



TCFD ALIGNMENT

Climate Change is accelerating at an alarming rate with clear scientific evidence and it is very likely that the needs of a sustainable world shall have impact on business to act proactively self-regulating the business ecosystem. We at ABFRL adopted a ‘product-led’ sustainability strategy taking into account the climate change impact across our business operations in accordance with global and national commitments including the Paris Agreement on Climate Change, UN Sustainable Development Goals (SDGs).

In this journey, we at ABFRL are committed to implementing recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) around four thematic areas- governance, strategy, risk management, metrics and targets.

Governance

Governance is the foundation for ABFRL’s framework for overseeing climate-related issues. The overall corporate governance of ABFRL is executed through multi-tier sustainability governance mechanism that ensure the effective monitoring of climate-related risks with a focus on enabling robust, effective, transparent and an ethical ecosystem.

The sustainability governance structure comprises the Board of Directors, Risk Management and Sustainability Committee, Chief Sustainability Officer, and Format level teams, with specific roles and responsibilities.

Operating within the structure

of a well-defined responsibility matrix, the Board is the apex committee instrumental in the adoption and overseeing the sustainability strategy, policies, and advising senior management regarding ESG initiatives of the organisation. The Board convenes half-yearly to discuss and decide on climate-related risks, strategies, and policies and reviews the performance of the Company. The highest governance body and senior executives are involved in materiality assessment and ESG performance, BRSR, Integrated Report and reviewing the same.

The second layer constitutes the Risk Management and Sustainability Committee (RMSC) to monitor performance of ESG-related issues. The committee appraise the board of directors headed by the chairman on ESG-related issues during half-yearly meetings.

The Chief Sustainability Officer (CSO) leads the Sustainability Strategy, due diligence and reviews the progress of Sustainability and CSR initiatives implementation across the business length and breadth and reviews the performance through periodic quarterly meeting. CSO also presents the updates to the RMSC and CSRC during the respective board committee meetings. The board committees grant sustainability and CSR budgets based on the inputs from the CSO. Board of directors delegated the responsibility for managing impacts on CSO, CFO and CHRO and review the process half yearly.

