

**TASK FORCE ON CLIMATE-RELATED
FINANCIAL DISCLOSURES**

Cipla Limited FY2022-23 Report

Climate Risk Identification and Mitigation

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About the Company

Established in 1935, Cipla is a global pharmaceutical company focused on agile and sustainable growth with a firm commitment to make medicines accessible and available to those in need. Cipla's product portfolio spans complex generics as well as drugs in the respiratory, anti-retroviral, urology, cardiology, anti-infective, CNS, and various other key therapeutic segments. Cipla is the third largest pharmaceutical company in India and the third largest in the private pharmaceutical market of South Africa (IQVIA, March 2023). Cipla is the second largest Indian exporter to emerging markets and also among the most dispensed generic players in the US.

Making a difference for patients has been the driving force behind Cipla's work for more than eight decades. Cipla's paradigm changing offer of a triple anti-retroviral therapy in HIV/AIDS at less than a dollar a day in Africa in 2001 is widely acknowledged as having contributed to bringing inclusiveness, accessibility, and affordability to the centre of the HIV movement.

Cipla's approach to responsible resource consumption, efforts to enhance access and affordability of medicines worldwide and strong financial growth, provide a robust foundation to build a responsible business and stay committed to sustainable growth. By December 2025, Cipla endeavours to be a carbon neutral¹, water neutral and zero waste to landfill Company. Cipla also aims to attain Full compliance with safe discharge targets established by the Antimicrobial Resistance (AMR) Industry Alliance and continue zero fatality in our manufacturing operations. As a responsible corporate citizen, Cipla's humanitarian approach to healthcare in pursuit of its purpose of 'Caring for Life' and deep-rooted community linkages to wherever it is present, makes it a partner of choice to global health bodies, peers, and all stakeholders.

In line with Cipla's 'Carbon Neutral by December 2025'¹ goal, the company works towards improving the energy efficiency across operational locations and enhance the proportion of renewable energy- sources (electricity and biofuels) in the total energy mix. Cipla has reduced its Scope 1 emissions, caused by diesel, natural gas, and furnace oil (residual fuel oil) consumption by using alternative fuels and enhancing energy efficiency.

¹ ***"Carbon Neutrality" is for scope 1 (Fuel based) and scope 2 emissions of India Manufacturing Operations. India Manufacturing Operations includes manufacturing sites of Cipla Limited and its subsidiaries in India (Goldencross Pharma Limited, Medispray Laboratories Private Limited, and Meditab Specialties Limited). This coverage of "Carbon Neutrality" is applicable across the report.***

About This Report

This report has been developed in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and it covers Cipla's manufacturing units (India and overseas operations), depots, offices, and markets. The report describes the use of scenario analysis to evaluate the resilience of Cipla's facilities to physical and transition risks. The focus of this report is on assessing the potential impact of climate related risks and opportunities linked to the transition to a low carbon future. The below table highlights the Cipla assets which are considered for risk evaluation under TCFD:

Table 1: Assets of Cipla

Manufacturing Sites	
Location	Country
Baddi, Himachal Pradesh	India
Bommasandra, Karnataka	India
Gangtok, Sikkim	India
Indore SEZ, Madhya Pradesh	India
Kurkumbh, Maharashtra	India
Kundaim Medispray, Goa	India
Patalganga, Maharashtra	India
Satara Medispray, Maharashtra	India
Salcette, Goa	India
Vikhroli, Maharashtra	India
Virgonagar, Karnataka	India
Mirren	South Africa
Durban	South Africa
Invagen, Boston	USA
Invagen, New York	USA
Qidong	China
Rabat	Morocco
Offices	
Peninsula Business Park, Maharashtra	India
Mumbai Central Office, Maharashtra	India
Depots	
Depot North – Ghaziabad, Uttar Pradesh	India
Depot North – Zirakpur, Punjab	India
Depot South – Bangalore, Karnataka	India
Depot South – Hyderabad, Telangana	India
Depot East – Kolkata, West Bengal	India
Depot East – Patna, Bihar	India
Depot West – Bhiwandi, Maharashtra	India

Depot West – Pune, Maharashtra	India
Depot West -Thane, Maharashtra	India
Markets	
United Kingdom (UK)	
European Union (EU)	
Australia	

In this report, the company describes how climate change scenarios may impact its business and outline the company's strategy to mitigate those potential impacts and ensure Cipla's resilience. The company's understanding of the challenges associated with climate change is evolving and it continuously updates its plans accordingly. It recognizes the deep and intricate connections between responsible operations and the planet's health, as well as the importance of a changing climate for the company's own future. While the focus of this report is on Cipla's plan to reduce the transitional and physical risks that climate change poses to the industry, Cipla is also working to mitigate climate change at its source. To contribute to the development of a more sustainable future, Cipla continually undertakes initiatives and programmes that reduce environmental impacts.

Executive Summary

Cipla has adopted the Task Force on Climate-Related Financial Disclosures (TCFD) framework to identify and assess the potential risks linked to climate on its business operations. These climate risks typically refer to the physical impacts resulting due to extreme weather, and climatic events, and the impact associated with a shift to a low carbon economy. Cipla has assessed the climate risks to the organisation based on 4 pillars as recommended by the TCFD. They are governance, strategy, risk management, and metrics and targets.



