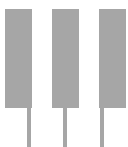


# TCFD (Task Force on Climate-Related Financial Disclosures)

# Report 2023

**Sonata Software Limited**



**Sonata Software Limited - SSL**

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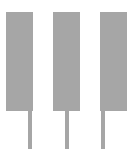


# Introduction

The turn of the 20<sup>th</sup> century has brought with it the realization that the globe needs to stop turning a blind eye to the climate disaster the world is facing. At Sonata Software Limited we are endeavouring to uphold our commitment to adopting sustainable solutions that have minimum adverse impacts on the environment while delivering top-notch digital solutions. We have integrated sustainability practices into our practice, in cognizance of the evolving climate crisis, to ensure our business is resilient and competitive.

We have adopted the TCFD framework to disclose the climate-related risks and opportunities that have a significant impact on our business. This report would enable us to convey how our climate-adaptive business model is helping us stay ahead of the curve to our stakeholders. In this report, we have highlighted our way forward in our sustainability journey, in view of emergent climate risks and opportunities

**Sonata Software is a proud supporter of TCFD Joins Task Force on Climate-Related Financial Disclosures to Increase Climate change disclosure. For more information on TCFD and to see the complete supporter list, please follow this link: <https://www.fsb-tcf.org/supporters/> . > Search> Sonata Software to find Sonata’s name in list of supporters.**



# About Us

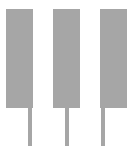
We are a Modernization Engineering company powered by our unique Platformation™ framework. Sonata's Platformation™ methodology brings together industry expertise, platform technology excellence, design innovation and strategic engagement models to deliver sustained value to customers.

Headquartered in Bengaluru, India, Sonata has a strong global presence, including key regions US, UK, Europe, APAC, and ANZ. We are a trusted partner of world leading companies in TMT (Telecom, Media and Technology), Retail & CPG, Manufacturing, BFSI (Banking, Financial Services and Insurance) and HLS (Healthcare and Lifesciences) space. Our outcome-based Modernization Services include Cloud, Data, Dynamics, Managed Services, Automation and Digital Contact Center. We are aggressively investing in our services around newer technologies like Generative AI and many more.

Sonata boasts of a long-standing partnership with Microsoft and is part of its prestigious inner circle. We are investing in building strong partnerships with AWS, Salesforce, Google and industry partners to enable our customers achieve business success in this digital world.

Sonata, with 6000+ Sonatians, strongly believe in being a truly diverse and inclusive company and enabling its talent to continuously learn, unlearn and grow in their professional career and remain relevant for future.

As a responsible corporate citizen, we are committed to deliver on our commitments towards ESG, Corporate Governance and CSR endeavour.



# About the TCFD

Over the last two decades, the general understanding of climate change-related impacts has grown. World over, organizations and people are experiencing the tangible impact of climate change-related risks, beyond the warming of earth's atmosphere. Climate change poses a substantial risk on businesses by causing both short and long-term impact on several financial parameters. Businesses thus need to strengthen their organizational structures to cope with climate change induced impacts and risks to sustain their competitive edge and business synergy. Disclosing the financial and non-financial data to ensure transparency, risk management and dynamic business strategy is key for a sustainable and dependable business model.

The Taskforce on Climate-related Financial Disclosures (TCFD) is a framework established by the Financial Stability Board (FSB) to support companies in formulating mitigation strategies around the possible risks and adverse impacts of climate change. The framework presents action points in the form of eleven disclosure questions grouped under 4 thematic pillars: governance, strategy, risk management, and metrics & targets. TCFD disclosure questions encompass the pertinent strategy points across the four themes. These recommendations give investors and market strategists a glimpse of how the company assesses and adjusts to climate-related risks and opportunities. This framework reports the company's cohesive strategy of how its operational framework is preparing for and adapting to the impending adverse impacts of climate change.

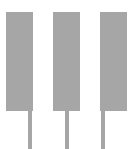
The Governance pillar addresses the organization's oversight of climate-related risks and opportunities. The subsequent real-time and potential impacts of the climate risks on the company's performance are dealt with under the Strategy pillar. Risk management narrows down the company's approach of identifying, addressing, and mitigating the emergent risks. Metrics and targets set by the organization bring out their quantifiable steps towards tackling the identified risks and opportunities.

