TASK FORCE ON CLIMATE - RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

Neuland Laboratories Limited

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ABOUT NEULAND LABORATORIES

Neuland Laboratories Limited, founded in 1984 and headquartered in Hyderabad, India, is a leading manufacturer of Active Pharmaceutical Ingredients (APIs). With over four decades of scientific expertise, regulatory compliance, and quality excellence, the company serves customers in more than 80 countries, partnering with global generic companies and biotech innovators to deliver reliable and innovative API solutions

Business Verticals

Neuland's operations are organized into two strategic business verticals.

- Generic Drug Substances (GDS):Development and manufacture of APIs across therapeutic areas including CNS, cardiovascular, anti-infective, respiratory, and metabolic disorders. The GDS portfolio includes 11 Prime APIs and 47 Specialty APIs, contributing ~51% of total revenue in FY 2024-25

- Custom Manufacturing Solutions (CMS): Contract development and manufacturing services for pharmaceutical innovators, spanning early-stage development to commercial scale. In FY 2024-25, Neuland worked with 34 customers and increased the number of projects by >10% from the previous year – delivering scientific innovation with agility. As of March 2025 there were 97 active CMS projects, up from 88 in March 2024. The CMS portfolio contributed to ~43% of total revenue. CMS operations support multiple NDA and IND filings along with commercial manufacturing for innovator products,, highlighting process intensity and energy/water use considerations

Additionally, development of complex and niche peptides, supported by proprietary technologies and growing manufacturing capabilities is increasingly playing a role in the growth of the businesses

Manufacturing and R&D Infrastructure

Neuland operates three multi-purpose multipurpose manufacturing facilities near Hyderabad, Telangana, India with a total reactor capacity of 1,174 KL (*includes ramp-up units).

Unit	Location	Capacity (KL)	Production Blocks	Year Established / Acquired
Unit I	Bonthapally	258	7	1986
Unit II	Pashamylaram	381	6	1994
Unit III	Gaddapotharam	536	6	2017 (acquired)

Facilities include advanced chemistry capabilities relevant to climate risk considerations, including hydrogenation (17.5+ KL), bromination, cyanation, and cryogenic reactions (56+ KL). A 170 KLD solvent recovery system minimizes water discharge and supports circular resource management

The R&D Centre also near Hyderabad, with more than 400 scientists and engineers, focusing on process chemistry, analytical sciences, green chemistry, and complex molecule development. Neuland has developed processes for over 300 APIs and filed 200 patents

Global Presence and Regulatory Strength

- Company's final exports account for over 80% of revenues, supported by business development offices in the US, Switzerland, and Japan.
- Regulatory filings include 72 active US DMFs, 17 DMFs in China, and other submissions in regulated markets.
- All sites are certified under ISO 9001, ISO 14001, and ISO 45001, with successful inspections by USFDA, EMA, PMDA, EDQM, ANVISA, and WHO

Sustainability and Resource Management

Neuland integrates Environmental, Social & Governance (ESG) principles into its operations. Key commitments and achievements include:

- Science Based Targets initiative (SBTi): Reduce Scope 1 and 2 emissions by 58.8% by FY2034 (baseline FY2024) and achieve net zero by FY2050.
- Water stewardship: All facilities operate on Zero Liquid Discharge (ZLD) with advanced recycling and conservation systems.
- Waste management: Achieved 99.9% recycling and reuse in FY 2024-25, with zero waste to landfill.
- Occupational health & safety: ISO 45001 certified with zero fatalities and zero LTIFR in FY 2024-25

Through its focus on innovation, sustainability, and regulatory excellence, Neuland continues to create long-term value for stakeholders while contributing to global health and environmental goals.

ABOUT THIS REPORT

Purpose and Framework

The Task Force on Climate-related Financial Disclosures (TCFD) report demonstrates Neuland Laboratories Limited's commitment to being progressive and transparent in its climate-related financial disclosure. The report is prepared in accordance with the TCFD framework, which provides a structured approach to assess and disclose climate-related information for informed stakeholder decision-making. Neuland first adopted the TCFD framework in FY 2022–23 to assess the resilience of its business strategy against climate-related risks, and in FY 2024–25 initiated a formal TCFD deep-dive project to consolidate prior work and develop approaches to quantify financial risks and opportunities. The result of these efforts have culminated in this TCFD report.

Framework Structure

Disclosures are organised around the four TCFD pillars:

- Governance – Board and management oversight of climate-related issues, including governance structures and accountability mechanisms.
- Strategy – Implications of climate-related risks and opportunities for the business across time horizons and scenarios.
- Risk Management – Processes to identify, assess and manage climate-related risks within the enterprise risk management framework.
- Metrics and Targets – Indicators and targets used to assess and manage material climate-related risks and opportunities.

Operational boundaries:

Manufacturing facilities at Unit I (Bonthapally), Unit II (Pashamylaram) and Unit III (Gaddapotharam), and the R&D centre at Bonthapally (Hyderabad). Where relevant, disclosures reference value-chain considerations across upstream and downstream activities, reflected in expanded Scope 3 coverage. Time horizons: Short-term (1–3 years), medium-term (3–10 years, aligned to near-term SBTi targets), and long-term (10+ years through net-zero by 2050). Neuland secured validation of its near-term and net-zero targets to SBTi with baseline of 2024 in June 2025.

Data Quality and Integration

Climate-related data in this report follow the company's sustainability data governance and assurance practices. Certain statutory and non-financial metrics in the Integrated Report— including GRI-aligned ESG information—have received reasonable assurance from TUV India Private Limited. This disclosure integrates with Neuland's broader ESG framework and supports submissions to leading platforms and assessments, including SBTi, CDP (C for Climate; A- for Water), S&P Global ESG Assessment (rating improved from 64 to 70), and EcoVadis (Silver).

This report contains forward-looking statements regarding climate scenarios, targets and strategic plans based on current scientific understanding and reasonable assumptions. Given inherent uncertainties with long-term climate projections, actual outcomes may differ from those described. Neuland's net-zero ambition extends to FY 2049–50, with interim targets and programmes to be updated as underlying data, methodologies and regulatory guidance evolve

NOTE FROM EXECUTIVE CHAIRMAN

Dear Stakeholders,

I am pleased to present Neuland Laboratories Limited's comprehensive approach to climate-related financial disclosure through our TCFD report for FY 2024-25. As we reflect on over four decades of Quality API Manufacturing , we recognize that the challenges and opportunities presented by climate change are fundamental to our future strategy and long-term value creation.

The global pharmaceutical industry, while accounting for approximately 4-5 % of the global emission footprint, carries unique responsibilities in addressing climate change. At Neuland, we understand that climate resilience extends beyond regulatory compliance to encompass strategic value creation for our stakeholders across more than 80 countries where we serve patients and healthcare providers.

Our governance framework has been strengthened through the Risk & Sustainability Committee, comprising independent directors with deep expertise in chemicals, energy, and sustainability. The integration of climate-related KPIs into executive compensation structures and the establishment of our three-tier ESG governance model ensure systematic climate consideration across all organizational levels.

I am confident that our comprehensive climate strategy, balancing mitigation ambitions with adaptation resilience, will enable Neuland to thrive in a carbon-constrained world while continuing to contribute to global health outcomes.

Dr. Davuluri Rama Mohan Rao
Executive Chairman

NOTE FROM THE VICE-CHAIRMAN & CEO

As the pharmaceutical industry navigates the complex landscape of climate change, Neuland Laboratories has positioned itself at the forefront of climate action through comprehensive mitigation and adaptation strategies. Our approach recognizes that climate resilience requires both reducing our environmental footprint and building against climate-related risks.

Our Comprehensive Climate Framework: Mitigation and Adaptation

Our climate strategy is built on two fundamental pillars. Mitigation efforts focus on reducing greenhouse gas emissions across our value chain through science-based targets validated by the SBTi. We have committed to reducing absolute Scope 1 and 2 emissions by 58.8% by FY 2034 and Scope 3 emissions by 63.8% per ton of product manufactured. These targets address our total emissions footprint of 156.06K tCO2e, with Scope 3 emissions representing 67.27% (104.98K tCO2e) of our total impact.

Simultaneously, our adaptation measures strengthen resilience against physical climate risks identified through rigorous scenario analysis. Using IPCC climate scenarios (SSP2-4.5 and SSP5-8.5), we have assessed five critical climate hazards across all operational facilities: heatwaves, urban flooding, riverine flooding, water stress/drought, and rainfall variability. This analysis reveals varying degrees of risk, with extreme heat events and water stress presenting the highest risks to our operations.

Mitigation Innovations in R&D and Manufacturing

Our mitigation strategy extends beyond energy efficiency to encompass fundamental process innovations. The successful validation of green chemistry processes for two products, converting solvent-based solutions to water-based alternatives, directly reduces Scope 1 emissions while enhancing product sustainability. This approach is now being systematically implemented across all new GDS R&D projects, with our R&D team replacing Class 1 and Class 2 solvents with water-based systems wherever technically feasible.