The last layer comprises Format level teams where bi-monthly

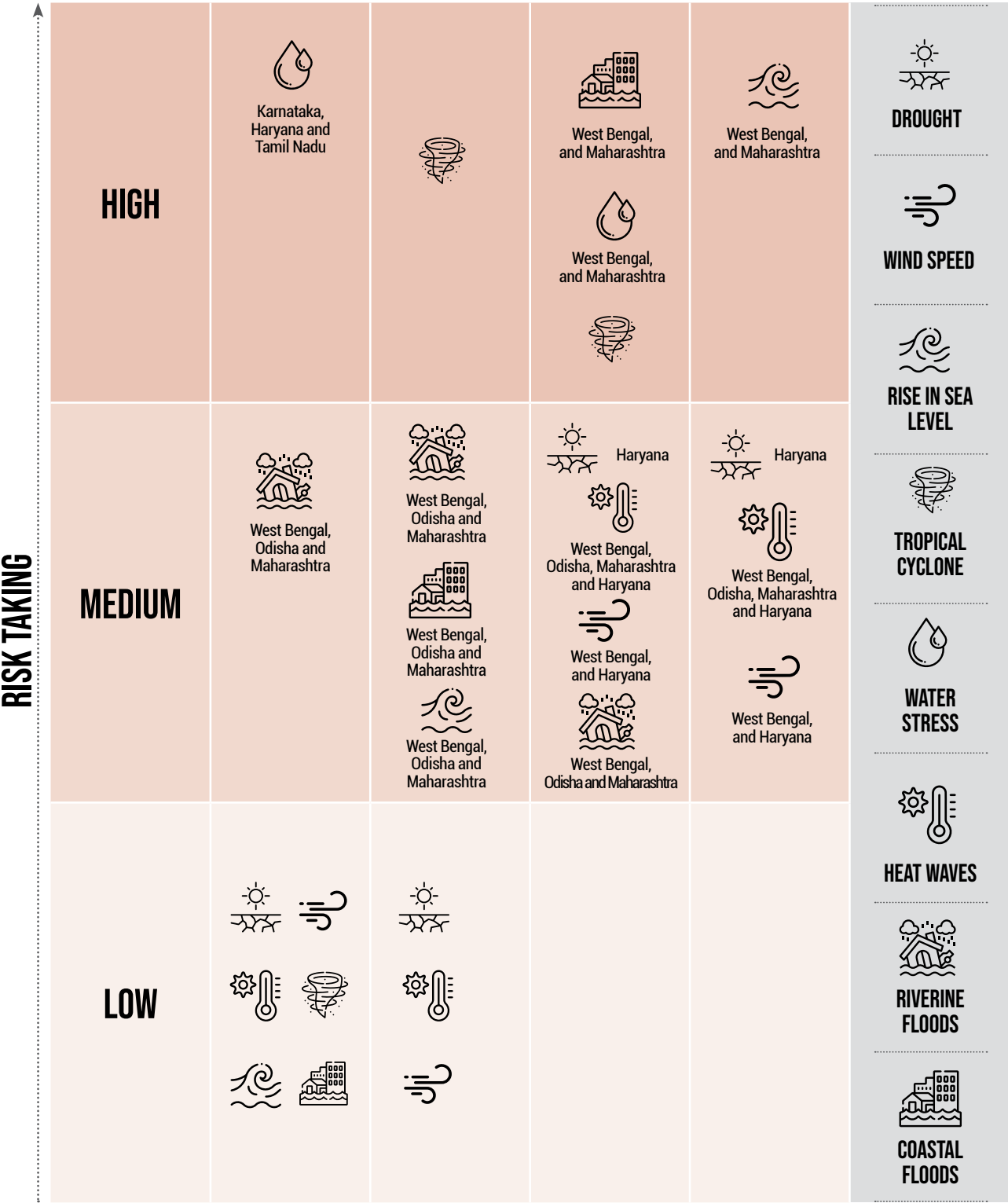
meetings are held with business unit heads from factories, warehouses, brand level managers and retail to monitor sustainability and climate-related issues.

Strategy

ABFRL has adopted a sustainability strategy developed for 2025 under Re-Earth’s Sustainability 2.0. programme with a vision ‘to give back more than what we take from our ecosystem’. We have successfully transitioned to sustainability 2.0 – from ‘Process-led to Product-led’, with a focus on product design and development, customer centricity and supply chain. Climate risk assessment is accounted to further enhance sustainability actions and its future projections assisted in identifying the potential threats that may occur across operations.