Figure 1: Four Pillars of TCFD

Climate risk assessment is an integral part of TCFD that helps to understand the current and future climate-related risks of an organization. Climate risk assessment is accounted to further enhance sustainability actions. Cipla analysed the two integral risks as per the TCFD guidelines: Physical Risks and Transition Risks. Physical risks correspond to the potential economic and financial losses caused by climate-related weather events and phenomena. Transition risks relate to the risks of economic and financial losses associated with the process of adjusting toward a low-carbon economy.

The assessment of the associated physical and transition risks was carried out for Cipla assets which included sites, offices, and depots spanning across the countries: India, USA, South Africa, Morocco, and China. Transition Risks for Australia, United Kingdom and European Union was also carried out to evaluate the potential risks associated in those markets. Cipla considered three-time horizons for assessing climate-related risks. Risks arising up to 2030 were considered as short term, 2040 as medium-term, and above 2050 as long term.

Climate risks present a unique challenge to organizations, based on their nonlinearity, geographic heterogeneity, and presence of potential amplifiers and mitigants impacting quantification and assessment of their impacts.

About TCFD

The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. FSB has established the industry-led Task Force on Climate-related Financial Disclosures (TCFD) to develop climate-related disclosures that would enable stakeholders to better understand the financial impacts of climate related risks and opportunities.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD recommendations are structured around 4 thematic areas that are core elements of how organizations operate—governance, strategy, risk management, and metrics and targets. The four overarching recommendations are supported by key climate-related financial disclosures that build out the framework with information that the client help investors and others understand how reporting organizations assess climate-related issues.



Governance: The organization’s governance around climate-related risks and opportunities

Strategy: The actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning

Risk Management: The processes used by the organization to identify, assess, and manage climate-related risks.

Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Governance

Governance is one of the most vital components of Cipla's climate risk framework. This covers governance framework, the roles, responsibilities, and decision-making procedures by which an organization adheres to its climate-related commitments. The company has established a Risk Management Policy that defines the overall Enterprise Risk Management (ERM) framework which is used as a base for assessing climate related risks & opportunities in this report.

Responsibility for sustainability performance within Cipla is delegated to the Sustainability Council, who meet on a quarterly basis and is chaired by the Chief Technology Officer ('CTO'). The Council was created in FY 2020- 21, specifically to capitalise on the intrinsic link between sustainability and innovation in our operating model and review performance of climate goals. The CTO oversees the ESG function and appraises the Board of Directors on matters of sustainability. The Council consists of a group of highly engaged leaders and Management Council members representing the functions of respective cross functional departments. A dedicated sustainability team reports to CTO and this team updates management about new developments and oversee end-to-end sustainability initiatives of the organisation. Central sustainability team tracks and monitors sustainability projects both at Cipla sites and in communities.

Environmental sustainability aspects come under the purview of Cipla EHS Leadership and site leadership team. Line functions implement sustainability initiatives in alignment with local EHS procedures based on corporate EHS standards and guidelines. Committees have been set up at the department, plant, and division levels to ensure adherence to the EHS policy. The Sustainability Council is responsible for identifying, assessing, and managing climate-related risks and opportunities. The Investment and Risk Management Committee (IRMC) is responsible for assessing and continuously reviewing the risk management framework as well as the assessment of risks, their management and mitigation procedures.

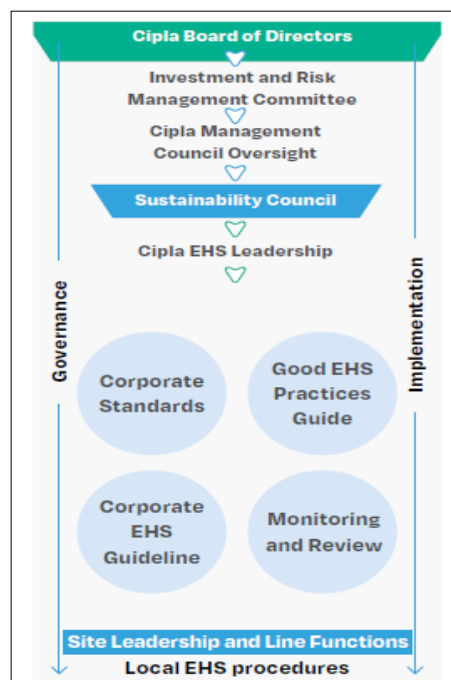


Figure 2: Cipla's Governance Structure

Strategy

The Strategy pillar of the TCFD disclosures provides information about a company's exposure to climate-related risks and the subsequent responses to these risks. It provides information on the impact which climate-related issues may have on the organization's businesses, strategy, and financial planning over the short, medium, and long term. Such information is used to inform stakeholders about the future performance of an organization.

Using the TCFD framework, climate-related risks, and opportunities across three timeframes were explored: short-term (up to 2030), medium-term (up to 2040) and long-term (up to 2050). The scenarios considered were RCP Scenarios of IPCC for physical risks and IEA and NGFS scenarios for transition risks.

The physical risk assessment covers natural risks such as heatwaves, water stress, extreme rainfall, drought, floods, cyclones, landslides, and sea level rise. The transition risk assessment covers policy and legal risk, technology risk, market risk, and reputation risk.

Financial impacts from various risks have been analyzed based upon stakeholder discussions and risk ratings based on Cipla's Enterprise Risk Management (ERM) framework. Physical risks such as heatwaves and heavy precipitation displayed prominence with high likelihood of occurrences and having financial impacts.

On the regulatory front, the introduction of a carbon pricing mechanism in the Indian market may have material impact on Cipla operations. The evolving changes in regulatory and policy requirements can have increasing reporting obligations for businesses. Cipla foresees opportunities in transitioning to a low carbon economy by investing in relevant R&D, adopting low carbon technologies, among others.

