



Climate Risk Assessment

2025-26



Climate risk assessment

Climate Risk Assessment (CRA) sets out how Coforge identifies, assesses, and manages climate-related risks and opportunities, and the implications for the company's business model, strategy, risk management, and financial performance over the short, medium, and long-term. The assessment is structured in alignment with TCFD and IFRS S2 Climate-related Disclosures.

The assessment covers Coforge own operations:

- India and global (USA, Australia, UAE, Philippines, Thailand, Spain, England, Canada, and Poland)
- Upstream value chain (priority suppliers representing >2% of spend)
- Downstream activities through operational exposure

The assessment spans 19 delivery centres, 11 sales offices and 6 registered offices across key geographies.

Climate risk management journey

Risk management stage	Current status (FY2025–26)	Next step (FY30)	Long-term outcome (FY40)
Climate risk identification	Climate scenario assessment completed	Annual refresh integrated into ERM	Dynamic climate intelligence capability
Climate governance	Board oversight established	Climate considerations embedded into strategic decisions	Climate resilience is integrated across enterprise governance
Climate mitigation	Scope 1 and 2 reductions achieved ahead of target	Accelerate Scope 3 reductions and supplier engagement	Net-zero value chain
Climate adaptation	Physical and transition risks assessed	Resilience measures embedded into operations and infrastructure	Climate-resilient enterprise
Climate performance monitoring	TCFD-aligned disclosures and KPI tracking	Enhanced decision-making using carbon and climate metrics	Fully climate-informed business strategy

Climate governance

Climate-related risks and opportunities are governed through a structured multi-tier framework led by the Board of Directors, which retains ultimate accountability for oversight of climate strategy, commitments and disclosures. Climate considerations are integrated into Board-level decision-making through the review and approval of ESG strategy, oversight of climate risks within the Enterprise Risk Management (ERM) framework, evaluation of scenario analysis and business resilience, and monitoring of progress against sustainability targets such as energy use, emissions, and resource efficiency. Climate-related matters are reviewed periodically through Board and committee discussions as part of the organisation's broader governance and risk management processes. Board-level committees, including the CSR & ESG Committee and the Risk Management Committee, provide additional oversight on climate-related matters, ensuring alignment with regulatory requirements and global disclosure frameworks.

At the management level, climate-related risks and opportunities are actively managed by senior leadership through a structured governance hierarchy. The ESG Steering Group is responsible for translating Board-approved strategy into execution, monitoring climate performance and risk exposure, integrating climate considerations into financial planning and operations, and reporting to the Board. Climate performance indicators, risk exposure, and progress against key sustainability targets are periodically monitored through management review mechanisms.

The Sustainability Team, led by the Chief Sustainability Officer, supports implementation by conducting climate risk assessments and scenario analysis, managing ESG disclosures aligned with TCFD and IFRS S2, and tracking key performance indicators such as emissions, energy consumption, and resource utilisation.

This governance architecture ensures clear accountability, cross-functional alignment, and integration of climate risks into decision-making processes.



Strategy

Climate risks and opportunities were evaluated across three defined time horizons aligned to climate modelling periods.

Horizon	Duration	Description
Short-term	0-3 years	Represents risks and opportunities that may have immediate or near-term impacts on operations, including workforce productivity, infrastructure reliability, and service delivery continuity.
Medium-term	3-10 years	Captures risks and opportunities that may emerge over the business planning cycle, including evolving regulatory requirements, shifts in client expectations, and gradual changes in climate patterns.
Long-term	>10 years	Represents risks and opportunities arising from long-term climate trends and structural transitions, informed by scenario analysis and projected climate pathways up to 2050.

The assessment identified material physical and transition risks and opportunities for the organisation. Scenario analysis was undertaken as a structured process to assess the potential implications of these risks under different climate futures, incorporating both likelihood of occurrence and impact on business using an employee-weighted exposure approach across locations. Scenario analysis incorporated:

- **Physical risk scenarios:** RCP 4.5 and RCP 8.5 (across 2030, 2040 and 2050)
- **Transition risk scenario:** IEA Net-zero Emissions (NZE) 2050 scenario

These scenarios were selected to reflect a range of plausible pathways, including moderate and high-emission outcomes for physical risks, and a below-2°C transition pathway aligned with the Paris Agreement for transition risks.