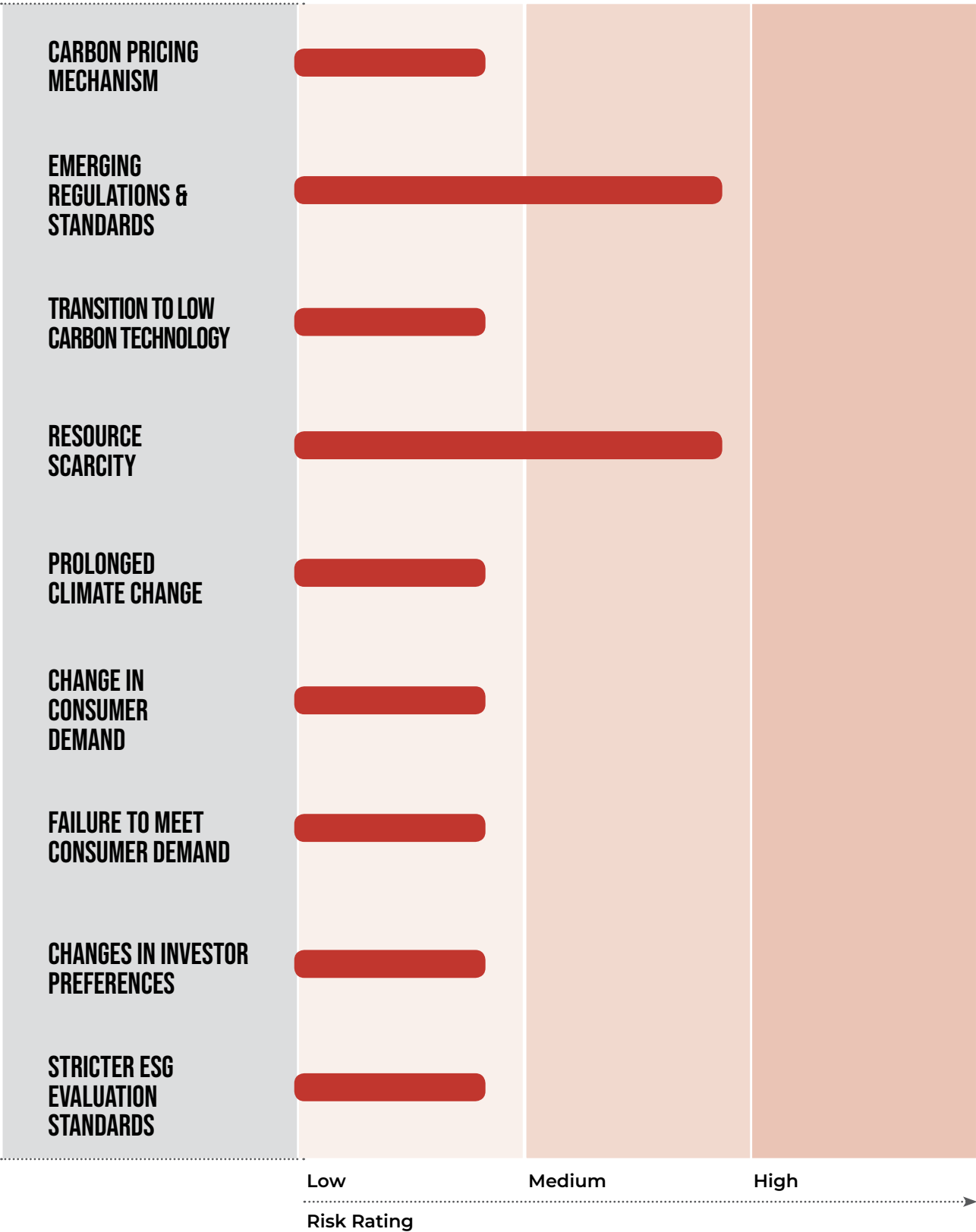
In accordance with TCFD guidelines, we at ABFRL have analysed the two integral risks i.e., Physical Risks and Transition Risks. The assessment of the associated physical and transition risks was carried out for all assets which included manufacturing units, warehouses, and retail stores. At ABFRL, we considered three-time horizons for assessing climate-related risks; risks arising up to 2030 were considered as short term, 2030-40 as medium-term, and above 2040 as long term. The associated physical risks were identified and scenario analyses were performed considering the Representative Concentration Pathway (RCP) and Shared Socioeconomic Pathways (SSP).

Physical Risk Mapping



*Note : Tropical Cyclone Risk Classification is from the perspective of whole of India

