Climate Change Policy

1. Policy Objectives

- To integrate climate action across all AESL operations and business verticals.
- To achieve net zero GHG emissions by 2050.
- To promote sustainable growth by increasing the share and impact of renewable energy in India's energy mix.
- Integrate biodiversity considerations into all project planning, site selection, and operational processes.
- To foster innovation and digitalization for enhanced energy and resource efficiency.
- To ensure transparent monitoring, reporting, and verification of emissions and sustainability metrics.
- To engage stakeholders, including employees, suppliers, customers, regulators, and civil society, in climate initiatives.

2. Scope and Applicability

The policy applies to all stakeholders working for or on behalf of all AESL operations, subsidiaries, and joint ventures in India where AESL has management control:

- Renewable energy (RE) power generation (solar, wind, hydro, biomass, etc.)
- Power procurement and trading activities
- Transmission and Distribution (T&D) infrastructure and operations
- Smart metering and digital energy management
- Cooling as a Service (CaaS) solutions
- All supporting functions and supply chain partners

Stakeholders include but are not limited to all employees, irrespective of their location or level within the organization, suppliers' partners including contractors and associated logistics, consultants, and other stakeholders present in our value chain.

- The Company expects all who have, or seek to have, a business relationship to familiarise themselves and to act in a way that is consistent with this policy.
- The Company will only do business with organizations who fully comply with this policy, or those who are taking verifiable steps towards compliance.

3. Principles and Commitments

AESL's climate change policy is guided by the following principles:

- **Leadership in Renewable Energy:** Continuously increase RE capacity and share in AESL's generation and or Procurement portfolio, prioritizing solar, wind, hydro, and emerging clean technologies.

- **Energy Efficiency and Digitalization:** Implement advanced digital and smart solutions, including smart meters and AI-driven energy management, to reduce technical and commercial losses.
- **Decarbonizing T&D:** Modernize and optimize T&D networks to minimize energy losses and integrate decentralized RE sources.
- **Climate-Resilient Cooling:** Expand energy-efficient, climate-friendly cooling as a service, leveraging low-GWP refrigerants and renewable-powered systems.
- **Green Procurement and Supply Chain:** Prioritize suppliers with robust environmental credentials; embed sustainability in procurement policies.
- **Stakeholder Engagement:** Collaborate with customers, employees, industry, government, and civil society on climate action and education.
- **Transparency and Accountability:** Disclose climate risk, GHG emissions, and progress towards net zero in line with international frameworks (e.g., TCFD, CDP, GRI).
- **Just Transition:** Support workforce reskilling, local communities, and social equity as part of the energy transition.

4. Strategic Pillars and Key Actions

4.1. Renewable Energy Expansion

- ☐ Invest in large-scale and distributed solar, wind, and hybrid projects.
- ☐ Explore opportunities in green hydrogen, energy storage, and grid integration.
- ☐ Support RE adoption among Commercial & Industrial (C&I), Retail and Residential customers through power purchase agreements (PPAs) and green tariffs.
- ☐ Facilitate renewable energy certificates (RECs) and carbon credits for further incentivisation.

4.2. Decarbonizing T&D Operations

- ☐ Upgrade grids to integrate higher shares of variable renewable energy.
- ☐ Deploy smart substations, remote sensing, and predictive maintenance to reduce losses and downtime.
- ☐ Implement demand response and dynamic line rating technologies.
- ☐ Phase out SF6 and other high-GWP gases from switchgear and adopt alternatives wherever feasible.

4.3. Smart Metering and Digital Transformation

- ☐ Accelerate smart meter rollout to enable real-time energy monitoring and demand-side management.
- ☐ Leverage IoT, AI, and data analytics for grid optimization, forecasting, and emissions tracking.
- ☐ Enable customers to make informed choices through digital energy dashboards and carbon footprint calculators.

4.4. Low-carbon Cooling as a Service

- Scale up cooling as a service (CaaS) offerings using highly efficient, renewable-powered, and low-GWP technologies.
- Promote district cooling and decentralized solutions for urban areas and commercial clients.
- Collaborate with technology providers to pilot and deploy next-generation climate-friendly refrigerants.