The investments we have made demonstrate our operational commitment to climate action - ₹15 crore for EHS initiatives, ₹9.2 crore specifically for energy conservation equipment, and our ongoing ₹342 crore capacity expansion incorporating environmental technologies. Our achievement of 99.9% waste recycling rates and successful validation of green chemistry processes converting solvent-based solutions to water-based alternatives exemplify our innovation-driven approach to sustainability.

Climate Opportunities and Market Positioning

The transition to a low-carbon economy presents significant opportunities for Neuland. Our early adoption of sustainable manufacturing practices positions us advantageously as pharmaceutical companies increasingly prioritize environmentally responsible suppliers. The allocation of 11.5% of R&D spending in FY 2025 to environmental improvement initiatives demonstrates our commitment to capturing these opportunities.

Supply chain sustainability presents another growth avenue. Our comprehensive GHG inventorization across suppliers covering 70% by value and 90% by volume provides the foundation for collaborative emission reduction initiatives. Strategic procurement practices, with approximately 70% sourced within 800 km of manufacturing sites, reduce transportation emissions while supporting regional economic development.

Financial Integration and Performance Metrics

Climate action is increasingly embedded in our financial planning. ESG and risk-related KPIs are integrated into leadership balanced scorecards, linking variable pay to environmental objectives. Our ongoing TCFD project aims to quantify financial risks and opportunities, providing enhanced decision-making capabilities for capital expenditure evaluations and strategic planning.

External recognition validates our progress: S&P Global ESG Rating improved from 64 to 70 in 2024, EcoVadis Silver rating with 91st percentile performance, and CDP A- rating for Water Security. These achievements reflect our comprehensive approach to climate action and stakeholder value creation.

Resilience Through Business Continuity

Our Business Continuity Management Systems, aligned with ISO 22301 (accreditation targeted by March 2026), enhance resilience against all disruptions, including climate-related events. Site-specific Emergency Response Plans address climate-driven scenarios including evacuation procedures, safe shutdown protocols, and post-incident recovery strategies.

Looking forward, we anticipate increased climate risk-related investments in the next 3-8 years as physical and transition risks evolve. Our adaptive management approach ensures that strategies remain responsive to changing conditions while maintaining operational excellence and stakeholder value creation.

The pharmaceutical industry's dual role in reducing emissions and enabling climate-resilient healthcare systems positions Neuland uniquely. Through our comprehensive mitigation and adaptation strategies, we are building a more sustainable and resilient business that contributes to both global health outcomes and climate action.

Sucheth Davuluri
Vice-Chairman & CEO

OUR COMMITMENT TO CLIMATE ACTION

Neuland Labs is firmly committed to advancing climate action, recognizing both the opportunities and challenges inherent to the pharmaceutical sector. Our renewed commitment presented through this TCFD report is not just from the mitigation perspective but also incorporates strong adaptation aspects.

Pharmaceutical operations account for a smaller proportion of the total emission footprint—estimated at around 4-5% of the global footprint—Nevertheless, Neuland Labs has established a comprehensive climate transition plan aligned with global best practices and a 1.5°C scenario, validated by the Science Based Targets initiative (SBTi). The company aims to achieve a 58.8% reduction in Scope 1 and 2 emissions by 2034 and net zero absolute emissions by 2050, through energy efficiency improvements and renewable energy adoption. Additionally, the company targets a 63.8% reduction in indirect Scope 3 emissions by 2034 and full net zero emissions across its entire value chain by 2050.

To strengthen resilience and guide long-term investment decisions, Neuland Laboratories incorporates risk mapping and climate adaptation planning using the SSP 4.5 and SSP 8.5 scenario frameworks. By evaluating operational risks and vulnerabilities under SSP 4.5 (which assumes moderate global mitigation and adaptation strategies) and SSP 8.5 (representing a high emissions trajectory), Neuland aims to proactively designs flexible adaptation measures—such as infrastructure upgrades, enhanced energy and water efficiency, and supply chain de-risking—to ensure continued business performance even as physical climate risks and regulatory parameters evolve.

Senior management and board-level incentives are directly linked to ESG and environmental performance, that includes climate and water targets, the achievement of emissions reduction initiatives. Climate action and sustainability goals are cascaded to relevant unit-level leadership, with regular review and approval by the Board and other relevant committees.

Neuland's Climate and energy policy is published and publicly accessible. The Organization stands committed to continuous improvement, transparency in reporting, and meeting all regulatory and stakeholder expectations for sustainability. As a reputed pharmaceutical API manufacturer serving over 80 countries, Neuland has established governance structures and science-based targets to address climate-related challenges while building operational resilience.

Science-Based Climate Targets (SBTi Validation)

During FY2024-25, we successfully submitted our science-based emissions reduction targets to the Science Based Targets initiative (SBTi) for validation. The decision to set Scope 3 targets was driven by the fact that Scope 3 emissions constituted 67.27% of total emissions (104.98K tCO2e out of 156.06K tCO2e total), exceeding SBTi's 40% threshold for mandatory Scope 3 target setting.

Near-term Targets (by FY2033-34):

- 58.8% absolute reduction in Scope 1 & 2 GHG emissions from FY2023-24 baseline
- 63.8% reduction in Scope 3 GHG emissions per ton of product manufactured
- Target boundary includes land-related emissions and removals from bioenergy feedstocks

Long-term Commitment (by FY2049-50):

- Net-zero emissions across our entire value chain

- 90% absolute reduction in Scope 1, 2, and 3 GHG emissions from FY2023-24 baseline
- Commitment to neutralize any residual emissions through afforestation and reforestation projects

Scope 3 Emissions Breakdown (FY2024):

- Purchased goods and services: 77.35% of Scope 3 emissions
- Fuel and energy-related activities: 16.79% of Scope 3 emissions
- Comprehensive GHG inventorization conducted across leading suppliers covering 70% by value and 90% by volume of procurement

Current Environmental Performance Excellence

FY2024-25 achievements demonstrate tangible progress toward our climate commitments:

Water Stewardship:

- Zero Liquid Discharge (ZLD) maintained across all manufacturing facilities
- All wastewater treated, recycled, and reused internally with no external discharge
- Water conservation studies completed at Unit-III with implementation planned across all locations
- Waterbody rejuvenation project initiated targeting 50% of FY2024-25 water consumption by FY2028-29

Waste Management Leadership:

- 99.9% waste recycling and reuse rates achieved (7,922 MT recycled/reused)
- Zero waste to landfill status with platinum diversion rate confirmed in FY2024
- 24% reduction in hazardous waste generation achieved
- Adherence to Hazardous Waste Management Rules 2016

Energy and Emissions Management:

- ₹9.2 crore invested in energy conservation equipment
- Green chemistry processes validated for two products (solvent-to-water conversion)
- 10% biomass briquettes blending with coal in boiler operations to reduce Scope 1 emissions
- Replacement of R-22 refrigerant with R-404a in HVAC systems for improved efficiency

Innovation in Sustainable Chemistry:

- 11.15% in FY2025 invested in environmental improvement initiatives
- Life Cycle Assessment (LCA) completed for Ciprofloxacin HCL family and initiated for Mitrazapine
- Commitment to conduct LCA for two molecules annually from FY2025-26

- Partnership with CII-IGBC for specialized carbon accounting tool development

NEULAND'S TCFD REPORT - EXECUTIVE SUMMARY

Neuland Laboratories Limited, a global leader in Active Pharmaceutical Ingredients (APIs), reinforced its climate action commitments in FY2024–25 by advancing science-based mitigation targets and robust adaptation measures across value chains and operations. With business verticals in both generic drug substances and contract manufacturing, Neuland serves over 80 countries, operating three advanced manufacturing units and a leading R&D centre in Hyderabad. In FY2025, the company secured validation of its near-term and net-zero GHG targets from the Science Based Targets initiative, underlining its strategic focus on sustainable pharmaceutical manufacturing and climate resilience.

Governance

Neuland's climate oversight is driven by its Board-level Risk Sustainability Committee composed of independent directors with substantial expertise in chemicals, energy, and risk management. The company employs a rigorous three-tier governance framework:

- Tier 1: ESG Apex Committee for strategic leadership and target approval
- Tier 2: ESG Core Committee for project implementation, compliance, and metrics
- Tier 3: Functional Integration at the departmental level for execution and monitoring

Key executive compensation—including the CEO's—links directly to attainment of climate and sustainability KPIs, embedding accountability throughout organizational levels.

Strategy

Neuland's climate strategy blends emissions mitigation, adaptation, and continuous innovation:

- Mitigation: The company targets a 58.8% absolute reduction in Scope 1 and 2 emissions and a 63.8% reduction in Scope 3 intensity by FY2034 (from a FY2024 baseline), achieving net-zero across the value chain by FY2050.
- Adaptation: Scenario analyses using IPCC SSP2-4.5 (moderate mitigation) and SSP5-8.5 (high emissions) identified physical risks, notably extreme heat, water stress, and flooding. Active measures include site-specific Zero Liquid Discharge (ZLD), Business Continuity Management (aligned to ISO 22301), infrastructure upgrades, and optimized work protocols.
- Resilience: Risk assessments directly inform capital allocations, with recent major investments targeting energy conservation, EHS, and the incorporation of environmental technologies in ongoing expansions.

