## Grasim Industries Limited (Grasim)

| Grasim | Rating Score | Rating Symbol* | Rating Action |
|---|---|---|---|
| ESG Rating | 85.4 | CareEdge-ESG 1+ | Assigned |

** Please refer www.careedgeesg.com for detailed understanding of CareEdge-ESG's rating symbols and definitions.*

***Leadership** position in managing ESG Risk through **best-in-class** disclosures, policies, and performance*

### ESG Score


Data Transparency Level: **High**

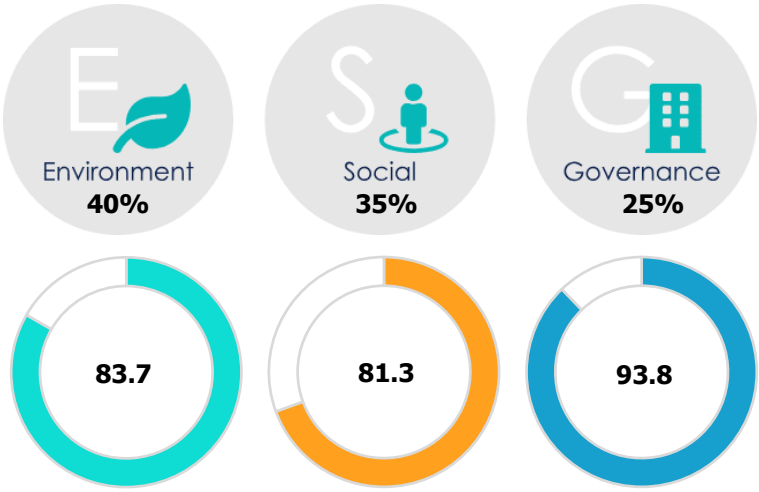
Data Reporting Boundary: **Standalone**

Overall Transition Pathway Trajectory: **Strong**

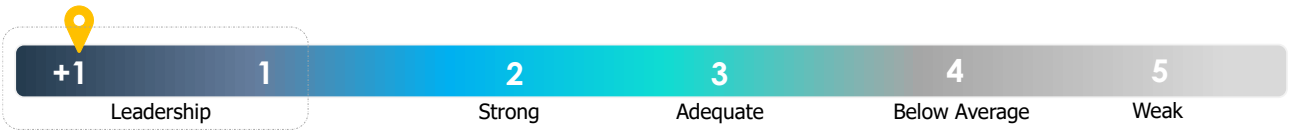
Environment Transition Pathway Trajectory: **Leadership**

Social Transition Pathway Trajectory: **Strong**

### Pillar Weights & Scores




### Rating Scale




*Please note: all scores mention in this document are on the scale of 0 – 100*

### CareEdge-ESG Rating Assessment Criteria

India & globally aligned | Physical risk evaluation | Comprehensive analysis

| Grasim's Policy Analysis | | |
|---|---|---|
| Comprehensive | Board approved | Regularly reviewed |

| Grasim's Initiatives Impact | | | |
|---|---|---|---|
| Adaptation | Mitigation | Resilience | Transition |

| ESG Disclosures | | | |
|---|---|---|---|
| BRSR Report | 2024-2025 | 2023-2024 | 2022-2023 |
| Integrated Annual Report | 2024-2025 | 2023-2024 | 2022-2023 |
| GRI Content Index | 2024-2025 | 2023-2024 | 2022-2023 |
| Sustainability ESG Data Book | 2024-2025 | 2023-2024 | 2022-2023 |

## Rating Rationale

The ESG rating assigned to Grasim Industries Limited is underpinned by the company's strong, well-embedded ESG governance architecture and consistent performance across several material environmental and social themes, supported by high-quality disclosures and structured oversight mechanisms. Grasim demonstrates a leadership-oriented approach to ESG risk management, particularly in governance, climate strategy, resource efficiency, business ethics, and transparency. These strengths have materially augmented the overall ESG score and position the company above industry medians across multiple parameters.

A primary driver of Grasim's strong ESG score is its robust and institutionalised ESG governance framework, anchored at the Board level and integrated with enterprise risk management. ESG oversight is exercised through dedicated Board committees, regular ESG performance reviews, and management accountability structures, with sustainability metrics embedded into senior leadership incentives. This governance model ensures that ESG considerations are systematically incorporated into strategic planning, capital allocation, and risk monitoring. The company's credible climate transition strategy further strengthens the rating. Grasim has articulated a clear net-zero ambition supported by scenario-based climate risk assessments aligned with recognised global frameworks. Measurable reductions in emissions intensity and energy intensity, achieved even as operations expanded, demonstrate effective execution capability. The use of internal carbon pricing and product-level innovations that enable downstream avoided emissions reinforce the strategic depth of the climate approach.

Grasim's strong resource-management systems also positively influence the score. High levels of wastewater treatment coverage, extensive Zero Liquid Discharge infrastructure, near-total waste recovery rates, certified raw-material sourcing, and structured biodiversity management plans reflect disciplined environmental controls. These systems reduce regulatory risk, enhance operational resilience, and position the company favourably relative to industrial peers. High data transparency, disclosure quality, and ethical controls further support the rating. Comprehensive ESG disclosures, supported by external assurance, strong business-ethics policies, effective whistleblower mechanisms, and high grievance-resolution rates for investors and stakeholders contribute to strong confidence in governance reliability and reported performance.

