

**HEXAWARE**

**TCFD Report  
2023**



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## 1 Introduction

In an era defined by technological advancements and global interconnectivity, Hexaware Technologies embraces the responsibility to lead with purpose and contribute meaningfully to the well-being of our planet. As we unveil our maiden Task Force on Climate-related Financial Disclosures (TCFD) report in 2023, the urgency of addressing the climate crisis becomes paramount.

The world faces an unprecedented challenge in the form of the climate crisis, a defining issue that demands collective action. Hexaware recognizes the profound impact of climate change on ecosystems, societies, and economies. We acknowledge that the business landscape is intricately interwoven with environmental factors, and sustainable practices are imperative for long-term resilience.

In this report, we delve into the strategic initiatives and comprehensive measures undertaken by Hexaware to mitigate environmental risks, reduce our carbon footprint, and foster sustainable growth. The imperative to act now is underscored by the escalating climate crisis, evident in rising temperatures, extreme weather events, and disruptions across industries.

Hexaware's commitment extends beyond mere compliance; it is a pledge to actively contribute to global efforts aimed at mitigating climate change. By aligning our business practices with the TCFD framework, we not only enhance transparency but also set a precedent for responsible corporate citizenship. The report provides a detailed account of our climate risk mitigation and adaptation practices, illustrating how we integrate sustainability into the core of our operations.

As we navigate this transformative period, we invite stakeholders, partners, and the broader community to join us in shaping a sustainable future. Hexaware Technologies remains steadfast in its mission to not only adapt to the challenges posed by the climate crisis but to proactively drive positive change. Together, let us explore the pages that follow to gain insights into our journey towards a resilient, low-carbon future.





## 2 About Us

We are a global technology and business process services Company, empowering enterprises to realise their digital value.

Share of Revenue %



With 40+ offices in 19 countries, we empower enterprises across the world to realise digital transformation at scale and speed by partnering with them to build, transform, run, and optimize their technology and business processes.



**\$1.3 Bn**  
Revenue CY '23

**370+**  
Customers

**30**  
Fortune 500 Clients

**28,292**  
Employees Worldwide

**34**  
Years of Excellence

### 3 CEO's Message

Dear Shareholders,

I am delighted to present to you the Task Force on Climate-related Financial Disclosures (TCFD) report of Hexaware Technologies for FY 2023. As a responsible and forward-thinking organization, we recognize the significance of climate change and its impact on businesses and society as a whole. Through this report, we aim to provide transparent and comprehensive information about our company's climate-related risks and opportunities.

At Hexaware, we understand that climate change is not only an environmental issue but also a financial one. It poses risks and opportunities that can significantly affect our operations, financial performance, and long-term sustainability. As such, we have taken a proactive approach to identify, assess, and manage these climate-related risks and opportunities.

Our commitment to sustainability is deeply ingrained in our corporate strategy. We are dedicated to reducing our carbon footprint, promoting energy efficiency, and adopting renewable energy sources. By integrating sustainability into our operations, we aim to mitigate risks, enhance resilience, and drive innovation.

In line with the TCFD recommendations, our report provides a comprehensive overview of our governance framework, strategy, risk management, and metrics related to climate change. It highlights our efforts to incorporate climate-related considerations into our decision-making processes, ensuring that sustainability is embedded across our organization.

We have also undertaken a thorough assessment of physical and transition risks associated with climate change. This evaluation has allowed us to identify potential vulnerabilities and develop strategies to adapt and thrive in a changing climate. By embracing technological advancements and leveraging our expertise, we are confident in our ability to navigate the challenges ahead and seize the opportunities that arise.

Hexaware is committed to transparency and accountability. We believe that by providing clear and concise information about our climate-related risks and opportunities, we can foster trust and engagement with all our stakeholders. We encourage you to review the TCFD report, as it demonstrates our commitment to sustainable growth and responsible business practices.

As we move forward, we remain dedicated to continuous improvement and collaboration. We will actively engage with our stakeholders, including investors, employees, customers, and communities, to drive positive change and create shared value. Together, we can build a more sustainable future.

I would like to express my sincere gratitude to all our stakeholders for their continued support and trust in Hexaware. We look forward to your feedback and engagement as we strive to make a meaningful difference in the face of climate change.

Warm regards,

**R. Srikrishna, CEO**



**R. Srikrishna**

Chief Executive Officer

## 4 TCFD Overview

### 4.1 About TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) is focused on improving the reporting of climate-related financial information. It has developed a framework that helps public companies and organizations disclose climate-related risks and opportunities. The TCFD's recommendations and guidance cover various aspects such as scenario analysis, materiality, location of disclosure, and implementation. The aim is to make firms' climate-related disclosures more consistent and comparable, enabling better assessment of risks, capital allocation, and strategic planning. The TCFD report provides valuable background information, including the creation of the Task Force, climate-related risks and opportunities, and key issues considered in developing the recommendations. Overall, TCFD reporting serves as a crucial tool for companies to enhance transparency, accountability, and sustainable growth in addressing climate change.

In alignment with the Task Force on Climate-related Financial Disclosures (TCFD), our organization is dedicated to systematically incorporating climate considerations into our overarching risk management framework and processes. We actively collect and analyze relevant data to support our efforts in understanding, identifying, assessing, and managing climate-related risks.

### 4.2 About this Report

With the release of our first TCFD report, Hexaware Technologies is advancing its commitment to climate action. We used a thorough three-step process to ensure that we are adequately implementing all TCFD recommendations. This approach included a review of our current climate-related governance, a thorough assessment of the climate risk for each of our offices globally, and identification of mitigation strategies and goals that would increase our capacity to respond to emerging risks. The following detailed process was followed to implement our approach:

We formed an internal working group to collect and arrange all climate disclosure data. Secondly, we expressed our support and commitment to TCFD disclosure and appointed a third party to manage the climate risk assessment and TCFD reporting process. They conducted a workshop to educate management-level and working group members involved in ESG & Climate-related governance about the concept and process of scenario analysis and climate risk assessment. We then reached a consensus on suitable scenarios and time horizons for assessing both physical and transition risks. A thorough evaluation of climate-related risks was undertaken to comprehend the possible consequences of climate change on our operations. A plan was created to reduce the identified risks proficiently, while also making the most of climate-related opportunities using already implemented practices. Measurable metrics and goals were established to keep track of the progress of their climate action and sustainability efforts.

The CRA exercise has been conducted for Hexaware Technologies global offices identified by us based on the numerical strength of employees and the subsequent magnitude of impact due to climate risks on them. No subsidiaries have been included in the assessment and do not fall under the scope of this TCFD Report.

## 5 Governance

### 5.1 Board's oversight of climate related risks and opportunities

At Hexaware, our commitment to corporate governance is deeply entrenched in our core values of trust, customer success, innovation, and equality. We extend this commitment to encompass Environmental, Social, and Governance (ESG) principles, emphasizing our dedication to sustainability and climate-related responsibilities.

The Board of Directors has oversight of the Company's overall strategy and future direction. The Board's recommendations are based on the Company's purpose and core values while inputs from stakeholders are leveraged for driving the future direction of our business. Our ESG Governance reflects our values and commitments. It encompasses our culture, policies, and relationships with our stakeholders.

The ultimate responsibility of risk oversight lies with the Board. The Board is entrusted with the key role of ensuring effective risk management and aligning the strategic objectives with the organization's key risks to achieve intended outcomes.

Hexaware's unwavering commitment to good corporate governance is fortified by our dedication to reducing emissions and mitigating its impact on the environment and climate. The Board assumes a responsibility to uphold long-term sustainability, strategy, and performance. All members of the Board possess the necessary expertise and knowledge of environmental, social, and governance (ESG) considerations, as well as sustainability and climate-related issues. This commitment to sustainability and environmental stewardship is an integral facet of the Hexaware ethos, and we remain steadfast in our pursuit of these values.

The Sustainability and ESG agenda is driven across the organization through the ESG Steering Committees. The ESG Steering committee includes a Cross-functional team consisting of COO, CRO, CPO, CFO, Head of Corporate Affairs, and Function heads. They are the decision-makers who drive our sustainability agenda within the organization. It oversees the ESG performance, governance, and business efficiency.



