Climate Risk and Opportunities Report

Sai Life Sciences

in line with IFRS S2 requirements

About us, Sai Life Sciences

Sai Life Sciences is one of India's fastest-growing contract research, development, and manufacturing organizations. As a pure-play, full-service CRO-CDMO, we work with global innovator pharma and biotech companies to accelerate the discovery, development, and commercialization of small molecules.

Over the past twenty-four years, we have served a diverse set of NCE development programs, consistently delivering value based on our quality and responsiveness. We have a 100% successful track record of regulatory inspections across our R&D and manufacturing facilities.

More significantly, our business growth has gone hand in hand with our sustainability agenda. At every step, we have been aware of our responsibility to be a vital link in the supply chain of innovative companies that are addressing the unmet medical needs of patients. We have been reporting in accordance with CDP standards, actively tracking carbon emissions, and making steady progress toward our 2027 short-term emission reduction targets. Moving forward, we are committed to deepening our focus on climate risk, assessing and mitigating potential climate-related risks that may have a significant financial impact on our company. Additionally, we view this process as an opportunity to explore climate-related opportunities tied to environmental challenges.

Why Climate-related risks and opportunities assessment is important to us?

At Sai, we recognize the critical impact that climate-related events and risks can have on business operations and long-term sustainability. Climate risks—whether physical events like floods and heatwaves or transition risks linked to changing regulations—pose significant challenges.

Our commitment stems from the understanding that climate-related events, whether gradual or sudden, have a profound impact on the stability and resilience of our business. With potential disruptions to our supply chain, raw material availability, and production capacity, addressing climate risks is not just about regulatory compliance—it is about safeguarding our future growth and operational continuity.

By conducting a structured and comprehensive climate-related risk analysis, we ensure that we identify and assess the risks that matter most to our business. This analysis allows us to be proactive in taking mitigating actions that protect us from potential disruptions, whether related to extreme weather events, water scarcity, or energy costs. This proactive approach ensures that we are equipped to handle the downsides of climate change while staying ahead of potential operational challenges.

Furthermore, climate-related opportunities cannot be overlooked. By integrating sustainability into our risk assessment process, we are positioned to capitalize on emerging opportunities, such as transitioning to renewable energy, improving operational efficiencies, and driving innovation in green chemistry. This dual focus on mitigating risks and harnessing opportunities enables us to create long-term value, both for our company and our stakeholders, while contributing to broader environmental goals.

We have realized the importance of disclosing our climate-related risks and opportunities transparently to all our stakeholders, including partners, our customers, and investors. In the spirit of turning climate transparency and accountability into a business opportunity, we aim to provide a clear view of the impacts that have substantial effects on our business and the steps we are taking to address them. We believe that collaboration is key to tackling the complex issue of climate change, and we welcome the opportunity to work alongside and engage with our stakeholders to collectively innovate climate solutions.

Before we dive into our structured climate risk assessment, it's important to briefly explain the two primary types of risks we consider—physical risks and transition risks. Physical risks refer to the direct impact of climate-related events such as extreme weather, floods, droughts, or rising temperatures, which can disrupt our supply chains, damage facilities, and affect the availability of resources critical to our operations.

Transition risks, on the other hand, arise from the shift to a low-carbon economy. These include regulatory changes, shifts in market demand, and the evolving expectations of our stakeholders regarding sustainability. Both risk types require careful evaluation to ensure that our company not only mitigates potential downsides but also leverages opportunities that arise during the transition to a more sustainable future.

Why did we choose the IFRS S2 framework to disclose our Climate-Related Risks and Opportunity assessment and information?

The IFRS S2 framework for Climate-Related Risks outlines key requirements for companies to disclose their exposure to climate-related risks and opportunities. The main components include:

1. **Governance:** Companies must describe their governance around climate-related risks and opportunities, including the board's oversight and management's role in assessing and managing these risks.
2. **Strategy:** Companies need to disclose how climate-related risks and opportunities impact their business strategy and financial planning, both in the short and long term.
3. **Risk Management:** This involves identifying and assessing climate-related risks, managing them, and integrating them into the overall risk management process.
4. **Metrics and Targets:** Companies should disclose the metrics used to assess climate-related risks and opportunities, including Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions. They should also report the targets set for managing these risks and performance against those targets.

Scenario Analysis: The framework recommends using scenario analysis to evaluate the resilience of the company's strategy under different climate-related scenarios, including a 2°C or lower scenario.

These disclosures help stakeholders understand the company's exposure to climate-related risks and the strategies in place to address them. In this report, each of the above components has been described in detail in the context of Sai Life Sciences

Governance

At Sai Life Sciences, our governance structure strongly oversees sustainability-related risks and opportunities. It's not just about meeting regulatory standards; it's about ensuring that our strategic direction, risk management, and stakeholder engagement are resilient and forward-thinking. Our commitment to transparency and accountability shapes our approach to managing environmental, social, and governance (ESG) factors.

Climate-related risks are addressed in different ways at different points in our governance structure. We've classified them into board-level oversight and Management-level oversight below.

Board Oversight:

At Sai Life Sciences, the Chief Executive Officer is responsible for mitigating climate and water risks. The board has delegated function-specific roles to various cross-functional teams through their KRAs. The KRAs include developing strategies to mitigate climate and water-based risks, identify opportunities, and monitor key performance indicators to align with relevant SDGs and ESG reporting frameworks.

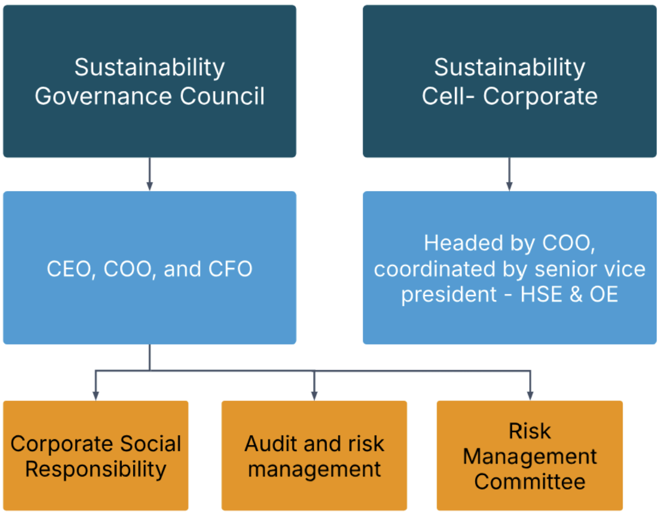
This governance structure ensures that Sai Life Sciences is not only compliant with current regulations but is also proactive in advancing its sustainability goals.