# About this Report

We, at Sonata Software Limited, are strengthening our climate action journey with our first TCFD report. To ensure that we are adequately meeting all TCFD recommendations, we followed a comprehensive three-step approach which involved: a review of our existing climate-related governance, followed by a detailed climate risk assessment for all our offices globally, and lastly, identifying mitigation measures and targets that would improve our preparedness to the emergent risks.

The following detailed process was followed to implement our approach:

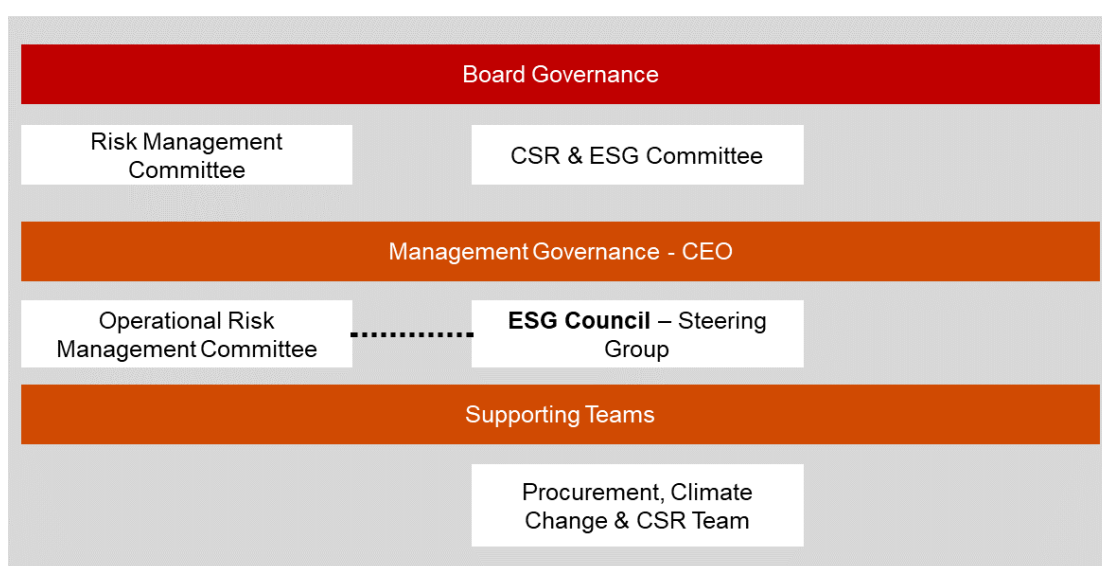
- Creating an internal working group for coordinating and collating all climate-related disclosure data
- Registering support for TCFD disclosure
- The engagement of a third-party to lead the climate risk assessment and TCFD reporting
- Organizing a workshop for management-level and working group members involved in ESG & Climate-related governance to familiarise them with the concept and process of scenario analysis and climate risk assessment
- Agreeing upon suitable scenarios and time horizons for physical and transition risk
- Performing a comprehensive climate risk assessment that yielded a clear understanding of the impact climate change would have on our business
- Preparing a mitigation strategy for the identified risks
- Capitalising on our inherent practices to advance our opportunities
- Formulating quantifiable metrics and targets to monitor our climate action and sustainability progress



# Governance

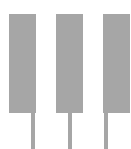
At Sonata Software, we have a robust structure for governance of climate-related risks and opportunities in the organization. Board oversight is through the Risk Management Committee and CSR & ESG Committee. The ESG Council, which is the Steering Group for all climate-related matters in the organization, works in tandem with the Operational Risk Management Committee to document risks to all operational locations through the year. The detailed roles and responsibilities of all the relevant teams are provided in Table 1.