Risk Management

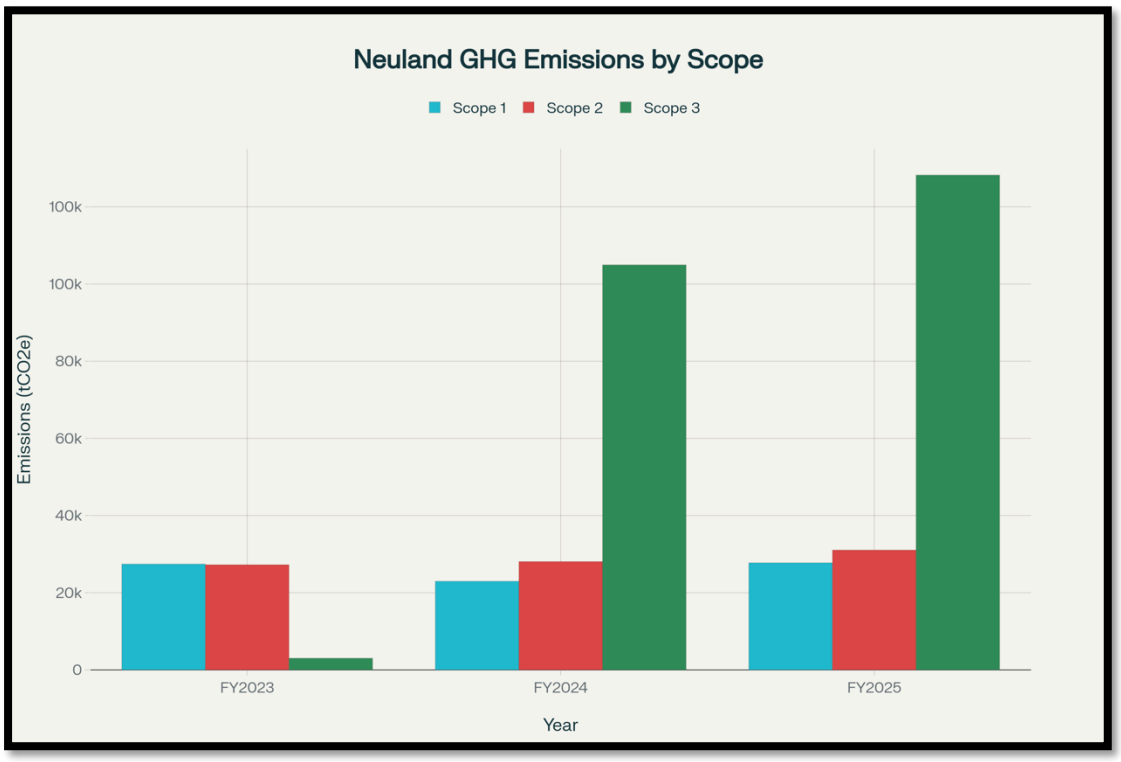
Neuland integrates climate risk into its Enterprise Risk Management (ERM) system, with all material climate risks tracked, assigned, and managed through a digital platform. The company regularly updates its risk register—addressing both physical (e.g., heatwaves, water scarcity, and flooding) and transition risks (e.g., regulatory changes, supply chain disruptions, carbon pricing). Site-level Hazard Identification Risk Assessments and emergency response plans specifically incorporate climate scenarios, ensuring organisational resilience.

Metrics and Targets

Neuland diligently tracks, assures, and discloses its climate metrics:

- GHG Emissions: Performance for the past three years is summarized below and visually represented in the accompanying bar chart.

Year	Scope 1 (tCO2e)	Scope 2 (tCO2e)	Scope 3 (tCO2e)
FY2023	27,442	27,245	1,607
FY2024	22,983	28,097	104,977
FY2025	27,761	31,060	128,244



- Resource Management: All facilities maintained 99.9% waste recycling (zero landfill) and operated on ZLD, eliminating external water discharge.
- Capital Allocation: FY2025 climate-related CAPEX totalled ₹24.2 crore (₹15 crore for EHS, ₹9.2 crore for energy conservation).
- Innovation: Green chemistry processes were rolled out for two products, reducing Scope 1 emissions, and procurement analyses now integrate an internal carbon price.

Way Forward

Neuland anticipates increased climate risk-related investments over the next 3–5 years to further boost resilience and regulatory alignment. The company's science-based decarbonization pathway, continuous supply chain engagement, and digital risk integration are expected to strengthen its position as a preferred sustainable partner in global pharmaceuticals. Progress is independently assured and

disclosed in alignment with TCFD, CDP, SBTi, and relevant standards, signalling Neuland's ongoing commitment to long-term stakeholder value and climate-positive business transformation.

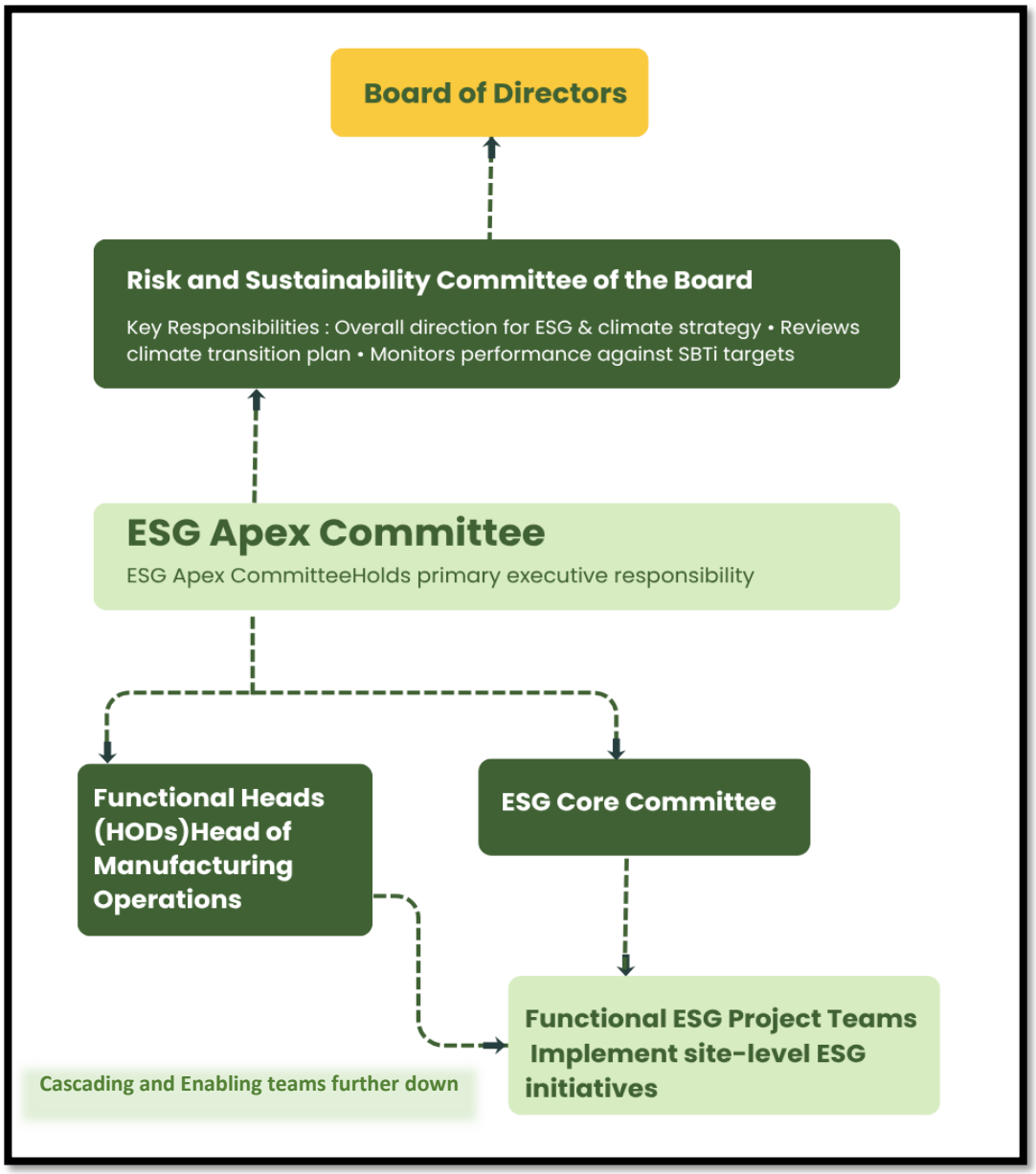
1. GOVERNANCE

Board Oversight of Climate-Related Issues

The Board of Directors, among other areas exercises overall responsibility for the long-term resilience and sustainability of Neuland Laboratories Limited. Climate-related risks and opportunities are governed at the Board level through the Risk & Sustainability Committee, which comprises Executive and Independent Directors with expertise spanning chemicals, energy, pharmaceuticals, risk management, and sustainability.

At Neuland, we have implemented a comprehensive governance framework to effectively integrate climate change considerations into our business operations and strategic planning. The Board assumes responsibility for overseeing all sustainability matters, which includes the climate change agenda.