## 5.2 Climate Governance Structure



| Function                  |   | Roles and responsibilities pertaining to climate-related risks   |
|---------------------------|---|--|
| Board Committees          | <b>Audit Committee</b>                              | <ul style="list-style-type: none"> <li>Reviewing and evaluating the Company’s financial and risk Management policies and risk Management systems</li> <li>Review and approve Business Continuity Plan, climate-related risks under Risk Management policy, Climate Action strategy/framework</li> <li>Review <b>climate and ESG policy</b></li> <li>Determine roles and responsibilities of ESG &amp; Climate Steering Group</li> <li>Review the climate action strategy presented by management-level committees</li> <li>Oversee <b>progress and implementation of strategies</b></li> </ul>   |
| Management Level function | <b>ESG Steering Group/ Ops Management Committee</b> | <ul style="list-style-type: none"> <li>Review Risk Management Policy</li> <li>Ensure governance, systems and processes set around <b>collection, collation and reporting of sustainability and climate-related data</b> are adequate</li> <li>Identify <b>action points</b> through regular interactions with Hexaware’s departments</li> <li>Lead the <b>development of climate-related strategies</b></li> <li><b>Review company performance</b> in GHG emissions, Water, Energy, and other related Sustainability KPIs</li> <li><b>Training and awareness programs</b> for board persons and department leads on climate-related risks</li> </ul> |
| Field level function      | <b>Corporate ESG Function</b>                       | <ul style="list-style-type: none"> <li><b>Develop climate and ESG Policy</b></li> <li>Track actual performance against targets</li> <li><b>Coordinate</b> with all departments on climate and ESG data collection</li> <li>Engage and coordinate with third-party consultants for development of Climate Risk Assessment and climate risk reporting annually</li> <li>Including climate risks in presentations to ESG Steering Group/Ops Management Committee</li> <li>Preparation of reports for rating applications/assessments</li> </ul>   |

## 5.2 Corporate Governance Structure



| Function                  |                                       | Detailed roles and responsibilities pertaining to climate-related risks  |
|---------------------------|---------------------------------------|--|
| Management Level function | <b>CEO</b>                            | <ul style="list-style-type: none"> <li>Sets ESG direction and goals and allocates ESG budget</li> </ul>  |
|                           | <b>CFO</b>                            | <ul style="list-style-type: none"> <li>Managing annual budgets for climate mitigation activities</li> <li>Allocating budget for development of climate transition plan</li> </ul>  |
|                           | <b>COO</b>                            | <ul style="list-style-type: none"> <li>Oversee climate risk identification and management of mitigation plan</li> </ul>  |
|                           | <b>CRO</b>                            | <ul style="list-style-type: none"> <li>Tracking the monthly progress of initiatives towards climate change</li> <li>Develop Risk Management Policy</li> <li>Overseeing the implementation and management of the progress made against the targets taken</li> </ul>   |
|                           | <b>Function heads and Risk Owners</b> | <ul style="list-style-type: none"> <li>Monitoring climate risk data collection</li> <li>As risk owners, ensuring climate risks are actively identified and included in risk register of the function along with mitigation plans</li> <li>Collaborating with ESG Steering Group to draft climate risk mitigation plan</li> <li>Document and maintain list of location-specific risks and impacts sustained by all operational locations of Hexaware</li> </ul> |

*Our policies such as Sustainability policy, Energy & Environment policy, CSR policy facilitates Hexaware's transition to a low-carbon world.*

Hexaware has established robust policies to guide its commitment to sustainability, environmental stewardship, and corporate social responsibility (CSR). These policies collectively serve as the foundation for the company's transition towards a low-carbon world and underscore its dedication to creating enduring value for the environment, society, and business.

**Sustainability Policy:** The Sustainability Policy serves as the overarching framework that shapes Hexaware's approach to sustainability. It operates in conjunction with existing policies, synergizing efforts to drive lasting positive impacts. By aligning business practices with environmental and societal objectives, this policy lays the groundwork for responsible and sustainable operations across all facets of the company.

**Corporate Social Responsibility (CSR) Policy:** Hexaware's CSR Policy embodies the company's vision for responsible corporate citizenship. It emphasizes the integration of philanthropy into the company's ethos. This policy delineates key areas where Hexaware directs its philanthropic efforts, aiming to make meaningful contributions to society while aligning with its business values.

**Energy & Environment Policy:** The Policy underscores Hexaware's recognition of the critical need to address climate change risks and mitigate environmental impacts resulting from its operations. A distinct section within this policy focuses specifically on managing climate and environmental risks. By adopting this policy, Hexaware commits itself to a continual process of improving its environmental performance throughout its operational activities and across its entire value chain.

Together, these policies form the cornerstone of Hexaware's commitment to sustainability, environmental responsibility, and social welfare. They guide the company in fostering a culture of responsible business practices, and steering Hexaware towards a sustainable, low-carbon future.



## 6 Strategy

### 6.1 Climate Risk Assessment – Our Approach

Climate Risk Assessment (CRA) is a forward-looking exercise that aims to comprehensively assess the potential impacts of climate change on a business. The CRA process entails identifying plausible risks, assessing associated threats to the business, and implementing applicable mitigation strategies.

#### Scenario Analysis

We have approached our climate risk assessment with a panoramic perspective, conducting a thorough analysis of the risks under different scenarios and projecting anticipated outcomes that could affect our business and sustainability journey. We have chosen scenarios provided by the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA) for our CRA. As these institutes are globally renowned and their scenarios of future physical climate change and transition to a low- carbon world align with credible climate model outputs and can be used to quantify climate risks, they provide an evidentiary backing to our assessment. To ensure that Hexaware is prepared for all climate futures across the ‘optimistic-to-pessimistic’ spectrum, we have chosen scenarios that represent either extremes.

#### Our Climate Strategy

This assessment has been an essential step in helping us to identify and map climate change impacts on our business, from risks and opportunities to the impact on our operations and finance, as well as identifying the necessary steps for mitigation. By identifying potential risks, analyzing their potential impact on the business, and developing strategies to mitigate those risks, we intend to prepare for future challenges and ensure long-term sustainability.



## 6.2 Climate Risk Assessment for our locations across the globe

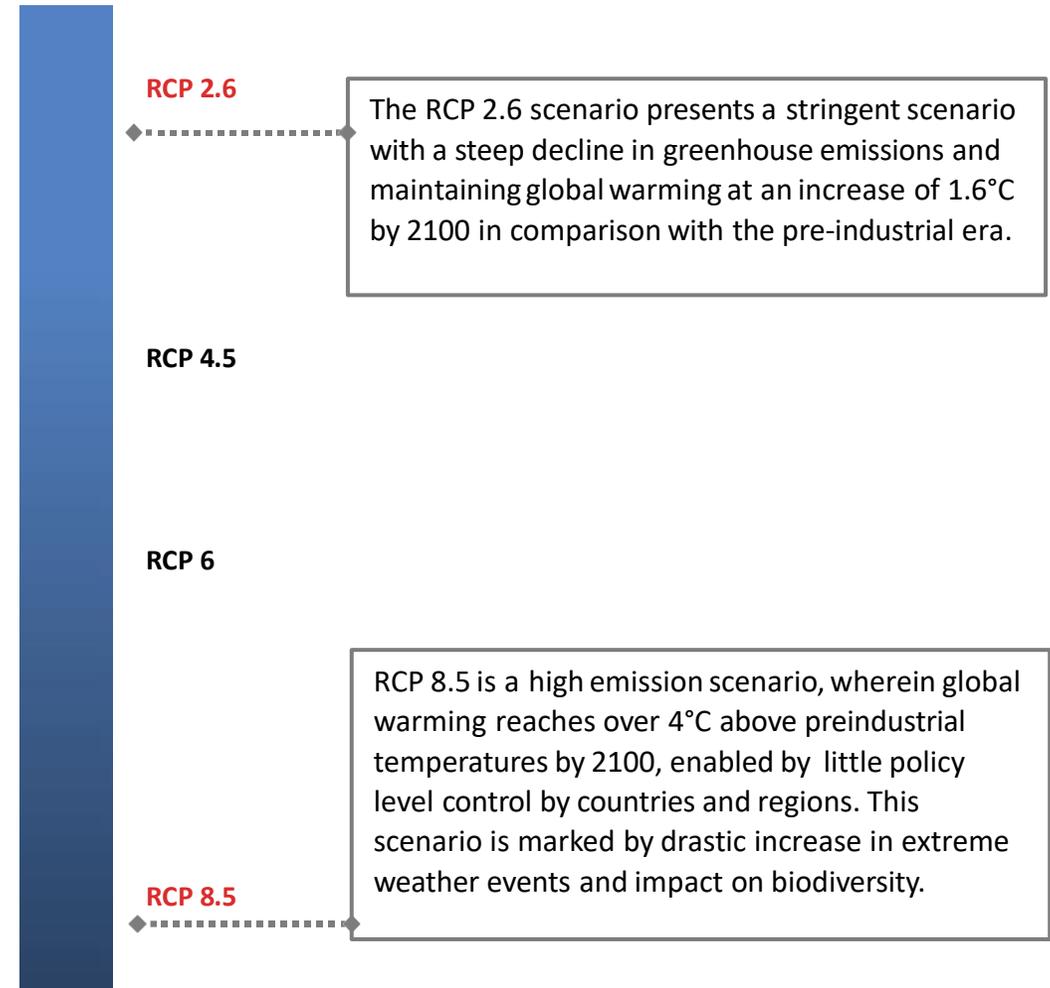
Coverage – 15 locations



### 6.3 Scope of Analysis – Physical Risks

|                                 |  |              |
|---------------------------------|--|--------------|
| <b>Scenarios</b>                | <ul style="list-style-type: none"> <li>• IPCC’s Representative Concentration Pathway (RCP) 2.6</li> <li>• IPCC’s Representative Concentration Pathway (RCP) 8.5</li> </ul> |              |
| <b>Timeframes</b>               | <ul style="list-style-type: none"> <li>• Short-term: 0-3 years</li> <li>• Mid-term: 3-10 years</li> <li>• Long-term: 10 years and above</li> </ul>                         |              |
| <b>Physical Climate hazards</b> | Acute risks  | Cyclone      |
|                                 |  | Floods       |
|                                 |  | Wildfire     |
|                                 | Chronic risks  | Heat stress  |
|                                 |  | Water stress |