Despite strong systems and governance, absolute environmental intensity metrics remain elevated compared with industry benchmarks due to the scale and nature of Grasim's operations. While emissions, energy, water, and waste intensity trends are improving, current levels moderate environmental pillar outcomes. Renewable energy adoption, though increasing, remains relatively low at the consolidated level, indicating further scope to accelerate the energy transition. Workforce health and safety outcomes, particularly related to contractors, have also moderated the score. While Grasim maintains best-in-class safety governance, certifications, and preventive systems, the occurrence of worker fatalities during the reporting period highlights residual execution risks. This gap between system strength and outcome-based performance continues to weigh on the social assessment. Gender diversity across the workforce, senior management, and Board remains materially below both domestic and global benchmarks. Although pay equity indicators are positive, low representation limits inclusiveness outcomes and moderates human-capital performance relative to peers. Finally, while disclosure quality is high, outcome-oriented ESG reporting remains limited in certain areas, particularly with respect to community impact, supplier ESG improvement, occupational health outcomes, and water circularity effectiveness. Greater emphasis on measurable outcomes and longitudinal impact assessment would further strengthen the transparency and comparability of ESG performance. Given the inherently resource- and energy-intensive nature of Grasim's core operations, certain performance indicators continue to exert a moderating influence on the overall score. These relate primarily to operational intensity metrics, workforce diversity outcomes, renewable energy integration, and outcome-based safety indicators, where execution has not yet fully matched the strength of governance frameworks. As a result, while Grasim demonstrates strong ESG maturity, the overall score reflects a transition-phase profile rather than peak best-in-class performance.

In aggregate, Grasim's ESG score reflects a company with advanced governance, strong environmental and social systems, and a credible transition trajectory, tempered by the realities of operating scale, intensity, and execution complexity. The rating outcome captures this balance—highlighting leadership in ESG frameworks and oversight, while recognising the need for continued improvement in operational intensity, inclusion outcomes, renewable energy penetration, and outcome-based performance metrics to further elevate ESG standing over the medium term.


Transition Pathway Trajectory
**Leadership**

Grasim operates across cellulosic fibres and yarns, chemicals, and building material businesses, making environmental issues highly material due to the energy-intensive nature of operations, dependence on natural and forest-based raw materials, water consumption, chemical processing, waste generation, and supply chain-related emissions. In the cellulosic fibres and yarns business, sustainable sourcing of wood pulp and other forest-based inputs is critical to ensure traceability, biodiversity protection, and long-term raw material security. Similarly, in the chemicals business, energy consumption, use of fossil fuel, emissions, and hazardous waste management remain important due to the carbon-intensive nature of production processes. Themes such as carbon emissions, climate risk management, energy efficiency, raw material sourcing, biodiversity, water use, and waste management are therefore highly relevant for the company, given their direct impact on operational costs, regulatory compliance, business continuity, and stakeholder expectations. Consequently, the environmental pillar carries a weight of 40% for the sector. With an environmental score of 83.7, Grasim stands above the industry median, demonstrating strong performance across key environmental areas including carbon and other emissions, climate change risk management, energy efficiency, raw material sourcing, effluent and waste management, water stewardship, and biodiversity conservation.

Carbon and other air emissions continue to be a key material topic for Grasim, reflecting the scale and energy-intensive nature of its manufacturing footprint, particularly across its Cellulosic Fibre and Chemicals business verticals. These two businesses together account for the majority of Grasim's greenhouse gas emissions, electricity consumption and exposure to evolving climate-related transition and physical risks. Against this backdrop, the Company's multi-year emissions performance demonstrates a clear and measurable transition from emission growth toward intensity-led decarbonisation, supported by disciplined capital investment, operational efficiency and product-driven climate solutions. This sustained progress is reflected in Grasim's carbon-emissions score of 77.6, which remains materially above the industry median of 61.6.

Over the past several years, Grasim has progressively strengthened its carbon and air-emissions management framework, moving beyond compliance-driven controls toward an integrated, forward-looking approach anchored in long-term climate strategy. The Company has articulated a comprehensive Net Zero roadmap and reaffirmed its commitment to becoming a Net Zero carbon company by 2050, aligned with the Paris Agreement and global climate-transition trajectories. This roadmap is supported by clearly defined interim targets and year-on-year performance monitoring, enabling consistent progress tracking across business verticals.

A defining feature of Grasim's transition in recent years has been the sharp improvement in emissions intensity, even as production volumes and revenues have expanded. The Company has set a target to achieve a 45% reduction in emissions intensity per unit of production by FY 2030, using FY 2024 as the baseline year. In FY

2024–25, Grasim recorded an 11% reduction in emissions intensity, marking a significant year-on-year improvement and reinforcing the credibility of its longer-term decarbonisation pathway. This reduction was driven by a combination of energy-efficiency initiatives, higher renewable energy penetration, process optimisation and improved operating controls across manufacturing units. In absolute terms, Grasim's greenhouse gas emissions remain largely concentrated in Scope 1 and Scope 2 categories due to the thermal and electricity-intensive nature of its operations. However, performance trends over the FY 2021–FY 2025 period highlight a clear decoupling of emissions from growth. While absolute emissions have fluctuated in line with capacity additions and market demand, emissions intensity relative to revenue and production has declined consistently. This reflects the effectiveness of Grasim's focus on reducing energy consumption per unit of output, improving plant-level efficiencies and progressively transitioning to cleaner energy sources.