Climate Change Governance



Board & Executive Roles & Responsibilities

Risk & Sustainability Committee Structure and Mandate

The Risk & Sustainability Committee serves as the primary Board-level oversight body for climate-related matters. The Committee provides overall direction and oversight for the Company's ESG strategy, ensures alignment with the long-term business plan, and confirms that adequate resources and systems are in place to deliver on sustainability commitments.

Committee Composition and Expertise

The Risk & Sustainability Committee includes two Independent Directors, each contributing relevant expertise:

Director	Expertise	Climate-Relevant Experience
Mr. Prasad Raghava Menon **(Independent)**	Chemical Engineer (IIT Kharagpur); 40+ years in chemicals & power	Chairman of the Risk & Sustainability Committee Former MD of Tata Chemicals and Tata Power; extensive experience in environment, biodiversity, governance, sustainability, and CSR; Former Chairman of Wildlife Trust of India
Mr. Homi Rustam Khusrokhan **(Independent)**	40+ years in corporate leadership	Former MD of Glaxo & Burroughs Wellcome , Tata Tea, and Tata Chemicals; extensive experience in pharmaceuticals and agriculture-linked sectors
Mr. Davuluri Sucheth Rao	Mechanical Engineer; MBA, Six Sigma; Significant experience in pharma/operations	Vice Chairman & CEO; leads ESG integration, climate-aligned investments in energy efficiency, ZLD, renewables, and climate KPIs as well as supply and supplier engagement for climate resilience, risk management and business continuity
Mr. Davuluri Saharsh Rao	Electrical Engineer; MBA/MS; Significant experience in strategy and supply chain	Vice Chairman & MD; Responsible for CMS vertical; drives digitalisation, green chemistry,

Committee Oversight Responsibilities

As part of the overall Terms of Reference, the Committee, among others:

- Reviews climate-related risks and opportunities as part of the combined Sustainability and Enterprise Risk Management (ERM) agenda.
- Oversee progress against science-based emissions reduction targets and environmental management systems
- Monitor performance against ESG-linked KPIs

- Ensure compliance with regulatory requirements and voluntary disclosures, including alignment with TCFD

Material Topic Recognition and Strategic Integration

The Board has formally recognized climate change as a material topic requiring systematic oversight. Climate risk is integrated into the Company's emerging enterprise risks. In FY 2022–23, Neuland adopted the TCFD framework to assess the resilience of its business strategy against climate-related risks and opportunities.

Enterprise Risk Management Integration

All ESG risks, including climate-related risks, are incorporated into the Company's ERM framework. Oversight is delegated to the Risk & Sustainability Committee, which engages on risk assessment and mitigation and provides updates to the full Board.

Board Engagement

The Board demonstrates strong engagement with sustainability matters, reflected in 100% attendance at Board meetings during the reporting period. Climate considerations are systematically integrated into Board-level decision-making, including capital allocation, business continuity planning, and long-term strategy development.

Management Responsibility

Executive Climate Leadership

Mr. Davuluri Sucheth Rao, presently Vice Chairman & CEO, holds primary executive responsibility for ESG performance and Climate Strategy. He ensures integration of climate considerations into business operations, strategic planning, and stakeholder engagement.

Three-Tier Governance Structure

Neuland operates a three-tier ESG governance model to ensure implementation of climate commitments:

- Tier 1: ESG Apex Committee (Strategic Leadership)
  Comprises senior leadership accountable for ESG; responsible for setting objectives, approving initiatives, and monitoring progress against sustainability goals.
- Tier 2: ESG Core Committee (Operational Implementation)
  Includes corporate and operational unit leaders; meets monthly to review progress on ESG projects, compliance, and metrics.
- Tier 3: Functional Integration (Departmental Execution)
  Department Heads integrate ESG goals into functional KPIs, monitored monthly through performance scorecards aligned with sustainability targets.

Performance Management and Accountability

- ESG and climate KPIs are embedded into leadership's performance scorecards and linked to variable pay, reinforcing accountability.
- ISO-certified systems (ISO 9001, ISO 14001, ISO 45001) provide systematic tracking of climate-related performance and continuous improvement.

- Each material climate risk has an assigned risk owner, tracked through a centralized digital ERM platform with real-time monitoring of risk heatmaps and mitigation status.

Integration into Strategic Decision-Making

- Climate considerations are embedded in capital projects, such as the ₹342 crore capacity expansion, which includes energy-efficient design and environmental performance evaluation.
- Advanced Business Continuity Management Systems (aligned with ISO 22301) enhance resilience against physical climate risks and ensure operational continuity under disruptive scenarios.

Incentives for the Management of Climate-related Issues

Performance-related incentives for the management team are part of an annual performance variable pay system. This system utilizes a company-wide scorecard that includes both Environmental, Social, and Governance (ESG) objectives and specific climate related initiatives. Incentives are directly tied to the achievement of these performance indicators, ensuring that management is motivated to prioritize effective water management practices. By aligning compensation with environmental performance, Neuland Laboratories fosters a culture of accountability and commitment to sustainability throughout its operations.

The performance-based incentive offered to our management team is linked to the company's achievements regarding climate-focused sustainability metrics, such as renewable energy utilization and Net zero ambition. This connection is essential for advancing Neuland Laboratories' climate commitments and facilitating our climate transition strategy.

The annual performance bonus for management is determined through a balanced scorecard approach encompassing financial, operational, sustainability, and strategic performance metrics. The safety and sustainability indicators, assessed under the Neuland's ESG Program, constitute a key element of the variable pay structure. This framework is designed to reinforce the alignment between executive compensation and ESG objectives. Furthermore, the ESG-linked performance metrics included in the management's scorecard are cascaded to senior leadership and relevant employee groups, ensuring that individuals with direct responsibility for ESG targets are duly accountable for their achievement.

Engaging with Investors

Neuland Laboratories maintains comprehensive investor engagement to align capital deployment with its climate strategy and build transparent dialogue:

- Neuland provides updates combining financial results with climate metrics—Scope 1, 2 and 3 emissions performance, progress against SBTi targets—through its Integrated Report and TCFD disclosure.
- Neuland's full CDP Climate Change response is publicly available, detailing its value-chain GHG inventory, SBTi targets, transition and physical risk assessments, and adaptation measures; the company achieved a C rating for climate change and an A- rating for water security, and engages directly with CDP analysts to clarify methodology and data.
- Determining carbon pricing on emissions from new capex investments, by the finance team as a first step to future financial investment decisions.

Public Advocacy – Climate Change

Neuland leverages its sustainability expertise to shape industry standards and policy, reflecting its internal climate commitments:

- As a signatory to the UN Global Compact since September 2022 and member of the CII Council on Climate Change and the Indian Pharmaceutical Alliance.
- The company's CDP Climate Change disclosure—covering governance, strategy disclosures, risk management, metrics and targets— is currently available on CDP website. Key highlights include full Scope 3 coverage, scenario analysis under SSP 2-4.5/SSP 5-8.5, and adaptation planning for water stress and heatwaves.

2.STRATEGY

Neuland Laboratories Limited's overarching business strategy integrates climate-related considerations, viewing them as both risks and opportunities that shape its long-term sustainable value creation. The company is committed to transforming into a stronger and more agile entity, with customer centricity and sustainable practices at its core.

Risk & Sustainability Committee is the flagship body that is empowered to undertake management of climate related and ESG risks. This Committee works alongside the Audit Committee, to address material ESG risks, and implementing the mitigation actions. Identified risks are addressed in due time, through the help of relevant controls, which are also reviewed at regular intervals. The Risk Management process follows a bottom-up approach, with decentralized internal controls, accounting for risk capture at a granular level for both-physical as well as transition risk.

At the organizational level, Risk officers are tasked with aggregation of risk registers and accordingly, Group's material risks are identified based on three factors: frequency, potential magnitude, and impact of the risks in question. The resulting final risk register includes climate change risks which in turn includes both, physical risks as well as transition risks and opportunities .

Evolution of climate change related risk management

Climate Change risk is on our watchlist as part of emerging enterprise risks to the organisation. In FY 2022-23, we adopted the Task Force for Climate Related financial disclosures (TCFD) framework in order to ascertain the resilience of our business strategy to climate related risks. In FY 2023-24, five climate change risks were identified but their probability and impact were not disclosed in a comprehensive way.

During FY 2024-25 our progress on Climate risks included filing our SBTi successfully and as on the date of this report, we are awaiting validation. We also filed our CDP and have been rated C for Climate Risk, and A- for Water.

The present study is the culmination of the efforts put in place for almost half a decade in streamlining climate change management processes and systems.

Process for identifying and assessing climate-related risks

We utilized advanced analytical frameworks adopting a ground-up methodology to project a spectrum of climate change outcomes, evaluate varied perspectives, and assess multiple possible futures. These frameworks enabled us to examine how policy shifts, regulatory changes, technological progress, market trends, and societal transformations could influence our operations.

In addition, we actively track diverse and credible data streams to remain up to date on climate-focused developments. This vigilance allows us to detect impactful changes that may warrant a reassessment of our strategic direction and prompt timely action.

