



CDP FRAMEWORK SUSTAINABILITY REPORT - 2025

AAN CLOTHINGS LLP
PLOT NO. 9, SECTOR 34,
GURGAON



EXECUTIVE SUMMARY

AAN CLOTHINGS LLP is committed to sustainability and climate action. This report outlines the governance, risk assessment, business strategy, emissions inventory, and engagement efforts related to climate change.

Key highlights include:

A dedicated sustainability team overseeing climate initiatives.

Compliance with ISO 14064 and the GHG protocol for emissions accounting.

Short-term (2026-2030) and long-term (2027-2040) climate targets aligned with SBTi.

Responsible waste management, with hazardous waste recycled through GEPIL.

Annual third-party verification of GHG data and participation in HIGG index assessments.

The facility is actively working towards reducing emissions and enhancing resilience to climate-related risks. This report provides insights into the progress and strategies undertaken to meet environmental commitments.



GOVERNANCE & BUSINESS STRATEGY – CDP CLIMATE CHANGE

1. Board Oversight of Climate-Related Issues

Yes, the company's management actively oversees climate-related strategy. Climate considerations are integrated into governance, and sustainability is a key focus area for decision-making.

- ▶ Climate-related risks and opportunities are discussed at the management level to align business operations with sustainability goals.
- ▶ The company follows an ESG-driven approach, ensuring compliance with global sustainability frameworks.

2. Management's Role in Climate Strategy

- ▶ A dedicated sustainability team is responsible for implementing climate-related initiatives.
- ▶ The team collaborates across departments to assess GHG emissions, carbon footprint, water footprint, and sustainability risks.
- ▶ Climate strategies are integrated into procurement, infrastructure, and supply chain management.

3. Embedding Climate into Business Strategy

Yes, climate-related issues are embedded into the company's core strategy.
This includes:

- ▶ Investment in sustainable operations, such as responsible sourcing and energy-efficient infrastructure.
- ▶ Product innovation.



RISK & OPPORTUNITY MANAGEMENT - CDP CLIMATE CHANGE

1. Identifying Climate-Related Risks

Yes, the company has a structured process to assess climate-related risks.