Management Oversight

At Sai Life Sciences, our **Sustainability Governance Council** is pivotal in integrating sustainability into our business strategy and decision-making processes. The council is tasked with formulating policies and strategies to embed sustainability practices across all business functions. It oversees the organization's sustainability performance, monitors progress against targets, and recommends improvements. This council includes the CEO, COO, and CFO, along with existing committees such as the CSR, Audit & Risk Committee, which have been integrated into the governance structure.

The **Risk Management Committee** is dedicated to identifying financial, operational, sectoral, and sustainability risks, particularly those related to ESG, information security, and cyber security. It also focuses on developing effective mitigation strategies to address these risks.

The Sustainability Cell – Corporate is responsible for tracking and reporting on sustainability performance and initiatives relative to set targets. Led by the COO and comprising all functional heads, the corporate cell meets biannually. The Senior Vice President of HSE & OE coordinates these meetings. The cell's primary function is to assist the Governance Council by developing recommendations regarding the company's strategy, standards, processes, and approach to environmental, social, and governance (ESG) matters. These recommendations help shape the company's activities, protect its assets, enhance performance, and uphold its reputation, all while promoting ongoing sustainable development.



Strategy

With our governance structure firmly in place, aligned with our ambitions, and integrated with key climate-related topics, we've turned our vision into a concrete, actionable climate strategy. This is now a core part of our business model, essential for addressing climate-related risks and seizing opportunities. Our approach encompasses a comprehensive strategy and mitigation plan, extending from short-term to long-term horizons. This has bolstered our climate resilience, with measures like installing water treatment plants to recycle water and having backup water supplies that can sustain operations for up to a week during periods of water scarcity.

We're proud to be part of the Science Based Targets initiative (SBTi), demonstrating our commitment to setting near-term, company-wide emission reduction targets that align with the latest climate science. Our efforts to reduce our environmental footprint include water conservation through rainwater harvesting, which has decreased our dependence on municipal water supplies by 3% at our plant. We're also integrating circular practices in our waste management system and developing an energy management strategy as part of our emissions reduction plan. We now want to build on this with a robust Climate risk and opportunities assessment so we can shape our strategy in line with that.

Further, we are also having active discussions to explore internal carbon pricing as this could help us take the cost of carbon into account as we think about resource and fund allocation. However, we don't have this implemented yet.

Our approach to Climate Risk assessment

We have conducted an annual climate scenario analysis to assess climate-related risks and opportunities (CRROs). In 2024, we are selecting our CRROs (four physical risks, two transition risks, and a bunch of potential transition opportunities) from a list of risks (both environmental and biodiversity risks) and opportunities based on our analysis comprising 20+ risks and opportunities selected following a review of industry-specific literature research; benchmarking with peer healthcare companies; and screening across both acute and chronic physical risks using WWF Biodiversity Risk Methodology, that is based on SBTN's materiality matrix and S&P Global physical risk resources. The analysis was discussed in workshops with relevant internal stakeholders to ensure it is most relevant to our sites and day-to-day operations.

With the climate risks assessment, we have considered best–practice guidance, and the climate scenarios considered for the physical risk analysis are IPCC's Shared Socioeconomic Pathways (SSPs)- Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSP-RCPs) offer a spectrum of potential future scenarios, from the most optimistic to the most pessimistic, regarding greenhouse gas emissions and their impacts on climate. These pathways provide a framework for understanding various levels of climate change and the associated risks.

For assessing transition risks, this study utilizes the Network for Greening the Financial System (NGFS) Scenarios. The NGFS scenarios are crafted using the Global Change Assessment Model (GCAM), a well-established integrated assessment model (IAM). GCAM is a comprehensive global model that captures the interactions between five key systems: energy, water, agriculture and land use, the economy, and the climate. It consists of two primary components: a data system that generates inputs and the GCAM core that processes these inputs to simulate different scenarios.

Using these models and scenarios allows us to explore a variety of potential futures and their implications for transition risks. This enables us to guide our strategic decisions and manage risks effectively, adapting to different levels of climate change and corresponding shifts in regulations or market conditions.

We've assessed all risks and opportunities on a short, medium, and long-term basis and have defined these as:

- **Short-term (until 2027)**: This period aligns with SAI's company-wide sustainability targets and SDG-related goals, forming the foundation for our longer-term climate strategies and commitments.

- **Medium-term (2027 - 2030)**: During this phase, we will nearing our near-term targets for Scopes 1, 2, and 3 emissions, strengthened by enhanced climate strategies and investment in low-carbon technologies.

- **Long-term (2030 - 2050)**: This period encompasses our long-term ambition of achieving net-zero emissions by 2050.

For the quantitative scenario analysis, we have performed the climate risk assessment for physical risks and transition risks with 2030 and 2050 as time horizons, in line with IPCC scenarios for physical risk and NGFS scenarios for transition risks.

IPCC SSP-RCP scenarios pathways considered for the physical risk assessment our assessment analysis are:

1. **Low emissions pathway: IPCC SSP1-2.6 (central estimate for temperature rise by 2100 +1.8°C)**

The SSP1-2.6 scenario outlines a pathway for sustainable development aimed at limiting global warming to around 1.8°C by 2100. It emphasizes the importance of robust climate policies and substantial reductions in greenhouse gas emissions, supported by international cooperation on climate action and environmental protection. Adhering to this scenario can significantly mitigate severe climate impacts, fostering a more sustainable and resilient future.