Neuland formulated scenario plans to steer strategic choices and identify optimal timelines for execution, providing a robust base for our annual corporate planning cycle. These scenarios present realistic forecast ranges for selected commodities under both moderate and high-impact conditions. Each scenario is rigorously built using comprehensive, bottom-up evaluations.

Assessing the Physical Risks

The core objectives of this assessment are structured to provide decision-ready inputs for long-term resilience planning:

•**Hazard Quantification:** Determine projected changes in temperature and rainfall magnitude, intensity, and variability for near-term (2029), mid-term (2049), and long-term (2099) horizons, using **SSP2 4.5 and SSP5 8.5 scenarios**[1], benchmarked to the 1995–2025 baseline.

•**Risk Translation:** Convert projected climate changes into standardized risk levels (Very Low to High) by integrating hazard probability with exposure and vulnerability indices at the site level, including the Multivariate Standardized Drought Index (MSDI) and Drought Vulnerability Index (DVI) for drought risk assessment.

•**Decision Support:** Provide evidence-based insights to inform strategic planning, capital investment, and operational resilience measures, aligning with National and State Action Plans on Climate Change (NAPCC, Telangana SAPCC) and TCFD disclosure guidelines.

Physical risk scenarios

Two core Shared Socioeconomic Pathways (SSPs) were analysed:

•SSP2-4.5: Represents a moderate mitigation scenario. Emissions will gradually decrease after 2050.

•SSP5-8.5: Represents a high-emissions, business-as-usual scenario, used for determining extreme long-term risks.

Physical Climate Risk Assessment - Key Findings

Neuland faces varying degrees of physical climate risks across all operational facilities. The assessment employed IPCC climate scenarios (SSP2-4.5 and SSP5-8.5) and industry-standard methodologies to evaluate five critical climate hazards across three time horizons.

[1] SSP 1 scenarios reflect the realities of the current operational risk management processes. As these are already existing, we have not included them in the projections and only the moderate and high-risk climate scenarios are covered in the analysis.

Location	Hazard	Baseline (1995-2025)	SSP2-4.5 Scenario (2025-2050)	SSP5-8.5 Scenario (2025-2050)	Risk Level	Risk Description	Potential Impacts
Global Headquarters	Heatwave	Moderate to High	**Increased heatwave days, higher temperatures**	Very frequent intense heatwaves, severe heat events	Very High	Rising heatwaves exacerbated by urban heat island	Worker heat stress, operational efficiency loss, infrastructure stress
	Urban Flooding	Occasional pluvial flooding	Increased frequency and intensity of urban flood events	**Severe, frequent urban floods with drainage overload**	High	Urban drainage overwhelmed by intense rains	Facility flooding, traffic and access disruption
	Riverine Flooding	Low to moderate	Moderate increase in flood frequency	High flood frequency due to intense precipitation	Moderate	Musi river overflow risks temp rise with extreme precipitation	Flood damage, site access interruption
	Water Stress/Drought	Occasional water shortages	Prolonged dry spells, moderate aquifer depletion	Severe groundwater depletion, frequent drought	High	Pressure on water resources with rising demand	Water scarcity, Utility water impacts.

Location	Hazard	Baseline (1995-2025)	SSP2-4.5 Scenario (2025-2050)	SSP5-8.5 Scenario (2025-2050)	Risk Level	Risk Description	Potential Impacts
	Rainfall Variability	Moderate seasonal variability	Increased rainfall variability, intense short-duration events	High variability, extreme rainfall and dry spells	High	Erratic monsoon patterns with cyclone rain impacts	Flooding peaks, erosion, infrastructure strain
Unit 1	Heatwave	Moderate to high	Increased heatwave duration and intensity	Severe heatwaves, high worker risk	Very High	Heat stress, urban heat island intensified	Production disruption, health risks
	Urban Flooding	Moderate urban flooding	Increased pluvial flood frequency and depths	Severe and frequent flooding	Moderate-High	Increased peak flow causing facility flood risk	Equipment damage, operational delays
	Riverine Flooding	Moderate due to Musi river proximity	Increased frequency and depth of river floods	High river flood risk with extreme monsoon events	Moderate	Riverine flood risks intensified	Site inundation, site access issues
	Water Stress/Drought	Moderate water stress	Increasing groundwater depletion	High aquifer drawdown, severe water shortage	High	Reduced water availability affects operations	Process interruptions, supply risks

Location	Hazard	Baseline (1995-2025)	SSP2-4.5 Scenario (2025-2050)	SSP5-8.5 Scenario (2025-2050)	Risk Level	Risk Description	Potential Impacts
	Rainfall Variability	Moderate variability	Enhanced variability with extreme short bursts	Highly erratic rainfall patterns with cyclonic rains	High	Flood peaks and soil erosion risks	Site erosion, damage to infrastructure
Unit 2	Heatwave	Moderate to High	Increased heatwaves and temperature	Severe heatwave increases, elevated heat stress	High	Rising temperatures impacting labour and processes	Reduced operational efficiency, health issues
	Urban Flooding	Low	Moderate urban flood risk	Elevated flood risk due to extreme rainfall	Moderate	Urban stormwater flooding increasing	Facility flooding possible
	Riverine Flooding	Moderate due to proximity to water bodies	Increasing river floods with heavy rains	High frequency of riverine floods	Moderate	Increased river flood threats	Site access disruption, infrastructure damage
	Water Stress/Drought	High water stress	Increasing severity of drought	Severe multi-year drought risk	Very High	Groundwater depletion, water scarcity impact	Critical water shortage, operational impacts

Location	Hazard	Baseline (1995-2025)	SSP2-4.5 Scenario (2025-2050)	SSP5-8.5 Scenario (2025-2050)	Risk Level	Risk Description	Potential Impacts
	Rainfall Variability	Moderate variability	Increased monsoon irregularity	Severe rainfall variability with cyclonic storms	High	Erratic rainfall with extreme droughts and floods	Soil degradation, infrastructure stress
Unit 3	Heat	High heat exposure	Extended heatwave periods	Severe heatwaves, worker health risk	Very High	Heat stress impacting workers and cooling systems	Downtime, health-related absences
	Urban Flooding	Moderate urban pluvial flooding	Increased frequency and intensity	Severe frequent urban flooding	High	Urban and riverine flood protection needs	Utility damage, site flooding, production loss
	Riverine Flooding	Moderate to low	Increasing riverine flood risks	High flood frequency and magnitude	High	Rising river flood threat near site	Facility damage, access problems
	Water Stress/Drought	Moderate water scarcity	Increasing aquifer depletion	Severe water shortage periods	High	Water scarcity affecting industrial usage	Water rationing, process disruption

Location	Hazard	Baseline (1995-2025)	SSP2-4.5 Scenario (2025-2050)	SSP5-8.5 Scenario (2025-2050)	Risk Level	Risk Description	Potential Impacts
	Rainfall Variability	Moderate rainfall changes	Increased seasonal variability	Extreme rainfall variability with cyclone remnants	High	High variability causing stormwater stress	Runoff issues, site erosion
R&D Centre	Heatwave	Moderate but rising	Increasing heatwave days	Severe heatwave events	Very High	Heat impacts on staff performance and equipment	Operational delays, health risks
	Urban Flooding	Moderate	Increased urban pluvial flood events	Severe urban flooding	High	Flood peaks threaten lab areas	Equipment damage, data loss
	Riverine Flooding	Moderate	Enhanced river flooding risk	High likelihood of riverine flood	Moderate	Increased Musi river flooding threats	Site disruption, damage
	Water Stress/Drought	Moderate water availability issues	Ramped up groundwater demand and reduction	Severe water scarcity periods	High	Water availability impacts research and utilities	Research delays, process water shortages
	Rainfall Variability	Moderate seasonal variability	Increased intense rainfall bursts	High rainfall variability with cyclone rains	High	Erratic rainfall patterns cause infrastructure strain	Flooding, erosion

Physical risks – Mitigation and Opportunities

Risk type	Potential Risk events	Possible consequences and impacts	Risk in the short-term	Mitigations and responses	Opportunities
Heat	Increased heatwave days, higher temperatures	Some of these events may have impact working conditions and supply chain operations.	High	• Improved rest breaks, work timings and protections for employees and workmen on the field	• Improved Employee work-friendly policies
Urban Flooding	Severe, frequent urban floods with drainage overload	The heavy rainfall and flooding have an impact on the ease and ability of employees and workers to commute to the workplace during such events. Flood risks additionally may result in risk of loss of life and damage to inventories and infrastructure.	Moderate to High	• The local municipal corporation actively addresses flood risks through various measures, such as improving the drainage system, controlling encroachments in catchment areas, • Neuland incorporates flood risk considerations into its business continuity plan to enhance resilience against potentia flood events	Improved resilience thought Crisis management and Business Continuity Planning.