**Fig.1** Climate-related governance at Sonata Software Limited



**Table 1** Teams involved in climate-related governance at Sonata and their responsibilities

	Committee	Responsibilities	Composition
Board Level	Risk Management Committee	<ul style="list-style-type: none"> <li>Develop and review Risk Management Policy</li> <li>Review and approve Business Continuity Plan, climate-related risks under Risk Management policy, Climate Action strategy/framework</li> </ul>	<ul style="list-style-type: none"> <li>1 Board member</li> <li>1 member from CSR &amp; ESG committee</li> <li>Chief Risk Officer (CRO) – Responsible for embedding climate change risks into the risk management framework</li> </ul>
	CSR & ESG Committee	<ul style="list-style-type: none"> <li>Develop climate and ESG policy</li> <li>Determine roles and responsibilities of ESG &amp; Climate Steering Group and other working groups associated with ESG &amp; climate.</li> <li>Review the climate action strategy presented by management-level committees</li> <li>Review the climate and ESG policy of the company annually</li> </ul>	<ul style="list-style-type: none"> <li>1 Board member</li> <li>Chief Climate Officer – Responsible for leading SSL’s climate-related actions</li> <li>Chief Finance Officer (CFO)</li> </ul>

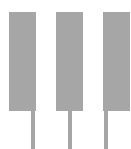


		<ul style="list-style-type: none"> <li>Oversee progress and implementation of strategies</li> </ul>	
Management Level	ESG Council – Steering Group	<ul style="list-style-type: none"> <li>Ensure governance, systems and processes set around collection, collation and reporting of sustainability and climate-related data are adequate</li> <li>Identify action points through regular interactions with SSL's departments</li> <li>Lead the development of climate-related strategies</li> <li>Document and maintain list of location-specific risks and impacts sustained by all operational locations of SSL</li> <li>Review company performance in GHG emissions, Water, Energy, and other related Sustainability KPIs.</li> <li>Training and awareness programs for board persons and department leads on climate-related risks</li> </ul>	<ul style="list-style-type: none"> <li>1 member from operational risk management committee</li> <li>Representatives from all departments</li> <li>Representatives from all operational locations</li> <li>Advisory member with climate expertise</li> </ul>
	Operational Risk Management Committee	<ul style="list-style-type: none"> <li>Each month meet with 1 department, assess risks, and prepare report</li> <li>Assesses environmental &amp; climate change-related risks and actions</li> <li>Work together with Steering Group to identify location-specific climate risks and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Working group</li> </ul>
	Procurement, Climate Change & CSR Team	<ul style="list-style-type: none"> <li>Promote and coordinate business development opportunities related to sustainability</li> <li>Assist Steering Group in collecting data, preparation of reports for rating applications</li> <li>Coordinate with all departments</li> <li>Engage and coordinate with third-party consultants for development of Climate Risk Assessment and mitigation measures annually.</li> <li>Collection of data and reporting</li> </ul>	<ul style="list-style-type: none"> <li>Headed by Steering Group member</li> <li>Working group for the Steering Group</li> </ul>

## Board Oversight

Our efforts for climate action are spearheaded by the board-level **Risk Management Committee (RMC)** and ESG and CSR Committee. The Chief Risk Officer (CRO) is responsible for embedding climate change risks into the risk management framework. The RMC is supported by the Operational Risk Management Committee, which presents risk reports to them twice a year.

Working in tandem with the Risk Management Committee, the **CSR & ESG Committee** works towards developing operational policies and strategies that are adopted across our offices. It is also responsible for determining the roles and responsibilities of the ESG & Climate Steering Group and other working groups associated with ESG & climate. We



are in the process of introducing the role of Chief Climate Officer, who would be responsible for leading our climate-related actions at the organizational level.

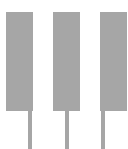
Together the two committees helm the supervision and strategy-support to ensure adequate climate action efforts.

## Management's Role

At the management level two teams leads all actions with respect to climate action. The first of them, the **Operational Risk Management Committee** is responsible for consulting with all departments across the organization and documents the risks encountered in each. A key aspect of the documentation is the identification of location-specific climate risks. This process spans the duration of a year, at the end of which the ORMC presents the collated report to the Board.

The second leading team, the **ESG Council**, is a Steering Group which is responsible for creating the approach and processes for our organization's climate actions, as well as coordinating with all supporting teams. Among its composition, a climate change expert is included to ensure advisory support. Training and awareness sessions for board persons and departments are also undertaken by the Council to ensure knowledge dissipation on important aspects related to climate change.