2. **Medium-to-high emissions pathway: IPCC SSP3-7.0 (central estimate for temperature rise by 2100 approximately +2.8 to 3.2 degrees °C)**

The IPCC SSP3-7.0 scenario, often referred to as "Regional Rivalry," is part of the Shared Socioeconomic Pathways (SSPs) used by the Intergovernmental Panel on Climate Change (IPCC) to project future climate changes based on varying socioeconomic trends. This scenario represents a high-emissions pathway with a Business-As-Usual (BAU) approach, characterized by minimal international cooperation on climate policies. It anticipates significant impacts, including more frequent and severe extreme weather events, rising sea levels, and accelerated biodiversity loss.

3. **High emissions pathway: IPCC SSP5-8.5 (central estimate for temperature rise by 2100 +4.4°C)**

The SSP5-8.5 scenario outlines a high-emissions pathway marked by ongoing reliance on fossil fuels and accelerated economic growth. It projects a global temperature rise of about 4.4°C by 2100 relative to pre-industrial levels. This scenario foresees major alterations in weather patterns, a heightened frequency of extreme events such as heatwaves and storms, and profound impacts on ecosystems. SSP5-8.5 assumes high energy demand, minimal adoption of climate policies, and significant technological advancements without a transition to low-carbon energy sources.

Transition Pathways considered for the NGFS Scenarios in our assessment analysis are:

1. **Below 2°C Scenario:**

The scenario of limiting warming to below 2°C entails a progressive tightening of climate policies, aiming for a 67% chance of achieving this goal. It assumes the immediate implementation of climate policies, which become progressively stricter over time, though not as stringent as in the Net Zero 2050 pathway. Carbon dioxide removal (CDR) deployment remains relatively modest, and net-zero CO_2 emissions are reached after 2070. In this scenario, both physical and transition risks are comparatively low.

2. **Net-Zero 2050 Scenario:**

The Net Zero 2050 scenario represents a highly ambitious pathway aiming to limit global warming to 1.5°C through rigorous climate policies and significant innovation. This scenario targets achieving net-zero CO_2 emissions by around 2050, with some regions such as the US, EU, and Japan reaching net zero for all greenhouse gases by this time. It presumes the immediate implementation of bold climate policies, providing at least a 50% chance of limiting global warming to below 1.5°C by the end of the century.

3. **Delayed Transition Scenario:**

The Delayed Transition scenario assumes that global annual emissions will continue to rise until 2030, with no significant reduction efforts before then. To limit global warming to below 2°C, strong and immediate climate policies will be required starting in 2030. In this scenario, negative emissions technologies are not extensively deployed, and the delay in action results in a “fossil recovery,” where the level of climate action varies significantly across different countries and regions based on existing policies.

4. **Divergent Net-Zero Scenario:**

The Divergent Net Zero scenario achieves net-zero emissions by 2050 but incurs higher costs due to the varying policies implemented across different sectors. Unlike the Net Zero 2050 scenario, Divergent Net Zero assumes more stringent climate policies specifically in the transportation and buildings sectors, leading to a faster phase-out of fossil fuels. This results in a more expensive transition but potentially accelerates the shift to a low-carbon economy.

Physical risks

Scope of assessment

In our climate risk management efforts, a key focus has been on identifying and assessing physical risks, which are central to ensuring the continuity and resilience of our operations. Physical risks, such as water stress, extreme temperatures, sea-level rise, wildfire hazards, drought, flooding, extreme cold biodiversity loss, and the like are increasingly becoming a threat to businesses across industries, and our sector is no exception. Given the nature of our CRO-CDMO services, which rely on consistent resource availability and stable environmental conditions, we must understand how these risks are material across different regions where we operate.

Through this comprehensive evaluation, we identified several risks that could be material to both our pharmaceutical operations and our suppliers over 2050 extend. After carefully considering our business model, and value chain, and analyzing individual risk factors using climate scenarios and datasets, we identified four key physical risks from our 20+ physical risks indicators with potential impact on our operations in direct and indirect costs and company-owned assets across value-chain. The physical risks that are material to our business are **water stress, extreme heat, riverine flooding, and tropical cyclones**.

We have conducted a detailed qualitative and quantitative risk assessment for our global sites in Hyderabad (Telangana), Bidar (Karnataka), Manchester, and Boston. Additionally, a qualitative assessment for the key supplier locations has been carried out and the considered supplier locations for the climate risk assessment are Visakhapatnam, Kurnool, Thanuku, Delhi, Vapi, Ankleshwar, Vadodara, Raipur, Elkton (Maryland), Strelington (Louisiana), Hangzhou, Fuxin, Beijing, and Shanghai.

As part of our climate-risk assessment, we have evaluated the potential impact of climate-related risks recognizing identified risks that could significantly affect our business using climate scenarios datasets, literature research, and tools like WRI Aquaduct, Copernicus Interactive Climate Atlas, WWF Water Risk Filter, Climate Impact Explorer, and Encore tool to access our dependencies and impact of environmental issues and categorized the risk intensity into High, Medium, and Low based on globally recognized standards.

Physical Risks- 2030 Scenarios Analysis Heat Map SCP 3 - RCP 7.0, Business-as-Usual scenario					
Locations		Water Stress	Extreme Heat	Riverine flood	Tropical Cyclone
Sai Life Sciences (Own Facilities)	Hyderabad	HIGH	LOW	HIGH	LOW
	Bidar	HIGH	HIGH	HIGH	LOW
	Manchester	MEDIUM	MEDIUM	MEDIUM	LOW
	Boston	MEDIUM	MEDIUM	MEDIUM	MEDIUM

Supplier Facilities	Visakhapatnam	MEDIUM	LOW	MEDIUM	LOW
	Kurnool	LOW	LOW	HIGH	LOW
	Tanuku	HIGH	LOW	HIGH	LOW
	Delhi	HIGH	MEDIUM	MEDIUM	LOW
	Vapi	HIGH	LOW	HIGH	LOW
	Ankleshwar	HIGH	LOW	HIGH	LOW
	Vadodara	HIGH	LOW	HIGH	LOW
	Raichur	LOW	LOW	HIGH	LOW
	Elkton, Maryland	MEDIUM	MEDIUM	MEDIUM	MEDIUM
	Sterlington, Louisiana	MEDIUM	MEDIUM	MEDIUM	MEDIUM
	Hangzhou	HIGH	MEDIUM	HIGH	LOW
	Fuxin	HIGH	MEDIUM	MEDIUM	LOW
	Beijing	HIGH	MEDIUM	LOW	LOW
	Shanghai	HIGH	MEDIUM	HIGH	LOW

Water Stress

Water stress can lead to loss of sales due to operational disruptions from water unavailability, especially for water-intensive processes. This includes both internal operations and disruptions in supplier materials. Additionally, water scarcity may drive higher water costs. Based on our detailed analysis of water risk metrics across our company's locations as well as supplier locations, we have arrived at the following insights.

