Environmental Stewardship

Environmental Stewardship

Driving Sustainable Impact through Responsible Environmental Initiatives

Environmental sustainability is integral to our corporate strategy and a defining strategic priority. We pursue targeted actions to reduce the environmental footprint of our operations and focus on preventing and mitigating adverse impacts. We are committed to safeguarding natural resources and use our reach across the value chain to catalyse progress toward a more sustainable future.

Our approach aligns with the UN Sustainable Development Goals, specifically:

Environmental Performance FY25

At Sun Pharma, improving environmental performance is a core priority across our global manufacturing network and R&D centres. To reduce our footprint and create measurable positive outcomes, we have set clear, time-bound objectives spanning energy and emissions, water, waste and circularity.

	Energy Efficiency and Carbon Emissions[43]	Water Stewardship	Waste Management
Target	Reduction of **35%** in absolute carbon emissions (Scope 1 and Scope 2) by 2030 (baseline year of 2020)	Reduction of **10%** in water consumption by 2025 (baseline year of 2020)	Co-processing of **30%** hazardous waste by 2025
Highlights	• **1,662,767 GJ** total energy sourced from Renewable Sources in FY25 • Replacement of fossil fuel with biomass, **710,348 GJ** of energy sourced from biomass • Six sites and one office **ISO 50001:2018** certified	• Continued focus on **4Rs - Reduce, Reuse, Recycle, and Recharge** for water conservation • **Reduced dependency on groundwater** by using alternative sources	• **37%** Hazardous waste diverted from disposal, by using recycling and other recovery options • **96%** Non-hazardous waste diverted from disposal by using recycling and other recovery options
Achievements	• **21%** Reduction in absolute carbon emissions (Scope 1 and Scope 2) compared to baseline year 2020 • **37%** Reduction in energy intensity compared to baseline year 2020 • **48%** Reduction in GHG intensity (Scope 1 and Scope 2) compared to baseline year 2020 • **41%** Energy sourced from renewable sources	• **25%** Reduction in water consumption compared to baseline year 2020 • **51%** Reduction in water intensity compared to baseline year 2020	• **27%** hazardous waste Co-processed

[43]GRI 302-4

Environmental Stewardship

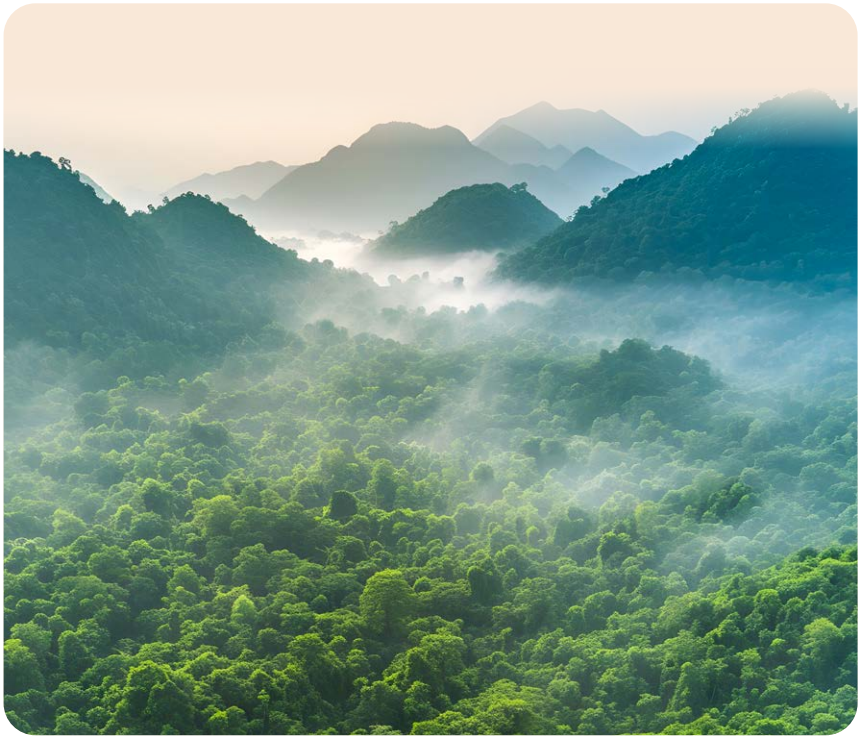
Environmental Governance Framework

Our environmental governance framework consists of a comprehensive Environment, Health, and Safety (EHS) Policy, supported by a structured EHS Management System and Energy Management System. These frameworks enable us to achieve our goals of reducing carbon emissions, water consumption, and waste generation.

Regular internal and external audits and inspections ensure compliance with applicable EHS standards and regulations. Additionally, comprehensive emergency response plans are in place across all sites to enable swift and effective action in the event of accidents or EHS-related incidents, reinforcing our commitment to workplace safety and environmental stewardship.

Our EHS Management System is aligned with the ISO 14001:2015 framework. As of FY25, 18 sites have been certified with ISO 14001: 2015, 7 sites have been third-party certified, and all other sites have been internally audited for their EHS management systems. Six of our manufacturing facilities have also been certified with ISO 50001:2018.