As the lead supporting team, **The Procurement, Climate Change & CSR Team**, functions as the working group for the Steering Council. It primarily supports in coordinating with all departments for collecting data, preparing reports for rating applications and engaging and coordinating with third-party consultants for development of Climate Risk Assessment and mitigation measures annually. It also assists the Council in creating business development on matters pertaining to Sonata's sustainability profile, a nascent portfolio at Sonata which we are keen on developing.





# Strategy

## Our Approach

Climate Risk Assessment (CRA) is a forward-looking exercise conducted to comprehensively sum up the potential impacts of climate change on the business. The process determines the plausible impact of a risk, associated potential threats to the business, and the applicable mitigation strategy. We have approached our climate risk assessment with a panoramic perspective. We have conducted a thorough analysis of the risks under different scenarios and projected the anticipated outcomes which will affect our business and sustainability journey.

The CRA is a vital tool owing to its ability to map all climate-related aspects right from identifying risks and opportunities, assessing subsequent impact on business boundaries and underlining the way forward in the form of quantifiable action points for mitigation.

## Climate Risk Assessment Scenarios

An in-built tool of the CRA exercise is climate change scenario analysis. A scenario analysis is an evaluation technique used to ascertain the potential impact of a climate change related risk on business operations, and subsequently the financial planning of the company.

TCFD has categorized climate-related risks as physical and transition risks. While the former address the tangible impacts of climate change on the natural and material environment, the latter deal with the process-based risks owing to emission-reduction efforts. It has sub-categories which deal with policy and legal, technology, market and reputational risks to give an overall understanding of climate on the operational and financial metrics of the business. Physical risks are further broken down to acute risks and chronic risks. While the former addresses the abrupt spikes in global natural disasters and link the bigger climate action picture to smaller segments such as water and biodiversity risks, chronic risks are long-term changes such as the heating of the earth's atmosphere which will lead to high-intensity heat waves and changes in the water cycle. Scenario analysis captures such variations of climate risks and helps companies evaluate the vulnerability of their physical assets and human resources.

Our scenario selection process consisted of drawing from established reference scenarios promulgated by the Intergovernmental Panel on Climate Change (IPCC), International Energy Agency (IEA) and Network for Greening the Financial System (NGFS). Additionally, a peer comparison was done to understand the scenarios adopted by our peers. Our climate risk assessment has been conducted based on two IPCC scenarios for physical risks and two IEA scenarios for transition risk.

### i) Physical risks

#### IPCC's Representative Concentration Pathway (RCP) 2.6

The RCP 2.6 scenario presents a stringent scenario with a steep decline in greenhouse emissions and maintaining global warming at an increase of 1.6°C by 2100 in comparison with the pre-industrial era.

#### IPCC's Representative Concentration Pathway (RCP) 8.5

RCP 8.5 is a high emission scenario, wherein global warming reaches over 4°C above preindustrial temperatures by 2100, enabled by little policy level control by countries and regions. This scenario is marked by drastic increase in extreme weather events and impact on biodiversity.

### ii) Transition risks

#### IEA's Net Zero Emissions (NZE) by 2050

It is a broad scenario which conceptualizes a pathway for the global energy industry to reach net zero carbon emissions by 2050. This means maintaining global warming at an increase of 1.5°C until 2050 without



a temperature overshoot. This scenario is distinguished by stringent policies for low carbon shift, innovation and technology transfer and lower-emission investments.

**Stated Policies Scenario (STEPS)**

STEPS, on the other hand, provides for a granular approach which integrates presently implemented and under-progress energy reduction efforts and strategies. The prospects and timing for their realization are based upon assessment of countries’ relevant regulatory, market, infrastructure and financial circumstances. The global warming under this scenario is projected to reach an increase of 2.6°C by 2100.

The selection of contrasting scenarios ensures that a wide gamut of impact pathways are covered, leading to a resilient mitigation strategy.

**Time Horizons**

As scenario analysis is a future-oriented exercise, defining the timelines is key to understand the actual and potential impacts as well as our business planning. The timelines selected for the climate scenarios for both, physical and transitional risks, for Sonata are 2030 (short-term) to 2050 (medium-term).