Transition Risk Mapping



Physical Risk & Opportunity

Risk		Risk description			GRI Mapping	KPIs
		Manufacturing	Warehouse	Stores		
Acute Risk	Drought	<ul style="list-style-type: none">Increased cost of resourcesIncreased water regulationsMigration of workers & civic unrest	<ul style="list-style-type: none">Increased cost of resourcesSupply chain disruption due to civic unrest	<ul style="list-style-type: none">Store operation & maintenance problems due to shortage of water	Efficient use of water resources	<ul style="list-style-type: none">Further enhancing harnessing rainwater across operations & communities nearbyStrengthen recycle & reuse thereby enhance usage of treated waterBorewell recharge where applicable
	Riverine flood	<ul style="list-style-type: none">Asset damageDisruption in productionSupply chain disruptionsIncreased cost of resources post floods	<ul style="list-style-type: none">Inventory loss & asset damageIncreased clean-up costs post floodsSupply chain disruption	<ul style="list-style-type: none">Temporary shutdown of storesLooting and theft due to civic unrest post floods		<ul style="list-style-type: none">Ensure appropriate drainage pipelines with non-return valvesDetailed business continuity planUse of early warning systemInsurance against flood risk
	Tropical cyclone	<ul style="list-style-type: none">Property damage due to high-speed windsSupply chain disruptions	<ul style="list-style-type: none">Loss of inventoryProperty damageSupply chain disruption	<ul style="list-style-type: none">Temporary shutdown of storesPower shut down for several days or months	Resilient buildings	<ul style="list-style-type: none">Retrofitting of non-engineered structuresAdopting guidelines to build an engineered structure, while developing or selecting new assets
	Wind hazard	<ul style="list-style-type: none">Increase in the cost of power backupTemporary shutdown	<ul style="list-style-type: none">Warehouse & inventory damageTemporary shutdown	<ul style="list-style-type: none">Building damageTemporary shutdown of stores		<ul style="list-style-type: none">Use of prediction and early warning system
	Sea level rise	<ul style="list-style-type: none">Permanent shutdown due to coastal floodingIncreased cost of raw materials due to supply chain disruption	<ul style="list-style-type: none">Permanent shutdown due to coastal floodingSignificant impact on supply chain disruption	<ul style="list-style-type: none">Higher operational cost due to supply chain disruptionsPermanent shutdown of stores due to flooding in low-lying areas	-	<ul style="list-style-type: none">Coastal hazard zoning and future prediction on sea-level riseElevated development of buildings
Chronic Risk	Heat Wave	<ul style="list-style-type: none">Increase in cooling costsHeat stress and worker's fatigue	<ul style="list-style-type: none">Increase in cooling costsHeat stress and worker's fatigue	<ul style="list-style-type: none">Increase in cooling costsLower footfall to stores	Alternate product development like solar AC and boost for solar rooftop	<ul style="list-style-type: none">Adoption of renewable energy resources and energy efficiency measuresPrediction and preparedness for heatwaves
	Coastal Floods	<ul style="list-style-type: none">Asset damageSupply chain disruptionsIncreased procurement costs due to an increase in the cost of port infrastructure	<ul style="list-style-type: none">Inventory lossSignificant impact on supply chain disruption	<ul style="list-style-type: none">Property damage and inundation of low-lying areas	Increased resiliency and moving to safe locations	<ul style="list-style-type: none">Coastal hazard zoning and future prediction on sea-level riseInsurance against coastal flood riskDevelopment of engineered structures such as flood barrier walls, levees, and sea walls
	Water Stress	<ul style="list-style-type: none">Increased water sourcing costsWorkforce migrationCompetition & conflicts regarding sharing of available water resources	<ul style="list-style-type: none">Increased water sourcing costsOperation & maintenance problems	<ul style="list-style-type: none">Store operation & maintenance problems due to shortage of waterDecreased sales & revenue	Enhanced water efficiency	<ul style="list-style-type: none">Installation of rainwater harvesting structures in buildingsIdentify the potential to use treated wastewaterWatershed development