The Cellulosic Fibre business remains the single largest contributor to Grasim's Scope 1 emissions, primarily due to fuel combustion for steam generation, chemical recovery and captive power requirements. In FY 2022–23, this business accounted for approximately 58% of the Company's Scope 1 emissions, and this profile has remained broadly consistent into FY 2024–25 due to the scale of fibre operations. Despite this, the year-on-year emissions trajectory within the Cellulosic Fibre business demonstrates steady improvement in emissions intensity. Investments in high-efficiency boilers, multi-effect evaporators, enhanced condensate recovery, waste-heat utilisation and process optimisation have delivered substantial reductions in steam consumption and fuel usage per tonne of fibre produced. Energy-intensity improvements in the Cellulosic Fibre business have been particularly material. Grasim achieved a 17% year-on-year reduction in overall energy intensity in FY 2022–23, and this efficiency momentum has continued through FY 2024–25 with further debottlenecking and modernisation initiatives. These improvements have enabled the business to absorb growth in production volumes while moderating absolute emissions growth and delivering consistent reductions in Scope 1 emissions intensity. As a result, Grasim has committed the Cellulosic Fibre business to achieving net-zero operational emissions by 2040, reflecting both technological feasibility and increasing market-driven expectations from global apparel and textile customers.

Grasim's renewable energy adoption has emerged as one of the most critical pillars of its decarbonisation strategy, reflecting both the Company's exposure to energy-intensive manufacturing processes and its long-term commitment to mitigating climate transition risks. As electricity and thermal energy together represent the largest drivers of Grasim's Scope 1 and Scope 2 greenhouse gas emissions, the systematic replacement of fossil-fuel-based energy with renewable sources has been positioned not only as an environmental imperative but also as a strategic lever for cost stability, regulatory preparedness and long-term competitiveness. Over recent years, Grasim has demonstrated a clear and accelerating transition toward renewable energy, moving from pilot-scale initiatives to structured, business-level deployment across its manufacturing footprint. This

transition has been particularly evident between FY 2022–23 and FY 2024–25, during which renewable energy adoption has expanded alongside improvements in energy efficiency and process optimisation. By FY 2024–25, renewable power accounted for approximately 11% of Grasim's total power consumption, reflecting steady year-on-year growth despite significant capacity additions and ramp-up of new manufacturing assets during the same period. The ability to increase the renewable share while expanding operations highlights the effectiveness of Grasim's integrated approach to energy transition.

The Cellulosic Fibre business, which constitutes the largest share of Grasim's total energy consumption, has been a primary focus area for renewable energy integration. Fibre manufacturing involves continuous, steam-intensive and power-intensive processes, making absolute decarbonisation challenging in the near term. Recognising these constraints, Grasim has adopted a phased renewable energy strategy, prioritising areas where renewable substitution delivers immediate emissions benefits without compromising operational reliability. Biomass-based fuels have been increasingly used for steam generation in select Cellulosic Fibre facilities, partially substituting fossil fuels and directly reducing Scope 1 emissions. In parallel, the business has scaled up renewable electricity procurement through a combination of on-site solar installations and off-site renewable power purchase agreements, contributing to a gradual yet consistent reduction in Scope 2 emissions intensity. By FY 2024–25, the Cellulosic Fibre business had significantly increased the proportion of its electricity sourced from renewable power compared to earlier years, supported by open-access solar and wind procurement in states with favourable renewable policies. This transition has been complemented by substantial investments in energy-efficiency measures, including heat recovery systems, optimised evaporator configurations and improved condensate reuse. Together, these initiatives have ensured that renewable energy adoption is embedded within a broader energy-intensity reduction framework rather than treated as a standalone intervention. This integrated approach underpins Grasim's commitment to achieving net-zero operational emissions for its Cellulosic Fibre business by 2040, with renewable energy playing a progressively larger role over time as grid decarbonisation and storage technologies advance.

In the Chemicals business, renewable energy adoption has been even more critical due to the electricity-intensive nature of chlor-alkali production, where purchased electricity accounts for a dominant share of Scope 2 emissions. Historically, grid-sourced power represented the majority of the Chemicals business' energy footprint, making it particularly exposed to carbon pricing, emissions-trading mechanisms and volatility in fossil-fuel-linked electricity tariffs. To address this risk, Grasim has prioritised renewable electricity procurement as a central component of the Chemicals business' decarbonisation pathway. By FY 2022–23, renewable power accounted for approximately 8% of electricity consumption in the Chemicals business, and this share increased further in FY 2024–25 with the commissioning of additional renewable sourcing arrangements. Grasim has set a targeted goal to achieve 25% renewable electricity procurement in the

Chemicals business by FY 2024–25, positioning it among the leaders in the domestic chemicals sector in terms of renewable integration. Renewable power is being sourced through a mix of long-term power purchase agreements, open-access solar and wind projects, and group-level renewable platforms, including linkages with Aditya Birla Renewables. This approach ensures both emissions reduction and tariff predictability over the medium term. The year-on-year transition in the Chemicals business demonstrates how renewable energy adoption has worked in tandem with energy-efficiency improvements to reduce emissions intensity. While absolute electricity consumption has increased due to capacity expansion in caustic soda and specialty chemicals, electricity consumption per tonne of output has declined, reflecting improved electrolyser efficiency, enhanced chlorine integration and tighter energy management controls. Renewable energy has thus acted as a force multiplier, amplifying the emissions benefits of operational efficiency gains and enabling Grasim to commit credibly to a 30% reduction in Scope 1 and Scope 2 emissions by 2030 from the FY 2016–17 baseline for the Chemicals business.

At the enterprise level, renewable energy adoption has been guided by clear governance mechanisms and supported by policy alignment. Grasim actively leverages favourable regulatory frameworks, such as open-access renewable procurement and renewable consumption obligations, while ensuring compliance with grid-stability requirements for continuous manufacturing operations. Renewable capacity investments are evaluated alongside conventional power options using an internal carbon-pricing mechanism, which applies a shadow carbon price of USD 20 per metric tonne of $CO_2e$ to Scope 1 and Scope 2 emissions. This internal pricing has progressively strengthened the economic case for renewable energy investments by internalising future transition costs into present-day decision-making. Importantly, renewable energy adoption at Grasim is not limited to electricity alone. The Company has also explored the use of alternative and renewable fuels such as biomass and industrial waste for thermal energy requirements, particularly in fibre and textile operations. In FY 2024–25, select facilities operated boilers using 100% non-fossil fuel sources for steam generation, demonstrating the technical feasibility of deeper thermal decarbonisation under suitable operating conditions. These initiatives directly reduce Scope 1 emissions and contribute to lowering overall air pollutant loads, including sulphur oxides and particulate matter.