**Analysis Outcome**

Through our first climate risk assessment exercise, we identified three crucial physical risks, ten material transition risks and two opportunities that will impact Sonata. The transition risks were analysed at organization level and physical risks by our office locations. Tables 2 and 3 provide a summary of these risks and opportunities along with their impacts on our business.

**Physical Risk Summary**

Being a cloud-based company, the pressure on Sonata’s assets due to physical risk is significantly less. Among chronic risks, heat and water stress are the most likely to have serious consequences for our employees. City-level or regional disturbances due to increased warming are expected to increase pressure on grid electricity supply, leading to increased capital investment in diesel generators and battery storage. In terms of water stress, the heightened pressure on water resources is expected to cause a shortage for office operations, making it imperative for us to pay high operational costs. The acute risks such as floods, extreme weather, or cyclone could disrupt the critical infrastructure required for our operations and the environments in which our employees operate.

Our intent is to safeguard our operations and employees with a systematic resilience strategy. We operate in a decentralized mode with many centers and have developed enhanced capabilities to work from remote places post-COVID. This provides the option to go fully remote for the safety of our employees in emergency climatic events without hampering our operations to an extent.

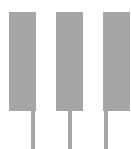
Location	Heat Stress	Water stress	Flood	Cyclone	Wildfire
Bengaluru					
Hyderabad					
Chennai					
New Delhi					
Mumbai					
Pune					
Kolkata					
Singapore					
Kumamoto, Japan					
Malaysia					
Shanghai, China					
Dubai					



Location	Heat Stress	Water stress	Flood	Cyclone	Wildfire
Doha, Qatar	High	High	Low	Low	Low
Toronto	Low	Low	Low	Low	High
Vancouver	Low	Low	Low	Low	High
Fremont, California	High	High	High	Low	High
Redmond, Washington	High	High	High	Low	Low
Atlanta, Georgia	Low	Low	Low	Low	High
Englewood, Colorado	High	High	High	Low	High
Guadalajara, Mexico	Low	High	Low	High	High
East Brunswick, New Jersey	Low	High	Low	Low	Low
Brisbane	Low	High	Low	High	High
Sydney	Low	High	Low	Low	High
Melbourne	Low	High	Low	Low	High
Brentford, United Kingdom	Low	High	Low	Low	Low
Frankfurt am Main, Germany	High	High	Low	Low	High
Schiphol, Netherlands	Low	High	Low	Low	Low
Copenhagen, Denmark	Low	High	Low	Low	Low
Dublin, Ireland	Low	High	Low	Low	Low

**Legend**

<b>High</b>	<b>Medium</b>	<b>Low</b>
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## Transition Risk Summary

Transition risks pose a crucial threat to our operations and business planning. With the world taking greater cognizance of climate change, and countries and regions implementing policies to combat this, the net zero targets and resource management regulations of the countries where Sonata operates are a decisive factor in aligning our own targets. Along with internal decisions such as investment in office equipment, it would also hold us accountable to our suppliers' alignment relative to climate action.

As a company that is intent on expanding our sustainable product offerings, the market offers us both risks and opportunities in the sustainable software arena. There is a need to expand our sustainable product offerings and keep in line with competitors. We also need to actively pursue strategic partnerships as there is a growing ambit of partnerships in this space among some of the leading companies in the sector.

Risk	Short Term	Medium Term	Long term
Policy & Legal			
Technology			
Market			
Reputation			

### Legend

High	Medium	Low
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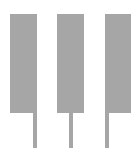
## Opportunities

Our assessment yielded two key opportunities for Sonata to work on. The demand for sustainable or “green” products in the software industry is rising. With leading organizations in the sector advancing their offerings in this field, we recognize the potential it holds for us to expand our existing portfolio of targeted sustainability products. This sphere also extends the opportunity to forge strategic partnerships and collaborations.

As a cloud-hosted company devoid of data centres, our biggest asset is our human resources. During the Covid-19 pandemic we devised our Work from Home policy. And hence, after the pandemic has subsided, we continue to operate remotely for the major part. In this aspect, there is an opportunity to reduce our energy consumption at our office spaces and contribute to reducing our emissions through remote working.