- Facilities in Hyderabad have a relatively higher risk of water stress while the facility in Bidar has a moderate level of water stress (these thresholds have been defined below)
- Facilities in Boston and Manchester have low risk in the medium term; 2030, but by 2050 risk could reach a moderate level of stress across all scenarios (SSP 3 - RCP 7.0, SSP 1 - RCP 2.6, SSP 5 - RCP 8.5).
- In our analysis of suppliers' locations in India, facilities in Tanuku, Delhi, Ankleshwar, and Vadodara tend to show a higher risk of water stress for both 2030 and 2050 horizon. Other supplier locations from India have a relatively low risk from water stress across all considered scenarios and time horizons.
- Our supplier facilities in Hangzhou, Fuxin, Beijing, and Shanghai have relatively high water stress risks. In contrast, suppliers from the U.S.A. have medium risk across all scenarios and time horizons- 2030 and 2050.

Methodology for risk assessment - *We have used the post-processed gross demand and available blue water per sub-basin time series from the global Hydrological model called PCR-GLOBWB 2 dataset for the evaluation with the WRI aqueduct water risk metric. Low, Medium, and High water stress levels are defined based on the ratio of total water withdrawals to available renewable surface and groundwater supplies. These levels are categorized as follows:*

Low Water Stress (0-20%):

- **Definition**: Less than 10% of the available water supply is being withdrawn.
- **Implication**: Water supply is abundant compared to demand, and there is little risk of shortages or competition over water resources.

Medium to High Water Stress (20-40%):

- **Definition**: Between 20% and 40% of the available water supply is being withdrawn.
- **Implication**: These regions are likely to experience water competition, and shortages could occur during periods of low rainfall, high demand, or seasonal variability. The risk of water competition and scarcity is still relatively moderate with higher risk.

High Water Stress (>40%):

- **Definition**: Above 40% of the available water supply is being withdrawn.
- **Implication**: Significant pressure on water resources exists. There is a high risk of water shortage with potential impacts on agriculture, industry, and local populations.

Risk Mitigating Actions

We have recognized the importance of water stress assessment as an integral part of our environmental dependencies. In this effort,

- We are proactively addressing water stress through comprehensive water management, focusing on reuse, recycling, and safe disposal to reduce groundwater reliance.
- Our Zero Liquid Discharge (ZLD) system at the Bidar facility is key to minimizing effluent discharge by maximizing water recovery and eliminating liquid waste.
- We are less prone to the financial impact of water stress on our operations as we have organized contingency water supplies that can support 7-10 consecutive water stress days at main operational sites.
- Additionally, we have significantly enhanced rainwater harvesting capacity in line with our commitment to sustainable water management and have increased rainwater harvesting capacity from 25% to 33%.
- We are in the process of actively engaging with suppliers to address water stress risks by promoting best practices in water conservation and exploring alternative suppliers for high water-stress locations as a backup.

Extreme Heat

Rising temperatures could lead to higher operating expenses due to the increased need for cooling energy, which is essential for the efficient operation of processes and equipment. Additionally, more frequent heat waves could result in increased sick days and decreased labor productivity. However, given most of our operations are in air-conditioned spaces, only the cost of cooling was considered relevant

Based on our detailed analysis to assess the risk of increasing temperature, particularly to our company-owned facility and supplier locations, we identified below insights on the risk of extreme heat.

- Company facilities in Hyderabad and Bidar have a relatively low risk in the 2030 horizon but gradually increase to moderate risk by 2050
- Company facilities in Boston and Manchester have moderate extreme heat risk in 2030 and increase to high risk By 2050 (across all scenarios) highlighting a sharper vulnerability to rising temperatures in this region.

- Suppliers in China have low or moderate risk in 2030 (depending on the Climate scenario considered - SSP3 - RCP 7.0 vs 8.5). In 2050, the risk increase to moderate or High
- Suppliers in the USA have uniformly moderate risk in 2030 (depending on the Climate scenario considered - SSP3 - RCP 7.0 vs 8.5). In 2050, the risk increases to High for most supplier locations
- Suppliers in India have a relatively low exposure to extreme heat risk except for our suppliers from Delhi who have a moderate risk of an increase in temperature.

Note: it is important to note that the risk of extreme heat depends on the expected relative increase in temperature vs current temperatures. This is why while India has a relatively higher temperature to start with the relative increase is lower vs some other locations (this can be counter-intuitive but is an important concept)

Methodology for risk assessment - *We have taken the change in annual mean temperature from a pre-industrial level of 1850 This methodology allows us to estimate the absolute warming for each of our value chain locations at the country level. The following are the defined risk levels:*

Low Risk:

- **Definition:** A temperature rise of 0 - 1.5°C from pre-industrial levels is considered to be a low risk.
- **Implication**: Mild heat-related effects on an increase in energy demand may occur.

Moderate (Medium) Risk:

- **Definition:** A temperature rise of 1.5 - 2.5°C from pre-industrial levels is considered to be a medium risk.
- **Implication**: More frequent and severe heat waves are expected, which can lead to higher energy demands for cooling and may impact employee productivity.

High Risk:

- **Definition**: A temperature rise above 2..5°C from pre-industrial levels is considered to be a high risk.
- **Implication**: Experience of significant operational disruptions due to frequent and severe heatwaves, higher energy costs, risks to employee productivity, and possible supply chain interruptions is expected.