Climate-related risks are assessed using a structured framework based on likelihood of occurrence and impact on business, supported by an enterprise-wide aggregation approach. The final risk rating is derived using a risk matrix that combines likelihood and impact, enabling consistent prioritisation and comparison of risks across geographies and business operations.

Physical risks

Coforge's geographically diversified operations are exposed to both acute and chronic physical climate risks, which have been assessed across locations using established climate datasets and analytical tools. The assessment identified risks that are material across a majority of locations, indicating broad exposure and significance.

- Acute risks, including heatwaves, extreme precipitation, and cyclones, have the potential to disrupt operations through infrastructure damage, power and connectivity interruptions, and challenges in workforce mobility. These risks may directly affect service delivery timelines and increase reliance on business continuity measures.
- Chronic risks, such as rising temperatures and water stress, present sustained challenges by increasing cooling requirements, raising operating costs, and impacting resource availability. Over time, these risks may influence asset efficiency, workplace conditions, and long-term operational sustainability.

Physical Risk	RCP 4.5			RCP 8.5		
	Short Term (2021-2030)	Medium Term (2031-2040)	Long Term (2041-2050)	Short Term (2021-2030)	Medium Term (2031-2040)	Long Term (2041-2050)
 Heatwave	●	●	●	●	●	●
 Precipitation	●	●	●	●	●	●
 Cyclone	●	●	●	●	●	●
 Rising temperature	●	●	●	●	●	●
 Water stress	●	●	●	●	●	●

Risk quantification scale

Low	Minimal or no adverse physical risk	Medium	Significant impact on the business operations	High	Severe impact on the business operations
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These risks have the potential to impact Coforge's operations through reduced employee productivity, increased energy demand for cooling, disruption to infrastructure and facilities, business continuity challenges, and risks to data centre performance and service delivery.

Transition risks

As the global economy transitions towards a low-carbon pathway, Coforge evaluates transition risks under the IEA NZE 2050 scenario, capturing regulatory, market, and technological developments.

Key transition risks identified include:

- **Policy and legal risks:** Arising from evolving climate policies, including stricter GHG emission reduction requirements, enhanced disclosure obligations, carbon pricing mechanisms, and energy taxation, which may increase operating and procurement costs.
- **Technology risks:** Associated with the need to transition to energy-efficient digital infrastructure and potential obsolescence of legacy systems.
- **Market risks:** Driven by increasing client demand for low-carbon and sustainable IT services.
- **Reputational risks:** Arising from potential misalignment between climate commitments and actual performance.

Transition Risk		IEA NZ 2050		
		Short Term (2021-2030)	Medium Term (2031-2040)	Long Term (2041-2050)
 Policy and legal	Enhanced GHG reduction and climate-related disclosure requirements	●	●	●
	Carbon pricing and energy taxation impacts	●	●	●
 Technology	Need for transition to energy-efficient digital infrastructure	●	●	●
 Market	Increased client demand for low-carbon and sustainable IT services	●	●	●
 Reputation	Misalignment between climate commitments, ESG expectations, and actual performance	●	●	●

Risk quantification scale		Low Minimal or no adverse physical risk	Medium Significant impact on the business operations	High Severe impact on the business operations
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Climate opportunities

The assessment identified multiple opportunities aligned with the low-carbon transition:

- **Resource Efficiency – Energy-efficient and optimised workplaces:** Adoption of energy-efficient infrastructure, optimised office spaces, and hybrid work models to reduce energy consumption, improve asset utilisation, and enhance employee productivity.
- **Energy Source – Transition to renewable and low-carbon energy:** Shifting towards renewable energy and low-carbon power sources to reduce emissions, manage energy cost volatility, and align operations with evolving client sustainability expectations.
- **Markets – ESG-driven differentiation and access:** Leveraging sustainability performance to strengthen brand value, improve competitiveness in ESG-led procurement, and expand access to environmentally-conscious clients and markets.
- **Products and services – Low-carbon digital solutions:** Development of digital offerings that support clients in emissions management, efficiency improvements, and ESG reporting, thereby integrating sustainability into core service delivery.
- **Resilience – Climate-informed risk management:** Strengthening risk management and business continuity planning by integrating climate considerations, enhancing operational resilience and reducing exposure to climate-related disruptions.