**Table 2** Summary of physical risks and their impacts on Sonata's business

Risk or Opportunity	TCFD Category	Scenario	Impact to business	Time Horizon	Impact Intensity
<b>Extreme heat and temperature rise</b>	Chronic risk	RCP 2.6 RCP 8.5	A high Wet- bulb temperature of beyond 35 °C leads to loss of productivity due to thermal discomfort, imminent heat strokes or death. It would also result in high demand for air conditioning in our offices leading to high energy demands. This in turn culminates in high pressure on grid leading to disrupted supply of electricity at city or regional level.	Short term (before 2030)	Low to Medium



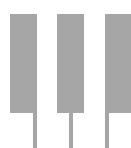
Risk or Opportunity	TCFD Category	Scenario	Impact to business	Time Horizon	Impact Intensity
<b>Water stress</b>	Chronic risk	RCP 2.6 RCP 8.5	Water stress could potentially result in shortage of water for office operations. During times of stress, the high cost of purchasing water would impose an unexpected financial contingency on our business. Additionally, we would also need to calibrate our water use to comply with water use restrictions imposed by local and regional authorities in such events. In the case where our locations are not directly affected by water stress, we still stand to face the threat of supply chain disruption. As several big tech companies, including our suppliers, rely on data centers for their operations, they would be impacted severely due to water stress, resulting in a second-degree impact on our business.	Short to mid term	High
<b>Extreme weather events such as cyclonic activities, Flooding, and wildfire</b>	Acute risk	RCP 2.6 RCP 8.5	Critical infrastructure such as electricity, transportation and employees could get affected severely. As per trends, the consequences to anticipate in such events would be: <ul style="list-style-type: none"> <li>• Blackouts due to damage to grid electricity</li> <li>• Damage to telecommunication services/ data networks</li> <li>• Employees facing personal asset damages and commute issues</li> </ul>	Short to mid term	Medium to High

**Table 3** Summary of transition risks and their impacts on Sonata's business

Risk or Opportunity	TCFD Category	Scenario	Impact to business	Time Horizon	Impact Intensity
<ul style="list-style-type: none"> <li>• Emissions reduction targets</li> <li>• Environment and resource management regulations of countries where Sonata Software is in operation</li> </ul>	Policy & Legal	NZE 2050  STEPS	<p>There are multiple facets of the impact of this risk on our business:</p> <ul style="list-style-type: none"> <li>• The introduction of carbon taxes or our decision to purchase offsets would increase operational costs.</li> <li>• We need to ensure that Sonata's targets are in alignment with regional or national targets, as it would affect investor preferences, leading to reputational risk.</li> <li>• Our existing technology runs the risk of becoming obsolete</li> </ul>	Short term (before 2030)	High



Risk or Opportunity	TCFD Category	Scenario	Impact to business	Time Horizon	Impact Intensity
			<p>(such as computer systems which are not in line with present-day energy efficiency requirements) due to the requirement to upgrade to clean technology</p> <ul style="list-style-type: none"> <li>We would also need to address supply chain concerns to ensure our suppliers are also in line with national targets. We have standard procedures for conducting assessment of suppliers' compliance with relevant environmental regulations periodically, as there would be a need to identify alternative suppliers if non-compliance occurs</li> </ul>		
<ul style="list-style-type: none"> <li><b>Rising demand for green software products</b></li> <li><b>Product/Service price variations – Competitive prices and similar sustainable products by peers</b></li> </ul>	Market	<p>NZE 2050</p> <hr/> <p>STEPS</p>	<p>As customers seek sustainability in products, competitors with sustainable offerings have the potential to attract greater business. To retain existing customers and attract new customers, Sonata must upgrade its product offerings in line with market requirements for sustainable products. This risk would affect Sonata's revenue. For product R&amp;D, expansion of internal capacity would be required. This would be through 1. Talent acquisition 2. Training of current employees. Both processes require allocation of capital expenditure.</p>	Medium term (2030-2050)	High
<ul style="list-style-type: none"> <li><b>Energy price volatility and pressure to shift to renewable energy sources</b></li> </ul>	Market	<p>NZE 2050</p> <hr/> <p>STEPS</p>	<p>Both scenarios predict an increase in renewable energy usage between 2030 and 2050. Sonata would need to invest in diversifying its energy mix. However, as the curb on coal power is not imminent in both scenarios, this does not pose a high risk. We recognize that we must put in place an action plan spanning the next 5-10 years to switch to renewable energy sources. We also anticipate significant capital expenditure for revamping old and legacy IT hardware.</p>	Mid to long term (2050 and beyond)	Medium