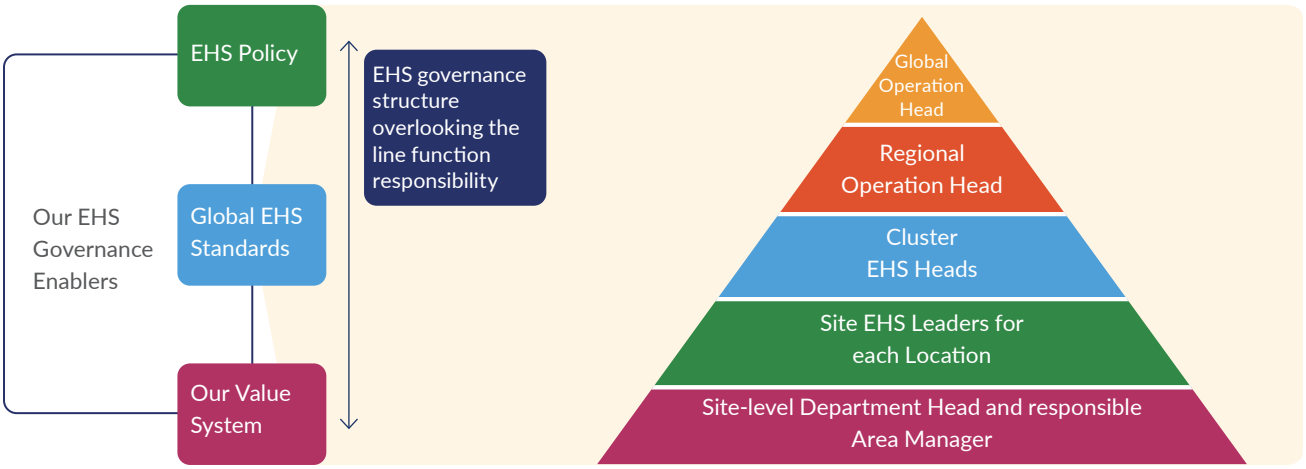
We are committed to strictly complying with all relevant local, state, and national regulatory requirements, prioritising the identification and reduction of potential or actual risks from non-compliance. In FY25, there were no instances of environmental non-compliance.[44]



Our employees play a crucial role in achieving our environmental goals. To support this, we have established various engagement forums to raise awareness and promote sustainable practices. These platforms help employees identify and address risks, assess and reduce environmental impact, and advocate workplace safety. Additionally, we also conduct periodic EHS training programmes for our employees to enhance responsible and environmentally conscious behaviours.

Aligned with our Enterprise Risk Management (ERM) framework's strategic approach, we recognise that environmental impact and climate change both pose risks as well as opportunities for our operations. To address this, we have integrated various mitigation strategies and environmental enhancements across our manufacturing facilities.

Our EHS Governance Framework



[44]GRI 2-27

Environmental Stewardship

Our Climate-smart Vision

We are committed to supporting India's Nationally Determined Contributions (NDCs) and have embedded climate action into our strategic priorities. Our climate change strategy focuses on enhancing energy efficiency, increasing the share of renewable energy, managing greenhouse gas emissions, improving waste and water management, advancing R&D for sustainable products and processes, and optimising resource utilisation through digital technologies. These efforts reflect our dedication to environmental stewardship and long-term sustainability.

We aim to reduce our Scope 1 and Scope 2 carbon emissions by 35% by 2030, considering 2020 as our baseline, through energy efficiency and clean energy investments. Additionally, we have committed to achieving Net Zero status by 2050.

In alignment with our commitment to climate resilience, we have identified both physical and transition risks associated with climate change, in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We will be developing targeted mitigation strategies to enhance resilience against various climate risks.

Energy Efficiency

At Sun Pharma, we are dedicated to enhancing energy efficiency by promoting energy conservation across all our operations. Understanding the direct link between energy consumption—particularly fossil fuels—and greenhouse gas emissions, we have adopted a three-pronged strategy: monitor, minimise, and decarbonise. This approach enables us to track energy usage, reduce our carbon footprint, and transition towards cleaner, more sustainable energy sources.

Our Approach Towards Energy Management

Monitor

Monitor energy usage trends, set benchmarks, and create action plans to meet our targets.

Minimise

Minimise reliance on energy-intensive sources by using energy-efficient methods and recover waste heat for further utilisation.

Decarbonise

Reduce our carbon footprint by adopting cleaner fuel alternatives and shifting to renewable energy.

Environmental Stewardship

Monitor

We monitor and verify energy consumption across our sites at both equipment and plant levels through internal and external energy audits. It helps in analysing consumption patterns and deviations, forecasting future demand, setting reduction goals, and evaluating the success of energy-saving initiatives.

These efforts have significantly contributed to reducing carbon emissions and advancing our organisation's decarbonisation goals. The data below shows trends in our annual energy usage over the past four years, highlighting a consistent decline in non-renewable energy and reduced energy intensity.

Energy Consumption (in GJ)[45]

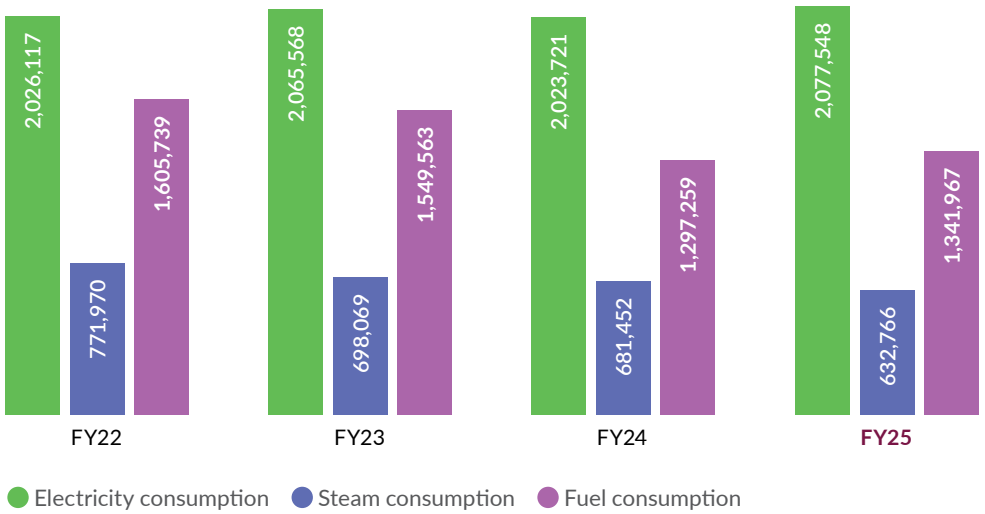
Energy Consumption from Non-renewable Sources