From a climate-risk management perspective, renewable energy adoption plays a dual role. It mitigates transition risks by reducing exposure to carbon pricing, emissions regulations and fossil-fuel price volatility, while also enhancing physical resilience by diversifying energy supply sources. In regions exposed to grid instability or climate-induced disruptions, on-site renewable generation improves operational continuity and long-term energy security. This risk-mitigation benefit has become increasingly relevant as Grasim expands operations in water- and climate-stressed regions. Looking ahead, Grasim's renewable energy trajectory is expected to accelerate further as renewable costs decline, storage technologies mature and policy frameworks evolve. The

Company's FY 2024–25 performance demonstrates that renewable energy adoption is no longer incremental but structurally embedded within its energy and climate strategy. By scaling renewable electricity, substituting fossil-based thermal fuels and integrating renewable sourcing into capital-allocation decisions, Grasim is progressively reshaping its energy mix across the Cellulosic Fibre and Chemicals businesses. This transition strengthens the Company's ability to meet its FY 2030 emissions-intensity targets and sustains momentum toward its Net Zero ambition by 2050, while reinforcing resilience in a rapidly evolving low-carbon economy.

Scope 3 emissions have also gained prominence in Grasim's climate strategy as reporting coverage and data quality have improved. In FY 2022–23, Scope 3 emissions amounted to approximately 5.57 million $tCO_2e$, with purchased goods and services, fuel- and energy-related activities and upstream transportation forming the largest contributing categories. While Scope 3 emissions increased in absolute terms over recent years due to higher production volumes and boundary expansion, emissions intensity has remained broadly stable. This reflects improved logistics efficiency, supplier engagement and increased availability of lower-carbon raw materials. Grasim has increasingly addressed Scope 3 exposure through product innovation, which has become a core lever in its emissions-reduction strategy. Low-carbon products within the Cellulosic Fibre portfolio enable avoided emissions for customers by eliminating resource- and energy-intensive downstream processes. Birla Spunshades fibres are a notable example, as they remove the need for conventional fabric dyeing. In FY 2024–25, the use of these fibres resulted in avoided emissions of 2,10,924 $tCO_2e$, highlighting Grasim's role in reducing emissions beyond its direct operational boundary and strengthening its value proposition to customers seeking lower-carbon supply chains. In addition to greenhouse gases, Grasim continues to demonstrate effective year-on-year management of other air pollutants, including nitrogen oxides, sulphur oxides and particulate matter. All manufacturing sites are equipped with appropriate pollution-control systems and continuous emissions monitoring, and emissions are maintained within permissible regulatory limits. Annual environmental baseline monitoring covering air, water and noise parameters provides further assurance, while capital investments in cleaner fuels, improved combustion efficiency and process modernisation continue to support long-term reductions in air-pollutant intensity.

Grasim's emissions strategy is closely integrated with its approach to climate-change risk management. Under the TCFD framework, the Company adopts a scenario-based approach to assess transition and physical risks across short-, medium- and long-term horizons. Year-on-year assessments indicate that transition risks—such as carbon pricing, emissions regulations and customer decarbonisation requirements—are expected to intensify gradually, particularly affecting the Cellulosic Fibre and Chemicals businesses. By contrast, physical risks, including heat stress and water scarcity, pose more immediate operational challenges. To manage these risks, Grasim has embedded climate considerations into its enterprise risk management and strategic planning processes. Investments in Zero Liquid Discharge systems, increased water recycling and resilient infrastructure

design have improved year-on-year water security, with recycled water accounting for approximately 46% of total water consumption in FY 2022–23, and further improvements achieved in FY 2024–25. These measures enhance resilience to drought risk while supporting regulatory compliance and operational continuity.

Over successive years, this internal price has been increasingly integrated into capital-allocation and project-approval decisions, strengthening the business case for energy efficiency, renewable power and low-carbon investments. By internalising future carbon costs today, Grasim has improved its ability to align near-term financial decisions with long-term climate resilience and regulatory expectations. Overall, Grasim's FY 2024–25 performance illustrates a clear and credible transition trajectory. Through sustained year-on-year reductions in emissions intensity, expanding renewable energy adoption, disciplined management of Scope 1, 2 and 3 emissions and integration of climate-risk considerations into enterprise governance, the Company has strengthened its positioning in a progressively carbon-constrained economy. The transition achieved to date provides a robust foundation for meeting FY 2030 intensity-reduction targets and maintaining momentum toward Net Zero by 2050, particularly across the Cellulosic Fibre and Chemicals businesses that define Grasim's carbon profile.

Energy efficiency constitutes one of the most fundamental and long-standing pillars of Grasim's decarbonisation strategy, underpinning both its emissions-reduction trajectory and its broader climate-risk management approach. Given the inherently energy-intensive nature of Grasim's core manufacturing operations—particularly in the Cellulosic Fibre and Chemicals businesses—improvements in energy intensity deliver immediate, measurable climate and cost benefits, while also strengthening resilience against fuel volatility, regulatory tightening and physical climate risks. As a result, energy efficiency has consistently been prioritised as the first and most impactful lever in Grasim's transition toward a lower-carbon operating model.