Risk or Opportunity	TCFD Category	Scenario	Impact to business	Time Horizon	Impact Intensity
<ul style="list-style-type: none"> <li>• <b>Supplier Resilience</b></li> </ul>	Market	NZE 2050	<p>The products that we are dependent on our suppliers for are predominantly software-based. This notably reduces the impact of supplier risk on our business. However, considering the size of our supplier organizations and the risks they are exposed to, we would need to anticipate and prepare for impediments to business continuity due to stoppage of products/services from them. Supplier risks could range from physical risks such as extreme weather events leading to disruption to cloud services and/or network glitches in specific locations to reputational risks due to lawsuits or litigations that could require us to approach alternative suppliers.</p>	Mid to long term (2050 and beyond)	Low
		STEPS			
<ul style="list-style-type: none"> <li>• <b>Proliferation of climate-smart technology and equipment</b></li> <li>• <b>Energy Efficiency and Performance Optimization</b></li> </ul>	Technology	NZE 2050	<p>Energy efficiency is a critical risk across all sectors. In the endeavour to reduce our emissions, we have undertaken various initiatives. The financial impact of these initiatives on our business is the increased capital investment. We have invested INR 91 lakhs in our energy efficiency and climate technology initiatives so far.</p>	Mid to long term (2050 and beyond)	Medium
		STEPS			
<ul style="list-style-type: none"> <li>• <b>Stakeholder and investor preferences</b></li> </ul>	Reputation	NZE 2050	<p>There is increasing impetus from investors for climate and ESG-related disclosures. As a business committed to sustainability, we have been actively pursuing disclosures by various rating frameworks. We believe that we are improving our position with respect to this indicator with our continued efforts. There is high risk of brand damage leading to loss in sales and revenue upon failure of complying with investors and other stakeholders.</p>	Short to mid-term	High
		STEPS			



# Risk Management

## Risk Identification

Our risk identification process involves two steps:

1. Stakeholder engagement – The Organizational Risk Management Committee (ORMC) conducts regular meetings across all our teams to take stock of our enterprise risks, including climate-related risks.
2. Climate Risk Assessment – As detailed out in the Strategy section, our Climate Risk Assessment process began with a workshop, where past risks were documented in discussion with key managerial personnel of Sonata. Physical risks for scenario analysis were identified through analysis for each of our office locations through climate projection datasets and assessment tools. For transition risks, a detailed secondary research exercise was carried out, including study of industry reports, news reports, peer disclosures and analysis of trends in the sector.

## Risk Assessment

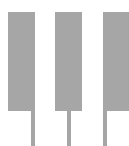
We evaluated all identified risks and opportunities through our scenario analysis process. The outcome was the potential impact of each risk and opportunity on our business, which further led us to identify action points and develop strategic mitigation plans. The evaluation found that physical risks do not pose a high risk to our organization. Our office locations in Asia such as Kolkata, Mumbai, Chennai, Kumamoto (Japan), Shanghai and a few locations in North America are exposed to high cyclone risk. Whereas wildfires pose a risk for Sonata offices in Canada and Australia locations predominantly. Sonata is highly vulnerable to transition risks as policy and the market play a crucial role in directing our business strategy. The evolution of energy-efficient technology, the need to reduce emissions, and the evolving sphere of remote working are set to impact our mid-to-long-term business planning in terms of operations.

## Addressing risks

We have addressed each risk and opportunity by identifying action points relevant to each of them and setting quantifiable targets to measure our progress in the short and medium term. We are also actively strengthening our overall climate governance and processes through organizational interventions. The sections on Mitigation Measures and Metrics and Targets detail out our actions and the way forward.