Energy Consumption from Renewable Sources

Total Energy Consumption

Total Energy Consumption Intensity (GJ/Revenue in ₹ Million)[46]

Energy Consumption Breakup (in GJ)



[45]GRI 3-3 & 302-1 | [46]GRI 302-3

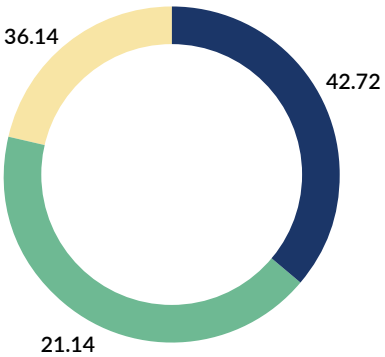
Environmental Stewardship

Total Energy Mix (in %)

Energy from Renewable Sources (%)

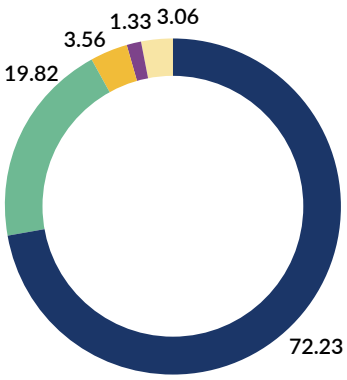
Energy from Non-renewable Sources (%)

Total Renewable Energy Mix in FY25 (%)



- Biomass
- Captive solar (Solar Rooftop, Wind, Hybrid, Renewable power purchase)
- Steam purchased (Renewable based)

Total Non-Renewable Energy Mix in FY25 (%)



- Grid electricity
- Compressed natural gas (CNG)
- High speed diesel (HSD)
- Steam purchased (Coal based)
- Other Sources (Furnace Oil, Petrol, LPG, Light Diesel Oil, Coal)

Environmental Stewardship

Minimise and Decarbonise

We are committed to integrating renewable energy solutions into our operations to reduce carbon emissions and decrease dependence on fossil fuels. This transition supports our broader climate strategy and reflects our dedication to building a low-carbon, sustainable future. In FY25, targeted efficiency upgrades and clean energy investments enabled us to phase down high-speed diesel, furnace oil, and coal usage by shifting portions of our energy mix to carbon-neutral sources.

Energy-efficiency Measures[47]

- Installed heat pumps for hot water generation, reducing reliance on steam systems and associated energy use.
- Installed HVAC systems with high-efficiency blowers.
- Replaced chillers with high-efficiency models integrated with smart control systems.
- Converted electric motors to IE3 high efficiency standards.
- Implemented demand side compressed air management to optimise compressor loading.
- Deployed energy-efficient dryers to lower power consumption.
- Rolled out LED lighting with occupancy/motion sensors to avoid unnecessary use.
- Enhanced condensate recovery, resulting in fuel and water savings across multiple sites.
- Replaced old pumps with high-efficiency alternatives.
- Fitted variable frequency drives (VFDs) on motors for part load optimisation.
- Introduced automatic tube cleaning systems on chillers to sustain performance and reduce energy use.

In FY25, the energy consumption intensity has reduced to 11.76 GJ per million rupees of turnover as compared to 12.68 GJ per million rupees of turnover in FY24. We reduced energy consumption intensity by 0.92 GJ per million rupees in turnover (7% reduction) compared to the previous financial year through targeted energy efficiency measures.

We also continue to focus on a decarbonisation strategy by adopting alternative energy sources and reducing reliance on fossil fuels.

Renewable Energy Measures:

- Commissioned a captive hybrid power plant (wind+solar) to partially meet the energy needs of facilities in Gujarat.
- Installed a captive solar plant at the Dewas site to meet a portion of the energy demand.
- Utilised captive windmills at Maduranthakam (MKM) site to supplement energy demand.
- Expanded rooftop solar capacity at Mohali, Paonta Sahib, Sikkim, Guwahati, Romania, and Baddi manufacturing sites, and at Basma warehouse, in addition to the prior installations at Halol, Baska, Gurgaon, Dadra, and Vadodara.
- Implemented fuel substitution at most sites, replacing boiler fuels such as furnace oil and high-speed diesel with renewable biomass briquettes for steam generation, supporting our shift toward cleaner energy sources.

[47]GRI 302-4 and 305-5

Environmental Stewardship

Emissions Management[48]

Scope 1 GHG Emissions[49]

We monitor and disclose emissions resulting from the use of non-renewable fuels such as diesel, furnace oil, petrol, CNG, LPG, LDO, and coal across our operations. Over the past four years, we have achieved notable reductions in both absolute Scope 1 emissions and their intensity. These improvements reflect our ongoing commitment to transparency, climate responsibility, and continuous environmental performance enhancement.

Scope 1 Emissions (tCO_2e)

Emission Intensity for Scope 1 [tCO_2e/revenue (in ₹ Mn)]

Scope 2 GHG Emissions[50]

We monitor and report emissions associated with electricity purchased from the grid, contributing to our Scope 2 emissions profile. Over the past four years, we have achieved a consistent decline in Scope 2 emissions intensity, reflecting our commitment to energy efficiency and climate-conscious operations.