Risk Mitigating Actions

- We are addressing this in two ways - firstly, effective energy demand management in all our sites to ensure that we minimize energy consumption per sq. ft of air-conditioned space.
- We are also committed to increasing our renewable energy by 70% until 2027 in our energy mix. Over time, we believe the cost of renewables will fall significantly and will drive down our cost of cooling.
- Furthermore, we are not prone to an increase in productivity loss due to the risk of an increase in temperature as we operate in air-conditioning space for most areas in our facilities.

Riverine Floods

Increased flooding or heavy rainfall may cause disruptions or delays in manufacturing processes. Impacts of flood can also lead to damage or the need for repairs to property and infrastructure. Flooding events can also challenge freshwater availability. Additionally, floods may interrupt product supply and distribution networks.

After conducting a detailed assessment of riverine flood risks at our facilities and supplier sites, we present the following insights.

- We observed that the facility in Bidar has a relatively higher flood risk for both 2030 and 2050 time horizons across scenarios.
- Facilities in Hyderabad, Boston, and Manchester have a relatively moderate vulnerability to flooding for both 2030 and 2050 under all scenarios
- Supplier sites such as Visakhapatnam, Kurnool, Tanuku, Vadodara, Raichur, and Vapi have a higher risk of flooding in both 2030 and 2050 across all scenarios (as they are on the coast). Other supplier sites (non-coastal) such as Delhi have moderate risk across time horizons and scenarios
- Suppliers in the USA and China have low to medium risk in 2030, but the risk from flooding is expected to be high by 2050

Methodology for risk assessment - *We have used multiple tools like WWF water risk filter and Climate impact explorer to evaluate the impact and risk intensity of riverine flood on our operation and company assets, the definition for risk intensity levels is guided by WWF water risk filter and the indicator in the tool is used is Basin physical risk and the Flooding filter.*

Low Risk:

- **Definition**: Locations in this category are expected to experience up to a 5% increase in flood frequency or severity.
- **Implication**: While flood events are relatively rare or minor in these areas, they still warrant attention, especially as climate conditions may evolve.

Moderate (Medium) Risk:

- **Definition**: Locations in this category are expected to experience up to a 10% increase in flood frequency or severity.
- **Implication**: Moderate risk suggests more frequent or intense flooding events that could disrupt operations and supply chains.

High Risk:

- **Definition**: Locations classified under high risk are projected to experience more than a 15% increase in flooding incidents.
- **Implication**: This is the most severe category and suggests a significant and escalating threat from flooding. In these areas, businesses may face substantial disruptions, infrastructure damage, and operational downtime.

Risk Mitigating Actions

- Our sites are currently undergoing water management improvements, including the construction of retention basins, enhanced stormwater drainage, and site elevation to mitigate flooding risks.
- In addition, we will closely observe how flooding is impacting assets in the areas with higher risks, and work towards introducing flood barriers as added risk mitigation (in addition to water management improvements), if needed

Tropical Cyclone

Tropical cyclones have the potential to disrupt our operations, causing property damage and necessitating equipment repairs at our facilities. Cyclone events can also impact the supply chain, affecting transportation networks and leading to delays in the delivery of raw materials to our sites.

- Our Facilities and suppliers located in India have a low exposure to tropical cyclone risk for both time horizons 2030 to 2050. On the other hand, the cyclone risk for Manchester is evaluated as medium for the 2030 time horizon but it is expected to increase relatively high by 2050.
- Suppliers from China have low exposure to cyclone risk for both 2030 and 2050 across scenarios.
- Suppliers from the USA on the other hand have moderate risk in 2030 but risk intensity is expected to be High by 2050 across scenarios.

Methodology for risk assessment - *We have used the Climate Impact Explorer tool to evaluate the impact like disruption in our operation and expected damage to company assets due to cyclone events. The indicator used to categorize these risk levels is an analysis based on the change in the percentage of expected annual economic damage due to cyclones with the reference year 2020 (analysis was done at a Country level). The risk intensity and implications are defined as follows-*

Low Risk:

- **Definition**: The expected change in annual damage due to cyclone occurrence is from 0% to 10% from the reference year 2020.
- **Implications**: These locations experience minimal disruption with damage percentages under 10%. This indicates that these areas are likely to continue operating without major disruptions related to cyclones in the coming decades.

Medium Risk:

- **Definition**: Expected change in annual damage due to cyclone occurrence is from 10% to 15% from the reference year 2020.
- **Implication**: The impact could be operational interruptions and higher costs for maintaining infrastructure resilience.

High Risk:

- **Definition:** Expected change in annual damage due to cyclone occurrence is above 15% from the reference year 2020.
- **Implication**: Although none of the locations in the table exhibit high cyclone risk except the U.S.A., such a designation would indicate severe disruption potential, including significant physical damage, supply chain interruptions, and economic losses.

Risk Mitigating Actions at SAI-

- We are actively working on creating a more resilient supply chain by diversifying our geographic footprint and identifying alternative suppliers for critical raw materials.
- Significant risk is not apparent at this stage for our facilities, but we are committed to enhancing infrastructure, including flood defenses and backup power systems, alongside emergency response measures if required.

Transition Risk

Transitioning to a lower-carbon economy may require extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on these changes, transition risks may pose varying levels of financial and reputational risk to organizations.

A variety of transition risk factors were reviewed for this study. This included an evaluation of policy and legal risks, market risks, technology risks, and reputational risks. Due to our nature as a Pharmaceutical company, based on in-depth research and analysis, we determined that the primary risks affecting the company's financial position are carbon pricing and technology investments in the energy transition.

Although India does not currently have a carbon tax or domestic Emissions Trading System (ETS), we leveraged NGFS global carbon pricing projections under various scenarios to assess potential impacts. NGFS scenarios are a plausible description of how the future may develop based on a set of assumptions about key driving forces (e.g., rate of technological change, prices).

These scenarios are neither predictions nor forecasts but are used to provide a view of the implications of developments and actions. Therefore, the likelihood/ probability of these carbon prices being implemented also varies. If, and when, a carbon tax/ price is implemented in India, it would fundamentally shift the economics of the pharmaceutical industry in favor of low-emissions production.