## Mitigation Measures

Category	Risk	Mitigation Measures
Physical Risk	Extreme heat and temperature rise	Our remote work policy ensures that our employees' exposure to heat risk during commute to work is prevented. During periods of extreme heat waves, we would further amend the policy to facilitate complete remote functioning. Sourcing of renewable energy for our office locations is out the scope of our investment. However, we plan to engage in discourse with our building premises owners, in an effort to reduce our dependence on grid electricity supply.
	Water Stress	We have begun taking action at an organization level to curb our water usage, through water efficiency fixtures in bathrooms and for drinking water. Additionally, we also plan to incorporate and enforce daily water usage targets in our offices.
	Acute Risks such as cyclonic activities, Flooding and Extreme weather	Our Business Continuity Plan guides our contingency efforts. It provides specific provisions for addressing all extreme weather events.





<b>Transition Risk</b>	<ul style="list-style-type: none"> <li>• Emissions reduction targets</li> <li>• Energy price volatility and pressure to shift to renewable energy sources</li> <li>• Proliferation of climate-smart technology and equipment</li> <li>• Energy Efficiency and Performance Optimization</li> </ul>	<p>We have implemented energy efficiency initiatives in all offices, such as installation of LED light bulbs. Two of our Indian offices are completely powered by renewable energy. Among them, one of the offices is in an IGBC Platinum certified building. With regard to our suppliers, we conduct sustainability assessment of all our suppliers prior to selection and onboarding. We plan to increase transparency of our supply chain going forward. Our remote work policy enables us to contribute further to emissions reduction. For our energy and emissions targets, refer to our <a href="#">ESG Data Book</a>.</p>
	<ul style="list-style-type: none"> <li>• Environment and resource management regulations of countries where Sonata Software is in operation</li> </ul>	<p>We have adopted practices such as discontinuing the use of plastic and paper cups in all our offices. We have invested in water aerators for drinking water and a water management system installed in all our bathrooms, to lower water use compared to a standard flush. Currently, we are managing our e-waste through a government certified vendor for disposal. Going forward, we are keen on adopting circular economy and waste reduction initiatives with specific focus on strategy for e-waste management.</p>
	<ul style="list-style-type: none"> <li>• Rising demand for green software products</li> <li>• Product/Service price variations – Competitive prices and similar sustainable products by peers</li> </ul>	<p>The IT sector is an R&amp;D intensive field. Sonata is already investing in R&amp;D of green IT products. We have unique products such as our “Treeni’s ReSustain platform”, “Connected Agri” and other products which work on cloud migrations and enable customers’ low carbon transition. We are also currently pursuing strategic collaborations in the field of sustainable software products. We plan to develop a roster of our sustainable products and make it publicly accessible for the ease of our stakeholders. We also plan to perform continuous assessment of customer needs through customer surveys, market studies, peer product assessments and enhance our investment in R&amp;D of sustainable software.</p>
	<ul style="list-style-type: none"> <li>• Supplier Resilience</li> </ul>	<p>We have proactively taken steps to ensure that our procurement process is sustainable. Our internal Sustainable Procurement Process guides our screening and selection of suppliers on ESG criteria. Subsequently, our suppliers undergo a sustainability assessment prior to onboarding. We also have an ESG clause, encompassing legal compliance, risk management and environmental compliance among other aspects, as part of our contract.</p>
	<ul style="list-style-type: none"> <li>• Stakeholder and investor preferences</li> </ul>	<p>As part of our drive towards climate action, we have initiated public disclosures of our sustainability indicators and performance through standard disclosures such as CDP, DJSI and Ecovadis since 2021. With this report, we have expanded our scope to TCFD in 2023. Additionally, we are pursuing meaningful collaborations in developing sustainable products with strategic partners. Our efforts to ensure supplier risks/ non-compliance ensure that our standing in the market and our investors’ sentiment is bolstered.</p>



# Metrics and Targets

We have taken up specific targets for achieving net zero, for emissions reductions and resource management. Refer to our [ESG Data Book](https://www.sonata-software.com/about-us/sustainability) for all our detailed targets. The report is available at <https://www.sonata-software.com/about-us/sustainability>

## Reports

### Annual Report FY22-23:

<https://www.sonata-software.com/sites/default/files/financial-reports/2023-07/sonata-software-limited-annual-report-2022-2023.pdf>

### Business Sustainability and Responsibility Report FY22-23:

<https://www.sonata-software.com/sites/default/files/financial-reports/2023-07/brsr>