Over the past several years, Grasim has demonstrated sustained and accelerating progress on energy efficiency, reflected in a clear year-on-year decline in energy-intensity metrics despite significant growth in production capacity and revenues. The Company's total energy consumption continues to be dominated by non-renewable sources, including coal, natural gas and grid electricity; however, the efficiency with which this energy is consumed has improved markedly. In FY 2022–23, Grasim achieved a 17% reduction in energy intensity year-on-year, a milestone that reflected the cumulative impact of process optimisation, equipment upgrades and improved operational discipline across manufacturing units. This efficiency momentum has continued into FY 2024–25, supporting further reductions in emissions intensity and reinforcing the credibility of the Company's long-term climate commitments.

At the Group level, energy efficiency is embedded within a structured governance and management framework supported by ISO 50001-certified energy management systems across manufacturing sites. Energy performance is monitored continuously at plant and business-unit levels, with clearly defined efficiency targets linked to operational reviews and capital-allocation decisions. Facilities covered under India's Perform, Achieve and Trade (PAT) scheme have consistently achieved or outperformed designated energy-efficiency targets, underscoring Grasim's disciplined and proactive approach to energy management beyond regulatory compliance.

The Cellulosic Fibre business represents the single largest consumer of energy within Grasim's portfolio, accounting for over half of total energy consumption due to the steam- and power-intensive nature of fibre and pulp production processes. Over recent years, Grasim has implemented a series of high-impact energy-efficiency interventions across this business, targeting both thermal and electrical energy demand. Key initiatives include the deployment of multi-effect evaporators to improve steam economy, enhanced condensate recovery systems to minimise energy losses, optimisation of boiler operations, and extensive waste-heat recovery to pre-heat process streams. These interventions have significantly reduced fuel consumption per tonne of fibre produced, enabling the business to support production growth while moderating absolute energy demand. The year-on-year performance of the Cellulosic Fibre business highlights the effectiveness of this approach. From FY 2022 onwards, energy consumption per unit of revenue and per unit of output declined consistently, even as fibre sales volumes reached record highs. By FY 2024–25, additional debottlenecking projects, modernisation of legacy equipment and tighter process controls further improved energy efficiency, enabling the business to absorb capacity expansion without a commensurate increase in energy use. These gains form a critical foundation for the Cellulosic Fibre business's commitment to achieving net-zero operational emissions by 2040, as energy-efficiency improvements reduce the scale of renewable energy and alternative fuel substitution required in later phases of the transition. Energy efficiency initiatives within the Cellulosic Fibre business have also delivered co-benefits beyond carbon reduction. Reduced fuel combustion has lowered emissions of other air pollutants, including sulphur oxides and particulate matter, while improved thermal efficiency has enhanced process stability and product quality. From a climate-risk perspective, lower energy consumption per unit of output has reduced exposure to fossil-fuel price volatility and strengthened cost competitiveness in global textile markets increasingly shaped by carbon considerations.

In the Chemicals business, energy efficiency has been equally critical, albeit with a different technical emphasis. Chlor-alkali production is inherently electricity-intensive, making electrical energy efficiency the primary driver of both cost and emissions performance. Over recent years, Grasim has invested in upgrading electrolyser technology, improving current efficiency and enhancing chlorine integration to optimise energy utilisation across chemical production processes. These measures have reduced electricity consumption per tonne of caustic soda and downstream chemical products, enabling energy demand to grow at a slower pace than output. Year-on-year data demonstrates that while absolute electricity consumption in the Chemicals business increased

due to capacity expansion, electricity-intensity metrics improved steadily through FY 2024–25. This was supported by improved operating discipline, advanced energy-monitoring systems and process-level optimisation. Energy efficiency gains in the Chemicals business have also amplified the impact of renewable electricity adoption, as lower baseline electricity demand enables renewable sourcing to offset a larger proportion of residual energy consumption.

Across both core business verticals, Grasim has reinforced energy-efficiency performance through digitalisation and real-time monitoring. Advanced data analytics, energy dashboards and automated controls are increasingly used to track performance deviations, identify inefficiencies and enable rapid corrective action. These digital tools support a shift from periodic energy audits toward continuous energy optimisation, embedding efficiency into daily operational decision-making rather than treating it as a one-time intervention. From a year-on-year transition perspective, Grasim's energy-efficiency trajectory has been particularly notable because it has been sustained over a period of rapid business expansion. Between FY 2021 and FY 2025, the Company added new capacities, launched new product lines and scaled emerging businesses while continuing to reduce energy intensity. This decoupling of energy consumption from growth reflects the effectiveness of Grasim's integrated approach, combining technical upgrades, process innovation and behavioural change.

Energy efficiency also plays a central role in Grasim's climate-change risk management framework. Improvements in energy intensity directly reduce transition risks associated with carbon pricing, renewable consumption obligations and tighter emissions regulations, particularly in the Chemicals business. At the same time, reduced energy demand lowers reliance on exposed energy infrastructure, enhancing resilience to physical risks such as heatwaves, grid disruptions and fuel supply volatility. These risk-mitigation benefits are explicitly recognised in Grasim's TCFD-aligned scenario analyses and enterprise risk assessments. Looking ahead, Grasim intends to further deepen energy-efficiency gains as a prerequisite for meeting its FY 2030 emissions-intensity reduction target of 45% compared to FY 2024. Energy intensity per rupee of turnover adjusted for Purchasing Power Parity reduced from 2641.67 joules/INR to 2116.07 joules/INR, indicating improved energy utilisation relative to revenue generation.. Continued investments in high-efficiency equipment, next-generation process technologies, waste-heat recovery and digital energy management are expected to deliver incremental efficiency improvements across both the Cellulosic Fibre and Chemicals businesses. By prioritising energy efficiency as the backbone of its climate strategy, Grasim is reducing the cost, complexity and risk associated with its broader transition to renewable energy and Net Zero operations. Grasim's energy-efficiency journey reflects a mature and evolving approach that has transitioned from incremental improvements to structural change. Through sustained year-on-year reductions in energy intensity, strong governance and integration with climate-risk management, energy efficiency has become a core driver of emissions reduction, operational resilience and long-term competitiveness across the Company's most energy-intensive businesses.