### Scenarios used in our analysis



## 6.4 Scope of Analysis – Transition Risk

|                         |  |  |
|-------------------------|--|--|
| <b>Scenarios</b>        | <ul style="list-style-type: none"> <li>• IEA’s Net Zero Emissions (NZE) by 2050</li> <li>• IEA’s Stated Policies Scenario (STEPS)</li> </ul>       |  |
| <b>Timeframes</b>       | <ul style="list-style-type: none"> <li>• Short-term: 0-3 years</li> <li>• Mid-term: 3-10 years</li> <li>• Long-term: 10 years and above</li> </ul> |  |
| <b>Transition risks</b> | Policy & Legal   | <ul style="list-style-type: none"> <li>• Regulatory compliance in regions of operation</li> <li>• Emissions reduction targets of countries and regions of operation</li> </ul>   |
|                         | Market   | <ul style="list-style-type: none"> <li>• Customer and investor demand for sustainable business services</li> <li>• Product/Service price variations</li> <li>• Energy efficiency in operations and shift to renewable energy sources</li> <li>• Supplier resilience and practices</li> <li>• Client preferences and standards</li> </ul> |
|                         | Technology   | <ul style="list-style-type: none"> <li>• Proliferation of climate-smart technology and equipment</li> <li>• Energy Efficiency and Performance Optimization</li> </ul>  |
|                         | Reputation   | <ul style="list-style-type: none"> <li>• Stakeholder and investor preferences</li> </ul>   |

## Scenarios used in our analysis

### IEA NZE 2050

The IEA's Net Zero Emissions 2050 scenario outlines a pathway for the global energy industry to achieve net zero carbon emissions by the year 2050. This means limiting global warming to an increase of 1.5°C until 2050 without surpassing this temperature. The scenario is characterized by strict policies for low carbon shift, innovation and technology transfer, and investments that produce lower emissions.

### IEA APS

The Stated Policies Scenario (STEPS) takes a detailed approach to combine current and ongoing energy reduction efforts and strategies. The scenario considers each country's regulatory, market, infrastructure, and financial conditions to assess the likelihood and timing of their implementation.

According to this scenario, global warming is projected to increase by 2.6°C by 2100.

### IEA STEPS

## 6.5 Scenario Analysis – Business Impacts through Physical Risks

As a result of the impact pathways, we collated a compendium of the impacts of climate-related risks on our business and the potential areas of financial impact

| Physical Risks                       | Identified Business Impact  | Areas of financial impact   |
|--------------------------------------|---|---|
| Extreme heat and temperature rise    | <ol style="list-style-type: none"> <li>1. High demand for air conditioning leading to <b>high energy demands</b> in offices.</li> <li>2. High pressure on grid leading to <b>disrupted supply of electricity</b> at city or regional level.</li> <li>3. Wet- bulb temperature - beyond 35 °C leading to <b>loss of productivity</b> due to thermal discomfort, imminent heat strokes or death.</li> </ol> | <ul style="list-style-type: none"> <li>• Increased operating expenses</li> <li>• Increased capital expenses for investment in diesel generators/ battery storage systems</li> <li>• High cost of purchasing water/ electricity during high demand periods</li> <li>• Investment in energy and water-efficient equipment</li> <li>• Loss of revenue due to loss of productivity</li> </ul> |
| Water stress                         | <ol style="list-style-type: none"> <li>1. Shortage of water for office operations</li> <li>2. Regulatory compliance with water use restrictions imposed by local and regional authorities during times of stress</li> <li>3. Supply chain disruption</li> </ol>   |   |
| Extreme weather events (ex: cyclone) | <ol style="list-style-type: none"> <li>1. Blackouts due to damage to grid electricity resulting in dependency on alternate forms of power supply</li> <li>2. Damage to telecommunication services/ data networks, data centers</li> <li>3. Employees facing personal asset damages and commute issues</li> </ol>  |   |

| Our Highly vulnerable locations |              |           |
|---------------------------------|--------------|-----------|
| 1. Mexico                       | 3. Ahmedabad | 6. Mumbai |
| 2. Alpharetta, USA              | 4. Pune      | 7. Noida  |
|                                 | 5. Chennai   |           |

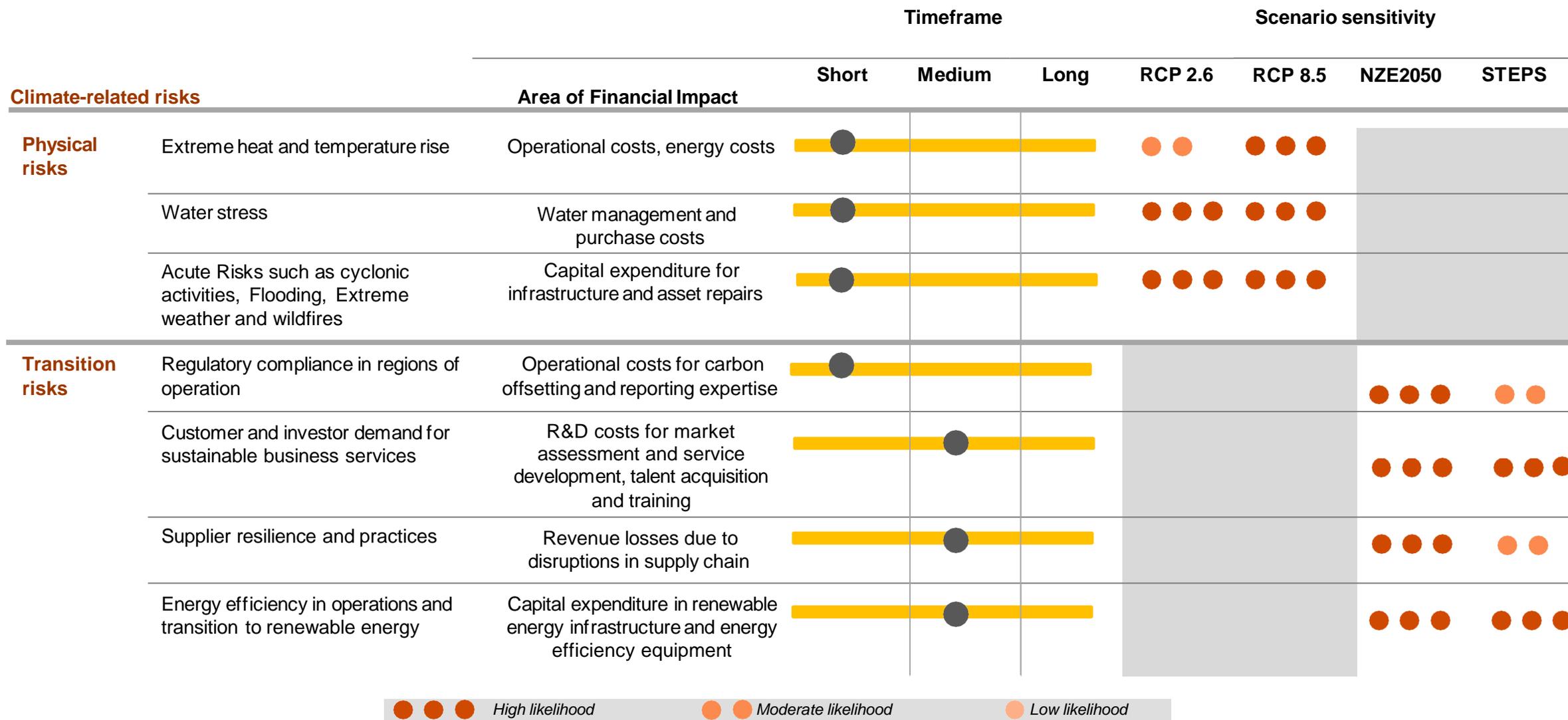
## 6.6 Scenario Analysis – Business Impacts through Transition Risks