Collectively, these opportunities contribute to improved operational efficiency, cost optimisation, innovation, enhanced market positioning, and long-term business sustainability.

Climate risk management approach

We have established a structured risk management approach that integrates climate risks into our ERM framework, encompassing risk identification, scenario-based assessment, financial quantification, and mitigation planning. Financial quantification was performed using baseline financial metrics such as revenue, combined with exposure factors and risk severity assumptions, to estimate potential impacts in terms of revenue loss and incremental operating and capital expenditure.

Mitigation measures include infrastructure resilience enhancements, adoption of energy-efficient technologies, increased renewable energy sourcing, strengthening of business continuity and disaster recovery frameworks, and integration of climate considerations into location and supply chain strategies.

Climate risk management framework – Physical risks

Physical risk	Category	Impact on business	Adaptation and mitigation measures implemented / in progress	Planned adaptation and mitigation measures
Acute	Heatwaves	- Increased electricity consumption due to higher cooling demand across offices and delivery centres. - Overload on cooling systems and power infrastructure, leading to failures and higher opex. - Reduced employee productivity and potential health-related absenteeism. - Risk of overheating of IT infrastructure, affecting uptime and SLAs. - Financial implications range from ~US\$39 million to US\$109 million.	- Implement flexible working arrangements (remote/hybrid) during extreme heat events. - Increase procurement of renewable energy to offset scope 2 emissions.	- Upgrade HVAC systems and deploy energy-efficient cooling technologies (e.g., free cooling, liquid cooling). - Increase procurement of renewable energy to offset scope 2 emissions. - Conduct periodic infrastructure resilience assessments for temperature sensitivity. - Integrate nature-based solutions into built environments.
	Precipitation	- Disruption to operations due to flooding in key locations (e.g., Chennai, Bangalore, Hyderabad, Pune, Manila, Bangkok, London). - Damage to critical IT infrastructure and office facilities impacting service delivery. - Employee mobility challenges. - Financial implications range from ~US\$109 million to US\$146 million.	- Increasing reliance on cloud-based and distributed delivery models. - Remote working capabilities across all geographies.	- Strengthen Business Continuity Planning (BCP) and Disaster Recovery (DR) frameworks. - Ensure site-level flood risk assessments and infrastructure hardening.
	Cyclone	- Exposure in coastal delivery locations (Chennai, Manila, Bangkok) leading to power outages, network disruptions and infrastructure damage. - Damage to facilities, supply chain disruptions causing longer downtimes in regions exposed to cyclones (e.g., coastal India, Southeast Asia). - Increased insurance premiums and rebuilding costs. - Financial implications range from ~US\$90 million to US\$121 million.	- Install backup power systems (UPS, generators). - Maintain redundant network connectivity and failover systems.	- Establish diversified supply chains and secure business continuity plans for quick recovery post cyclone. - Strengthen building codes and cyclone-proof infrastructure.

Climate risk management framework – Physical risks

Physical risk	Category	Impact on business	Adaptation and mitigation measures implemented / in progress	Planned adaptation and mitigation measures
Chronic	Rising temperature	- Long-term increase in cooling-related operating costs. - Reduced efficiency and lifespan of IT equipment. - Increased carbon footprint due to energy-intensive cooling requirements. - Pressure to upgrade infrastructure across global facilities. - Financial implications range from ~US\$63 million to US\$174 million.	Transition to energy-efficient buildings and green-certified office facilities.	- Continued transition to energy-efficient buildings and green-certified office spaces. - Optimise data centre and cloud usage for energy efficiency. - Integrate climate considerations into infrastructure planning.
	Water stress	- Water stress in key Indian locations impacting cooling systems and general operations. - Increased operational costs for water procurement and treatment. - Potential disruption to facility operations during acute shortages. - Financial implications range from ~US\$109 million to US\$173 million.	Adopt water recycling and reuse systems at offices.	- Engage in water stewardship practices such as community programmes, watershed development. - Incorporate water risk into location strategy for future expansion. - Implement water-efficient cooling technologies.

