Arvind Limited

Physical Climate Risk Adaptation Plan

We at Arvind Ltd. recognize the climate risk drivers and the extent of material business risk from changing climate. To better assess and adapt to the risks of climate change, a qualitative scenario analysis focused on both physical and transition risks was conducted. For this section, we will majorly focus on the assessment and adaption to physical climate risks in medium-term 2030 timescale which are based on two physical scenarios namely, RCP 2.6 and RCP 8.5 scenarios.

This has not only helped us to develop a lucid understanding of the current standing of our business but also to proactively respond to the risks of climate change and developing best practice adaptation strategies.

As mentioned above, RCP is a physical scenario and we are a textile-based organization our adaptation strategy is majorly confined to the production of raw material, water use, and energy efficiency.

Identified Physical Risks:

Since cotton is an agricultural commodity and also our key raw material (accounts for 80% of our products), the climate change impacts will be faced in cotton-growing regions of India thus impacting our supply chain operations too. Likewise, as steam is one of our major utilities for processing and the number of cooling days is expected to increase under RCP 2.6 scenario, we expect more energy requirements in winter due to lower ambient temperature.

Additionally, under RCP 8.5 scenario, we identified an increasing trend for water stress which will affect both the operational water use and the yield of our major raw materials i.e. cotton, hence raising their respective prices. Similarly, additional capital expenditure will be incurred for retrofitting our facilities with low water consumption technologies, and for securing supply chain from climate variability.

The table below summarizes the key physical risks, grouped across different categories.

Categories	Impact
Energy	Due to increase in Cooling Degree Days and drop in Minimum of Daily Minimum Temperature, we are expecting increase in energy consumption across our units.
Water	As our facilities are located in water stress regions and there is increase in annual severe drought likelihood, there is possibility of severe water quantity issues for our sites.
Sourcing	Altered climate variables like delayed monsoon, increase in drought instances, increase in growing season length and extreme to erratic rainfall pattern might lead to disruption in our supply chain and sourcing.

Scope: The scope of our adaption strategy lies on the material impact of climate change on our business and covers both operations & supply chain.

Adaptation Plan for Our Business:

With the identified physical risks across different categories, we are prioritizing the following key aspects in our adaptation plan:

- **Energy**
  - Optimizing our energy mix (integrating renewables like solar, biomass etc.) requirement for heating, steam generation and other processing activities.
- **Water**
  - Reviewing existing water use and frequently assessing the risks through WWF water risk assessment tool and the Aqueduct Water Risk Atlas to anticipate potential future strains on water resources, and understand emerging long-term risks and opportunities.
  - Inculcating water stewardship initiatives like setting Zero Liquid Discharge (ZLD) plants, treating sewage water, or use in processing for limiting the discharge and maximizing recyclability.
- **Sourcing**
  - Strengthening our sustainable raw material portfolio by directly sourcing sustainable cotton from farmers which are practicing BCI, Organic and Regenerative Agricultural practices.
- **Innovation & Collaboration:**
  - Bolstering our internal innovation and collaborating with partners for adopting efficient initiatives and technologies in our operation.

Since Climate Change is a dynamic process and scale of impact is uncertain, we are continuously extending our capabilities to improve our adaptation measures as per current technology, policies and regulations. With this being noted, we have formulated this plan in a flexible manner, leaving room for improvements and revisions in near future.

Example: Climate action for Water Stress:

For better water management practices, we primarily focus on eliminating freshwater use by moving to recycled water sources. With the anticipation of water risks arising from changing climate, we have invested in water treatment facility at Naroda Denim unit which has significantly reduced our freshwater consumption. This treatment facility uses membrane bio reactor (MBR) technology to treat domestic wastewater drawn from the surrounding community, without use of chemicals in the treatment process. Apart from eliminating the business risks due to water scarcity challenges, it has also enabled us reducing overall freshwater consumption.