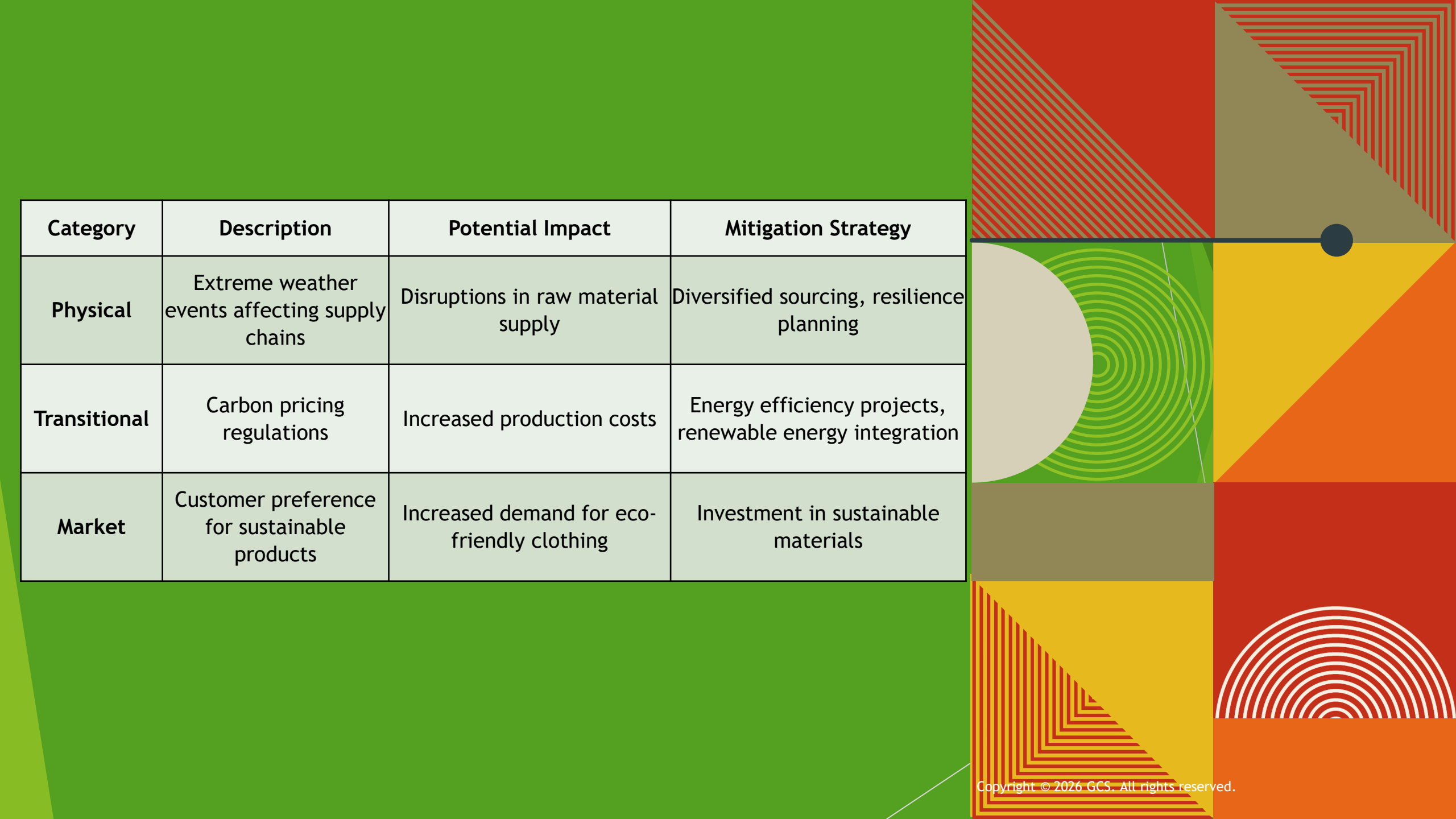
- ▶ Climate risk assessments are conducted through regular audits and evaluations.
- ▶ The company has completed GHG, non-GHG, and water footprint assessments, ensuring a comprehensive understanding of environmental impacts.
- ▶ Accounting is performed by a third party, and reports are verified by a GHG verifier to maintain credibility.
- ▶ The company also participates in the HIGG Index assessment annually and has set SBTi goals.
- ▶ At present, no specific climate-related risks have been identified. However, the company remains proactive in monitoring potential risks through third-party verifications and sustainability reporting.

2. Managing Climate-Related Risks

- ▶ While no significant climate risks have been identified, the company actively integrates sustainability into business decisions.
- ▶ Regular GHG, non-GHG, and water footprint audits help ensure compliance with international standards.
- ▶ Participation in SBTi and HIGG Index ensures alignment with global sustainability frameworks.

3. Identifying Climate-Related Opportunities

- ▶ Currently, the company has not identified direct financial benefits from sustainability initiatives.
- ▶ However, ongoing sustainability efforts, such as carbon-neutral products, waste reduction, and resource efficiency, position the company for long-term competitive advantages.



Category	Description	Potential Impact	Mitigation Strategy
Physical	Extreme weather events affecting supply chains	Disruptions in raw material supply	Diversified sourcing, resilience planning
Transitional	Carbon pricing regulations	Increased production costs	Energy efficiency projects, renewable energy integration
Market	Customer preference for sustainable products	Increased demand for eco-friendly clothing	Investment in sustainable materials



- EMISSIONS
& TARGETS -
CDP CLIMATE CHANGE

1. Emissions Data Reporting

Yes, the company measures and reports Scope 1, Scope 2, and Scope 3 emissions, verified by a third-party under ISO 14064.

The base year for comparison is 2024.

