

Climate Strategy

1. Introduction

At Airtel, our Board and leadership team proactively addresses potential disruptions to ensure smooth business operations. Our robust risk management framework encompasses strategic, legal, financial, operational, and climatic risks. We employ a rigorous process to identify critical risks across the organisation and develop relevant action plans for mitigation, fostering a reliable and secure business environment. As we explore new markets, embrace emerging technologies, forge strategic partnerships, and introduce innovative products, we recognise the accompanying risks and uncertainties. To improve transparency for organizations' climate-related risks & and opportunities, we have adopted the Task Force on Climate-related Financial Disclosure (TCFD)'s recommendations. For more details on TCFD, please click [here](#). This covers the four pillars: **Governance, Risk management, Strategy, and Metrics and targets**.

2. Core Elements of Recommended Climate-Related Financial Disclosures

2.1. Climate Governance

In order to create long-term value for all stakeholders, the Company has constituted an Environmental, Social and Governance ('ESG') Committee to provide strategic guidance and oversight to the company's progress on ESG targets, initiatives & best practices and respond to challenges posed by climate change through sustainable business practices. The Risk Management Committee identifies, monitors, and evaluates risks, including climate-related risks. Details can be found on [link](#).

In addition, Airtel has an ESG Council (comprising of CEO (chairperson), C-suite leaders and functional heads) that reports to the ESG Committee and is responsible for driving climate related initiatives within different organizational verticals, in alignment with climate strategy of the company.

Our ESG governance structure and further details can be found on page number 51 of the [Annual Integrated report 2022-23](#)

Airtel management provides incentives to its employees for management of climate related issues. This is achieved by integrating climate related targets and performance indicators to the compensation structure of respective personnel by defining **key responsibility areas (KRAs)** associated with climate change.

Entitled to incentive	Type of incentive	Activity incentivized	Comment/Remarks
Chief Executive Officer (CEO)	Monetary reward	<ul style="list-style-type: none">Create and expand Digital footprint, setting up best-in class talent management practices to attract, engage and motivate high performing talent across the organization, succession planning of key roles,	35% of total variable pay is linked to non-financial parameters including ESG. Progress on these KPIs is evaluated annually.

		Sustainability, ESG and War on Waste and such other criteria as may be decided by the Board or HRC from time to time.	
Energy Manager	Monetary reward	<ul style="list-style-type: none"> • Reduction in absolute emissions • Energy efficiency improvement • Reduction in total energy consumption 	KRA Extract: Emission reduction via energy conservation measures is KRA (Key Responsibility Area) of Energy Manager, including incorporation of new technologies, retrofits and other initiatives for the improving of PUE (Power Usage Effectiveness) for data center locations. Weightage: 20% of the total weightage in the KRA.
Facilities Manager	Monetary reward	<ul style="list-style-type: none"> • Energy efficiency improvement 	KRA extract: Emission reduction via energy conservation measures is RA of Head - Infra Operations, including incorporation of new technologies, retrofits and other initiatives for the improving of PUE (Power Usage Effectiveness) for data center locations. Weightage: 10% of the total weightage in the KRA.

Table 1: Climate related incentives

2.2. Climate Change Risk Management

Our robust risk management framework encompasses strategic, legal, financial, operational, and climatic risks. Airtel has identified '**climate change, energy efficiency, and emission reduction**' as a material topic that integrates into its business strategy and ESG Vision. The assessment utilizes both qualitative and quantitative approaches to identify risks and opportunities that may have substantial financial or strategic impacts on the company's operations in the short (0-3 yrs.), medium (3-10 yrs.), or long term (10-30 yrs). More about our risk and mitigation framework is available in our [Annual Integrated report 2022-23 \(page number 52\)](#)

2.2.1. Scenario Analysis

Scenario analysis evaluates a range of hypothetical outcomes by considering a variety of alternative plausible future states (scenarios) under a given set of assumptions and constraints. For physical (chronic) risks, we have considered the latest set of scenarios mentioned in IPCC AR6 (6th Assessment report) released in 2021. We have assessed our Network towers at circle level; MSCs, DCs, facilities and warehouses location-wise across different timeframes for each of the IPCC Shared Socioeconomic Pathways (SSPs) scenario (SSP1-1.9, SSP1-2.6, SSP2-4.5, SSP4-7.0 and SSP5-8.5) to assess the resilience of our business in the face of climate change. This analysis enables us to evaluate the impact and likelihood of material climate-related risks and opportunities at a Group level. It also enables us to enhance our resilience and develop effective mitigation strategies to combat climate change and its related impact.