Scope 2 Emissions (tCO_2e)

Emission Intensity for Scope 2 [tCO_2e/revenue (in ₹ Mn)]

Scope 1+2 Emissions (tCO_2e)

Scope 1+2 Emissions Intensity [tCO_2e/revenue (in ₹ Mn)]

Our total biogenic emissions in FY25 were 79,561.85 tCO_2e.

[48]GRI 3-3 | [49]GRI 305-1 and 305-4 | [50]GRI 305-2 and 305-4

Environmental Stewardship

Scope 3 GHG Emissions[51]

We monitor and disclose Scope 3 emissions across seven categories in line with the GHG Protocol. Purchased goods and services account for the largest share of our Scope 3 footprint, with additional categories covering business travel, fuel and energy-related activities, upstream and downstream transportation and distribution, employee commuting, and waste generated in our operations.

Scope 3 Emissions (tCO_2e)

Source	FY24 (tCO_2e)	FY25 (tCO_2e)
Purchased goods and services	236,932	115,140
Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	87,270	92,466
Employee commute	16,412	16,537
Business travel	4,443	4,714
Upstream	4,242	5,574
Downstream	24,012	38,446
Waste generated in operations	6,477	7,444
Total	**379,788**	**280,319**

Monitoring Scope 3 emissions enables us to collaborate across our value chain, raise awareness among suppliers and partners, and encourage the adoption of more sustainable practices.

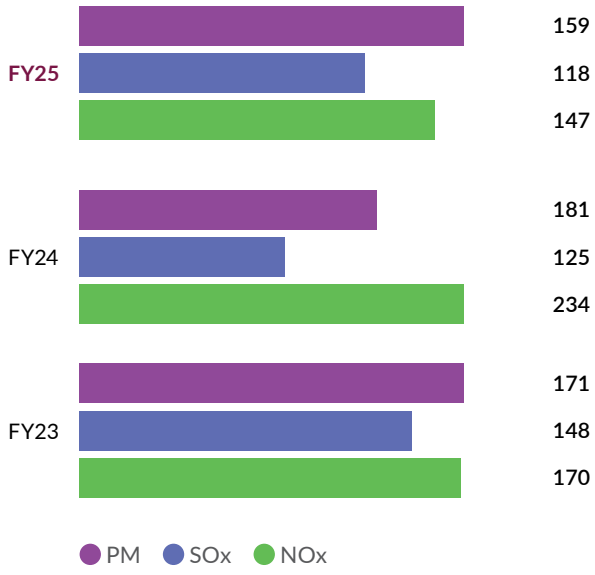
Emission of Ozone-Depleting Substances (ODS)[52]

In alignment with the Montreal Protocol, we are systematically phasing out equipment that has a high ozone depletion impact and transitioning to alternative technologies that use refrigerants with zero or minimal ozone depletion potential. To comply with international standards and adopt best practices, we have replaced R-22 with environmentally safer substitutes such as R-134a and R-404a across our operations. Our ODS emissions primarily originate from refrigerants used in air conditioning and chiller plants. During the reporting year, the total recharge of ODS was 0.441 metric tonnes in CFC-11 equivalent.

Other Air Emissions[53]

We continuously monitor air emissions, including sulphur oxides (SOx), nitrogen oxides (NOx), and particulate matter (PM), to ensure levels remain within the limits prescribed by the Central and State Pollution Control Boards.

Stack Emissions (MT)



[51]GRI 305-3 | [52]GRI 305-6 | [53]GRI 305-7

Environmental Stewardship

Waste Management[54]

Our waste management strategy focuses on preventing and reducing waste at source through site-specific action plans, continuous monitoring, and resource optimisation. We set quantified targets, including our commitment to co-process 30% of hazardous waste by 2025; in FY25, we achieved 27% co-processing of hazardous waste.

As part of our digitalisation efforts, we are reducing paper use across operations and have implemented the Equipment Qualification and Validation Life Cycle Management System (EQVLMS), replacing manual, paper-based archiving with a secure online repository. Regular internal audits identify improvement opportunities and track performance against targets.

Type of Waste Generated (MT)[55]

Year	FY22	FY23	FY24	FY25
Hazardous Waste[56]	29,786.86	32,033.46	32,353.58	33,306.74
Non-hazardous Waste[57]	21,471.00	21,431.22	19,817.99	23,470.28
E-Waste	9.35	9.51	19.53	15.38
Total Waste Generated	**51,267.21**	**53,474.19**	**52,191.10**	**56,792.40**

To minimise landfill disposal, we prioritise recycling and co-processing and continue to divert hazardous streams away from incineration and landfilling wherever feasible. We are implementing measures to reduce manufacturing rejects in line with our resource optimisation goals. In compliance with Extended Producer Responsibility (EPR), we partner with authorised third-party handlers to ensure effective collection and management of end-of-use plastic waste in accordance with Pollution Control Board guidelines. Additionally, a few of our manufacturing sites have been certified as Zero Waste to Landfill by an external accreditation agency, and we plan to extend this certification to the remaining sites over the coming years.

We are building a culture of responsible waste management through regular awareness and training on the 3Rs - Reduce, Reuse, and Recycle.