- ▶ Emissions data is aligned with GHG Protocol and SBTi framework.
- ▶ Reported GHG Emissions Data

1. Base Year Selection

- ▶ Base Year: 2024
- ▶ Reason for Selection: Most recent year with complete and verified data

2. Absolute Emissions (tCO₂e)

Year	Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	Scope 3 (tCO ₂ e)	Total Emissions (tCO ₂ e)
2024	281.38	284.22	43.57	609.17
2025	263.83	233.93	57.29	555.05

3. Normalized Emissions (tCO₂e per unit of shipment)

Year	Scope 1 (tCO ₂ e per pc)	Scope 2 (tCO ₂ e per pc)	Scope 3 (tCO ₂ e per pc)	Total Emissions (tCO ₂ e per pc)
2024	0.0006	0.0006	0.0001	0.0014
2025	0.0007	0.0006	0.0001	0.0014

2. Observations & Trends

- ▶ 1. Overall Emissions Reduction: Total emissions decreased from 609.17 tCO₂e (2024) to 555.05 tCO₂e (2025), reflecting an overall reduction of ~9%, indicating improved emissions management and efficiency measures.
- ▶ 2. Scope 1 Emissions (Direct Emissions): Scope 1 emissions declined from 281.38 to 263.83 tCO₂e (~6% reduction), suggesting better fuel efficiency, process optimization, or partial shift to lower-carbon fuels.
- ▶ 3. Scope 2 Emissions (Purchased Electricity): Scope 2 emissions showed a notable decrease from 284.22 to 233.93 tCO₂e (~18% reduction), indicating effective energy efficiency initiatives and/or increased use of renewable electricity.
- ▶ 4. Scope 3 Emissions (Indirect Emissions): Scope 3 emissions increased from 43.57 to 57.29 tCO₂e (~31% increase), likely due to expanded reporting boundaries, increased logistics activity, or improved data capture.

- ▶ 5. Emissions Contribution Shift: Scope 2 remains a major contributor but has reduced significantly in both absolute and relative terms. Scope 1 is now the largest contributor, highlighting continued reliance on on-site fuel use. Scope 3 contribution has increased, signaling growing importance of value chain emissions.
- ▶ 6. Key Insight for CDP Disclosure: The downward trend in total emissions is positive and aligns with decarbonization efforts, particularly in energy management (Scope 2). However, the rise in Scope 3 emissions indicates a need to strengthen value chain engagement, logistics optimization, and data tracking to ensure comprehensive emissions reduction.

3. Emission Reduction Targets

The company has set structured **short-term and long-term GHG reduction targets:**

- ▶ **Short-term Targets (2026–2029):** The company aims to reduce Scope 1 and Scope 2 emissions through energy efficiency improvements, optimization of operational processes, and increased adoption of cleaner energy sources. Efforts will also focus on strengthening data monitoring and gradually reducing value chain emissions where feasible.
- ▶ **Long-term Targets (2027–2040):** The company is committed to progressively lowering its overall GHG emissions by transitioning towards low-carbon operations, enhancing renewable energy adoption, and engaging suppliers to address Scope 3 emissions.



ENERGY, CARBON PRICING & POLICY ENGAGEMENT – CDP CLIMATE CHANGE

1. Energy Consumption & Renewable Energy

- ▶ The company tracks total energy consumption (electricity, fuel, etc.).
- ▶ No renewable energy sources are currently in use, but there are plans for sustainability improvements.

2. Carbon Pricing

- ▶ The company does not currently use internal carbon pricing for decision-making.

3. Climate Policy Engagement & Memberships

- ▶ The company does not engage in climate policy advocacy at present.
- ▶ No current memberships in sustainability organizations.
- ▶ However, the company plans to apply for SBTi membership next year and currently follows SBTi-aligned reporting.



RISK MANAGEMENT AND BUSINESS STRATEGY- CDP CLIMATE CHANGE

1. Risk Management Process

- ▶ The company assesses climate-related risks through audits and environmental impact assessments.
- ▶ Climate risks are reviewed during sustainability audits, and findings are integrated into operational decision-making.
- ▶ Risk assessment covers GHG emissions, water footprint, and non-GHG pollution.
- ▶ A third-party verifier validates all reports to ensure transparency and accuracy.