2.3. Climate Strategy

2.3.1. Climate related risks identified and their mitigation

In line with the TCFD recommendations, Airtel has carried out a comprehensive risk assessment review to identify climate-related physical and transition risks across different time horizons.

TCFD Category	Risk Type	Risk description	Risk mitigation
Physical Risks	Acute risk	Floods, storms, cyclones, and extreme weather events	<ul style="list-style-type: none"> In order to build long-term resilience of our infrastructure from extreme weather events, we have devised a five-year climate proofing plan that includes measures such as passive infrastructure lifting, shifting and height increase, equipment shifting, own site tower strengthening and fibre quality enhancement in risk prone areas. We have well-defined guidelines for management and recovery from natural disasters, shared with all stakeholders across operations, to ensure all actions are in place. We follow a conservative insurance cover policy that provides a value cover, equal to the replacement value of assets against natural disasters.
	Chronic Risk	Variation in temperature, precipitation, and water stress over a period.	
Transition Risks	Emerging Regulation	<u>Carbon Pricing / Emission Trading System</u> have been adopted in several geographies around the world as an enabler to decarbonization. Such regulations may financially impact our business in the long run. As Airtel's business expands and our physical footprint grows across the country, there is a likelihood that our emissions might also grow in business-as-usual scenario. With the possibility of carbon tax being introduced in the country in the years to come, this might have an impact on us.	<ul style="list-style-type: none"> Recognizing the potential future impact of this risk, Airtel has already adopted the SBTi approach for reducing their emissions in line with the 1.5-degree scenario. Our near terms targets (FY31) have been validated and approved by SBTi and we are committed to achieving net zero no later than 2050 In line with this commitment, we at Airtel are undertaking different demand and supply side initiatives every year to protect ourselves against the future impact of such risks. <p>More details on initiatives can be found in Natural Capital page number 104 of our Annual Integrated report 2022-23.</p>
	Technology	<u>Substitution of existing products and services with lower emissions options</u>	

	<p>IoT and 5G connectivity have the potential to both positively and negatively impact our business in terms of climate. While 5G technology may lead to increased energy and cooling needs for our base stations, it also offers energy-saving possibilities through smart connected solutions like power-saving features (PSF) and Micro DTH. Also, the transition to lower emission technologies, necessitated by regulatory or market environment, might lead to early retirement of existing assets.</p>	<ul style="list-style-type: none"> Further, we are tracking our assets and repair or repurpose them before retiring them through robust project management approach.
Markets	<p><u>Increased cost of raw materials</u></p> <p>Telecommunication operations rely on electrical energy, typically obtained from the Grid and DG, both of which contribute significantly to carbon emissions and increased operational cost. Energy produced from DG and grid electricity contributes to 91% of our energy portfolio. It has been observed in the last few years, that the prices of grid electricity and diesel have increased. As Airtel is expanding its business across country by deployment of infrastructure, also parallely there is a cost escalation of essential raw materials for running our equipment's, it may result in increase of our operational cost. These increased operational costs may impact our EBITDA margin in future.</p>	<ul style="list-style-type: none"> We have foreseen this risk and are taking various demand and supply side initiatives, this includes implementation of energy conservation measures, increase the contribution of greener energy in our portfolio. We are increasing the use of green energy in our operations by procuring renewable energy through open access, solarizing own operations. This has resulted in 71% increase of our renewable energy portfolio in FY'23 from FY'22. <p>More details on initiatives can be found in Natural Capital page number 104 of our Annual Integrated report 2022-23.</p>
Reputation	<p><u>Increased stakeholder concern or negative stakeholder feedback</u></p> <p>With ESG / environmental KPI performance coming into focus and Airtel being one of the largest telecommunication providers in India, Airtel needs to take initiative to perform well and responsibly. In FY'23 Airtel has expanded its infrastructure and this expansion is expected to continue in coming years as well. In view of this expansion there is a likelihood that our emissions might also grow in business-as-usual scenario and this will</p>	<ul style="list-style-type: none"> Airtel is undertaking different demand and supply side initiatives every year to reduce grid electricity consumption and diesel consumption, to protect ourselves against the future impact of such risks. <p>Details on initiatives can be found in Natural Capital page number 104 of our Annual Integrated report 2022-23.</p>

		have an impact on our environment related performance which can potentially lead to negative media coverage and impact reputation, as well as ESG ratings.	
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Table 2: Climate related risks identified and their mitigation