Water Stress/Drought	Prolonged dry spells, moderate aquifer depletion	Water Stress & Drought could potentially result in shortage of water for our production activities as well as office operations. During times of stress, the high cost of purchasing water would impose an unexpected financial contingency on our business.	Moderate to High	• ZLD operations are in place in all our manufacturing sites • Water rejuvenation project addressing >50% of our FY25 consumption over the next 4 years • Increased water recycling within the core operations	Efficient use of water resources across offices and operations Water study conducted with opportunities identified to reduce water in core operations Water neutral goals and targets

Transition risk – Mitigation and Opportunities

Risk type	Potential Risk events	Possible consequences and impacts	Our risk rating in the medium-term	Mitigations and responses	Opportunities
Policy and Legal risks	Accelerated transition from coal-based boiler	Increased capital expenditure, delays and interruptions from changes to manufacturing processes and accelerated acceleration of existing coal based boiler (assets)	Low- moderate	• As alternate source of energy generated via coal, 1.08 MT of Biomass briquettes was used in place of coal.	Transition to greener /electricity boiler equipment aligned to our near term and long term net zero goals

Market risk	• Possibility of carbon-tax obligations in the future depending on emission profile • Increase in cost for the essentials (power/electricity rates at local sites and cost of raw materials)	Low competitiveness in overseas markets such as Europe and increased cost and reduced profitability	Low Moderate-High	• Monitor developments in the carbon markets globally and within the Country • Ensure timely and full compliance of regulations associated with Environment and Climate Change • Commitment to Biodiversity preservation and no-deforestation	Transition to renewables, aligned to our net zero goal
Technology risk	Increase in CAPEX and OPEX due to transition towards low emissions technology	Accelerated capital investments expenditures in new and alternative energy efficient technologies may lead to short term cash flow pressures. Transition costs in the short run may be high, since clean technologies are still emerging	Moderate	• 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	Resource efficient technologies to reduce energy consumption will improve profitability over the long-term and is aligned with our net zero goals

				through open access of solar and wind energy	
Reputational risk	Negative stakeholder feedback	• Reputation damage for not meeting the stakeholder demand • Increase in capital acquisition cost or cost of debt from expectations of providers of capital	Moderate – High	• Accelerating development of sustainable products • Consistent disclosure to the stakeholders on non-financial / Climate KPI	• Lower borrowing costs in future. • Improved stakeholder management with ESG

Impact of climate-related risks and opportunities on Neuland's businesses, strategy, and financial planning

Neuland's overall net-zero target is to achieve net-zero greenhouse gas emissions across the value chain by FY2050, as validated by the Science Based Targets initiative (SBTi). This long-term commitment is underpinned by specific near-term and long-term targets:

Near-Term Targets (by FY2034): Neuland commits to reduce absolute Scope 1 and 2 GHG emissions by 58.8% from a FY2024 base year. Additionally, it commits to reduce Scope 3 GHG emissions by 63.8% per ton of product manufactured within the same timeframe. The target boundary includes land-related emissions and removals from bioenergy feedstocks.

Long-Term Targets (by FY2050): The company commits to reduce absolute Scope 1 and 2 GHG emissions by 90% from a FY2024 base year. It also commits to reduce absolute Scope 3 GHG emissions by 90% within the same timeframe.

These targets reflect a comprehensive approach to emissions reduction across the entire value chain. The decision to set a Scope 3 target was driven by the fact that Scope 3 emissions constituted 67.27% of total emissions (104.98K tCO2e out of 156.06K tCO2e total) in FY2024, exceeding the SBTi's 40% threshold for mandatory Scope 3 target setting. The breakdown shows that purchased goods and services account for 77.35% of Scope 3 emissions, followed by fuel- and energy-related activities at 16.79%.

Our strategy explicitly incorporates ESG principles, encompassing resource efficiency, climate initiatives, and supply chain sustainability. Strategic priorities include investing in new technologies, operational excellence, and fostering trusted customer relationships. Climate-related factors, including energy efficiency, waste reduction, and carbon footprint, are increasingly integrated into Neuland's R&D project selection and development processes, influencing project selection, development methodologies, and investment decisions from inception.

From a financial perspective, climate change risks are on the company's watchlist as an emerging enterprise risk. The preliminary quantification of these risks are provided above. The company consistently allocates capital expenditures towards climate action, with significant investments including ₹15 crore for EHS and ₹9.2 crore in FY 2024-25 specifically for energy conservation equipment. Furthermore, ESG and risk-related Key Performance Indicators (KPIs) are integrated into leaders' balanced scorecards, linking financial incentives (variable pay) to the achievement of environmental objectives, ensuring accountability at the highest management levels.

The complex geopolitical and regulatory environment, along with climate change, can lead to unforeseen risk events such as natural disasters, workplace accidents, and continuous cyberattacks, potentially impacting operations and the ability to meet patient demands.

Neuland has initiated evaluations concerning physical climate risks, particularly water scarcity and extreme temperatures. Although current assessments indicate low flood risk, the Hyderabad sites may be affected by riverine or urban flooding during extreme rainfall events, potentially impacting operations, employee commutes, and infrastructure. The company continues to monitor and implement measures to enhance resilience against such event . The rise in sea levels in the medium term (5-7 years) could increase the severity of extreme weather events like cyclones and floods, impacting logistics and supply chains.

3.MANAGING CLIMATE RISKS AND LEVERAGING OPPORTUNITIES

Despite the variation in risks, all of Neuland's business locations are committed to reducing their carbon footprint and becoming more climate resilient. We are taking a variety of steps to reduce emissions, including investing in renewable energy, improving energy efficiency, developing low carbon products that could meet the emission intensity requirements our customers both domestic and foreign and meeting overarching sustainability Goals

1. Risk management across time periods

Time Horizon	Thematic focus	Steps undertaken
Short term (1-3 years)	Policy and Governance	• Alignment of TCFD since FY25 and formal adoption from FY25-26 • Continue to secure Governance with Risk and Sustainability Committee of Board established and the ESG Committee providing management oversight since FY2023-2024. • Basic Climate Change sensitisation for Leadership and key teams
	Risk management	• Identification of key physical and transition risks since FY2023-24, Quantification of impact from risks and opportunities from FY2026 • Development of a Vendor Climate transition roadmap • Improve Resilience, Crisis management and Business Continuity programs.
	Targets and Metrics	• Adoption of broad and specific departmental and Organizational KPIs covering ESG and Climate Change • Set long-term, short-term and annual reduction targets for Scope 1-3 GHG emissions in line with medium and long term commitments.
Medium term (3-5 years)	Policy and Governance	In addition to the above: • Join voluntary carbon market or national carbon registry once operational. • Join industry and supplier engagement programs (PSCI, CII-GBC)
	Risk management	In addition to the above, • accelerating Scope 3 and Vendor ESG risk management initiatives. • Pilot **on-site renewable energy projects** or **energy recovery systems**. • Collaboration on Climate Change with industry peers and associations

		• Develop **site-specific adaptation plans aligned to risks sceniors** (e.g., flood mitigation, heat-resistant processes).
	Targets and Metrics	In addition to continuing with above, • Sustain progress on Climate Targets and track and report via Annual reports and CDP submissions
Long term (5-10 years)	Policy and Governance	In addition to the above: • Update Management efforts and Board Charters/ Company to integrate climate responsibility aligned to medium term Climate Global developments (beyond Paris Agreement)
	Risk management	In addition to the above: • Undertake **advanced scenario modelling and stress testing** under multiple global climate pathways. • Implement **internal carbon pricing** to drive investment decisions. • Build **low-carbon product innovation pipeline** (green chemistry, circular solvents, low-energy synthesis)
	Targets and Metrics	In addition to the above: • Integrate Climate responsibility in performance and Leadership incentives • Attempt to Disclose **TCFD-aligned climate financial impacts** in mainstream filings

2. Climate related resilience planning

Resilience of Neuland's strategy under different climate-related scenarios

Neuland is actively working to ensure the resilience of its business strategy to climate-related risks, undertaking assessments and implementing various measures:

Since adopting the Task Force for Climate Related Financial Disclosures (TCFD) framework in FY 2022-23, Neuland has integrated climate considerations into its Enterprise Risk Management (ERM) framework. The company uses a robust risk management framework, led by the ESG Apex Committee, to evaluate climate risks and opportunities. The company's materiality assessment, which includes climate-related issues, is conducted every three years, with the next one due in FY2026, providing a mechanism for updating risks and opportunities.

The company is building capabilities to quantify financial risk further as part of an ongoing scenario analysis project, which was formally initiated to quantify the financial risks and opportunities arising from climate change.

The purpose of this approach is to stress-test key business strategies under a range of plausible climate futures. The outputs are used to inform strategic priorities, operational resilience, and investment decisions.

Scenario Selection and Parameters

Stress tests evaluate the frequency and severity of physical events such as floods and heat at plant locations under higher warming pathways. Some of Neuland's sites in Hyderabad are exposed to high urban flood risks due to heavy rainfall, and the company is evaluating the consequences and mitigations of extreme temperature events ((For example in 2024 several places in the state experienced an all time high of >46 degrees centigrade) on its workforce and supply chain operations. Climate-related phenomena like extreme temperatures and flooding are identified as potential hazards during routine Hazard Identification & Risk Assessment (HIRA) processes.