2. Identified Risks & Financial Impacts

- ▶ No significant climate-related risks have been identified so far.
- ▶ No direct financial benefits from climate-related actions have been quantified yet.
- ▶ However, sustainability initiatives such as GHG reduction targets, SBTi alignment, and energy efficiency improvements are expected to create long-term operational benefits.

3. Integration into Business Strategy

- ▶ The company's management oversees climate-related strategy, ensuring sustainability is embedded in decision-making.
- ▶ A dedicated sustainability team tracks and implements climate-related initiatives.
- ▶ The company has set short-term (2026-2029) and long-term (2027-2040) GHG reduction targets aligned with SBTi.
- ▶ Annual reporting frameworks like CDP and the HIGG Index are used to monitor sustainability progress.



METRICS & TARGETS- CDP CLIMATE CHANGE

GHG Emissions Data (Measured & Verified)

► Base Year: 2024

Absolute	Scope 1 tCO2e	Scope 2 tCO2e	Scope 3 tCO2e	Total tCO2e
Year 2024	281.38	284.22	43.57	609.17
Year 2025	263.83	233.93	57.29	555.05

2. Intensity-Based GHG Reduction Targets

- ▶ The company has set intensity-based reduction targets for GHG emissions:
 - Short-term goal (2026-2029): Reduce emissions per unit of production.
 - Long-term goal (2027-2040): Further improve energy efficiency and reduce carbon footprint per product.

Normalized Emissions Per Unit of Shipment:

Normalised	Scope 1 tCO2e Per Pc	Scope 2 tCO2e Per Pc	Scope 3 tCO2e Per Pc	Total tCO2e Per Pc
Year 2024	0.0006	0.0006	0.0001	0.0014
Year 2025	0.0007	0.0006	0.0001	0.0014

3. Progress Tracking & Verification

- ▶ Tracking Method: Annual monitoring through third-party verified assessments.
- ▶ Verification: Data is externally verified by a GHG verifier to ensure accuracy.
- ▶ SBTi Alignment: While not yet officially submitted, the company follows SBTi-aligned reporting and plans to apply in the future.



ENERGY & EMISSIONS REDUCTION INITIATIVES – CDP CLIMATE CHANGE

1. Have you implemented any initiatives to reduce emissions?

Yes – The company has taken the following measures:

- ▶ **Operational Efficiency:** Improving energy efficiency to reduce emissions per unit of production.
- ▶ **Process Optimization:** Enhancing manufacturing processes to minimize energy waste.
- ▶ **Monitoring & Audits:** Conducting regular energy audits to identify and implement reduction strategies.

2. What is the estimated reduction in emissions due to these initiatives?

- ▶ The impact is reflected in reduced emissions intensity per unit of production, but specific reduction figures are not yet isolated.

3. What percentage of your energy consumption comes from renewable sources?

- ▶ 0% at present – No renewable energy sources are currently in use.

4. Do you track total energy consumption?

- ▶ Yes, the company tracks total energy consumption as part of sustainability assessments.

5. What challenges do you face in reducing emissions?

- ▶ **High upfront costs** for renewable energy integration.
- ▶ **Dependence on grid electricity**, which may not be fully renewable.
- ▶ **Scaling energy efficiency improvements** across growing operations.



VERIFICATION & ASSURANCE- CDP CLIMATE CHANGE

1. Is your GHG emissions data externally verified?

Yes – The company's GHG emissions data is **third-party verified** by an accredited **ISO 14064 verifier**.

2. What level of assurance do you obtain?

- ▶ The verification is conducted in accordance with ISO 14064-3.
- ▶ The level of assurance is limited assurance, ensuring data accuracy for CDP and sustainability reporting.

3. What emissions categories are verified?

Scope 1 – Verified


Scope 2 – Verified

Scope 3 – Verified

4. Do you verify any other environmental data (e.g., water usage, energy consumption)?

Yes, the company also conducts third-party verification for:

- ▶ Water footprint assessments (aligned with ISO 14046 & WFN methodologies).
- ▶ Non-GHG gas emissions assessments.
- ▶ Energy consumption tracking as part of sustainability audits.