Cipla is equipped with an effective low carbon transition strategy to oversee the operations in a sustainable manner. The company has set targets to be a carbon neutral, water neutral and zero waste to landfill company across its India manufacturing operations by December 2025.

Currently Cipla have 55 MWp of captive solar power open access, 2.7 MVA of captive wind power open access and 8.1 MWp of solar rooftop installations across various sites in India and further plan to increase the share of renewable energy. The company has also undertaken measures to increase energy efficiency within its operations, the initiatives include installation of energy efficient magnetic bearing chillers in HVAC system, steam optimization for boilers, installation of energy efficient compressors, Variable Frequency Drive (VFD) system and BacComber system for cooling water treatment. Biomass briquettes are also used to increase renewable energy proportion and thus decrease the Greenhouse Gas emissions.

Risk Management

Risk Management is an integral aspect of Cipla's business functions. There is a continuous focus on embedding the fundamental principles of risk management, including proactive identification, timely risk conversations and robust implementation of mitigation measures in internal processes.

Cipla has a robust Enterprise Risk Management framework that has identified EHS and sustainability, which further encompasses climate change as a risk and has developed mitigation actions to manage these risks. The Sustainability Council is responsible for identifying, assessing, and managing climate-related risks and opportunities. The Investment and Risk Management Committee (IRMC) is responsible for assessing and continuously reviewing the risk management framework as well as the assessment of risks, their management and mitigation procedures. The below chart represents Cipla's risk architecture:

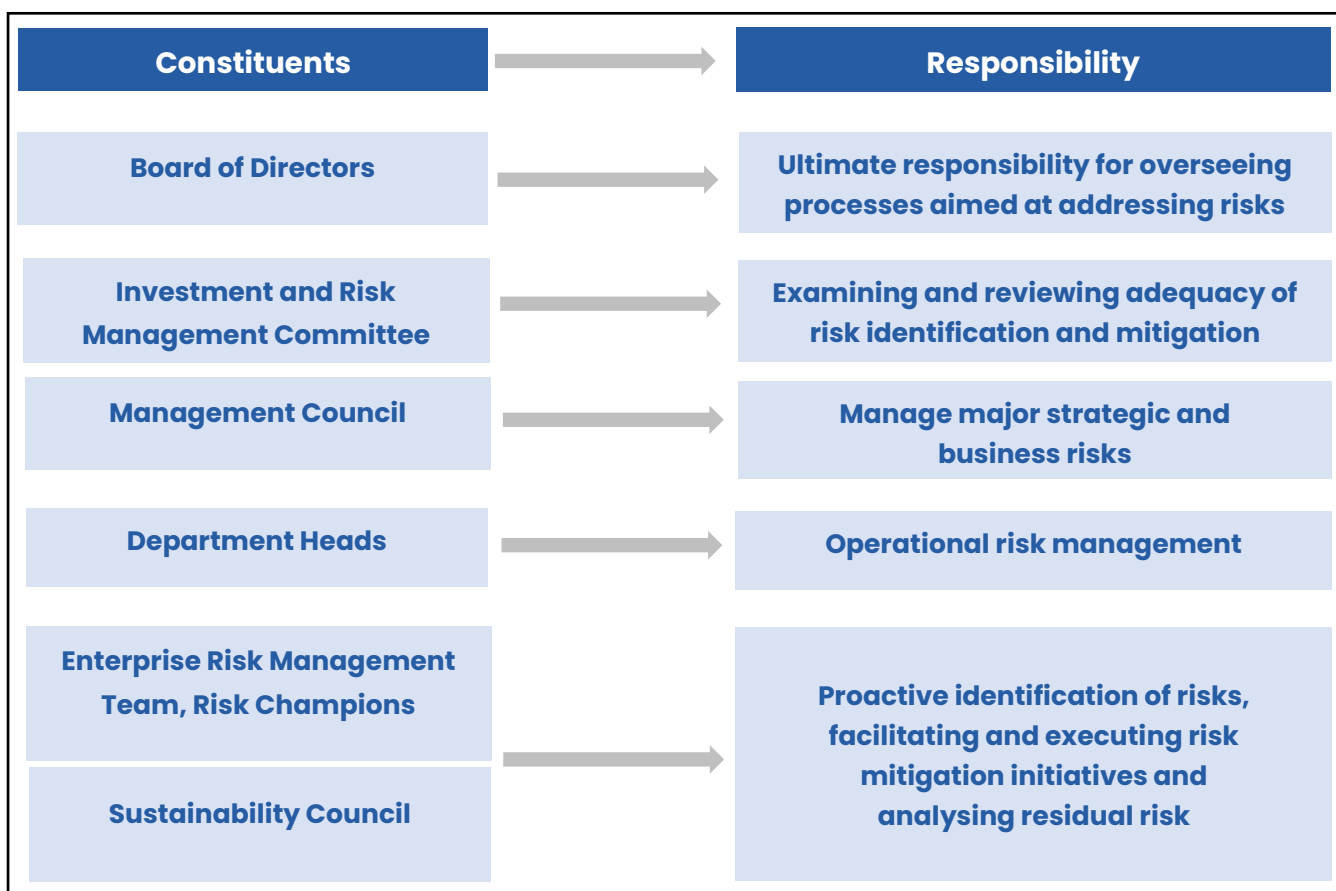


Figure 3: Cipla's Risk Architecture

Metrics and Targets

Cipla is conscious of the impact of their resource consumption, even as they strengthen their capabilities to deliver consistent growth. Cipla through a sustainable business strategy has set targets to achieve long-term value creation for all stakeholders. The company's current operations aim towards their future ability to develop new products for patients and focus on ESG aspects to help deliver value to those who benefit from our medicines.