For Grasim's Cellulosic Fibres business, responsible sourcing of forest-based raw materials is a central pillar of its sustainability strategy and a critical determinant of its long-term competitiveness in global textile value chains. As one of the world's leading producers of man-made cellulosic fibres, Grasim operates in a sector increasingly shaped by the environmental expectations of global apparel brands, regulators, investors and civil-society organisations. Against this backdrop, sustainable raw-material sourcing is not treated merely as a compliance requirement but as a strategic enabler that underpins product credibility, customer trust and market access. In FY 2024–25, Grasim continued to strengthen its sustainable sourcing framework, with approximately 47% of total raw materials sourced through sustainable pathways, reflecting steady progress in transitioning away from conventional and higher-impact inputs toward certified, traceable and recycled alternatives. This transition has been particularly pronounced within the Cellulosic Fibres business, where wood-based pulp constitutes a critical input and where sourcing practices have a direct bearing on biodiversity, land-use change and broader ecosystem impacts. Grasim sources virtually all forest-based raw materials used in its Cellulosic Fibres business from responsibly managed forests certified under globally recognised standards, including FSC®, SFI® and PEFC™. These certifications ensure that wood pulp is procured from forests managed in accordance with stringent environmental and social criteria, covering biodiversity conservation, protection of high-conservation-value forests, respect for indigenous rights and long-term forest regeneration. Certified sourcing is complemented by robust due-diligence processes that assess supplier compliance, geographic risk and traceability, enabling Grasim to maintain a high degree of confidence in the integrity of its supply chain.

Traceability has emerged as a defining feature of Grasim's raw-material strategy. Through proprietary tools such as GreenTrack™, the Company provides end-to-end traceability of its cellulosic fibres, allowing brands and downstream customers to verify the origin and sustainability credentials of fibres used in finished garments. This capability has become increasingly critical as apparel brands face rising regulatory scrutiny and consumer demand for transparency. In FY 2024–25, traceability and third-party verification mechanisms continued to be strengthened through independent audits, including assessments aligned with initiatives such as CanopyStyle, reinforcing Grasim's position in the "Dark Green Shirt" category of responsible fibre producers. Alongside certified forest sourcing, Grasim has steadily increased the use of recycled and alternative feedstocks to reduce reliance on virgin raw materials and lower lifecycle environmental impacts. A leadership example is Liva Reviva, a circular cellulosic fibre produced using pre-consumer textile waste blended with responsibly sourced wood pulp. By FY 2024–25, Grasim had made significant progress toward scaling circular fibre production, supported by investments in chemical recycling technologies and expanded R&D capabilities at the Aditya Birla Science & Technology Centre. These initiatives enable Grasim to reduce pressure on forest resources while directly addressing the textile industry's growing waste challenge. Process design plays a decisive role in reinforcing responsible sourcing outcomes. Grasim's Lyocell fibres are produced through a closed-loop manufacturing process in which more than 99% of process water and solvents are recovered and reused, significantly reducing

both raw-material losses and environmental releases. This closed-loop approach not only minimises input intensity but also enhances operational efficiency and cost stability over time. In FY 2024–25, continued optimisation of closed-loop systems contributed to lower specific consumption of chemicals and auxiliaries per tonne of fibre produced, reinforcing the circularity of the production process.

Beyond fibres alone, Grasim continues to strengthen its broader green value chain through complementary sustainability initiatives spanning energy, water and waste management. Renewable energy adoption and energy-efficiency measures reduce the embedded carbon footprint of raw-material processing, while water-recycling investments mitigate risks associated with sourcing and processing in water-stressed regions. In FY 2024–25, Grasim diverted approximately 93% of total waste generated away from landfill through reuse, recycling and recovery, reducing dependency on virgin raw materials and supporting circular material flows across operations. A significant proportion of this recovered waste is reintegrated into internal processes or supplied to downstream users as secondary raw materials, further enhancing resource efficiency. Risk management is integral to Grasim's raw-material sourcing strategy. The Company has established policies and procedures to monitor safety, environmental and social risks associated with raw materials, including potential exposure to hazardous substances. Continuous efforts are underway to minimise and substitute toxic or high-risk inputs wherever technically feasible, supported by R&D programmes focused on green chemistry and safer material alternatives. These actions reduce health and environmental risks while supporting compliance with evolving chemical regulations across global markets.

Grasim's engagement with industry platforms further reinforces its leadership in sustainable sourcing. Through partnerships with initiatives such as Fashion for Good, the Company actively pilots and scales innovations related to fibre recycling, bio-based materials, traceability technologies and low-impact processing. In FY 2024–25, collaborative pilots continued to explore next-generation circular solutions, including advanced textile-to-textile recycling pathways and alternative bio-feedstocks that could further reduce dependency on virgin forest resources over the long term. From a year-on-year transition perspective, Grasim's raw-material journey reflects a steady shift from certified sourcing toward deeper circularity and value-chain integration. While certified forest pulp remains central to ensuring supply security and quality, the relative contribution of recycled, alternative and lower-impact materials has increased consistently. This evolution strengthens resilience against raw-material price volatility, regulatory tightening and reputational risks, while enhancing the Company's ability to meet increasingly stringent procurement standards set by global brands and retailers. Grasim's approach to responsible raw-material sourcing in FY 2024–25 demonstrates a mature and forward-looking strategy that integrates certified sourcing, traceability, circular materials, and closed-loop production within a broader sustainability framework. By reducing reliance on virgin resources, minimising environmental and social risks, and embedding transparency across its value chain, the Cellulosic Fibres business is well positioned to capitalise

on growing demand for sustainable textiles while reinforcing long-term resource security and stakeholder confidence.