Waste Diverted from Disposal (MT)[58]

Categories	FY22	FY23	FY24	FY25
Hazardous waste				
Reuse	0	0	0	36.78
Recycling	15,445.71	15,448.30	16,021.95	12,369.23
Other recovery options	0	0	13.18	23.59
Total	**15,445.71**	**15,448.30**	**16,035.13**	**12,429.59**
Non-hazardous waste				
Reuse	1.92	3.08	463.59	423.79
Recycling	20,113.92	20,059.71	14,383.29	17,983.08
Other recovery options	811.18	629.26	3,526.86	4,022.01
Total	**20,927.03**	**20629.05**	**18843.46**	**22,428.88**
E-waste				
Recycling	10.71	5.32	19.92	14.28

[54]GRI 306-1, 306-2 and 3-3 | [55]GRI 306-3 | [56]Hazardous Waste consist of: Spent solvent, Process residue, ETP sludge, Spent Carbon, Distillation residue etc. | [57]Non-Hazardous waste consists of: Boiler ash, Metal, Plastic, Civil waste, General scrap, etc | [58]GRI 306-4,

Environmental Stewardship

Waste Directed to Disposal (MT)[59]

Categories	FY22	FY23	FY24	FY25
Hazardous waste				
Incineration with Energy recovery	59.79	998.23	150.22	366.07
Incineration without Energy recovery	2,111.36	719.81	617.45	575.24
Landfilling	8,481.45	10,535.78	11,589.68	13,394.00
Co-processing	2,566.87	2,759.85	3,192.38	5,308.56
Other disposal operations	0	0	351.92	404.74
Total	**13,219.47**	**15,013.67**	**15,901.65**	**20,048.61**
Non-hazardous waste				
Incineration with Energy recovery	0	0	67.57	71.14
Incineration without Energy recovery	49.34	41.30	8.82	0
Landfilling	1,024.57	552.38	828.89	829.25
Co-processing	0	0	0	0
Other disposal operations[60]	0	0	1.81	5.74
Total	**1,073.91**	**593.68**	**907.09**	**906.13**

[59]GRI 306-5 | [60]Waste classified under other disposal operations is transferred to authorised third-party vendors for further processing and treatment

Environmental Stewardship

Water Stewardship[61]

At Sun Pharma, we are committed to becoming water positive by 2030, with a strategic focus on sustainable water management guided by the principles of Reduce, Reuse, Recycle, and Recharge (4Rs). Our approach prioritises reducing reliance on groundwater, especially in water-stressed regions, and enhancing water efficiency across operations.

During the reporting year, we undertook several initiatives to reduce water consumption and improve reuse. Recognising that cooling towers are major water consumers, we focused on lowering thermal loads at manufacturing sites by utilising low-grade heat. We installed heat pumps to capture and repurpose waste heat and improved chiller efficiency, significantly reducing water usage in cooling processes. Additionally, we monitor steam condensate and flash recovery to maximise recovery rates. These initiatives collectively contribute to water savings across our sites. We have also implemented systems to reuse water from Air Handling Unit (AHU) drains and recycle RO reject water and treated effluent, contributing to overall water conservation.

To further optimise water use, we upgraded our water treatment systems to minimise losses during processing. In the reporting year, we had zero liquid discharge (ZLD) systems operational at 18 sites. At non-ZLD locations, we maintain efficient effluent treatment systems that comply with local regulations and protect surrounding ecosystems through regular monitoring. Our water treatment systems have been upgraded to minimise wastage during the treatment process. Additionally, we focus on transitioning from groundwater to surface water at several sites and installing flow-reducing nozzles, aerators, and sensor-based taps. We also promptly address water leakages to prevent losses and maintain operational efficiency.

Our rainwater harvesting initiatives support groundwater recharge and reduce dependence on external sources. We conduct regular site water assessments and water balancing exercises to identify further opportunities for conservation. To build a culture of water stewardship, we also organise training and awareness sessions across our sites.

We have set a target to reduce water consumption by 10% by 2025, using 2020 as the baseline. In FY25, we achieved a 25% reduction, demonstrating the effectiveness of our water management efforts and reinforcing our commitment to sustainable water use.

Watershed Development Project

We launched a watershed development programme across villages in the Ahmednagar and Beed districts of Maharashtra to improve water security in drought-prone areas. The initiative supports farmers in reducing reliance on rainfall for irrigation through water harvesting and management practices. Covering about 29,000 hectares and reaching more than 7,800 households, including farming and non-farming families, and a population of over 36,800, the program facilitated construction of farm ponds and check dams to recharge groundwater and support agricultural and domestic needs. The project has conserved 3.8 million kilolitres of runoff as groundwater, improved soil moisture, reduced erosion, and increased crop productivity through group irrigation wells. Communities were engaged through awareness and capacity-building sessions on water conservation and sustainable agriculture. We continue to focus on responsible water stewardship and reducing dependence on groundwater; in FY25, groundwater accounted for 39% of total water withdrawals.

Water Withdrawal by Sources[62]

Source	FY22	FY23	FY24	FY25
Third party (KL)	1,556,383	1,454,548	1,631,368	1,665,793
Surface water (KL)	649,986	696,295	447,578	446,219
Groundwater (KL)	1,762,243	1,569,983	1,325,943	1,323,383
Total (KL)	**3,968,613**	**3,720,826**	**3,404,889**	**3,435,395**

[61]GRI 303-1, 303-2, 3-3 | [62]GRI 303-3

Environmental Stewardship

Water Withdrawal from Water-stressed Areas[63]

Source	FY22	FY23	FY24	FY25
Third-party (KL)	51,717.0	53,998	53,930	741,005
Surface water (KL)	7,200.0	7,200	7,200	6,600
Groundwater (KL)	448,239	400,341	315,954	84,392
Total (KL)	**507,156**	**461,539**	**377,084**	**831,997**

Water Discharge[64]

Source	FY22	FY23	FY24	FY25
Third party (KL)	1,287,972	1,422,385	1,118,266	741,934
Surface Water (KL)	-	-	-	509,182

Water Discharged in Water-stressed Areas[65]

Source	FY22	FY23	FY24	FY25
Third party (KL)	4,424	6,308	6,662	101,877

Water Consumption[66]

Year	FY22	FY23	FY24	FY25
Water consumption (KL)	2,680,641	2,298,441	2,286,622	2,184,279

Water Intensity (KL/Revenue in ₹ Mn)

Year	FY22	FY23	FY24	FY25
Water Intensity (KL/Revenue in Rs Mn)	10.23	8.01	7.24	6.34

In the reporting year, water consumption in water stressed areas was 730,121 KL.