As a result of the impact pathways, we collated a compendium of the impacts of climate-related risks on our business and the potential areas of financial impact.

| Transition Risks | Identified Business Impact   | Areas of financial impact   |
|------------------|--|---|
| Policy           | Legal action and litigations for non-compliance  | <ul style="list-style-type: none"> <li>• Increased operating expenses</li> <li>• Increased capital expenses for investment in climate-smart technology</li> <li>• Increased R&amp;D investment</li> </ul> |
| Market           | Competitive advantage/ disadvantage as market for sustainable services grows   |   |
| Technology       | Obsolete and inefficient technology with potential to affect energy efficiency and business productivity               |   |
| Reputation       | Communication of our sustainability targets and progress with our stakeholders to uphold our brand name and reputation |   |

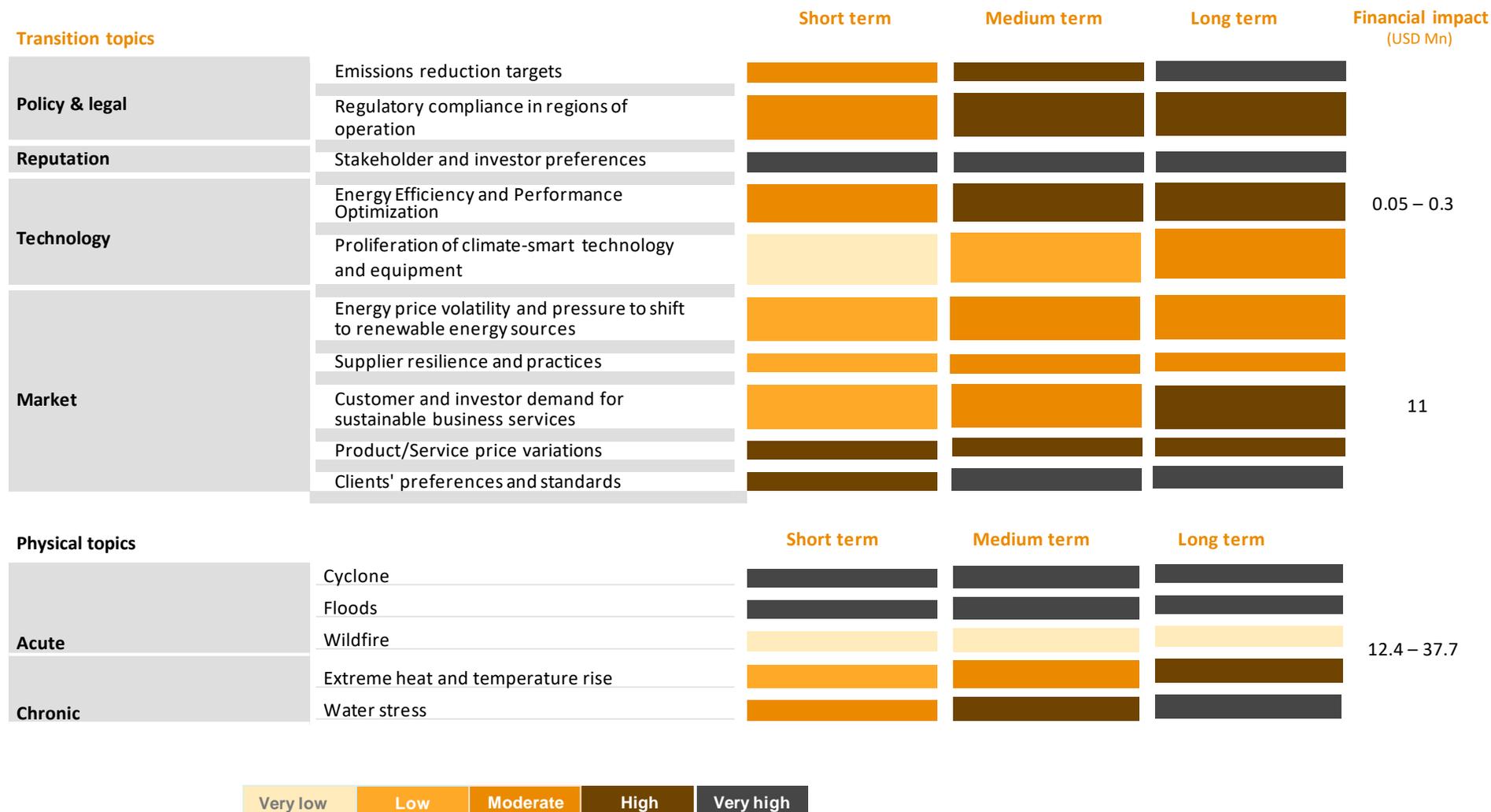
### 6.7 Scenario Analysis – Summary of the Impacts on our Business

The assessment led us to identify seven critical climate – related risks for our business.



### 6.9 Scenario Analysis – Intensity of Risks on our Business

We analysed all our identified risks and mapped their likelihood across our selected timelines.



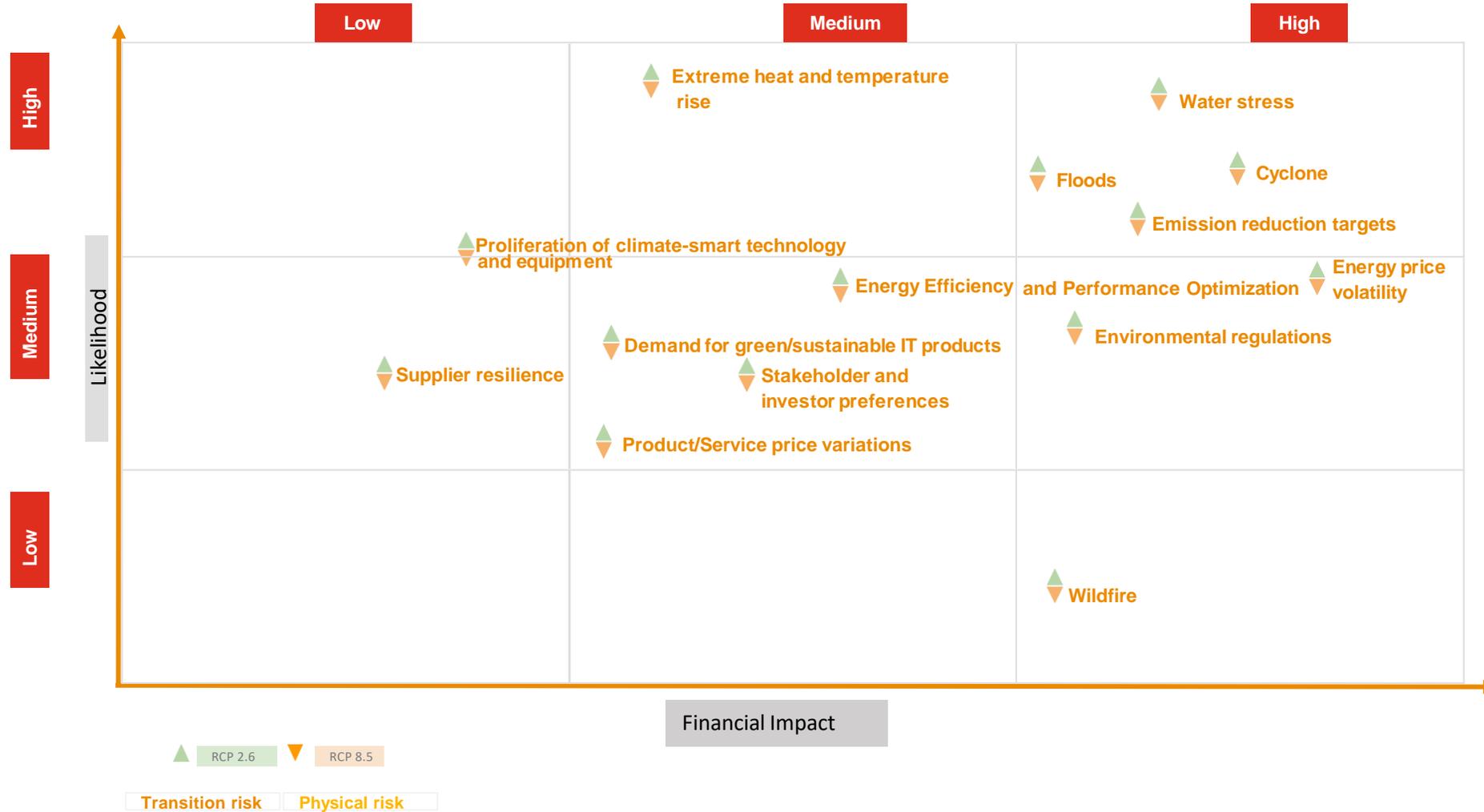
### 6.10 Scenario Analysis – Detailed Analysis of Transition Risks on our Business