Product footprint and stewardship form a central pillar of Grasim's sustainability strategy, particularly across its Cellulosic Fibres and Chemicals businesses, where product-related impacts extend well beyond the Company's operational boundaries. Grasim recognises that a significant share of environmental impacts associated with its products occur upstream during raw-material extraction and downstream during customer processing, use and end-of-life phases. As a result, the Company has adopted a lifecycle-based approach to product stewardship, using Life-Cycle Assessment (LCA) as a core decision-making tool to identify, measure and mitigate environmental impacts across the entire value chain. In FY 2024–25, Grasim further strengthened its systematic integration of LCA into product design, R&D, customer engagement and strategic planning. The Company applies lifecycle thinking across key product categories to reduce greenhouse gas emissions, water consumption, energy intensity and waste generation, while enhancing transparency and enabling customers to make informed material choices. LCA outcomes are increasingly used not only for disclosure and benchmarking but also to guide capital investment in technologies, raw-material substitution and circular solutions.

Within the Cellulosic Fibres business, product footprint management is particularly critical due to the industry's exposure to climate, water and biodiversity risks. Grasim undertakes cradle-to-gate and, where relevant, cradle-to-grave lifecycle assessments covering fibre production stages such as wood cultivation and harvesting, pulp production, fibre manufacturing, energy use, chemical inputs and emissions. These LCAs are conducted in alignment with internationally recognised standards, including ISO 14040 and ISO 14044, and are periodically reviewed to reflect changes in process efficiency, energy mix and sourcing profiles. Insights from LCAs have directly informed Grasim's transition toward lower-impact and circular fibre products. Products such as Livaeco, Liva Reviva, Birla Excel (Lyocell) and Birla Spunshades demonstrate materially improved lifecycle performance compared to conventional fibres. For example, Liva Reviva, which incorporates pre-consumer textile waste as a raw material, reduces dependence on virgin wood pulp and delivers lower lifecycle greenhouse gas emissions and water intensity relative to standard viscose. In FY 2024–25, continued scaling of circular fibres supported Grasim's broader objective of reducing value-chain emissions and responding to growing demand from global apparel brands for materials with validated environmental credentials.

Lyocell fibres represent another cornerstone of Grasim's product-footprint strategy. Produced using a closed-loop process that recovers and reuses over 99% of solvents and process water, Lyocell fibres exhibit significantly lower emissions to air and water compared to traditional fibre production routes. LCAs conducted for Lyocell products demonstrate reduced chemical loss, lower freshwater withdrawal intensity and improved energy efficiency per tonne of fibre produced. These attributes have enabled Grasim to position Lyocell as a

premium, low-impact alternative in applications ranging from apparel to home textiles, strengthening both environmental performance and commercial differentiation. A distinctive element of Grasim's stewardship approach is its focus on downstream avoided emissions, captured through lifecycle analysis. Products such as Birla Spunshades, which incorporate pigments at the fibre stage, eliminate the need for conventional dyeing and wet processing at fabric or garment level. Lifecycle assessments show that this shift significantly reduces water use, chemical consumption and energy demand in downstream processes. In FY 2024–25 alone, the use of Birla Spunshades fibres enabled customers to avoid approximately 2,10,924 $tCO_2e$ of emissions, illustrating how Grasim's product design decisions deliver climate benefits beyond its own operational footprint.

LCAs also inform Grasim's engagement with global sustainability benchmarks and customer reporting frameworks. Many of the Company's fibre products are assessed under tools such as the Higg Materials Sustainability Index (MSI), allowing customers to compare lifecycle impacts across fibre types. This alignment enhances transparency, supports customer Scope 3 emissions reporting and strengthens Grasim's role as a sustainability partner rather than a commodity supplier. In the Chemicals business, product footprint and stewardship are addressed through lifecycle-informed process improvements and the development of safer, more efficient formulations. LCAs are used to evaluate emissions, energy use and resource efficiency across the production of caustic soda, chlorine derivatives and specialty chemicals, identifying hotspots related to electricity consumption, process heat and feedstock efficiency. These insights have supported investments in improved electrolyser efficiency, higher chlorine integration and renewable electricity sourcing, which together reduce lifecycle emissions intensity of chemical products. Product stewardship in the Chemicals business also encompasses the management of product-related health, safety and environmental risks. Grasim undertakes lifecycle-oriented risk assessments to minimise hazardous substance use, substitute higher-risk inputs with safer alternatives where feasible, and ensure compliance with evolving global chemical regulations. These actions reduce environmental and occupational risks while strengthening customer confidence and long-term market access.

Across both business verticals, LCA outcomes are increasingly integrated into R&D prioritisation and capital-allocation decisions. In FY 2024–25, a significant share of R&D expenditure was directed toward projects that deliver measurable lifecycle benefits, including recycled feedstocks, alternative raw materials, energy-efficient process technologies and digital traceability solutions. Lifecycle metrics are used to assess trade-offs between environmental performance, cost and scalability, ensuring that sustainability improvements are commercially viable and resilient over time. Grasim's product stewardship framework extends to waste and end-of-life considerations, forming an important part of its lifecycle strategy. The Company has made substantial progress in reducing waste intensity and increasing material recovery, with 93% of total waste generated in FY 2024–25 diverted away from landfill through reuse, recycling and recovery. Where feasible, recovered materials are reintegrated into internal processes or supplied to external users, reducing the need for virgin inputs and

closing material loops. These actions improve lifecycle efficiency and lower overall product footprints. From a governance perspective, product footprint and stewardship are overseen through cross-functional collaboration between sustainability, R&D, procurement and business leadership teams. Lifecycle performance indicators are reviewed alongside operational and financial metrics, ensuring that environmental impacts remain visible in strategic decision-making. Third-party assurance and independent verification of environmental data further enhance credibility and stakeholder trust.