[63]Note- For sites based in India we refer to Central Ground Water Board (CGWB) guidelines and for the sites based out of India we refer to WWF Water Risk Filter. As per Central Ground Water Board (CGWB) water stressed areas considered for FY 25 are Dadra, Dewas, Gurugram, Vadodara and as per WWF Water Risk Filter for sites based out of India following sites at Malaysia, South Africa and Israel has been considered, while for FY 24 the water stressed areas considered were Dadra, Mohali, Silvassa, Toansa, Gurugram. Hence, the data in the above table are not strictly comparable.

[64]GRI 303-4

[65]Note- For the reporting year we have updated water stress area sites. Hence, the data in the above table are not strictly comparable.

[66]GRI 303-5

Environmental Stewardship

Biodiversity

Biodiversity and ecosystem services are closely connected to our operations, influencing key factors such as freshwater availability, air quality, noise regulation, and flood control. A rich diversity of flora and fauna is essential for maintaining ecological balance and ensuring the health of natural systems.

At Sun Pharma, we understand the intrinsic connection between biodiversity and the long-term sustainability of our business and are committed to minimising adverse impacts on biodiversity and ecosystem services. Our approach and commitments are set out in our Biodiversity Policy, which is publicly available on our website.

Assessing Biodiversity Risks and Ecosystem Health

To strengthen our biodiversity management efforts, Sun Pharma partnered with a third-party agency to conduct biodiversity risk assessments at five key manufacturing sites. These locations were selected based on their strategic importance to our operations. The assessments were carried out using the Taskforce on Nature-related Financial Disclosures (TNFD) Framework V0.4, focusing on identifying biodiversity components, ecosystems, and ecosystem services within and around each site. Site surveys were conducted to document the presence and diversity of local flora and fauna. The assessment included:

Stages of Biodiversity Risk Assessment

Documentation of Biodiversity

Documentation of floral (trees, shrubs, herbs, and medicinal plants), faunal diversity (mammals, birds – aquatic and terrestrial, herpetofauna, butterflies)

Analysis of Diversity

Conducting qualitative and quantitative analyses of floral and faunal diversity

Species Identification

Identification of flora and fauna along with rare and endangered species; nationally, regionally, or locally significant species and communities present in the study area as per Wildlife (Protection) Act, 1972

Carbon Sequestration Assessment

Evaluating the carbon sequestration potential of the existing green belt within the study area

Action Plan Development

Formulating a strategic action plan for the conservation and enrichment of biodiversity

Assessment of Invasive Species

Identifying non-native or invasive species that may threaten the local ecosystem

Biodiversity Risks and Opportunities

Risks

- Risk due to sourcing of surface water/groundwater for process requirements
- Risk arising due to the growth of invasive species in greenbelt areas
- Risk from species with high conservation importance reported within the site and nearby areas

Opportunities

Carbon sequestration in greenbelt areas can reduce residual emissions, and enhance biodiversity conservation

Environmental Stewardship

Climate Stewardship

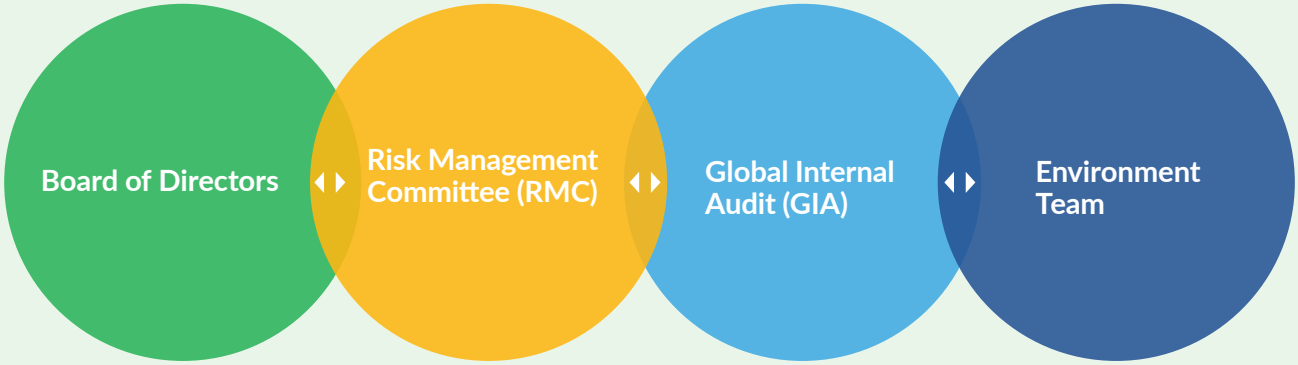
As a leading pharmaceutical company, we recognise both our environmental footprint and our reliance on the ecosystems in which we operate. We use our environmental management systems to proactively address environmental risks linked to our operations.
Our ongoing focus is on enhancing environmental performance, building resilience, reducing carbon emissions year after year, and advancing the adoption of renewable energy sources.

Climate Governance

We manage climate-related risks and opportunities through a cross functional approach embedded in our enterprise risk management and aligned with TCFD principles.

A multi-tier governance framework supports this approach, with clear decision-making processes, escalation pathways, and defined roles and responsibilities from site teams through senior leadership. This structure enables coordinated responses to climate events, strengthens accountability for targets and performance, and drives continuous improvement in resilience and emissions management.