Cipla tracks and monitors several climate-related metrics to understand physical and transition impacts on all operations. Across all sites, the company tracks and monitors energy and fuel usage and their associated emissions, water usage, circular economy indicators, health & safety etc.

Cipla discloses several sustainability metrics in its Integrated report. The following table mentions metrics relevant to Cipla's sustainability targets.

Table 2: Cipla's Sustainability Targets

Cipla's Sustainability Targets for India manufacturing operations	
Targets	Goal 2025
Carbon Neutrality	Carbon Neutral by December 2025
Water Neutrality	Water Neutral by December 2025
Zero Waste to Landfill	Zero waste to landfill by December 2025
Well-being of employees & partners (Fatalities)	Continue zero fatality in the manufacturing operations
AMR (Antimicrobial Resistance)	Full compliance with safe discharge targets established by the Antimicrobial Resistance (AMR) Industry Alliance by December 2025

Table 3: Global Scope 1 and 2 Emissions of Cipla

Global Scope 1 Emissions (tCO₂e) trend of Cipla	
FY 2020-21	41,617
FY 2021-22	38,355
FY 2022-23	35,831
Global Scope 2 Emissions (tCO₂e) trend of Cipla	
FY 2020-21	2,26,813
FY 2021-22	2,01,676
FY 2022-23	1,89,900

For India manufacturing operations the total Scope 1 emissions (fuel-based) for FY 2022-23 were 32,160 tCO₂e and the total Scope 2 emissions for FY 2022-23 were 1,53,882 tCO₂e.

Cipla is also in the process of aligning the reporting and monitoring practices with the requirements of the SBTi (Science-Based Targets initiative). As part of this endeavour, systems are developed to monitor and track scope 3 emissions towards commitment to responsible environmental stewardship.

Climate-related risks

Climate related risks pose threats which have financial implications for organizations, such as direct damage to assets and indirect impacts to the supply chain.

TCFD recommends classifying climate related risks into two categories: 1) Physical Risks 2) Transition Risks.

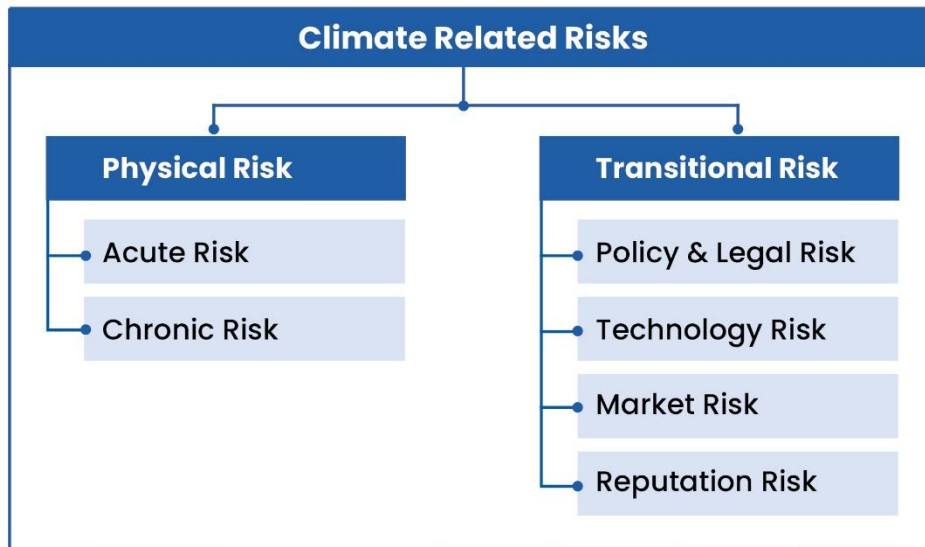


Figure 4: TCFD classification of climate risks

Physical risks occur due to the changes in weather and climatic patterns. It tends to have financial implications for organizations such as direct damage to assets, indirect impacts from supply chain disruption, transportation halt, and employee safety.

Cyclones, heavy precipitation, riverine floods, drought, and landslides are the acute physical risks caused due to extreme weather events. Heatwaves, coastal floods due to sea level rise and water stress are the chronic physical risks caused due to longer-term shifts in climate patterns.

The risks associated with a transition to a low carbon economy is referred as transition risks which require changes in policies, legal matters, technology, and market. The risk is inherent in changing strategies, policies or investments as society and industry work to reduce its reliance on carbon and impact on the climate.

Scenario analysis of risks assists in understanding the pattern of a certain risk for future time horizons. Scenarios are used for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenario analysis allows an organization to explore and develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect its businesses, strategies, and financial performance over time. Common scenario narratives help quantify potential climate impacts against the backdrop of long timelines, high complexity and uncertainty and enable the integration of climate and transition risks into companies' risk management frameworks.

Physical risks scenario analysis

The associated physical risks for the sites, offices, and depots of Cipla were identified and baseline and scenario analyses were performed considering the Representative Concentration Pathway (RCP). RCPs are prescribed concentration pathways (used in IPCC AR5) for greenhouse gas and aerosol concentrations, together with land use change, that are consistent with a set of broad climate outcomes used by the climate modelling community. The pathways are characterized by the radiative forcing produced by the end of the 21st century. The RCPs – originally RCP 2.6, RCP 4.5, RCP 6, and RCP 8.5 – are named after a possible range of radiative forcing values in the year 2100 (2.6, 4.5, 6, and 8.5 W/m², respectively). Radiative forcing is the change in energy flux in the atmosphere caused by natural or anthropogenic factors of climate change as measured by watts/ square metre.