| Risk group     | Climate-related risk  | Risk growth in time | Potential impact on business |            |                    | Potential financial impact |         |             |        |               |
|----------------|---|---------------------|------------------------------|------------|--------------------|----------------------------|---------|-------------|--------|---------------|
|                |   |                     | Competition                  | Regulation | Reduced production | Increased operating cost   | Revenue | Expenditure | Assets | Capital costs |
| Policy & legal | Emissions reduction targets   | ↑                   |                              | ●          |                    |                            |         |             |        |               |
|                | Environment and resource management regulations                           | ↑                   |                              | ●          |                    |                            |         |             |        |               |
| Reputation     | Stakeholder and investor preferences                                      | ▬                   |                              |            |                    |                            | ●       |             |        |               |
| Technology     | Energy Efficiency and Performance Optimization                            | ↑                   |                              |            | ●                  |                            |         | ●           |        | ●             |
|                | Proliferation of climate-smart technology and equipment                   | ↑                   | ●                            | ●          |                    |                            |         | ●           |        | ●             |
| Markets        | Energy price volatility and pressure to shift to renewable energy sources | ↑                   | ●                            | ●          |                    |                            |         | ●           |        | ●             |
|                | Supplier resilience   | ▬                   | ●                            |            | ●                  |                            |         |             |        |               |
|                | Demand for green/sustainable IT products                                  | ↑                   | ●                            |            |                    |                            | ●       | ●           |        |               |
|                | Product/Service price variations  | ▬                   | ●                            |            |                    |                            |         |             |        |               |
|                | Clients' preferences and standards  | ▬                   | ●                            |            |                    |                            | ●       | ●           |        |               |

↑ Risk grows over time
↓ Risk declines over time
▬ Risk remains the same
● Areas of impact

### 6.11 Scenario Analysis - Comprehensive Risk Matrix

We arrived upon a comprehensive ranking of our identified risks through a comparison of the likelihood against the financial impact deduced through our analysis



## 7 Risk Management

### 7.1 Climate-related risk identification and assessment

Hexaware follows a structured risk identification process outlined in our Risk Management Policy. This involves annual identification, assessment, and prioritization of risks under the Enterprise Risk Management framework. It follows COSO ERM 2017 and ISO 31000:2018 in its enterprise risk management, which integrates seamlessly with the operations.

Early Warning Indicators help gauge our risk appetite for each risk. Our strategy includes regular assessments, monitoring, and mitigation. Key risks are identified and assigned to risk owners for mitigation. This approach ensures business continuity through periodic monitoring and action initiation. Additionally, a three-tier risk governance structure clarifies roles and responsibilities for ongoing risk management within the organization

Hexaware's risk identification process is designed to encompass all types of risks, including financial and non- financial, such as ESG risks. Notably, climate-related risks, which are categorized as ESG risks, have been seamlessly integrated into the company's existing risk management framework, policies, and internal control processes. This means that climate-related risks are managed alongside other types of risks within the same comprehensive risk management process.



Figure: Overall Risk Management Process at Hexaware

## 7.2 Our process for managing climate-related risks

### Integrating Climate-Related Risks into Business Strategy

Over the past year, we have made significant strides in integrating climate risk considerations into our business strategy. The development and conclusion of our Climate Risk Management Framework (CRMF) signify a comprehensive approach to climate risk management. This framework is designed to be globally consistent, progressively embedding climate risk considerations into our day-to-day risk management processes, policies, and standards.

Our internal risk identification process, which evaluates top risks quarterly, recently designated climate risk as a top priority. We view climate risk as a crosscutting risk under our Enterprise Risk Management Framework, acknowledging its potential impact across all risk categories within our risk taxonomy.

### Who manages?

Our Chief Risk Officer (CRO) manages the ERM function and collaborates closely with the various risk owners. Risk-based audits are conducted regularly to increase the organization's independence and objectivity. The risk-based audits offer an unbiased evaluation of the efficiency of our risk management controls and procedures. This enables us to identify any gaps or weaknesses and take corrective actions to improve our risk management framework.

Hexaware has established an Ops Management Council to discuss current risk management issues. The committee ensures that risk management activities are carried out in accordance with the Policy. Throughout the organization, involvement and risk management awareness are promoted through training, workshops, e-mailers, seminars, conferences, quizzes, etc. Our processes for managing climate-related risks include how we make decisions to mitigate, transfer, accept, or control those risks.



### 7.3 Standard Operating Procedures (SOPs) for Climate-Related Risk Management in our ERM process

Recognizing the critical impact of climate change on business sustainability, Hexaware acknowledges the imperative to address climate-related risks in our ERM process. We have already implemented a robust risk identification process outlined in our Risk Management Policy, adhering to COSO ERM 2017 and ISO 31000:2018 standards. This structured – approach involves risk identification, assessment, and prioritization under the Enterprise Risk Management (ERM) framework and the following measures are implemented:

- Identification and Assessment:** Climate-related risks are systematically identified, analyzed, and recorded in the risk register. Following this assessment, we aim to integrate climate risk metrics into our risk reporting framework, aligning them with financial implications. By incorporating these metrics into our risk registers and scenario analysis helps in establishing clear risk thresholds and a more targeted allocation of resources.

- Mitigation, Monitoring, and Review:** Once identified, climate-related risks undergo rigorous assessment, mitigation, and continuous monitoring process. Mitigation strategies are developed and implemented to address these risks effectively. Key risks, including climate-related ones, are identified and assigned to designated risk owners. These risk owners develop mitigation strategies and action plans, ensuring business continuity through ongoing monitoring and timely initiation of corrective actions.

- Setting Acceptable Risk Appetite:** Hexaware establishes a risk appetite that considers climate risks in balance with opportunities, aligning with company's strategic objectives. This ensures a proactive stance towards managing climate risks while optimizing potential opportunities arising from sustainable practices.

- Three-Tier Risk Governance:** Hexaware maintains a clear three-tier risk governance structure, outlining roles and responsibilities for ongoing risk management within the organization. This ensures effective oversight and management of climate-related risks, aligning with our broader ERM framework.

- Audit Committee Oversight:** The audit committee evaluates the effectiveness of the established risk management systems, specifically reviewing the designed mitigation plans for material climate-related risks. This independent review guarantees a thorough assessment of our strategies for managing these risks.



## 7.4 Our processes for managing climate-related risks

### *Conducting Climate risk assessment*

- We conducted a successful climate risk assessment at our global sites, covering locations in India, North America, Mexico, Europe, Asia, South America, and Africa.
- Our assessment included climate scenarios, considering both Physical Risk (RCP 2.6 and RCP 8.5) and Transition Risk (IEA's NZE2050 and STEPS scenarios).

These scenarios forecast impacts such as temperature rise, increased hot days, precipitation changes, loss of biodiversity, and global mean sea level rise.

### *Hexaware's risk mitigation measures in brief*

- Hexaware takes a comprehensive approach to climate risk management, integrating mitigation measures across its global operations.
- With initiatives like energy-efficient systems, renewable energy sourcing (60% from solar and wind), and ongoing adherence to ISO 22301, the company addresses acute risks like cyclones through robust business continuity plans, including quarterly drills and cloud backups.
- Notably, Hexaware maintains compliance with global regulations, allocated an annual budget for ongoing initiatives, and explores waste reduction with a potential investment of INR 4.6 million per year from 2024 onwards.
- Furthermore, we ensure supply chain resilience by requiring sustainability commitments from suppliers. This multi-faceted strategy aligns with Hexaware's commitment to minimizing climate-related impacts and achieving a sustainable future.



## 7.5 Our Actions

### Adaption and Mitigation Actions at Hexaware

In response to the identified risks, we have implemented both adaptation and mitigation measures. Our approach to addressing the various risks has resulted in a range of measures that are at different stages of development, ranging from initial measures to advanced ones. We are committed to sharing our actions with our stakeholders and continuously improving them in the years to come.