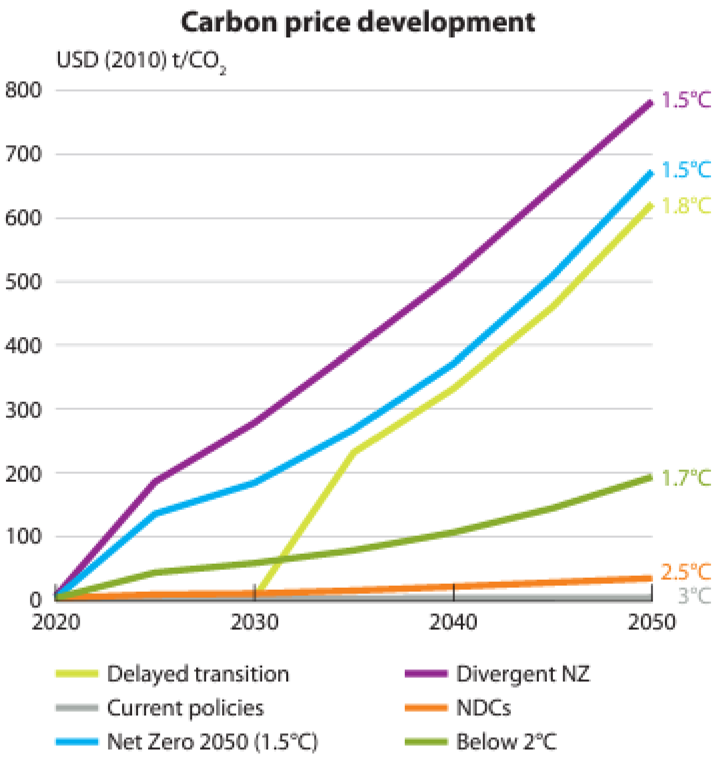
Carbon Tax

Carbon prices, whether through emissions trading or carbon taxes, are expected to rise further in major operating and supplier countries, potentially increasing operating costs. Carbon pricing focuses on key indicators such as the shadow emissions price, which acts as a proxy for the intensity of government policies. It also considers changes in technology and consumer preferences. The impact of carbon pricing is heavily dependent on emissions mitigation efforts across Scope 1, 2, and 3 categories.

India doesn't yet have a carbon tax/price, and as a result, the impact of this lever is zero. However, we have assumed a conservative position and taken the global carbon price projections to evaluate our transition risk.

Taking the global NGFS Carbon pricing projections we see a higher potential impact in the near term (2030 horizon), even though the Carbon price per ton is expected to be lower (from $57 to $228 extreme), the impact of higher Carbon emissions is more dominant making the net impact higher. In the longer run (2050 horizon), while the Carbon price is expected to be higher, our emissions will be much lower. This is because we are actively working on our decarbonization strategy, have also joined the SBTi commitment, and are now going to formalize our targets and decarbonization plans in line with the 1.5-degree pathway.

Each NGFS scenario explores a different set of assumptions for how climate policy, emissions, and temperatures evolve. In the below NGFS carbon price infographics for different climate scenarios, the carbon prices are weighted global average. The outcome shown is to the end-of-century warming.



Technology risk

Technology risk brings us the challenges and costs associated with adopting new technologies necessary to transition to a low-carbon economy. For businesses, this risk arises from the need to shift away from traditional, carbon-intensive processes to more energy-efficient, sustainable alternatives. Failing to adopt such technologies could result in higher operational costs, regulatory penalties, and reputational damage as industries worldwide move toward stricter climate regulations and stakeholder expectations.

While our transition plans are still being finalized for 2030 and the long term, we have conservatively estimated a carbon abatement cost of $20 to $50 per metric ton of CO_2e. We recognize that the early stages of this transition will focus on easily attainable goals, such as energy efficiency and renewable energy sourcing. However, as we move toward more complex reductions in Scope 1, 2, and 3 emissions, we anticipate that the cost of achieving further reductions will increase over time.

Looking ahead to 2050, technology-related risks will require more aggressive investments and a deeper commitment to innovation. While our near-term strategies up to 2030 focus on optimizing existing technologies and achieving emissions reductions through efficiency improvements and renewable energy adoption, the longer-term outlook will demand far more substantial efforts.

For Sai Life Sciences, managing technology risk means a clear focus on the energy transition, where we aim to reduce reliance on energy-intensive fuel sources and conventional electricity generation. To meet our long-term emissions reduction targets, particularly for Scope 1 and Scope 2 emissions, we will need to invest in cleaner, renewable energy sources and implement energy efficiency measures consistently across our operations. This transition is essential not only for regulatory compliance and our sustainability goals but also for safeguarding our future operational costs against fluctuating energy prices and carbon taxes.

In addition to energy-related risks, we are equally focused on addressing Scope 3 emissions through a structured supplier collaboration program. This initiative involves working closely with our suppliers to enhance their sustainability practices like driving down emissions, and align with our commitment to environmental responsibility. As part of this effort to manage transition risk, we are promoting Green Chemistry initiatives across our value chain, reducing the use of hazardous materials, improving solvent management, and minimizing waste.

Financial Impact of each of the 4 Physical risks and 2 Transition risks defined above:

<table>
<tr><th>Risk Type</th><th>Risk Indicator</th><th>Impact Analysis Approach</th><th>Financial impact for the year 2030</th><th>Financial impact for the year 2050</th></tr>
<tr><td rowspan="6">Physical</td><td>Water Stress</td><td>To calculate the potential financial impact on operations, we have analyzed the ratio of groundwater and surface water recharge through annual precipitation at the river company facilities location-specific level to the total demand across the water users and its impact on the revenue loss in operation per day.