Three RCP scenarios: RCP 4.5, RCP 6.0, and RCP 8.5 were considered for the scenario analysis.

The current acute and chronic risks are analyzed through tools such as aqueduct and India Meteorological Department (IMD) historical data to obtain the baseline of the risks. The baseline considered is for 2019. With reference to the baseline projections are carried out for 2030, 2040 and 2050 under the three scenarios: RCP 4.5, RCP 6.0, and RCP 8.5. The projected values are obtained with the help of various tools such as Aqueduct by World Resources Institute (WRI) – Beta Version, the Climate Change Knowledge Portal by World Bank and EY CAP (Climate Analytics Platform) tool. Scenario Analysis have been carried out for all the assets of Cipla as mentioned in “About the Report” section above. The most prominent physical risks obtained from scenario analysis of Cipla’s assets were heatwaves and heavy precipitation, which is mentioned below, and it is not the exhaustive list of physical risks assessed.

Heatwaves: Heatwave is considered if maximum temperature of a station reaches at least 40°C or more for Plains and at least 30°C or more for Hilly regions as per IMD. The risk rating considered is with respect to change in temperature. The assets with temperature change of less than 1.7°C is low risk, within 1.7°C and 2°C is medium risk, within 2°C and 2.4°C is high risk and more than 2.4°C is very high risk. The following asset locations are prone to high heatwaves as per the scenario analysis:

Table 4: Risks from heatwaves as per RCP scenarios

Risk as per RCP 4.5 Scenario				
Locations	Asset type	2030	2040	2050
Baddi, Himachal Pradesh	Manufacturing site	Medium	High	Very High
Bommasandra, Karnataka	Manufacturing site	Medium	High	Very High
Vikhroli, Maharashtra	Manufacturing site	Medium	High	Very High
Virgonagar, Karnataka	Manufacturing site	Medium	High	Very High

Qidong, China	Manufacturing site	Very High	Very High	Very High
Mumbai Central Office, Maharashtra	Office	Medium	High	Very High
Depot North – Ghaziabad, Uttar Pradesh	Depot	High	Very High	Very High
Depot North – Zirakpur, Punjab	Depot	High	Very High	Very High
Depot East – Patna, Bihar	Depot	High	Very High	Very High
Risk as per RCP 6.0 Scenario				
Locations	Asset type	2030	2040	2050
Indore SEZ, Madhya Pradesh	Manufacturing site	Medium	Medium	High
Depot North – Ghaziabad, Uttar Pradesh	Depot	High	Very High	Very High
Depot North – Zirakpur, Punjab	Depot	High	Very High	Very High
Depot East – Patna, Bihar	Depot	High	Very High	Very High
Risk as per RCP 8.5 Scenario				
Locations	Asset type	2030	2040	2050
Baddi, Himachal Pradesh	Manufacturing site	Medium	High	Very High
Bommasandra, Karnataka	Manufacturing site	Medium	High	Very High
Indore SEZ, Madhya Pradesh	Manufacturing site	Medium	Medium	High
Patalganga, Maharashtra	Manufacturing site	Medium	High	High
Vikhroli, Mumbai	Manufacturing site	Medium	High	Very High
Virgonagar, Bengaluru	Manufacturing site	Medium	High	Very High
Qidong, China	Manufacturing site	Very High	Very High	Very High
Mumbai Central Office, Maharashtra	Office	Medium	High	Very High
Peninsula Business Park, Maharashtra	Office	Medium	High	High

Depot North – Ghaziabad, Uttar Pradesh	Depot	High	Very High	Very High
Depot North – Zirakpur, Punjab	Depot	High	Very High	Very High
Depot East – Patna, Bihar	Depot	High	Very High	Very High

Heavy Precipitation: Heavy precipitation is considered for precipitation of more than 50mm in a day. The risk rating considered is with respect to number of days with heavy precipitation annually. The assets with heavy precipitation of less than 1 day is at low risk, for 1 to 2 days is at medium risk, for 2 to 3 days is at high risk and more than 3 days is very high risk. The following asset locations are prone to high heavy precipitation as per the scenario analysis:

Table 5: Risks from heavy precipitation as per RCP scenarios

Risk as per RCP 4.5 Scenario				
Locations	Asset type	2030	2040	2050
Bommasandra, Karnataka	Manufacturing site	High	Very High	Very High
Kurkumbh, Maharashtra	Manufacturing site	High	Very High	Very High
Satara Medispray, Maharashtra	Manufacturing site	High	Very High	Very High
Virgonagar, Karnataka	Manufacturing site	High	Very High	Very High
InvaGen, New York, USA	Manufacturing site	High	High	High
Depot East – Kolkata, West Bengal	Depot	High	High	Very High
Risk as per RCP 6.0 Scenario				
Locations	Asset type	2030	2040	2050
Bommasandra, Karnataka	Manufacturing site	High	Very High	Very High
Salcette, Goa	Manufacturing site	High	High	Very High
Virgonagar, Karnataka	Manufacturing site	High	Very High	Very High
Depot East – Kolkata, West Bengal	Depot	High	High	Very High
Risk as per RCP 8.5 Scenario				
Locations	Asset type	2030	2040	2050
Bommasandra, Karnataka	Manufacturing site	High	Very High	Very High
Virgonagar, Karnataka	Manufacturing site	High	Very High	Very High
Depot East – Kolkata, West Bengal	Depot	High	High	Very High

Landslides: The manufacturing site at Sikkim is prone to landslides and from the analysis it has been revealed that such events can impact production due to supply chain disruption leading to loss in revenue. However, a specific business continuity plan is in place with a specific monetary value built in the annual budget allocated for landslide events during the monsoon period.