#### Our Actions - Adaption

**Risks addressed:** Acute Risks such as cyclonic activities and flooding

**Collaboration with local authorities during extreme weather events to ensure real-time monitoring of situation and employee wellbeing**

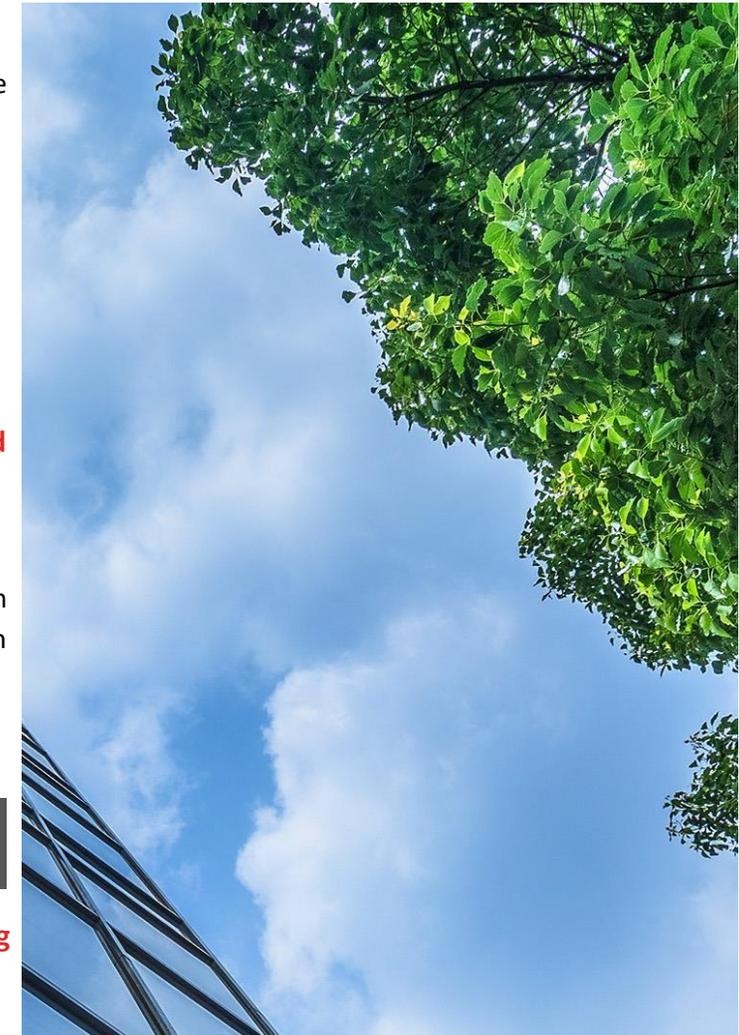
We worked closely with SIPCOT and local Panchayat offices during the Chennai floods of 2015, 2016 and 2023. With 10,584 of our employees based out of Chennai, it is a critical location for us. Also, being a cyclone-prone area, we have established strong ties with the urban local authorities, SIPCOT (State Industries Promotion Corporation of Tamil Nadu Ltd) and the local Panchayats in the region to ensure that our employees face little disruption to their lives during such extreme weather events.

Additionally, we have obtained the ISO 22301 certification for our business continuity practices.

**Risks addressed:** Acute Risks such as cyclonic activities and flooding, Chronic risks such as extreme heat and temperature rise

**Easing the pressure of climate-related risks on our operations: Remote work, expansion to low-risk cities and ensuring best practices in data backup and recovery**

At Hexaware, we take business continuity very seriously. That's why we have developed an enterprise-level strategy that is periodically tested to ensure its effectiveness. We undertake a range of ongoing efforts to ensure our systems are always ready, including quarterly disaster recovery drills and tabletop exercises. We ensure our infrastructure is always ready for both primary and



fallback sites, and we have cloud backups for all our critical servers. Our InfoSec team conducts assurance reviews to ensure our systems are secure. We allocate an annual budget for all these initiatives, and we have plans to continue them in the future.

We are investing heavily in remote work and collaboration tools to give our employees the flexibility of working from home (WFH) and office (WFO) securely and seamlessly. To achieve this, we've implemented the Global Protect VPN solution, specifically Palo Alto Prisma. We've also included CrowdStrike EDR on all endpoints and servers, periodic updates of O/S patches via SCCM, and implemented MFA and BitLocker for disk encryption.

We have regular data backup and recovery mechanisms in place, including disk-level backups, Azure storage for critical centers, endpoint data exclusion, with an ongoing investment of \$175K and total annual budget of \$351.12 thousand. We have obtained ISO 22301 certification and yearly re-certification is conducted annually.

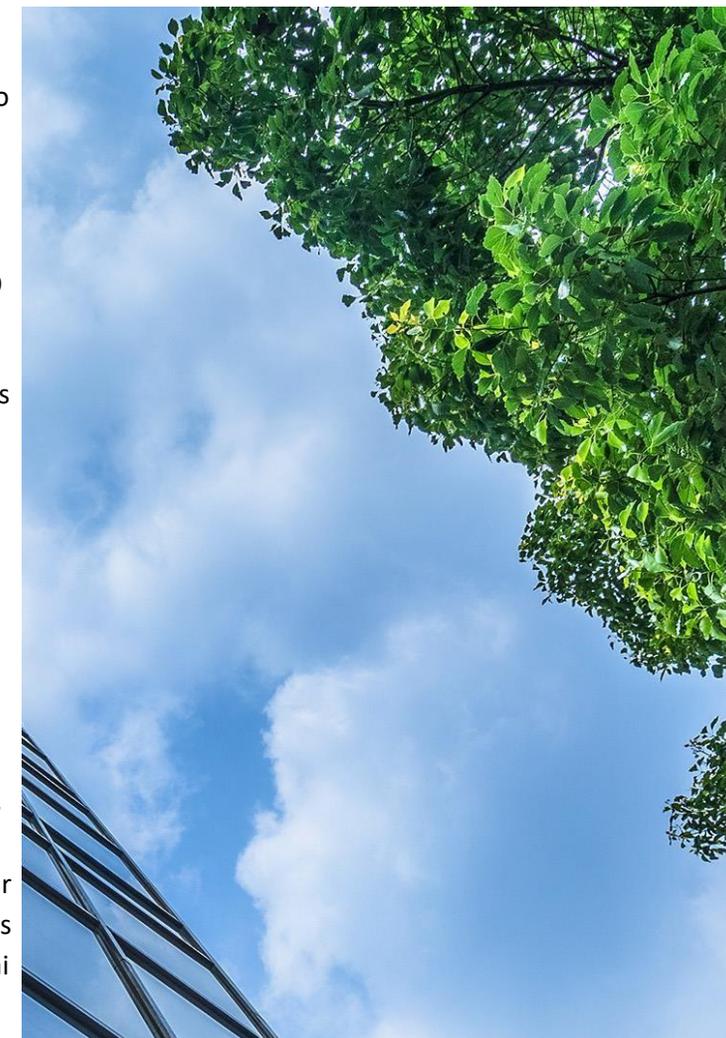
Additionally, we have begun expanding our operations (offices and data centres) to low-risk Tier 2 cities based on a detailed analysis of nearly 100 Tier-2 cities in India across risk and commercial parameters.

## Our Actions – Mitigation

**Risks addressed:** Chronic risks such as extreme heat and temperature rise

### Energy efficiency in our operations

We are committed to using energy-efficient systems such as star-rated cooling and have ongoing initiatives like HVAC replacement and LED fixture installation. Energy efficient VRF Ac units are installed at Bldg.157 first & Second floor, Nagpur First floor C&D wings by replacing old & outdated Ac units. Conventional light fixtures are replaced with LED light fixtures at Nagpur first floor C&D wing. Building 3 of our Mahape location has already completed a 10% HVAC unit replacement. Plans and budget approvals are in place for the remaining 80% in Nagpur and Building 3 by 2024-25. Installed new **278KW** capacity Solar plant in Car parking area at Pune campus in the year 2023. This is in addition to existing **1124 KW** capacity Roof Top solar system in Chennai Sirusericampus, **114KW** at Mumbai MBP (Bldg.152 & 157) and **325KW** at Pune Campus. Hence Total Solar Plant capacity in Hexaware offices stands at **1841KW (1.84 MW)**.



Additionally, we plan to invest INR 4 million in 2024-25 to replace CFL light fixtures with LED and install motion sensors for cabins and meeting rooms at the Nagpur campus. INR 100 million is being budgeted in year 2024-2026 to phase out R22 refrigerant gas operated AC units at PAN INDIA locations.

**Risks addressed:** Chronic risks such as extreme heat and temperature rise

### Our progress on our renewable energy journey

At Hexaware, we have been making commendable efforts towards reducing our carbon footprint by increasing the usage of low-carbon and renewable energy sources. 56 % electricity usage in Hexaware owned facilities (Chennai, Pune & Nagpur campus, Bldg.1, 3, 152 & 157 at Mumbai) is fed from Green energy. 39% electricity usage from Renewable energy at PAN INDIA locations (IT, BPS & Mobiquity) in 2023. We have also implemented battery backups for UPS and DG sets operations, and set up onsite solar power plants that are functioning efficiently.