4.5. Green Procurement and Supply Chain Management

- Incorporate environmental criteria in supplier selection and evaluation.
- Encourage suppliers to set science-based targets and report GHG emissions.
- Optimize logistics and inventory management to reduce carbon footprint.

4.6. Biodiversity and Climate Change

- Integrate biodiversity considerations into all project planning, site selection, and operational processes.
- Support and participate in local ecosystem restoration and conservation initiatives, prioritizing native species and habitats.
- Conduct regular biodiversity impact assessments and establish no-net-loss or net-positive impact targets for major sites.

4.7. Climate Risk Management and Resilience

- Assess physical and transition risks posed by climate change across all business units.
- Develop business continuity plans addressing climate-related disruptions (e.g., extreme weather, supply chain shocks).
- Invest in resilient grid and cooling infrastructure, with regular stress-testing for climate scenarios.

4.8. Governance, Monitoring, and Reporting

To strengthen transparency and credibility, the Company will

- Establish penalties and consequences for non-compliance with resource efficiency and circular economy guidelines.
- The policy shall be implemented by respective CEO's of the business divisions.
- Maintain the established Board-level Corporate Responsibility Committee [CRC] to oversee policy implementation and review its suitability, adequacy and effectiveness.
- Annually disclose direct (Scope 1), indirect (Scope 2), and value chain (Scope 3) GHG emissions.
- Set interim targets for 2030, 2040, and 2045, with transparent annual progress reporting.
- Align disclosures with international standards and frameworks, including but not limited to TCFD, TNFD, GRI, IFRS S1&S2, and India's BRSR (Business Responsibility and Sustainability Reporting).

- engage independent third-party auditors to provide assurance on its environmental performance annually. Findings from these external assessments will be incorporated into the continuous improvement process and shared with stakeholders through appropriate channels.
- Monitor and transparently report on biodiversity outcomes alongside climate-related performance indicators.
- Address the Non-conformities and opportunities for improvement promptly.

5. Targets and Timelines

- **Net Zero by 2050:** Achieve net zero GHG emissions across all operations and value chains by 2050.
- **Renewable Energy Share:** Attain at least 70% RE share in total generation capacity by 2030.
- **Smart Metering Penetration:** Deploy smart meters for all eligible customers by 2030.
- **Cooling Emission Intensity:** Be National benchmark in GHG emission intensity per cooling service unit by 2030
- **Supply Chain:** Ensure that 75% of key suppliers set climate targets and report emissions by 2030.
- Regularly review and **increase ambition** based on technological advancements and policy landscapes.

6. Capacity Building and Innovation

- Provide regular climate strategy and sustainability training for all employees.
- Implement training programs for employees on biodiversity protection and climate adaptation best practices.
- Partner with research institutions, start-ups, and industry for R&D in renewables, digitalization, and low-carbon solutions.
- Collaborate with environmental organizations and stakeholders to enhance landscape connectivity and reduce habitat fragmentation.
- Promote nature-based solutions such as urban greening, reforestation, and wetland restoration to bolster climate resilience.
- Foster a culture of innovation, empowering teams to pilot new technologies and business models that support decarbonization.

7. Stakeholder Engagement and Advocacy

- Engage with local communities, governments, and industry peers to advance climate adaptation and mitigation.
- Support policy advocacy for favorable RE, digital, and climate regulations in India.
- Promote climate education, awareness, and capacity building among customers and the wider community.

8. Review and Continuous Improvement

This policy will be reviewed and approved by the Corporate Responsibility Committee of the Board, biennially or in response to significant developments in climate science, technology, or regulation to ensure suitability, adequacy and effectiveness on an ongoing basis.

Continuous improvement will be driven by stakeholder feedback, performance data, and emerging global best practices.

This policy is endorsed by the Board of Directors of AESL and will be communicated to all employees, relevant stakeholders, and made publicly available on our website.

By adhering to this comprehensive Climate change Policy, we pledge to uphold our commitment to environmental stewardship and sustainable practices in all aspects of our value chain activities.

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