Note: We anticipate an increase in Consecutive Dry Days (CDD) of between 2-10 days across the various scenarios. However, at the moment Sai Life Sciences has in place a contingency that can support them for around 7-10 days, so at the moment no financial impact has been attributed to this.</td><td>LOW</td><td>LOW</td></tr>
<tr><td colspan="4">Risk Mitigation- We are proactively addressing water stress by implementing comprehensive water management initiatives across our sites, focusing on reuse, recycling, and safe disposal to minimize our reliance on groundwater. Our Zero Liquid Discharge (ZLD) system at the Bidar facility is a cornerstone of our wastewater management strategy. This system is designed to minimize effluent discharge by maximizing water recovery and reuse while treating residual waste to eliminate liquid discharge. In our commitment to sustainable water management, we have also significantly enhanced our rainwater harvesting capacity.</td></tr>
<tr><td>Extreme Heat</td><td>To calculate the potential financial impact on operations, we used the change in cooling degree days as a proxy for the increased demand to cool an environment.</td><td>LOW</td><td>MED</td></tr>
<tr><td colspan="4">Risk Mitigation- We are addressing this in two ways - firstly, effective energy demand management in all our sites to ensure that we minimize consumption per sq. ft of air-conditioned space. Further, we are also committed to increasing our renewable energy by 70% until 2027 in our energy mix. Over time, we believe the cost of renewables will fall significantly and will drive down our cost of cooling.</td></tr>
<tr><td>Riverine flood</td><td>To calculate the potential financial impact on operations, the incremental expected loss per year due to physical damage to buildings (asset value at risk).</td><td>LOW</td><td>LOW</td></tr>
<tr><td colspan="4">Risk Mitigation- Our sites are under an implementation plan for water management practices to reduce the risk of flooding, such as constructing retention basins, improving stormwater drainage, and raising the site level. Right now, we don't see this as a major risk, but if the situation arises, we will also implement flood barriers to secure our sites.</td></tr>
</table>

<table>
<tr><th>Risk Type</th><th>Risk Indicator</th><th>Impact Analysis Approach</th><th>Financial impact for the year 2030</th><th>Financial impact for the year 2050</th></tr>
<tr><td></td><td>Tropical Cyclone</td><td>To calculate the potential financial impact on operations, the incremental expected loss per year due to physical damage to buildings (asset value at risk).</td><td>LOW</td><td>LOW</td></tr>
<tr><td></td><td colspan="4">Risk Mitigation- We have started working towards a more resilient supply chain - looking at a broader geographical footprint and also having alternatives for key raw materials. For our sites - at the moment we don't see major risks, but we will work towards building infrastructure like flood defenses, power back-ups, and emergency response plans if the situation arises.</td></tr>
<tr><td rowspan="3">Transition risk</td><td>Carbon Pricing</td><td>Carbon Pricing is concentrated on a key indicator of shadow emissions price, a proxy for government policy intensity, and changes in technology & consumer preferences, substantially also dependents on emissions mitigation across scope 1, 2, and 3 categories.
Note: This analysis assumes a higher-level carbon reduction pathway and carbon price NGFS climate scenario for the 2030 and 2050 time horizons.</td><td>HIGH</td><td>LOW</td></tr>
<tr><td colspan="4">Risk Mitigation- We are committed to SBTi's near-term target and have a clear carbon reduction objective in line with the 1.5-degree pathway. Further, we are aware that India doesn't yet have a carbon tax/price. However, we have assumed a conservative position and taken the global carbon price projections to evaluate our transition risk financial impact.</td></tr>
<tr><td>Technology Risk</td><td>The financial impact of technological risks could be understood through the costs required to implement the measures needed to reach net zero or carbon neutrality. We estimated a carbon abatement cost of $20 to $50 per metric ton of CO_2e across each scope of emissions.</td><td>MED</td><td>HIGH</td></tr>
</table>

Risk levels	Definition
LOW	Below 0.5% of annual sales
MEDIUM	0.5% to 1.0% of annual sales
HIGH	above 1% of annual sales

Climate-related opportunities-

There are several Climate-Related Opportunities for Sai Life Sciences. By strategically pursuing these opportunities, Sai can not only enhance their sustainability profile but also drive innovation, efficiency, and competitive advantage.

There are several themes we have started to explore

1. Energy cost reductions from transition to renewable energy

As we transition towards fully renewable energy in the coming decades, we anticipate that the cost of renewables will fall below current prices, driving down our cost of energy. By investing in solar, wind, and other renewable energy projects, we can secure stable, lower-cost energy sources that are less vulnerable to the price volatility associated with fossil fuels. This transition not only aligns with global decarbonization efforts but also positions our company to benefit from government incentives, tax breaks, and subsidies related to renewable energy adoption. We aim to enhance our total energy consumption to 70% from renewable sources by 2027, with a current share of renewable energy of 48%.

2. Resource management and efficiency

a. Energy efficiency

Improving energy consumption represents a crucial opportunity to reduce both our environmental footprint and our operational costs. By optimizing energy use through smart energy management systems and advanced technologies as practices—such as upgrading to energy-efficient equipment, and implementing, and enhancing insulation and lighting—we can achieve substantial reductions in energy consumption. These measures not only decrease our reliance on non-renewable energy sources but also lead to significant cost savings, contributing to the overall profitability of the organization. We have already implemented 8 Encon low-carbon energy projects resulting in 0.6 million kWh savings per year and we look forward to enhancing our energy efficiency practice.

b. Green Chemistry and Sustainable Innovation

Over the years, we have embedded green chemistry principles into the core of the company's value, turning it into a key opportunity for improving operational efficiency and reducing specific water consumption. By minimizing the environmental impact of our process development, we have significantly enhanced our sustainability performance. Our 'Greenness Index' has earned industry recognition more than once recently for our contributions to Water Conservation, Resource Conservation, and Solvent Management within our process development.

Looking ahead, we see green chemistry innovations as part of our long-term sustainability strategy, not only for developing more sustainable products but also for unlocking new revenue streams. This approach strengthens our sustainability commitments and also encourages broader environmental actions within the industry peers.

Risk Management

At Sai Life Sciences, we have established robust risk management systems and processes to ensure the early identification and mitigation of risks, with climate-related risks being a crucial component of our overall risk assessment. Our dedicated risk identification committee focuses on identifying internal and external risks, including financial, operational, sectoral, sustainability (particularly ESG-related risks), information, and cybersecurity risks, among others. This committee also identifies events that could adversely impact our business objectives. All identified risks are documented in a comprehensive Risk Register, which includes risk descriptions, categories, classifications, mitigation plans, and responsible departments.