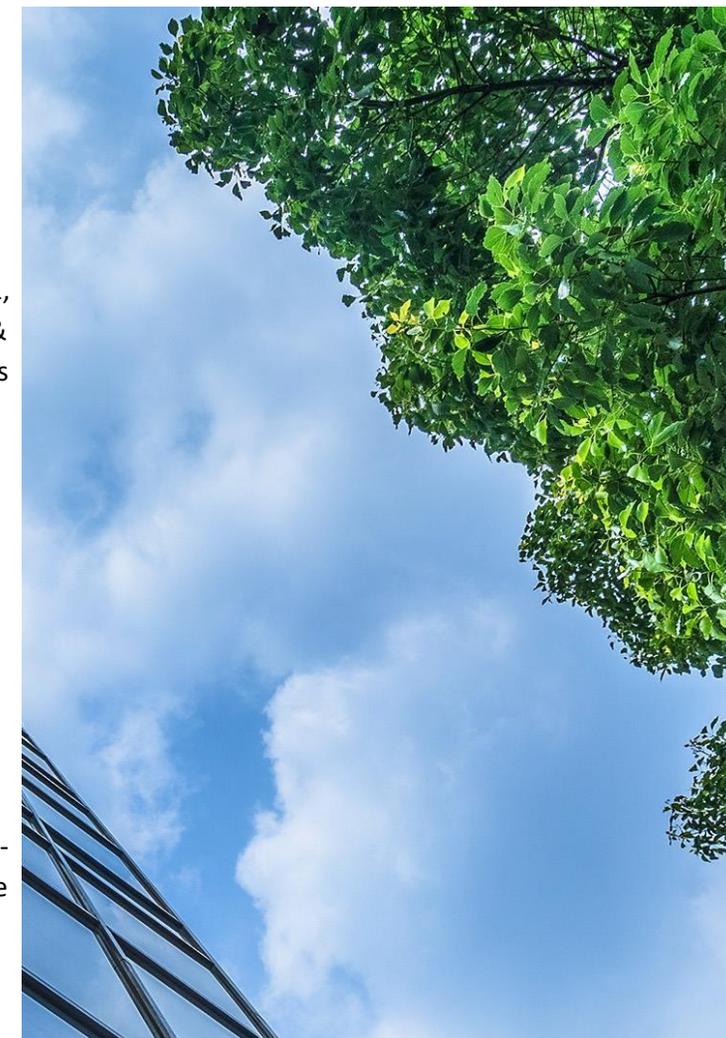
We aim to achieve 70% renewable energy in our owned campuses by 2030 and are taking various initiatives towards the same. Furthermore, we are also considering the installation of a solar plant at Nagpur campus, MBP Bldg. 3, Chennai campus Phase 1 & 2, which would cost INR 200 million in 2024-2025, subject to approval.

**Risks addressed:** Chronic risks such as water stress

### Addressing water stress in our campuses and our locations of operation

We have implemented various water-efficient measures in Chennai and Pune, including rainwater harvesting, STP treated water reuse, and Zero Liquid Discharge. We are also planning to implement planned rainwater harvesting in Nagpur during Phase 2 (2024-2027). Moreover, we are installing water-efficient fixtures such as faucets and waterless urinals in Chennai, Pune, and BPS offices. We are committed to reducing water consumption and will take immediate initiatives upon budget approval. We have allocated INR 10.46 million (pending approval) and INR 1.73 million (pending approval) for this.

We are continuously monitoring and reducing freshwater consumption to annually decrease usage. To achieve this goal, we are minimizing water pressure, and installing sprinklers and aerators in Chennai and Pune campuses.



We have directed our CSR activities through water conservation initiatives. Our initiatives restored 8 water bodies in Chennai, benefiting 3000 people. A total of Rs. 2.17 crores was invested in CSR from 2019 to 2023.

**Risks addressed:** Transition risks such as supplier resilience, reputation and stakeholder preferences

**Aligning our supply chain with our sustainability goals**

At Hexaware, we continuously work towards increasing transparency in our supply chain. We have set specific criteria for our suppliers to ensure that procurement aligns with regulations. We have also introduced a Sustainability clause in the Supplier's Code of Conduct to ensure that our suppliers adhere to our expectations on sustainability and regulatory compliance. This clause emphasizes the importance of aligning with legal and regulatory requirements, respecting human rights, and more.

**Risks addressed:** Regulatory compliance

**Ensuring we meet regulatory compliance across our regions of operation**

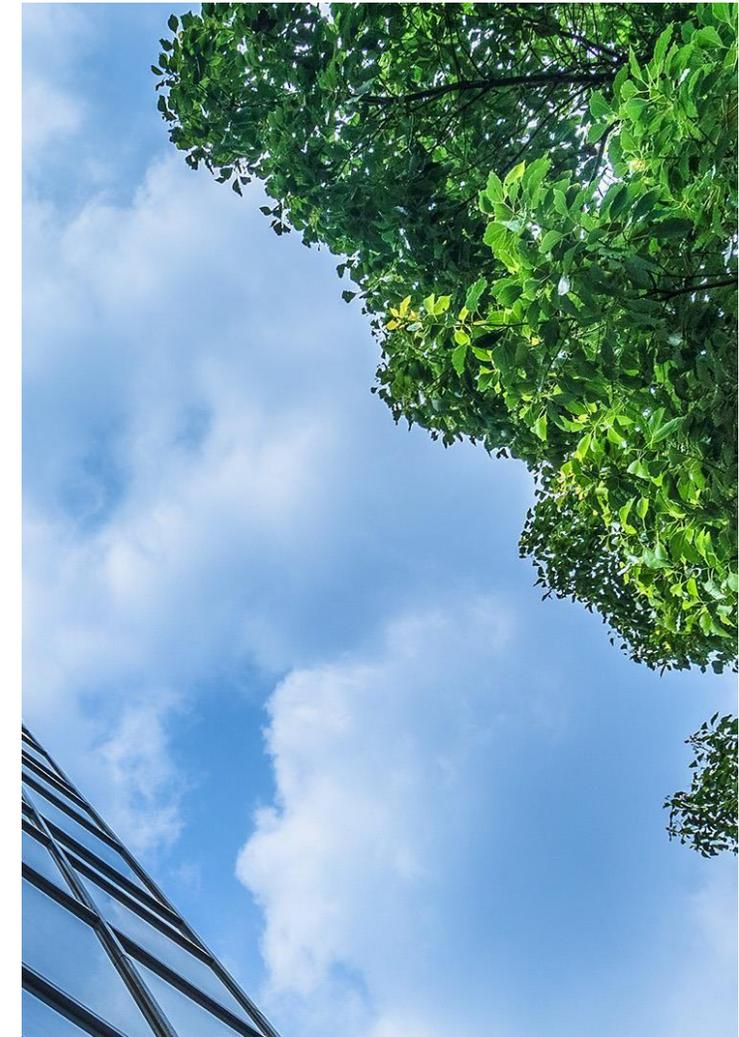
At Hexaware, we prioritize regulatory compliance by adhering to industry and region-specific regulations. To track all global regulatory compliances, we use a compliance tool. We are also committed to adopting circular economy and waste reduction initiatives, with a particular focus on managing electronic waste.

As part of our strategy, we declare any endpoint assets that are over five years old and network/server devices that are over ten years old as End of Life (EOL) for disposal or donated as part of our Corporate Social Responsibility (CSR) programs.

**Risks addressed:** Regulatory compliance, Reputation

**Advocating behavioral change among our employees**

In accordance with our commitment to reducing emissions, we have implemented a strategy that involves engaging our employees and encouraging them to make personal pledges towards emissions reductions through everyday actions. Our focus has been on reducing our business travel emissions, an area where we see significant potential for improvement. Furthermore, we have initiated



annual talks and seminars on our role in climate action across our global operations, where we aim to promote awareness and encourage action towards achieving our sustainability objectives.

## 7.5 Our Risk Management Efforts in uncertain times...

Our employees faced multiple challenges due to natural disasters and unforeseen events, requiring a robust risk management strategy. We consistently communicated updates, safety measures, and support options during crises. The focus was also on counseling support, accommodation assistance, and proactive measures for employee welfare. We had firsthand preparedness through alternative working locations and DG sets.

### Highlights:

**Chennai Floods - Nov'15:** In the first week of December 2015, Chennai saw unprecedented flooding because of heavy rainfall. The heaviest one-day rainfall in the region – as much as 494 mm (19.45 inches) left more than 3M people without basic services. Our risk strategy included swift communication from our CPO assured employees of safety measures, transportation updates, and even accommodation support. Proactive steps were taken, such as providing counseling support for emotional well-being.

**Cyclone Vardah at Chennai - Dec'16:** We closely monitored the situation and prioritized employee safety. Clear communication about the potential threat and the option for employees to work from home ensured the well-being of the workforce. The company adjusted schedules to make up for lost hours.

**Heavy Rainfall Alert in Western India - Nov'21:** Anticipating disruptions, We proactively issued alerts about heavy rainfall and possible service interruptions. Arrangements were made for affected employees to operate from a safer location, showing preparedness and concern for their well-being.

