River Basin



Very High Risk:	2
High Risk:	45
Medium Risk:	13
Low Risk:	2
Very Low Risk:	1
<b>Total:</b>	<b>63</b>

### 3. Mitigation of Risk

#### 3.1 Introduction to Risk?

In scientific terms, risk is defined as the probability of an adverse event or outcome occurring due to exposure to a hazard, combined with the severity or impact of that event. Mathematically, it is often expressed as:

**Risk Score = Probability of Event × Magnitude of Impact**

Probability of Event represents the likelihood or frequency of the hazardous event occurring.

Magnitude of Impact refers to the extent of harm or damage that the event could cause.

For example, regions near the Sutlej and Godavari basins, where two suppliers are exposed to very high risk, may face a combination of both high probability and severe impact, leading to an overall significant risk score. Similarly, high-risk areas such as the Arabian Sea, Bay of Bengal, and Yellow Sea basins, which affect 45 suppliers, are prone to water scarcity and regulatory challenges, representing a higher probability of water-related events. On the other hand, suppliers in regions like the Chao Phraya or Rhine basins, while still classified as medium risk, may face moderate water issues with potentially smaller impacts.

#### 3.2 Types of Risk

Water risk is broadly categorized into three distinct types: **physical risk**, **regulatory risk**, and **reputational risk**, each contributing uniquely to overall risk exposure. **Physical risk** pertains to the tangible challenges of water scarcity or quality degradation in a specific region. It is driven by environmental factors like droughts, floods, or contamination that directly impact water availability for industrial and operational use. **Regulatory risk** refers to the potential for stricter governmental policies or water-related regulations that could limit water access or impose compliance costs on companies operating in certain regions. This could involve water usage restrictions, penalties, or required investments in water conservation technologies. **Reputational risk** arises from the perception of a company’s water management practices by stakeholders, including consumers, investors, and local communities

Risk Type	Risk Category
PHYSICAL	1. Water Scarcity
	2. Flooding
	3. Water Quality
	4. Ecosystem Services Status
REGULATORY	5. Enabling Environment
	6. Institutions & Governance
	7. Management Instruments
	8. Infrastructure & Finance
REPUTATIONAL	9. Cultural Importance
	10. Biodiversity importance
	11. Media Scrutiny
	12. Conflict

### 3.3 Mitigation Measures

**Enhancing water efficiency** is a foundational measure. This involves adopting technologies such as water recycling systems, rainwater harvesting, and advanced irrigation methods like drip irrigation. These measures significantly reduce water consumption and mitigate the impact of physical water scarcity, which in turn helps manage regulatory risk by staying within permissible usage limits.

**Diversifying water sources** is another critical strategy. Suppliers should explore and invest in alternative water sources such as groundwater, recycled wastewater, or desalinated water. This diversification reduces the dependency on any single water source, which is particularly important in regions facing high water stress. By ensuring a more stable and varied water supply, suppliers can better manage physical risks and reduce the likelihood of facing stringent regulatory restrictions related to water usage.

**Proactive engagement with regulatory authorities** is crucial for managing regulatory risks. Suppliers should stay informed about current and forthcoming water regulations, and actively participate in policy discussions to anticipate changes. This proactive engagement not only helps in achieving and maintaining compliance but also builds a cooperative relationship with regulators, potentially easing the impact of new or more stringent regulations.

**Managing reputational risk involves transparent communication and community engagement.** Suppliers should openly report their water management practices, showcasing their commitment to sustainable water use through detailed sustainability reports. Engaging with local communities on water conservation projects and supporting local environmental initiatives can enhance the supplier's public image. This transparency helps build trust and demonstrates that the supplier is dedicated to responsible water management.

By combining these measures—improving water efficiency, diversifying water sources, engaging with regulators, maintaining transparency, and obtaining certifications—Welspun Living's suppliers can comprehensively address physical, regulatory, and reputational water risks. This approach not only ensures operational sustainability but also enhances the resilience and reputation of the suppliers within the supply chain.

## 4. Conclusion

---

Welspun Living is dedicated to fostering sustainable growth and enhancing the resilience of its supply chain by addressing water risks comprehensively. The company acknowledges the critical role of water management and is committed to supporting its suppliers in mitigating these risks. Through this report, Welspun Living has identified various risk levels across its supplier base, ranging from very high to very low.

Welspun Living is actively working to assist suppliers in implementing effective risk mitigation measures, such as adopting water-efficient technologies, diversifying water sources, and complying with regulatory requirements. The company aims to build a more resilient supply chain by encouraging suppliers to proactively manage their water risks. The results of this study shall be shared and discussed with the suppliers and they will be encouraged to initiate good water management practices including water audits. Welspun Living shall also monitor the changing risk scenarios at its suppliers end and take appropriate steps as required from time to time.

In alignment with its commitment to sustainable development, Welspun Living has also taken significant steps to reduce water risks in the areas surrounding its own plants. By prioritizing suppliers with lower water risks and actively working with those facing higher risks, Welspun Living seeks to enhance the overall sustainability and reliability of its supply chain. This approach ensures that the company not only manages its direct water usage but also influences its suppliers towards more responsible water practices, contributing to the broader goal of sustainable growth and environmental stewardship.

\*\*\*