The company evaluates the probability and impact of regulatory changes. Neuland recognises "Policy or Regulatory Pressure Requiring Transition from Coal-Fired Boiler" as a transition risk and assesses "evolving climate policies, carbon pricing mechanisms, and circular economy regulations" as part of its EHS expertise leverage.

Supply chain and logistics disruptions assessments are being initiated, along with potential costs and investment requirements for resilience and adaptation. "Supply Chain Impact from Extreme Weather Events" is identified as a physical risk that could cause delays in material dispatch and receipt. Neuland is also evaluating critical supplier sites for ecosystem integrity on parameters such as climate events, water stress, and biodiversity impact to ensure supply chain resilience. Climate risk-related investments are anticipated to increase in the next 3-5 years.

Market opportunities under increased demand for low-carbon/sustainable products are also considered. Reducing GHG emissions intensity and transitioning to clean energy are seen as significant opportunities for Neuland to build a balanced portfolio of low-carbon energy management, supported by its commitment to sustainable R&D and innovation.

For modelling, Neuland is collecting and analysing baseline data, including GHG emissions across Scopes 1, 2, and 3, and water usage. A comprehensive GHG inventorisation drive was conducted across leading suppliers, covering 70% of procurement by value and 90% by volume, to understand and mitigate environmental impact. This foundational data is indispensable for setting baselines and tracking progress for climate goals. Neuland also seeking to automate its ESG and GHG accounting processes via tools and technologies.

Outcomes from these scenario analyses are being integrated into the Climate Risk Assessment Process as part of the larger Enterprise Risk Management (ERM) process. These are presented to the Board's Risk and Sustainability (R&S) Committee, which provides direction and oversight for the company's ESG strategy. The R&S Committee also is overseeing the progress of the business continuity management program, which is aligned to ISO 22301, with accreditation aimed by March 2026 . Going forward active capital allocation, R&D project selection, supplier engagement, and product development will be monitored and where required incentivise to enable this transition and resiliency; for example, capital expenditures are allocated towards climate action, and ESG and risk KPIs are integrated into leaders' balanced scorecards. Climate-related factors are increasingly integrated into R&D project selection, and Neuland engages with suppliers to align them with EHS and climate standards.

Enhanced digitalization boosts operational efficiency but also brings potential cybersecurity risks, especially in the pharmaceutical sector. Climate-related events, such as severe weather or infrastructure disruptions, can heighten these risks by impacting IT systems and data continuity. Neuland addresses these challenges through its Business Continuity and Information Security programs, which is regularly updated to meet global standards, including ISO certifications . Neuland is currently ISO 27001:2022 certified and is working to secure ISO 22301 certification by FY2026.

3. Physical Risk management:

Neuland has conducted comprehensive water studies and biodiversity risk assessments to understand the impacts of water-related risks. All manufacturing facilities operate with Zero Liquid Discharge (ZLD) systems, treating, recycling, and reusing all wastewater to eliminate external discharge and significantly reduce water-related climate risks. Water conservation studies have been carried out at Unit-III, with plans to deploy feasible recommendations across all locations. The company has also tied up with an NGO for developing water sheds in nearby communities for augmentation of rainwater.

R&D processes are optimised to operate below 40°C to prevent extreme temperature conditions, ensuring both safety and energy conservation. Engineering controls including improved ventilation and cooling systems, administrative controls such as modified work schedules and mandatory breaks in cooled areas, and appropriate Personal Protective Equipment (PPE) are implemented. Emergency protocols are in place for air quality alerts, potentially involving reduced outdoor work or enhanced indoor air filtration.

Site-specific Emergency Response Plans (ERPs) are adapted to include climate-driven scenarios, covering evacuation, safe shutdown, securing hazardous materials, and post-incident recovery. These plans explicitly address employee safety during flood events. Robust Business Continuity Plans (BCPs) include damage assessment, resource mobilisation, and strategies for phased resumption of operations. Regular, realistic drills and tabletop exercises incorporate climate-driven scenarios to test effectiveness and identify gaps.

4. Transitional risk management

These are included under the following heads

Greenhouse Gas (GHG) Emissions Reduction: Reducing GHG emissions intensity and transitioning to cleaner energy sources are identified as significant opportunities to build a balanced portfolio of low-carbon energy management strategies. The company has invested ₹9.2 crore in FY 2024-25 specifically for energy conservation equipment and is exploring cleaner fuel alternatives, including blending 10% biomass briquettes with coal in boiler operations to reduce Scope 1 emissions. Neuland is actively addressing the technical and financial constraints limiting a full renewable energy transition and is targeting a financially viable renewable transition plan in FY26 (2025-26)

Sustainable R&D and Innovation: The company sees opportunities in sustainable research and development (R&D) and innovation, enhancing processes and services while aligning with sustainable industry standards. Neuland specifically allocates R&D investments towards improving environmental and social impacts, with 11.5% of R&D spending in FY 2025 explicitly invested in environmental improvement initiatives. Under green chemistry, Neuland has successfully validated processes for two products to convert solvent-based solutions to water-based alternatives, directly reducing reliance on organic solvents and lowering Scope 1 emissions. This green chemistry approach is being adopted in all new GDS R&D projects, with the R&D team replacing Class 1 and Class 2 solvents with water-based systems wherever feasible, aligning with green chemistry principles.

Supply Chain Sustainability: Engaging with suppliers to implement effective strategies for meaningful reduction of supply chain (Scope 3) emissions presents a significant opportunity. The company has conducted a comprehensive GHG inventorisation drive across leading suppliers, covering 70% by value and 90% by volume of procurement. The company is actively working to reduce emissions from downstream logistics and transport through route optimisation, multi-modal freight systems, and low-emission transport partnerships. Strategic efforts also include smarter, more sustainable procurement practices, with approximately 70% of procurement sourced within 800 km of manufacturing sites, reducing transportation distances and associated Scope 3 emissions. Neuland further engages with global logistics partners to explore greener solutions, enhancing supply chain efficiency and resilience.

Refrigerant Management: Neuland has initiated the replacement of R-22 refrigerant with R-404a in HVAC systems to improve efficiency and reduce environmental impact.

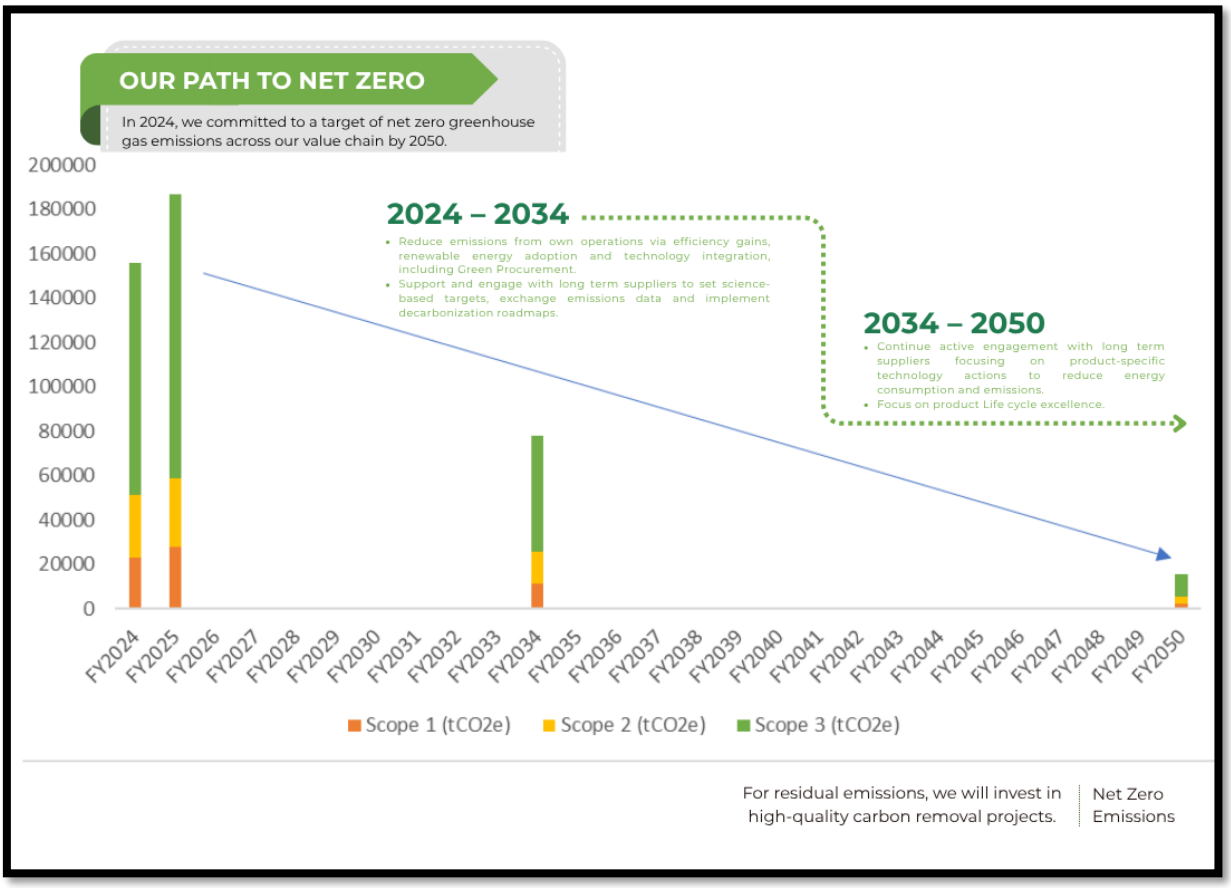
Advanced Waste Management: The company has achieved remarkable progress in waste management. In FY 2024-25, 99.9% of all waste generated was either recycled or reused. Neuland's waste management system has attained "Zero waste to landfill" status, confirmed by a platinum diversion rate in FY 2024, assuring 100% diversion to co-processing and recycling initiatives.