The financial impacts were evaluated by leveraging insights from scenario analysis, climate risk models, carbon pricing analysis, supply chain analysis, and data and metrics integration. Based on the financial impacts the identified risks were prioritized into material and non-material risks for the organisation.

Transition risks scenario analysis

Transition risks are classified into four categories: Policy and Legal Risk, Technology Risk, Market Risk, and Reputation Risk.

The IEA (International Energy Agency) medium to long-term outlooks – the World Energy Outlook (WEO) and the Energy Technology Perspective (ETP) – use a scenario approach to examine future energy trends relying on the Global Energy and Climate (GEC) Model. The GEC Model is used to explore various scenarios, each of which is built on a different set of underlying assumptions about how the energy system might respond to the current global energy crisis and evolve thereafter. IEA provides four scenarios: Net Zero Emissions (NZE) by 2050, Announced Pledges Scenario (APS), Stated Policies Scenario (STEPS) and Sustainable Development Scenario (SDS).

The NGFS (Network for Greening the Financial System) partnered with an expert group of climate scientists and economists to design a set of hypothetical scenarios. They provide a common and up-to-date reference point for understanding how climate change and climate policy and technology trends could evolve in different futures. Each scenario was chosen to show a range of higher and lower risk outcomes. NGFS provides six scenarios: Net Zero 2050, Below 2°C, Divergent Net Zero, Delayed Transition, Nationally Determined Contributions (NDCs) and Current Policies.

The associated transition risks for the sites, offices, and depots of Cipla were identified and scenario analyses were performed considering the scenarios of IEA (International Energy Agency) and NGFS (Network For Greening The Financial System). Divergent Net Zero Scenario of NGFS and Announced Pledges Scenario of IEA were considered for the scenario analysis of transition risks. Under Divergent Net Zero Scenario, the target of becoming net zero by 2050 is achieved at the cost of very high investments in incorporating low carbon technologies. As per Announced Pledges Scenario net zero target is aligned with the submitted NDCs (Nationally Determined Contributions) to UNFCCC (United Nations Framework Convention on Climate Change) which varies from country to country.

Scenario analyses were carried out for transition risks: Enhanced emission reporting obligations (Policy and Legal Risk), Carbon pricing (Policy and Legal Risk), Exposure to litigation (Policy and Legal Risk), Increase in CAPEX and OPEX due to transition towards low emissions technology (Technology Risk) and Negative stakeholder feedback (Reputation Risk). Transition risks have been analyzed for India, USA, Morocco, South Africa, China, United Kingdom, European Union, and Australia where Cipla have operations. The risk impacts are represented in the below tables with scales ranging from Insignificant to be the lowest and Catastrophic to be the highest.

Table 6: Transition risks under Divergent Net Zero and Announced Pledges Scenario

Enhanced emission reporting obligations (Policy and Legal Risk)				
Country	Divergent Net Zero (DNZ)		Announced Pledges Scenario (APS)	
	2030	2050	2030	2050
India	Minor	Moderate	Insignificant	Moderate
United States of America	Moderate	Major	Minor	Moderate
Morocco	Moderate	Major	Minor	Moderate
South Africa	Moderate	Major	Minor	Moderate
China	Moderate	Major	Minor	Moderate
United Kingdom	Catastrophic	Catastrophic	Major	Catastrophic
European Union	Catastrophic	Catastrophic	Major	Catastrophic
Australia	Minor	Moderate	Insignificant	Moderate
Carbon pricing (Policy and Legal Risk)				
Country	Divergent Net Zero (DNZ)		Announced Pledges Scenario (APS)	
	2030	2050	2030	2050
India	Moderate	Major	Minor	Moderate
United States of America	Major	Catastrophic	Minor	Moderate
Morocco	Moderate	Major	Minor	Moderate
South Africa	Major	Catastrophic	Moderate	Major
China	Major	Catastrophic	Moderate	Major
United Kingdom	Major	Catastrophic	Major	Catastrophic
European Union	Major	Catastrophic	Major	Catastrophic
Australia	Minor	Moderate	Insignificant	Minor
Exposure to litigation (Policy and Legal Risk)				
Country	Divergent Net Zero (DNZ)		Announced Pledges Scenario (APS)	
	2030	2050	2030	2050
India	Minor	Minor	Insignificant	Minor

United States of America	Minor	Minor	Insignificant	Minor
Morocco	Minor	Minor	Insignificant	Minor
South Africa	Minor	Minor	Insignificant	Minor
China	Minor	Minor	Insignificant	Minor
United Kingdom	Minor	Minor	Insignificant	Minor
European Union	Moderate	Major	Moderate	Moderate
Australia	Minor	Minor	Insignificant	Minor

**Increase in CAPEX and OPEX due to transition towards low emissions technology
(Technology Risk)**

Country	Divergent Net Zero (DNZ)		Announced Pledges Scenario (APS)	
	2030	2050	2030	2050
India	Major	Major	Moderate	Major
United States of America	Major	Major	Moderate	Major
Morocco	Moderate	Major	Moderate	Major
South Africa	Moderate	Major	Minor	Moderate
China	Major	Major	Moderate	Major
United Kingdom	Major	Major	Moderate	Major
European Union	Major	Catastrophic	Moderate	Major
Australia	Moderate	Moderate	Minor	Moderate