Our Multi-layered Governance Structure



Roles and Responsibilities

Board of Directors

The Board of Directors has established a Risk Management Committee (RMC) tasked with overseeing risk management, along with climate risk. This Committee holds the highest level of oversight regarding the company's climate related risks and opportunities, including the identification, management, and monitoring of vital risks related to climate change. The Enterprise Risk Framework (ERM) serves as a guide for strategic review and implementation of risk management policies, along with annual assessments against overall business objectives.

This process is overseen by the committee, led by the Chairman & Managing Director (CMD). With extensive corporate experience, our CMD provides direction for our ESG strategy, supervises climate-related issues, and regularly reviews and approves critical climate projects and capital expenditures. Our ESG Council (consisting of C-suite members) and our environment team periodically updates the Chairman & Managing Director on all climate-related matters.

Management Roles and Responsibilities

The environment team is tasked with overseeing the execution, progress, and performance of our climate change initiatives, providing regular updates to the Chairman & Managing Director on climate related matters.

Environmental Stewardship

Climate Risk Management Approach

Climate Risk Management[67]

In accordance with the TCFD Framework, we carried out a comprehensive assessment of physical and transition climate risks, incorporating scenario analyses during FY23. The assessment incorporated qualitative and quantitative scenario analyses across short, medium, and long term time horizons to identify exposures and potential impacts.

Our approach is underpinned by detailed climate risk assessments, GHG inventorisation, and a review of existing governance and institutional mechanisms, which are aligned with TCFD and CDP.

Short-term (0-5 years)

Short-term climate risks (0–5 years) are addressed through near-term operational initiatives, including site-level energy efficiency projects and the expansion of renewable energy use. To support these actions, we have set 2025 environmental targets, using 2020 as the baseline, in line with our climate action strategy.

Medium-term (5-10 years)

Medium-term climate risks are being addressed through organisational programs to lower energy demand and decarbonise operations, including site-level efficiency upgrades and expansion of renewable electricity via on-site generation and green sourcing. As part of this strategy, we have set an absolute Scope 1 and Scope 2 emissions reduction target of 35% by 2030, using 2020 as the baseline.

Long-term (10-30 years)

We proactively manage long term climate risks by integrating our climate action plans into business growth strategy. Embedding sustainability and climate resilience across operations and the supply chain strengthens our ability to adapt to evolving conditions, including unforeseen climate-related disruptions. We have set a long term target to achieve net zero greenhouse gas emissions by 2050.

Physical Risks and Scenario Analysis

We assessed the physical climate risks across our geographic footprint and value chain, covering offices, manufacturing sites, strategic upstream suppliers, and critical downstream warehouses. Using globally recognised climate and hazard models, we evaluated both acute and chronic risks associated with drought, extreme temperatures, thunderstorms, floods, wildfires, changing precipitation patterns, and wind velocity.

Acute Physical Risks

We have identified near-term climate hazards that could affect our operations and value chain. The assessment focused on understanding our vulnerability to extreme weather and other climate-related events and on limiting their impact on operations and supply chains to maintain business continuity and reduce potential damage. To manage these risks, location-specific mitigation plans will be implemented.

Chronic Physical Risks

We also evaluated longer-term exposures, including changing precipitation patterns, water availability, and extreme temperatures. Understanding these risks helps us reduce their impact on our direct operations and supply chain. Water stress at manufacturing and R&D sites is evaluated using WWF's Water Risk Filter. The climate risk assessment study identified our manufacturing sites in Sikkim as vulnerable to flash flooding.

We estimate the financial implications of flooding of Sikkim sites to be ₹ 600-709 Million. In previous years, an adverse weather event led to large-scale flooding in Sikkim, which damaged public infrastructure, validating our climate risk study. Our sites remained operational due to their strategic terrain. However, we will continue to consider Sikkim sites critically important and invest in mitigation measures.

[67] GRI 201-2

Environmental Stewardship

Climate-related Scenario Analysis

We assessed historical patterns and future projections of climate hazards across our business locations. Future trends were evaluated using the Shared Socioeconomic Pathways (SSP) framework, SSP1, SSP2, and SSP5 till 2100, consistent with the IPCC Sixth Assessment Report released in 2022.

Physical climate risk data were analysed at five-year intervals from the present to 2100. The SSPs are based on five overarching narratives of socioeconomic development that shape potential future emissions and climate outcomes.

Using globally recognised models, the assessment covered both acute and chronic hazards, including extreme temperatures, flooding, thunderstorms, drought, changes in precipitation, wildfires, and wind speed, to identify long-term climate risks to our operations and value chain. These three scenarios were applied consistently across all locations for the physical risk assessment.

SSP – Scenarios that were used

SSP 1

Sustainability – Taking the Green Road

- Minimal obstacles to mitigation and adaptation efforts.
- Transition to sustainable practices that lead to swift technological advancement, equitable global income distribution, and environmental sustainability.
- Continuation of emissions growth until the century's end, leading to more than a 1-degree Celsius increase in temperatures by 2100.

SSP 2

Middle of the Road

- Moderate challenges to both mitigation and adaptation.
- Implementation of robust mitigation measures aimed at reducing emissions to half of current levels by 2080.
- Ongoing increase in emissions throughout the century, leading to more than a 2-degree Celsius rise in temperatures by 2100.

SSP 5

Fossil fuelled Development – Taking the Highway

- Significant challenges to mitigation, but low challenges to adaptation.
- Maintenance of current emission levels, following a business-as-usual approach.
- Rapid growth in energy-demanding emissions, leading to a temperature increase of over 4 degrees Celsius by 2100.