We conduct periodic risk management exercises that include evaluating climate-related risks and developing adequate mitigation measures based on these assessments.

Materiality Assessment

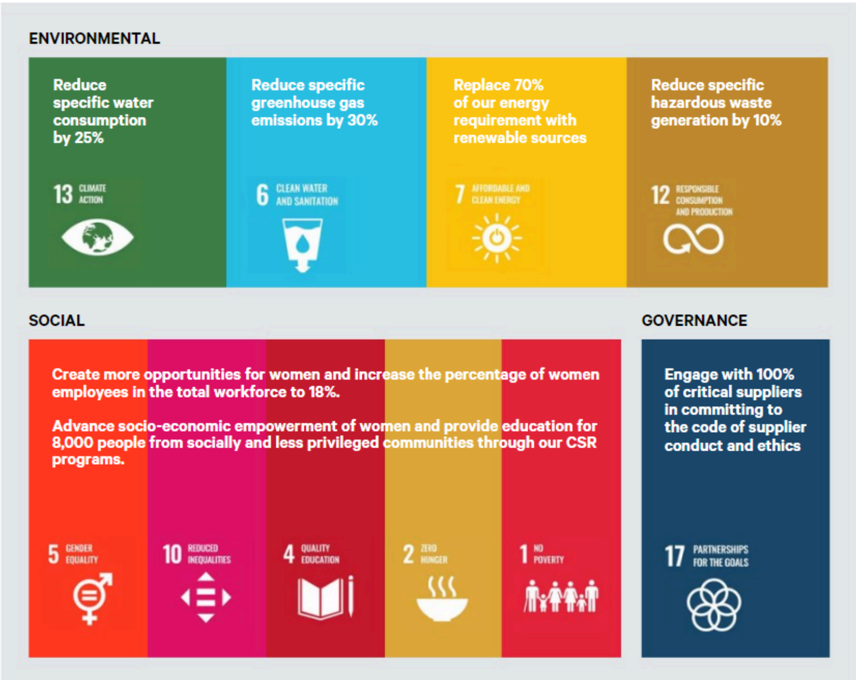
At Sai Life Sciences, our materiality assessment approach goes beyond mere compliance. We identify and list material risks, both physical and transition, that could impact our business in the near and long term. The sustainability cell at the corporate level is actively involved in identifying these material topics and evaluating their operational and strategic implications on the business. We also engage our stakeholders in assessing the material topics relevant to them.

Our quantitative and qualitative measures for assessing the severity and intensity of risks consider biodiversity, extreme events, and the scope of climate-related risks and their impact on our organization. This comprehensive approach ensures that we are well-prepared to address the challenges and opportunities posed by climate change.

Metrics and Targets

We have a short-term ESG target to be achieved by the financial year ending March 31st, 2027, with the baseline year 2022 as an interim target to mark progress toward our net-zero goal. The following focus SDGs were identified based on the material areas critical to our stakeholders and paramount to our business, aligned with the ambition to limit the temperature warming to 1.5°c.

We measure our progress and targets on scopes 1, 2, and 3 through internal audit procedures on an annual basis. We are determined to build a clean transition plan more aligned with climate-related risks and opportunities material to our operations. As part of this effort, we have a transition plan toward renewable energy. We are committed to increasing renewable energy share to 70% of our total electricity consumption by 2027 and shifting investment towards energy efficiency solutions.



We have joined the Science Based Targets initiative (SBTi) and are committed to setting near-term company-wide emission reductions in line with the latest climate science to combat climate change. This commitment aligns with the ambition to limit global temperature rise to 1.5°C compared with the pre-industrial era.

We have also set environmental stewardship at Sai, and we are committed to protecting and conserving ecosystems within our operational boundaries. We have developed a sprawling green cover spread across 6.2 acres with 5,000 trees in Bidar. Additionally, We have leased an additional 10 acres to set up a nursery and plant 5,000 saplings by 2027.

"Our sustainability thoughtscape has evolved to focus on what more we can achieve. We have intensified our efforts by renewing our internal Sustainable Development Goals (SDG) and charting a roadmap to achieve

specific Environmental, Social, and Governance (ESG) targets by the financial year ending March 31, 2027," says our Chairman, K Ranga Raju.

We track both direct and indirect GHG emissions in the form of Scope 1, 2, and 3 according to the GHG Protocol. Direct emissions (Scope 1), which emanate from our development and manufacturing processes, are meticulously measured. Indirect emissions (Scope 2), generated from the energy we purchase, are captured using the location-based method. We have embarked on our journey to capture Scope 3 emissions, and we will be expanding the capture of data for all other categories in the near future.

Scope 1	Scope 2	Scope 3
• Coal and Furnace Oil • Diesel • Dry ice • Ozone Depleting Substances (ODS)	• CO_2 emissions from purchased electricity from the grid	• Employee Commute • Business Travel • Inbound Logistics • Outbound Logistics
Total Emissions- 15640 tCOe2	**Total Emissions- 15966 tCOe2**	**Total Emissions- 4050 tCOe2**

Supplier collaboration

We are actively engaged with our customers and part of Manufacture 2030, committed to strong climate action in our mission to bring medicines to life in a cleaner, greener way. The Task Force is taking scalable action to collectively address emissions across supply chains, patient care pathways, and clinical trials. It has established joint, minimum climate and sustainability targets for suppliers to simplify and streamline the efforts needed to address emissions across the value chain.

These joint, minimum supplier targets include the following:

- Assess and disclose Scope 1, 2, and 3 emissions by 2025.
- By 2025, commit to setting near-term targets aligned with the 1.5-degree pathway (SBTi).
- Set targets by 2025 to reduce waste (including solvents), energy usage, and reuse materials in manufacturing.
- Commit to switch to at least 80% renewable power by 2030 and make this commitment public.
- Explore options to source green heat by 2030.
- Transport suppliers to make SBTi-aligned commitments by 2025 and include green transportation solutions in their core offering by 2030
- Set standards for their own suppliers.
- Set targets to increase water efficiency and commit to adopting water stewardship standards.

Our collective efforts and adherence to these targets ensure that our journey to bringing medicines to life is as sustainable and eco-friendly as possible.