Negative stakeholder feedback (Reputation Risk)

Country	Divergent Net Zero (DNZ)		Announced Pledges Scenario (APS)	
	2030	2050	2030	2050
India	Minor	Moderate	Insignificant	Minor
United States of America	Minor	Moderate	Insignificant	Minor
Morocco	Minor	Moderate	Insignificant	Minor
South Africa	Minor	Moderate	Insignificant	Minor
China	Minor	Moderate	Insignificant	Minor
United Kingdom	Minor	Moderate	Insignificant	Minor

European Union	Moderate	Moderate	Moderate	Major
Australia	Minor	Moderate	Insignificant	Minor

Physical risks impacts, opportunities, and mitigation actions

Table 7: Impact, Opportunity, and Mitigation (Physical Risks)

Risk		Impacts		Opportunities	Mitigation Actions
		Sites and Offices	Depots		
Acute Risk	Drought	<ul style="list-style-type: none"> • Restricted or no access to groundwater withdrawal due to increased regulations • Increased cost of resources 	<ul style="list-style-type: none"> • Supply chain disruption due to civic unrest • Increased cooling costs 	<ul style="list-style-type: none"> • Efficient use of water resources 	<ul style="list-style-type: none"> • ZLD projects at few sites of India Manufacturing Operations • Watershed programs to build rainwater harvesting structures like check dams, ponds, rooftop harvesting systems, etc., to conserve water and create a shared value for communities • Increasing overall recycling percentage
	Riverine Floods	<ul style="list-style-type: none"> • Temporary shutdown of the affected offices • Damage to infrastructure and assets • Increased clean-up costs post floods • Disruption in power supply 	<ul style="list-style-type: none"> • Inventory loss • Increased clean-up costs post floods • Supply chain disruption 	<ul style="list-style-type: none"> • Resilient infrastructure 	<ul style="list-style-type: none"> • Flood Resilience: Constructing natural and artificial barriers to reduce the risk of flooding • Installation of an early warning system • Insurance against riverine flood risk • Conducting capacity building activities and mock drills to enhance emergency preparedness and response
	Tropical Cyclone	<ul style="list-style-type: none"> • Loss of productivity due to disruption in the power supply or additional costs for power backup • Building damage & temporary shutdown 	<ul style="list-style-type: none"> • Loss of inventory • Building damage • Supply chain disruption 	<ul style="list-style-type: none"> • Resilient infrastructure 	<ul style="list-style-type: none"> • Prediction and early warning system • Retrofitting of non-engineered structures • Developing sites in the future to increase cyclone resiliency

	Extreme Rainfall	<ul style="list-style-type: none"> • Flash floods resulting in loss of connectivity • Loss of working hours due to disruption in employee transportation 	<ul style="list-style-type: none"> • Loss and damage of inventory • Supply chain disruption 	<ul style="list-style-type: none"> • Resilient infrastructure 	<ul style="list-style-type: none"> • Developing Site selection procedures that factor in flooding risks • Improving monsoon management procedures and plans to address exposure • Early warning system and temporary flood barriers • Maintaining and protecting water catchments around operational sites to reduce impact
Chronic Risk	Sea Level Rise	<ul style="list-style-type: none"> • Permanent shutdown of offices due to coastal flooding • Higher operational costs due to supply chain disruptions 	<ul style="list-style-type: none"> • Permanent shutdown due to coastal flooding caused by rising sea levels • Significant impact on supply chain disruption 	<ul style="list-style-type: none"> • Resilient infrastructure 	<ul style="list-style-type: none"> • Coastal hazard zoning and future prediction on sea-level rise • Development of engineered structures such as flood barrier walls, levees, and sea walls
	Heat Wave	<ul style="list-style-type: none"> • Increase in cooling costs • Increased water sourcing costs 	<ul style="list-style-type: none"> • Increase in cooling costs 	<ul style="list-style-type: none"> • Use of more energy efficient equipments 	<ul style="list-style-type: none"> • Adoption of energy efficiency measures to reduce impact of increasing cooling costs triggered due to heatwaves • Prediction and preparedness for heatwaves • Building medical & administrative capabilities to tackle heatwave related health impacts • Implementing flexible working policies in summer to minimize employee health risk

	Coastal Floods	<ul style="list-style-type: none"> • Permanent shutdown of offices in low-lying areas due to coastal flooding • Damage to infrastructures such as transport or utilities like electricity, gas and water supply may force employees to relocate and result in increased attrition 	<ul style="list-style-type: none"> • Inventory loss • Significant impact on supply chain disruption 	<ul style="list-style-type: none"> • Resilient infrastructure 	<ul style="list-style-type: none"> • Insurance against coastal flood risk • Development of flood protection strategies such as the construction of dikes and sea walls based on cost-benefit analysis • Conducting capacity building activities and mock drills to enhance emergency preparedness and response • Collaborating with industry peers for emergency support
	Water Stress	<ul style="list-style-type: none"> • Increased water sourcing costs • Restricted groundwater withdrawal due to regulations in water-stressed areas 	<ul style="list-style-type: none"> • Increased water sourcing costs • Operation and maintenance problems 	<ul style="list-style-type: none"> • Enhanced water efficiency 	<ul style="list-style-type: none"> • ZLD projects at few sites of India Manufacturing Operations • Watershed programmes to build rainwater harvesting structures like check dams, ponds, rooftop harvesting systems, etc., to conserve water and create a shared value for communities • Creating ground water recharge structures augmenting ground water table • Maintaining and protecting water catchments around operational sites to increase recharge