GOVERNANCE & STRATEGY - CDP CLIMATE CHANGE

1. Who is responsible for overseeing climate-related strategy?

- ▶ Company management oversees climate-related strategy and ensures sustainability is integrated into business decisions.
- ▶ A dedicated sustainability team is responsible for monitoring and implementing climate-related actions.

2. How is climate-related performance tracked at the management level?

- ▶ Climate-related performance is reviewed through annual sustainability reports and internal audits.
- ▶ The company reports sustainability metrics via CDP, HIGG Index, and third-party verification assessments.
- ▶ Progress is tracked against GHG reduction targets, water footprint assessments, and energy efficiency improvements.

3. How are climate-related risks and opportunities integrated into business strategy?

- ▶ Climate-related assessments, including GHG emissions, water footprint, and non-GHG inventories, are conducted to inform decision-making.
- ▶ The company follows SBTi-aligned reporting and has set intensity-based emissions reduction targets for 2026-2029 and 2027-2040.
- ▶ The company plans to apply to SBTi next year to formally validate its targets.

4. Does the company engage in climate-related policy advocacy?

- ▶ No, the company does not currently engage in climate-related policy advocacy.

5. Is the company a member of any sustainability-focused organizations?

- ▶ No memberships at present, but the company plans to apply to SBTi next year.



BUSINESS IMPACT & FINANCIAL PLANNING – CDP CLIMATE CHANGE

1. How does climate change impact your financial planning?

Climate-related factors are considered in operational audits and sustainability planning, but the company has not identified direct financial impacts yet.

Financial planning includes:

- ▶ GHG & water footprint assessments to ensure regulatory compliance.
- ▶ Energy efficiency improvements for cost savings.
- ▶ Future investments in renewable energy sources (long-term).

2. Has climate change affected your revenue, expenditures, or capital allocation?

No significant financial impact has been identified so far. However, sustainability efforts contribute to:

- ▶ Stronger market positioning with climate-conscious clients.
- ▶ Potential cost reductions through energy efficiency measures.

3. Have you conducted a climate scenario analysis?

- ▶ Not yet. However, the company monitors climate-related risks through sustainability audits and industry benchmarks.

4. What are your future climate-related financial priorities?

- ▶ Expanding sustainability initiatives (e.g., improved water management, emissions tracking).
- ▶ Exploring renewable energy adoption (e.g., solar energy in the long term).
- ▶ Aligning with SBTi goals and increasing reporting transparency.



**VALUE CHAIN
ENGAGEMENT -
CDP CLIMATE CHANGE**

1. Do you engage with your suppliers on climate-related issues?

Yes, but engagement is currently limited. The company promotes sustainable sourcing by encouraging suppliers to:

- ▶ Track their environmental impact (GHG emissions, water usage).
- ▶ Adopt sustainability certifications (e.g., HIGG Index, EcoVadis).
- ▶ Follow ethical and responsible sourcing practices.

2. Do you engage with customers on climate-related issues?

Yes, the company works with sustainability-focused customers by:

- ▶ Providing environmental impact data on products.
- ▶ Assisting in carbon footprint reporting (e.g., GHG verification, water footprint assessments).
- ▶ Aligning with clients' sustainability goals (e.g., SBTi-aligned reporting).

3. Do you collaborate with stakeholders to improve climate performance?

Yes, the company participates in:

- ▶ Third-party sustainability assessments (HIGG Index, GHG verification).
- ▶ Industry best practices and audits to enhance environmental performance.

Future Plans:

- ▶ Strengthen supplier engagement on climate risk assessments.
- ▶ Expand customer collaborations on sustainability reporting and compliance.



CARBON PRICING & POLICY ENGAGEMENT – CDP CLIMATE CHANGE

1. Does your company use internal carbon pricing?

No, the company does not currently use an internal carbon pricing mechanism.

However, carbon footprint assessments and emissions reduction targets are used to track and manage climate impact.