2.3.2. Climate related opportunities

Details about our initiatives can be found in Natural Capital page number 104 of our [Annual Integrated report 2022-23](#).

Type	Opportunity Description
Resource Efficiency	<p><u>Move to more efficient buildings</u></p> <p>In India, electricity and diesel expenses have been steadily rising. Airtel has identified this as a chance to save on indirect energy costs, given the uncertainty surrounding future energy prices, which pose a potential risk to the company. Acknowledging the cost of power and the potential for decreasing power demand through energy efficiency initiatives and reduce energy consumption in its facilities such as Electronically Commutated (EC) fan Installation in exhaust & fresh air, CFL to LED lighting replacement, UPS optimization.</p>
Energy Sources	<p><u>Use of lower-emission sources of energy</u></p> <p>Telecommunication operations rely on electrical energy, typically obtained from the EB Grid and DG, both of which contribute significantly to carbon emissions and increased operational cost. To address this issue, we are exploring renewable energy sources such as solar generation and procurement from open access, aiming to mitigate carbon emissions. Airtel has recognized this opportunity of adopting renewable energy and low-emission technology to lower its emissions.</p>
Resilience	<p><u>Participation in renewable energy programs and adoption of energy efficiency measures</u></p> <p>In India, there has been a consistent increase in electricity and diesel expenses over time. Airtel views this as an opportunity to address the potential risks associated with uncertain energy prices, which indirectly impact the company. Airtel to minimize energy consumption at its network sites, data centers (DC) and Main switching centers (MSCs), has implemented multiple energy efficiency strategies such as: UPS optimization, optimum lightning, cooling, cold/ hot aisle containment, motion sensors, LED lights and hybrid battery bank solutions etc.</p>

Table 3: Climate related opportunities

2.3.3. Impact of Climate-related Risks and Opportunities on Airtel's Business, Strategy and Financial Planning

As the globe transitions to a low-carbon economy, Airtel is leading the efforts by setting up of low-carbon targets and taking action through a combination of mitigation and adaptation initiatives.

Climate-related risks and opportunities have influenced Airtel's strategy in following areas:

- **Products and services:**
ICT and digitization play a crucial role in the transition to a low carbon economy, and this importance will only grow as energy costs rise and climate regulations become stricter. Taking advantage of this opportunity, we have started promoting the sale of existing products and developing new ones in business lines that enable our customers to adopt low-carbon connectivity solutions. Details about our ICT services can be found on page number 27, 111 of our [Annual Integrated report 2022-23](#).
- **Supply chain and/or value chain initiatives:**
Airtel has established guidelines regarding energy efficiency and emission reduction for all suppliers as part of our Code of Conduct for Business Associates. Please find details [here](#).
- **Investment in R&D:**
Airtel is actively investing in innovative IoT, Artificial Intelligence, Cloud, and Big Data products to promote eco-friendly connectivity solutions, enabling customers to reduce GHG emissions. In FY23, 92.75% of Bharti Airtel Limited's R&D investment was dedicated to improving the environmental and social impacts of its products and processes. Please find details [here](#).
- **Operations:**
Our telecom services carbon footprint has a likelihood to grow as the network traffic increases and we expand our 5G coverage. Basis on our identification of transition and physical risk, we are investing to mitigate them by demand side initiatives, increased use of RE, improving climate resilience.

Further details about our product and services, Supply chain initiatives and Investment in R&D can be found in our [Annual Integrated report 2022-23](#).

2.4. Climate Change Target & Metrics

Details of our climate related targets and metric can be found under Natural Capital page number 104 of our [Annual Integrated report 2022-23](#).