Transition risks impacts, opportunities, and mitigation actions

Table 8: Impact, Opportunity, and Mitigation (Transition Risks)

	Risk	Impacts	Opportunities	Mitigation Actions
Policy & legal	Enhanced emissions reporting obligations	<ul style="list-style-type: none"> • Increased costs due to the purchase of carbon credits • Increased regulatory costs • Penalty for improper waste disposal • Increased cost of waste disposal 	<ul style="list-style-type: none"> • Capitalizing on the carbon market • Investments in renewable energy resources • Promote energy efficient buildings and facilities • Improved waste management 	<ul style="list-style-type: none"> • Increasing energy efficiency and conservation through awareness and monitoring • Transitioning to renewables (27% share of renewables as in FY 2022-23) • Strict adherence to regional regulatory laws to avoid penalties • Following evolving disclosure norms to stay ahead in disclosures and reporting • Achieving carbon neutrality by December 2025 for India manufacturing operations
	Carbon pricing mechanism and carbon taxation			
	Exposure to litigation			
Technology	Increase in CAPEX and OPEX due to transition towards low emissions technology	<ul style="list-style-type: none"> • Increased capital investment • Research and development (R&D) expenditures in new and alternative energy-efficient technologies 	<ul style="list-style-type: none"> • Resource-efficient technologies to reduce energy consumption 	<ul style="list-style-type: none"> • Budgeting & Advance Planning now to develop a transition budget plan that runs smooth & is active & not reactive • Exploring new models of funding tech upgradation like Built, Own, Operate & Transfer • Setting up internal carbon pricing mechanism to guide budgeting for technology transition • Scaling up the utilization of renewable electricity to power the operations by installing rooftop solar panels and through open access of solar and wind energy • The manufacturing facilities located in Sikkim and Baddi are entirely powered by hydroelectricity sourced from the grid

Reputation	Negative stakeholder feedback	<ul style="list-style-type: none"> • Reputation damage for not meeting the stakeholder demand 	<ul style="list-style-type: none"> • Improved reputation • Improved stakeholder engagement on ESG 	<ul style="list-style-type: none"> • Early adoption and development of sustainable products enhance the company's reputation • Consistent disclosure to the stakeholders on non-financial Key Performance Indicators (KPI) • Enhance brand reputation by introducing products in line with the customer preference
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Annexure A

Alignment with TCFD

Cipla is aligned with TCFD guidelines for the climate-related disclosures. The details on TCFD disclosures can be found in the following pages:

Sr. No.	Disclosure	TCFD disclosure	Section	Page
1	Disclose the organization's governance around climate-related issues and opportunities	Governance 1: Describe the board's oversight of climate-related risks and opportunities.	Governance	Page No. 9
		Governance 2: Describe management's role in assessing and managing climate-related risks and opportunities.		
2	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning where such information is material.	Strategy 1: Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Strategy	Page No. 10 Page No. 13-25
		Strategy 2: Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.		
		Strategy 3: Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.		
3	Disclose how the organization identifies, assesses, and manages climate-related risks.	Risk Management 1: Describe the organization's processes for identifying and assessing climate-related risks.	Risk Management	Page No. 11
		Risk Management 2: Describe the organization's processes for managing climate-related risks.		
		Risk Management 3: Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.		
4	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Metrics and targets 1: Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and Targets	Page No. 12
		Metrics and targets 2: Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.		
		Metrics and targets 3: Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.		

Annexure B

[Glossary of Abbreviations](#)

AIDS: Acquired Immunodeficiency Syndrome

AMR: Antimicrobial Resistance

API: Active Pharmaceutical Ingredient

APS: Announced Pledges Scenario

AR5: Fifth Assessment Report

CAPEX: Capital Expenditure

CNS: Central Nervous System

CSR: Corporate Social Responsibility

CTO: Chief Technology Officer

DNZ: Divergent Net Zero

EHS: Environment, Health and Safety

ERM: Enterprise Risk Management

ESG: Environment, Social and Governance

ETP: Energy Technology Perspective

EU: European Union

FSB: Financial Stability Board Global Energy and Climate

GEC: Global Energy and Climate

HIV: Human Immunodeficiency Virus

HVAC: Heating, ventilation, and air conditioning

IEA: International Energy Agency

IMD: India Meteorological Department

IPCC: Intergovernmental Panel on Climate Change

IRMC: Investment and Risk Management Committee

KPI: Key Performance Indicator

MVA: Megavolt Ampere

MWp: Megawatt peak

NDCs: Nationally Determined Contributions

NGFS: Network for Greening the Financial System

NZE: Net Zero Emissions

OPEX: Operational Expenditure

R&D: Research and Development

RCP: Representative Concentration Pathway

SBTi: Science-Based Targets initiative

SDS: Sustainable Development Scenario

STEPS: Stated Policies Scenario

TCFD: Task Force on Climate-related Financial Disclosures

tCO₂e: Tonnes of Carbon Dioxide Equivalent

UK: United Kingdom

UNFCCC: United Nations Framework Convention on Climate Change

USA: United States of America

VFD: Variable Frequency Drive

W/m²: Watt per metre square

WEO: World Energy Outlook

WRI: World Resources Institute

ZLD: Zero Liquid Discharge