**Power Disruption at Chennai due to Strike - Jan'23:** Equipping offices with DG sets showcased contingency planning, ensuring operations could continue despite external challenges.

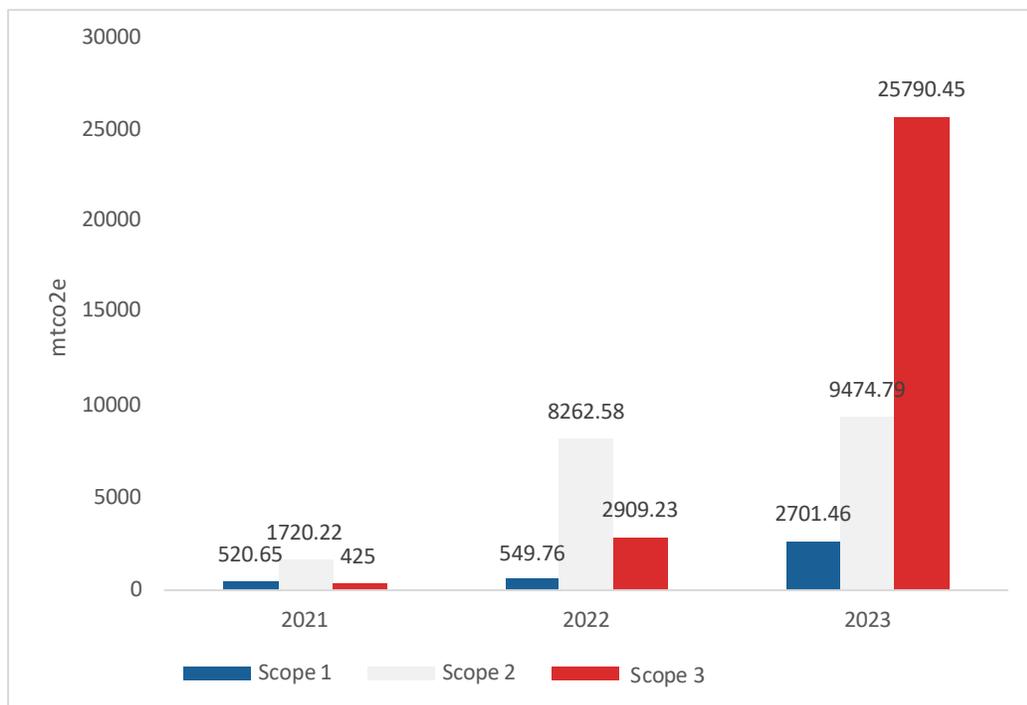
**Cyclone Biparjoy in South India- June'23:** We stayed ahead of the situation by issuing a forecast about an approaching cyclone. Clear instructions were provided to employees to keep devices charged, emphasizing readiness for possible power and connectivity disruptions.

## 8 Metrics & Targets

### 1. Our Key Targets

| Indicator              | Our targets  |
|------------------------|--|
| Emissions reduction    | <ul style="list-style-type: none"> <li>• Achieve Net-Zero GHG Emissions (Scope 1 and Scope 2) by 2040</li> <li>• Procurement of 70% of electricity from renewable sources at owned premises by CY 30</li> <li>• Reduce scope 1, 2 absolute emissions by 42% by 2030 from the base year of 2023</li> <li>• Reduce scope 3 emissions per employee by 51.6% by 2030 from the base year of 2023</li> </ul> |
| Renewable energy       | Transition to 70% electricity usage from renewable sources on our owned facilities by calendar year 2030   |
| Zero waste to landfill | We aim to ensure zero waste to landfill by 2025 at owned facilities  |
| Supplier Screening     | 100% critical suppliers to be screened on ESG criteria by 2025 globally  |
| Zero Liquid Discharge  | 3 of our campuses in India to be ZLD by 2027   |

## 8.2 Our Progress on GHG emissions



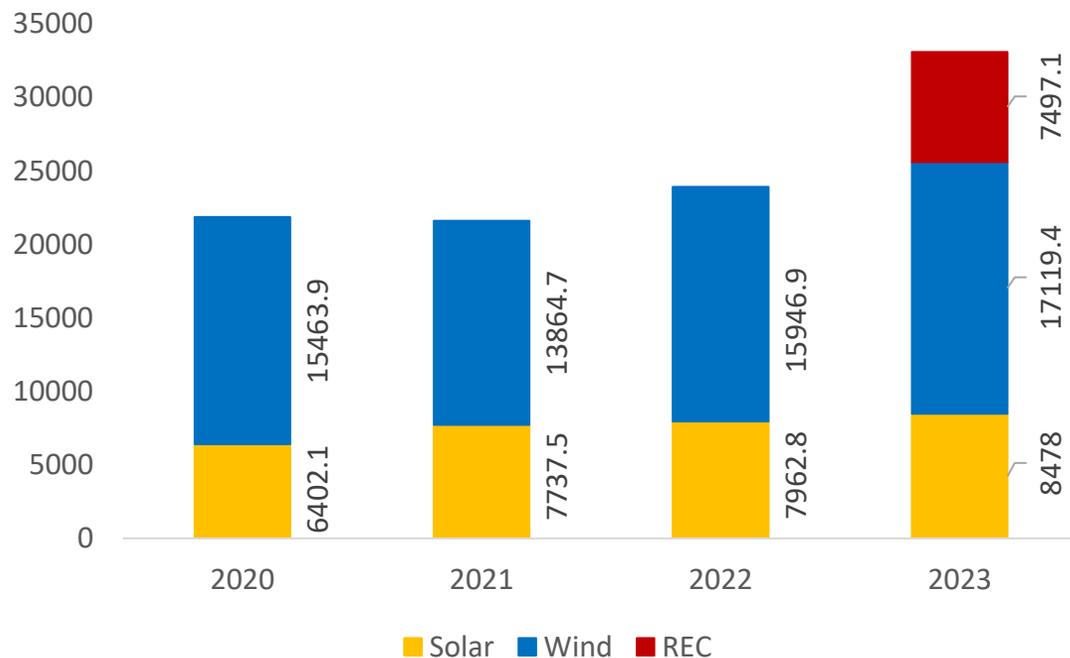
| Emissions (in mtCO2e) | 2021           | 2022            | Actuals for 2023 |
|-----------------------|----------------|-----------------|------------------|
| Scope 1               | 520.65         | 549.76          | 2701.46          |
| Scope 2               | 1720.22        | 8262.58         | 9474.79          |
| Scope 3               | 425            | 2909.23         | 25,790.45        |
| <b>Total</b>          | <b>2665.87</b> | <b>11721.57</b> | <b>37966.7</b>   |

*Please note:*

1. Previously, our Scope 3 emissions calculations in 2022 had only accounted for Business Travel. However, this year, we have expanded our coverage by including seven parameters - Purchased Goods and Services, Capital Goods, Fuel & Energy, Waste, Employee Commute, and Upstream Leased Assets. This increased coverage has resulted in a substantial increase in our Scope 3 emissions.
2. Due to the Covid-19 pandemic, we were following work from home mandates. The partial resumption of in-person office work in FY 2023 has contributed to an increase in our emissions. Currently, we are pursuing a hybrid mode and have not yet fully transitioned back to the office.
3. By expanding our coverage and including additional parameters in our Scope 3 emissions calculations, we are demonstrating our commitment to environmental sustainability. Despite the challenges of the pandemic, we continue to seek ways to reduce our carbon footprint through the adoption of hybrid work arrangements and other measures.

### Our progress on Renewable Energy

Renewable Energy Consumption in GJ



- The total solar capacity in Hexaware offices at the end of 2023 stands at **1.84 MW**
- **59%** of the total energy consumed at the India campuses is fed from **green power (wind and solar)**
- **68%** of the total energy consumed at the **Chennai campus** comes from green power (wind & solar)
- Approximately 4.76 million units of wind energy were availed in 2023 as a group captive power consumer through a third-party private power agency

Our Progress on Water

| KPI   | Actuals for 2022                                       | Target                                       | Progress  |
|---|--|--|---|
| <b>Water consumption (per employee per day)</b> | 74 L   | Target - 10% decrease by 2030 (76.5 L)       | 85 L in 2023  |
| <b>Zero Liquid Discharge</b>                    | 2 Indian campuses (Chennai and Pune) have achieved ZLD | 3 of our campuses in India to be ZLD by 2027 | Nagpur will be ZLD by 2027. Due actions are in progress |

Key stats

- Recycled 3.52 tons of paper waste from our Chennai campus through ITC's WOW (Wellbeing Out of Waste) initiative in 2023
- The Chennai and Pune campuses are zero-water discharge campuses, with rainwater harvesting system installed along the periphery



# Thank You