Note: The boundary for the financial impact assessment includes 18 operational locations across India, USA, Philippines, UK, Australia, Poland, Canada, Thailand, Spain and UAE.

Climate risk management framework – Transition risks

Transition risk	Category	Impact on business	Adaptation and mitigation measures implemented / In progress	Planned adaptation and mitigation measures
Policy & Legal	Enhanced GHG reduction and climate related disclosure requirements	- Increased compliance burden across geographies (India, EU, UK, US). - Requirement for tracking emissions, especially Scope 3. - Higher costs for ESG data management, reporting systems, and audits. - Risk of losing contracts in regulated markets due to non-compliance. - Financial implications range from ~US\$75 million to US\$93 million	- Establish centralised ESG governance and reporting framework. - Align disclosures with global standards (TCFD, CSRD, ISSB) and report progress annually.	Deploy digital tools for automated ESG data collection and tracking.
	Carbon pricing and energy taxation impacts	- Increase in electricity costs due to carbon pricing in EU, UK, and parts of the US. - Indirect cost pass-through from cloud providers, vendors, and data centres. - Margin pressure due to rising opex. - Increased cost sensitivity for energy-intensive workloads (AI, cloud). - Financial implications range from ~US\$20 million to US\$47 million.	- Increase renewable electricity sourcing (PPAs, RECs). - Optimise energy consumption across IT infrastructure. - Transition to energy-efficient cloud and data centre solutions.	Collaborate with vendors to reduce supply chain emissions.

Climate risk management framework – Transition risks

Transition risk	Category	Impact on business	Adaptation and mitigation measures implemented / In progress	Planned adaptation and mitigation measures
Technology	Need for transition to energy-efficient digital infrastructure	• Need for continuous investment in green IT (data centres, cloud optimisation, AI efficiency). • Risk of obsolescence of legacy systems and delivery models. • Increased capex for infrastructure upgrade. • Competitive disadvantage if peers adopt energy-optimised technologies faster. • Financial implications range from ~US\$65 million to US\$81 million.	• Invest in energy-efficient IT infrastructure and cloud. • Embed sustainability principles into IT architecture and development. • Accelerate migration to low-carbon and optimised digital solutions. • Build internal capabilities on green IT and sustainable digital transformation.	• Invest in energy-efficient IT infrastructure and cloud.
Market	Increased client demand for low-carbon sustainable IT services	• Increasing client preference for ESG-compliant vendors. • Risk of losing deals or failing to qualify for RFPs without sustainability credentials. • Revenue impact if low-carbon offerings are not competitive. • Pressure to provide emissions data across delivery lifecycle. • Financial implications associated with this risk range from ~US\$31 million to US\$87 million.	• Develop and market low-carbon IT service offerings. • Integrate sustainability into client solutions and delivery models. • Provide transparent and auditable emissions disclosures. • Position ESG as a strategic differentiator in bids and contracts.	• Innovate and deliver technology solutions that help clients accelerate their ESG transformation and achieve their sustainability objectives.
Reputation	Misalignment between climate commitments, ESG expectations, and actual performance	• Regulatory scrutiny and potential penalties for misleading claims. • Loss of client trust and reduced investor confidence and valuation impact. • Reputational damage across key markets (EU, UK, US) will create negative impact on brand positioning. • Increased audit and assurance costs. Reputational risk has been assessed qualitatively, as its potential financial impacts are indirect in nature and substantially captured within broader policy and legal and market risks.	• Align ESG strategy with actual operational performance. • Standardise data collection and reporting methodologies. • Regularly monitor and report ESG KPIs. • Benchmark performance against peers and industry leaders. • Ensure third-party assurance of ESG disclosures. • Strengthen internal governance and accountability.	

Note: The boundary for the financial impact assessment includes 18 operational locations across India, USA, Philippines, UK, Australia, Poland, Canada, Thailand, Spain and UAE.



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