Transition Risks and Scenario Analysis

We conducted a Transition Risk and Scenario Analysis till 2050 to evaluate potential risks to assess potential business impacts arising from evolving climate policies and regulations, market dynamics, and technological change. The assessment applied the Network for Greening the Financial System (NGFS) scenarios, developed in collaboration with the Potsdam Institute for Climate Impact Research (PIK), the International Institute for Applied Systems Analysis (IIASA), the University of Maryland (UMD), Climate Analytics (CA), and ETH Zurich. The NGFS transition pathways are differentiated by key design choices, including net zero targets, long-term temperature outcomes, near-term policy actions, technology availability, and the extent of policy coordination. Insights from this analysis inform our understanding of transition risks under multiple plausible futures.

Different Transition Scenarios

- Nationally Determined Contributions (NDCs) scenario: This scenario assumes India's NDC is fully implemented, aligning business emissions with the NDC trajectory.
- Below 2°C scenario: It progressively tightens climate policies, providing a 67% probability of keeping global warming beneath 2°C.
- 'Net Zero 2050' scenario: Through stringent climate policies and innovations, this scenario aims to limit global warming to 1.5°C, achieving global net zero emissions by 2050.
- Delayed transition scenario: A disorderly transition is assumed, with emissions following a business-as-usual path until 2030, before sharply declining to restrict global warming below 2°C.
- Divergent net zero scenario: The world achieves net zero emissions around 2050 but at higher costs due to varied policies across sectors, leading to a rapid reduction in oil use.

Environmental Stewardship

Addressing Transition Risks

Transition Risk	Impact	Risk Level
Policy and Legal Risks	India currently does not have a carbon price/tax, resulting in limited regulatory implications domestically. Operations outside India may be subject to carbon pricing or taxation, creating potential regulatory impacts. To mitigate these risks, we are implementing initiatives to reduce direct and indirect carbon emissions across global sites, aligned with our target to cut absolute Scope 1 and Scope 2 emissions by 35% by 2030 (baseline 2020).	Low – Medium
Market Risk	We need to transition to renewable energy sources due to rising costs for essentials such as power and raw materials at local sites. It's important to note that the Indian Government currently has no plans to phase out coal, so the scenarios assume coal prices will remain stable, unlike the NDC scenario. However, the three low-carbon transition scenarios could lead to a significant price increase, particularly after 2030, as these scenarios suggest coal should not be used as a source of energy. These policy shifts could influence market dynamics and affect global operations. Depending on emissions profiles, pharmaceutical manufacturers may also face carbon pricing or tax obligations.	Low – Medium
Technology Risk	Our current share of renewable energy is lower than non-renewables; however, it is expected to increase over the coming years, reducing transition risk. At present, renewables account for about 41% of total energy consumption. If the growth observed from 2019 to 2024 continues, more than 50% of our energy use is projected to come from renewable sources by 2030. We have installed captive hybrid (wind + solar), solar and wind assets, and rooftop solar at multiple locations, and are upgrading boilers to utilise biomass to further advance this transition.	Low
Reputational Risk	Climate change may create reputational exposure as customer and community expectations evolve. This risk is mitigated by our commitments to reduce carbon emissions (Scopes 1 and 2), lower water consumption, and increase hazardous waste co-processing, alongside steadily raising the renewable share of our energy mix and pursuing energy efficiency initiatives. Zero Liquid Discharge systems have been implemented at several manufacturing facilities. Currently, 18 of our manufacturing sites have achieved ZLD status.	Low

Environmental Stewardship

Physical Climate Risk Adaptation

Energy Efficiency

We are committed to reducing our carbon emissions (Scope 1&2) by 35% by 2030, using 2020 as our baseline. To progress toward this target, we implemented energy-saving measures across multiple sites, including:

- Heat pumps for hot water generation to reduce reliance on steam
- Energy-efficient HVAC blowers and smart, high-efficiency chillers
- IE3-rated motors, and replacement of CHW/HW pumps with energy-efficient pumps equipped with IE3 motors
- Demand side compressed air management and energy-efficient/ zero purge refrigerant air dryers
- Motion sensor lighting
- Enhanced condensate recovery systems
- Variable frequency drives (VFDs) for part load motor operations
- Automatic tube cleaning systems in chillers
- Energy-efficient cooling towers

These initiatives have lowered fuel and power consumption, optimised water use, and reduced associated carbon emissions across sites. In the reporting year, we invested in these initiatives amounted as a part of our capital expenditures which is also included into our annual business and financial planning as a part of mitigation measures.

Water Management

With droughts and water scarcity expected to intensify due to climate change, certain locations may experience increased water-related risks that could cause temporary operational disruptions and revenue impacts. To assess exposure across all sites, we used the WWF Water Risk Filter and the Central Ground Water Board (CGWB) analysis. The CGWB analysis helps us identify areas experiencing water stress in India, while the WWF Water Risk Filter assesses water stress for our sites outside India. We have set a target to reduce total water consumption by 10% by 2025 from a 2020 baseline.

Metrics and Targets

We remain committed to reducing our carbon footprint and are implementing various carbon management and energy efficiency initiatives to reduce carbon emissions. These actions align with our target to reduce absolute Scope 1 and Scope 2 emissions by 35% by 2030 from a 2020 baseline, and our long-term objective to achieve net zero by 2050. We have identified several climate-related opportunities to significantly reduce our energy costs.

We have identified climate-related opportunities that are expected to deliver significant energy cost savings estimated at ₹ 1,998.1 million annually once all planned projects are commissioned. To enable this, we plan to invest approximately ₹ 7,311.9 million in energy-efficiency and renewable energy projects, including hybrid solar–wind solutions, rooftop solar installations, switching boiler fuel from non-renewable sources to biomass, deploying heat pumps at select locations, and upgrading to high-efficiency chillers, compressors, and pumps. We are also evaluating carbon offset projects to address residual emissions.

Scope Covered by Target	Base Year	Target Year	Base Year Emissions (tCO_2e)	% Reduction Target from Base Year
Scope 1 + 2	2020	2030	451,068	35%