Carbon Accounting: Neuland is actively considering automating its GHG emission capture efforts via carbon accounting tool, enabling systematic disclosure of emissions data for frameworks such as SBTi, EcoVadis, and CDP. This tool facilitates better tracking and management of their carbon footprint and provides the capability to quantify emissions for potential incorporation of concepts like internal carbon pricing into future capital expenditure evaluations.

Neutralisation: Neuland has committed to neutralising any residual emissions at the net-zero target date (FY2050) and any GHG emissions released thereafter. This is supported by afforestation and reforestation projects for carbon sequestration.

Life Cycle Assessment (LCA): LCA has been completed for the Ciprofloxacin HCL family of products and initiated for Mitrazapine, with a commitment to conduct LCA for two molecules annually from FY2025-26 to understand and improve product carbon footprint.

5. Our Net Zero Roadmap



6. Internal carbon pricing

Currently, Neuland has minimal financial exposure to carbon taxes. However, carbon pricing and tax mechanisms are being considered globally and may be enacted in the medium to long term. We have reaffirmed our commitment to addressing climate change by enhancing our emission reduction target to achieve Net-zero by 2050.

Recent Policy developments related to pricing the carbon

1. Emerging local CCTS market
2. Climate taxonomy related developments
3. CBAM and cross border carbon pricing (presently this is not applicable to Pharmaceutical exports)

To reduce costs, conserve energy, and lower our carbon footprint, we have identified five key focus areas. Additionally, we are proactively engaging with existing and upcoming emissions trading schemes. Our strategy aims for carbon-neutral operations by 2030 through improved resource efficiency and increased use of renewable energy. We have also evaluated carbon pricing mechanisms while formulating our energy procurement strategy, which emphasizes renewable energy sources. By utilizing project-specific capital costs, operational and management expenses, energy-saving costs, and emissions reductions as inputs, we have established an internal carbon price. Our Internal Carbon Price (ICP) is currently set at Rs 1,000 per ton of CO2 equivalent (approximately 11.95 per ton of CO2

equivalent), and will be trued up every year based on developments in the carbon market and progress around short-term and long-term climate initiatives of the Company.

4.METRICS AND TARGETS

Neuland Laboratories utilizes specific metrics and indices to rigorously measure and manage climate-related performance, risks, and opportunities. Performance tracking is guided by established frameworks, including the Global Reporting Initiative (GRI) and the Greenhouse Gas Protocol (GHGP). The ESG Core Committee monitors KPIs on a monthly basis to ensure timely progress toward long-term targets.

A. Target metrics

This table outlines key targets set to drive Neuland towards its overall net-zero ambition by FY 2050. The base year for these SBTi targets is FY 2024.

Goal Area	Target Metric	Target Reduction/Goal	Target End Date	Source Verification
GHG Mitigation (Near-Term)	Absolute Scope 1 & 2 Emissions	58.8% absolute reduction	FY 2034	SBTi Validated
GHG Mitigation (Near-Term)	Scope 3 Emissions Intensity	63.8% reduction per ton of product manufactured	FY 2034	SBTi Validated
Net Zero Commitment	Absolute Scope 1, 2, & 3 Emissions	Net-zero emissions across the entire value chain	FY 2050	SBTi Validated
Renewable Energy (RE)	RE Consumption	Increase RE share to over 25% of total energy consumption	2030	Strategic Priority
Water Stewardship	Water Neutrality	Achieve 25% water neutrality	FY 2035	Organisational Target
Waste Management	Waste Utilization	Maintain 99.9% recycling and reuse and zero waste to landfill status.	Ongoing	Operational Achievement

B. Historical GHG Emissions and Energy Consumption

This table provides the historical trend of emissions and energy consumption, where data is available in the sources

Metric	Unit	FY 2023	FY 2024 (Base Year)	FY 2025 (Current year)
Scope 1	tCO2e	27,442	22,983.06	27,761
Scope 2 (Location-based)	tCO2e	27,245	28,096.85	31,060
Scope 3 (Total)	tCO2e	1,607	104,977.32	128,244

Total Energy Consumption	TJ	545.01	377.16	383.37
Renewable Energy Consumption	GJ	0	0	0
Non-Renewable Energy Consumption	GJ	545,010	3,77,155.91	3,83,365.90

Scope 3 Emissions Breakdown

This table presents the calculation and breakdown of Neuland's Scope 3 emissions based on the 9 categories tracked, showing the split between Upstream and Downstream activities.

Scope 3 Metric	**Unit**	**FY 2023**	**FY 2024 (Base Year)**	**FY 2025 (Reporting Year)**
Scope 3 Total Emissions	tCO2e	1,607	104,977.32	128,244
Upstream Scope 3 Emissions	tCO2e	N/P	104,193	127,414
Downstream Scope 3 Emissions	tCO2e	N/P	784	829.71

The total Scope 3 emissions for FY 2025 is 128,243.58 tCO2e .

Category	**Emissions (tCO2e)**	**Calculated % of Total Scope 3**
Purchased Goods and Services	99,794.33	77.81%
Fuel and Energy-related Activities	21,120.80	16.47%
Upstream Transportation & Distribution	3,247.23	2.53%
Capital Goods	1,780.60	1.39%
Upstream Leased Assets	839.89	0.65%
Downstream Transportation & Distribution	829.71	0.65%
Waste Generated in Operations	360.66	0.28%
Business Travel	222.94	0.17%
Employee Commuting	47.43	<0.1% (0.04%)
Total	**128,243.58**	**100%**

Note on Scope 3 Categories

1. Neuland expanded its Scope 3 reporting from 4 to 9 categories in FY 2025. The following standard categories were excluded as not relevant or due to minimal materiality:

2. Processing of sold products: Excluded because the emissions represented 4.90% of Scope 3 inventory in the base year, which is less than the 5% threshold set by SBTi and GHG Protocol for exclusion.
3. End-of-life treatment of sold products: Excluded as it contributes less than 0.5% of overall Scope 3 emissions and is not considered relevant from a materiality perspective.
4. Use of sold products: Excluded as it is not relevant to the pharmaceutical sector and Neuland's business practices.
5. Scope 3 emissions represent 67.27% of Neuland's total FY 2024 emissions.
6. The largest contributor to Scope 3 is Purchased Goods and Services, accounting for 77.35% of Scope 3 in the base year.

Energy Metrics

Energy Consumption and Intensity

Parameter	**Unit**	**FY 2023**	**FY 2024**	**FY 2025**
Total Energy Consumption	TJ	545 (545.01)	377 (377.16)	383 (383.37)
Power Consumption (Indirect)	TJ	130 (130.2)	144 (144.2)	154 (153.80)
Coal Consumption	TJ	404 (403.93)	224 (223.69)	216 (216.18)
Diesel Consumption	TJ	11 (10.59)	9 (9.48)	10 (9.99)
Energy Intensity	TJ/₹ million revenue	0.05	0.02	0.03
Renewable Energy Share	%	0%	0%	0%
Renewable Energy Target	%	N/A	N/A	Target: Over 25% by 2030

FORWARD LOOKING STATEMENTS

This report is being shared to align with TCFD (Task Force on Climate-related Financial Disclosures) requirements, respond to investor and stakeholder expectations, and explain how climate-related risks and opportunities connect with Neuland's broader risk landscape.
As noted earlier, our approach here differs from that used in our statutory and compliance-driven reports.

You will find several forward-looking statements in this document. These include our aspirations toward net-zero, strategic priorities, goals, and transition plans. Some of these statements may also appear in other public communications — such as annual reports, management discussions, analyst briefings, or media interactions. These statements are intended to express expectations about the future, not to describe past events.

Forward-looking statements inherently involve uncertainties, assumptions, and risks — many of which are beyond our control. They are not guarantees of future performance or outcomes. The data, models, and methodologies used in this report reflect our best assessment at the time of preparation and may evolve as standards and tools mature. As such, actual results may differ — sometimes materially — from those expressed or implied in this document.

Neuland does not independently verify information obtained from external sources, and we make no commitment to update forward-looking statements in light of new information or future developments.

A variety of factors — including shifts in social or economic conditions, changes in energy prices or climate policies, technology advancements, data limitations, or implementation challenges — could cause outcomes to vary significantly from our current expectations.

Some statements also explore hypothetical or scenario-based situations and should not be interpreted as predictions or firm commitments.

This report, along with additional information, is available on our website: www.neulandlabs.com