2. Do you engage with policymakers or industry groups on climate-related regulations?

No, the company does not currently engage in climate-related policy advocacy.

Future Consideration:

- ▶ The company may explore policy engagement in sustainability initiatives in the future, particularly as part of its SBTi goals and reporting commitments.


3. Are you part of any climate-focused industry coalitions or advocacy groups?

No, the company is not currently a member of any sustainability organizations.

Future Plans:

- ▶ Apply for SBTi validation next year.
- ▶ Explore potential memberships in climate-focused organizations.





ADDITIONAL METRICS & FUTURE PLANS - CDP CLIMATE CHANGE

1. Do you track any additional environmental metrics (beyond GHG emissions)?

Yes, the company tracks:

- ▶ Water footprint assessments (ISO 14046 & WFN methodologies).
- ▶ Non-GHG gas & pollution gas inventories.

2. Are there biodiversity or water security initiatives?

Yes, sustainability efforts include:

- ▶ Water balance studies to ensure efficient resource usage.
- ▶ Sustainable water management practices in manufacturing.
- ▶ No direct biodiversity programs yet, but environmental compliance is maintained.

3. What are your company's future sustainability goals?

Short-Term (2025-2030):

- ▶ Strengthen GHG reduction efforts.
- ▶ Apply for SBTi validation.
- ▶ Improve climate risk analysis and reporting.

Long-Term (2027-2040):

- ▶ Expand supplier/customer engagement in sustainability.
- ▶ Explore renewable energy adoption (e.g., solar energy).
- ▶ Increase participation in sustainability-focused industry groups.

4. What next steps will the company take in sustainability reporting?

- ▶ Continue CDP reporting and expand on climate disclosures.
- ▶ Improve data collection and verification processes.
- ▶ Strengthen alignment with global sustainability frameworks (e.g., SBTi, GHG Protocol).

OPTIONAL MODULES

This section asks whether your company **analyses climate risks under different future climate scenarios** (e.g., 1.5°C, 2°C, or 3°C warming).

SCENARIO ANALYSIS & RESILIENCE- CDP CLIMATE CHANGE

1. Have you conducted a climate scenario analysis?

Not yet. However, the company:

- ▶ Monitors climate-related risks through sustainability audits.
- ▶ Tracks GHG & water footprint data to identify long-term trends.
- ▶ Plans to integrate scenario analysis into future sustainability planning.

2. How does your company plan to build resilience to climate risks?

Future resilience-building strategies include:

- ▶ Strengthening energy efficiency & resource conservation.
- ▶ Expanding data tracking & climate risk analysis.
- ▶ Exploring renewable energy investments to reduce reliance on fossil fuels.