Transition Risk & Opportunity

	Risk	Risk description	Opportunity	Opportunity Description
Policy & legal	Carbon pricing mechanism and carbon taxation	<ul style="list-style-type: none">• Imposition of policy and regulatory controls on carbon emissions• Increased operational obligation• Increased fixed costs in operations	<ul style="list-style-type: none">• Renewable energy resources• Boost towards low carbon technology• Capitalizing carbon market	Cost control rises in the supply chain due to a reduction in variable costs by promoting resource efficiency, introducing renewable energy, and reducing overall production costs
	New environmental	<ul style="list-style-type: none">• Increased cost of operation due to the requirement of pollution control equipment• Increased regulatory costs leading to an increase in product cost	<ul style="list-style-type: none">• Boost towards low carbon technology	Strict regulations to promote low carbon technology development
Technology	Transition to low carbon technology	Initial capital investment for installation or replacement costs for efficient low-carbon technologies	<ul style="list-style-type: none">• Increase in sales volume• Better lead time	Using low carbon technology enhances the company's reputation and leads to an increase in sales volume due to green marketing
Market	Resource Scarcity & growing demand	Resource scarcity may necessitate transportation from alternate/ neighbouring geography resulting in increased production cost and scope 3 emissions	Alternate raw materials	Promotes research and development towards environment-friendly substitute raw materials which may be locally made or available
	Prolonged changing climate and extreme weather situations	<ul style="list-style-type: none">• Asset damage• Disruption in supply chain	New product and service development	Appropriate product-market fit, resilient operations and supply chain will give the company an edge over its competitors and lead to an increase in market share
	Changes in consumer demand for low carbon products and services	<ul style="list-style-type: none">• Decline in sales for not meeting low carbon product requirement• Reduction in demand for conventional products	<ul style="list-style-type: none">• Increase in demand for sustainable products• New product and service development	Increased demand for products that address environmental change
Reputation	Failure to meet consumer demand	Reputation damage for not meeting the shift in consumer demand for sustainable products on time	Early adoption of the sustainable manufacturing process	Early adoption and development of sustainable products enhance the company's reputation
	A shift in consumer and investor behaviour and preferences	Increasing awareness of environmental impacts may lead to negative stakeholder responses to the firm's actions toward adverse climate incidents	<ul style="list-style-type: none">• Better stakeholder engagement• New product and service development	<ul style="list-style-type: none">• Opportunity to carry out stakeholder engagement and develop a holistic mitigation measure• Opportunity to enhance brand reputation by introducing products in line with the customer preference
	Stricter ESG evaluation standards or disclosure requirements	Decline in reputation due to non-reporting or inappropriate disclosure of sustainability data on public platforms	Consistent disclosure to the stakeholders on non-financial Key Performance Indicators (KPI)	Sustainability disclosures on a regular basis (annually) increase the trust among the stakeholders

Risk Management

Peer assessment and scenario analysis are conducted to identify climate-related risks using various tools. The physical and transition risks are analysed under multiple RCP scenarios (RCP 2.6, RCP 4.5, RCP 6, RCP 8.5), SSP scenarios (SSP1-1.9, SSP1-2.6, SSP2-4.5, SSP3-7.0, SSP5-8.5) and WEO scenarios (Net Zero Emissions by 2050 Scenario (NZE), the Announced Pledges Scenario (APS), the Stated Policies Scenario (STEPS), and the Sustainable Development Scenario (SDS)).

The identified risks are mapped as a low, medium, and high based on their potential impact and likelihood. This

mapping also includes stakeholder consultation from different departments and internal experts' consideration of applicable existing and emerging regulatory requirements.

Apart from scenario analysis, at ABFRL we have a robust Enterprise Risk Management framework that helps identify, evaluate, mitigate, and report risks. Please refer Risk Management.

Metrics and Targets

Our sustainability strategy 2025 is well supported by yearly targets, efficient monitoring and evaluation framework and clear responsibilities that

help align and steer day-to-day business operations across the organization.

At ABFRL, our climate strategy and respective targets are well-defined in alignment with Science Based Target Initiative (SBTi) approach and further cascaded to respective facilities and functions. Our climate targets which drive climate change agenda across the business operations, performance across Scope 1, 2 and 3 emissions and respective targets can be referred through 'ReEarth Mission - Status Dashboard FY24' and 'Climate Strategy, Environment Stewardship'.