LOW-CARBON TRANSITION PLAN- CDP CLIMATE CHANGE

1. Do you have a formal transition plan for decarbonization?

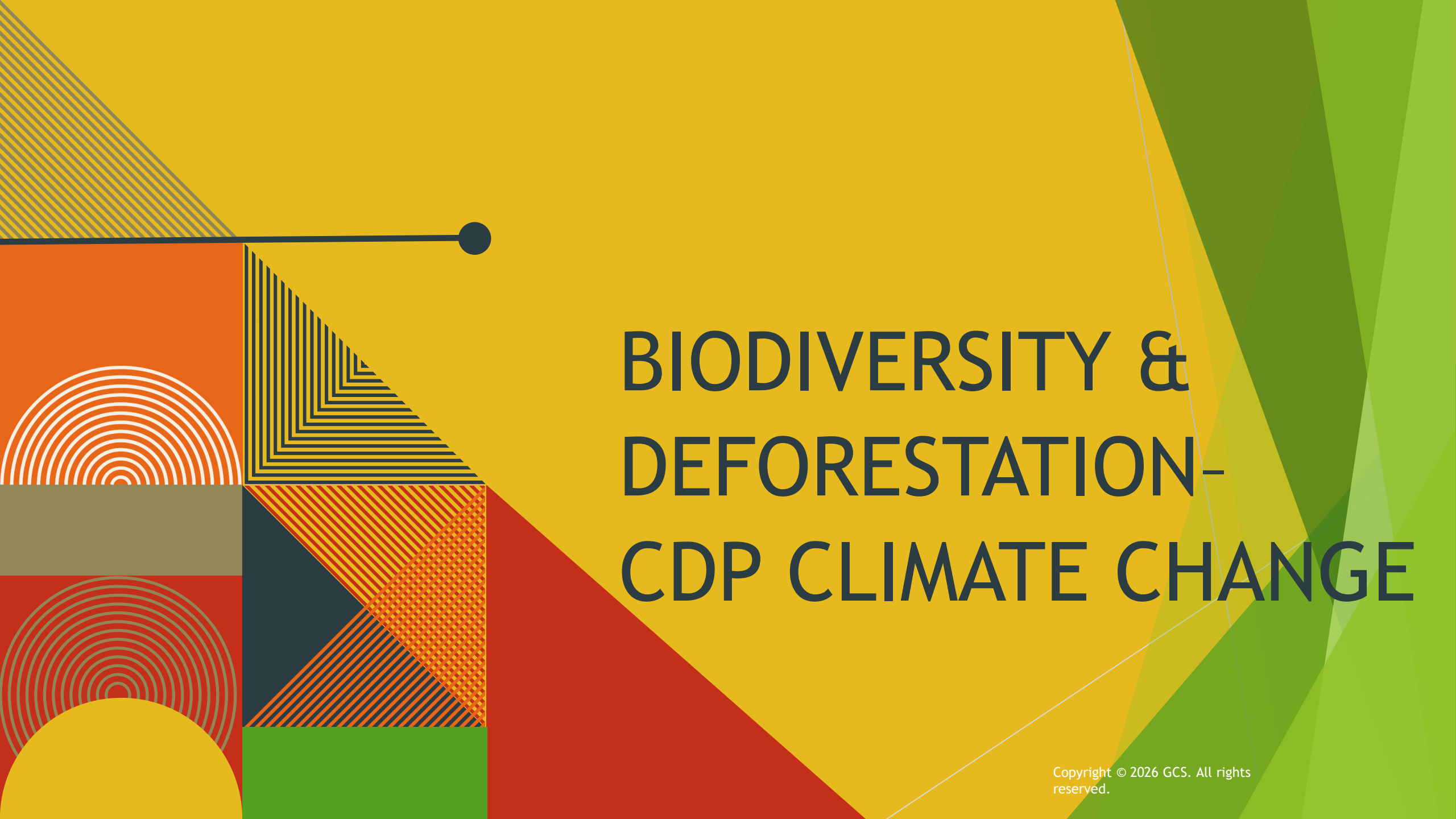
Not yet, but aligned with SBTi targets. The company currently follows:

- ▶ SBTi-aligned reporting with short-term (2025-2028) and long-term (2027-2040) GHG reduction goals.
- ▶ Annual tracking of GHG emissions (Scope 1, 2, and 3).
- ▶ Plans to apply for SBTi validation next year.

2. What are the key steps in your low-carbon transition?

Planned steps include:

- ▶ Energy efficiency improvements to reduce emissions.
- ▶ Future adoption of solar energy as a renewable source.
- ▶ Supplier & customer engagement to drive climate action in the value chain.



BIODIVERSITY & DEFORESTATION- CDP CLIMATE CHANGE

1. Do you track biodiversity impacts or land use changes?

No formal biodiversity tracking yet. However, the company ensures:

- ▶ No direct deforestation impact from operations.
- ▶ Strict compliance with environmental regulations.
- ▶ Water footprint & pollution monitoring to protect local ecosystems.

2. Do you source raw materials linked to deforestation?

No, the company does not use materials linked to deforestation risks. Future Plans:

- ▶ Strengthen supplier sustainability requirements.
- ▶ Explore sustainable sourcing initiatives in the value chain.



Summary:

Completed CDP Climate Change Disclosure Sustainability Report.

With these sections added, the **CDP response is now fully covered** across all key modules.

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