Looking ahead, Grasim intends to deepen its use of LCA as a strategic tool, expanding coverage to additional products and value-chain stages, including logistics and end-of-life scenarios. Emerging regulatory developments, such as product-level environmental disclosures and carbon border measures, reinforce the importance of robust lifecycle data. By embedding LCA into product development, customer engagement and innovation pipelines, Grasim is positioning itself to meet these expectations while continuing to reduce product footprints year-on-year.

Biodiversity conservation and the management of nature-related risks have emerged as increasingly material themes for Grasim, reflecting the Company's extensive manufacturing footprint, dependence on natural capital, and exposure to climate-driven ecosystem changes. The biodiversity practices of Grasim Industries Limited reflect an increasingly structured and science-based approach that moves beyond compliance toward integrated ecological risk management. The company's explicit commitment to achieving No Net Loss (NNL) across its operational sites positions biodiversity as a core component of long-term business resilience rather than a peripheral sustainability concern. This is operationalised through a governance framework that embeds biodiversity accountability across multiple levels—from facility management to board-level oversight—supported by specialised sustainability cells and group-level working groups. The adoption of a five-stage assessment framework (screening, inventory, risk and impact assessment, and mitigation planning) indicates methodological rigor, while the use of advanced tools such as GIS mapping, ecosystem service reviews, and biodiversity indices (e.g., Shannon-Weiner Index) highlights a shift toward data-driven decision-making.

Grasim's operations span fibre production, chemicals, and other manufacturing activities that rely on land, water, forest-based raw materials and surrounding ecological systems. As a result, biodiversity is treated not only as an environmental responsibility but also as an integral component of long-term operational resilience, supply-chain security and climate-risk management. In FY 2024–25, Grasim continued to strengthen its structured approach to biodiversity management, building on science-based assessments, site-level action plans and integration with enterprise risk management. The Company recognises that climate change and biodiversity loss are deeply interconnected, and that physical climate impacts—such as extreme heat, water stress, flooding and ecosystem degradation—can amplify biodiversity risks while also creating material business impacts.

Accordingly, biodiversity considerations are embedded within Grasim's physical climate-risk assessment framework and inform adaptation and resilience planning across locations.

Grasim's biodiversity strategy is guided by a "no net loss" and "responsible manufacturing" philosophy, with a particular focus on avoiding, minimising and mitigating impacts in and around operational sites. In FY 2024–25, biodiversity assessments covered a significant proportion of the Company's manufacturing locations, including core operations within the Cellulosic Fibres and Chemicals businesses. These assessments typically extend beyond the fence line, incorporating buffer zones around facilities to evaluate potential impacts on surrounding ecosystems, habitats and local species. Across assessed sites, Grasim conducts structured biodiversity impact and dependency analyses using recognised tools and methodologies, including geographic information systems, habitat mapping and risk categorisation frameworks. Sites are evaluated based on proximity to sensitive ecosystems such as forests, wetlands and biodiversity-rich zones, as well as exposure to climate-related stressors. In FY 2024–25, a majority of operational sites had formal biodiversity management plans in place or under implementation, reflecting year-on-year progress in moving from assessment to action. At the implementation level, Grasim's phased biodiversity impact assessments across key sites such as Vilayat, Veraval, and Harihar demonstrate a prioritised, risk-based rollout strategy, particularly in ecologically sensitive areas like reserve forests and eco-sensitive zones. The application of the mitigation hierarchy—avoid, minimise, restore, and offset—aligns with global best practices and provides a clear pathway toward achieving NNL, although its effectiveness will depend on execution and measurable outcomes. The development of site-specific Biodiversity Management Plans (BMPs) and Biodiversity Action Plans (BAPs), coupled with defined performance indicators (such as habitat restoration and species protection), suggests an emerging results-oriented framework. Additionally, the incorporation of a 5 km ecological buffer for impact assessment reflects a landscape-level perspective rather than a narrow site boundary approach.

The Cellulosic Fibres business has a particularly strong linkage to biodiversity due to its reliance on forest-based raw materials. Responsible forest management is therefore central to Grasim's biodiversity stewardship. In FY 2024–25, virtually all forest-based raw materials used in fibre production were sourced from responsibly managed and certified forests (FSC®, SFI® and PEFC™), ensuring that sourcing does not contribute to deforestation, habitat fragmentation or degradation of high-conservation-value areas. Certified sourcing is complemented by traceability systems and third-party audits, providing visibility into upstream impacts and reinforcing biodiversity safeguards. Beyond sourcing, Grasim actively invests in on-ground biodiversity enhancement initiatives around its manufacturing sites. These include development of green belts, afforestation with native species, restoration of degraded land parcels and creation of habitats that support local flora and fauna. In FY 2024–25, cumulative afforestation and plantation efforts crossed over 10 lakh trees planted, contributing to carbon sequestration, microclimate regulation and habitat improvement in surrounding

communities. Native species selection is prioritised to enhance survival rates and ecological compatibility. Grasim's biodiversity practices reflect a transition toward a holistic natural capital management framework, characterised by strong governance, scientific assessment, and supply chain accountability. However, as many initiatives remain in assessment or early implementation stages, the key challenge going forward will be translating these frameworks into quantifiable ecological outcomes, particularly in terms of achieving verifiable No Net Loss and demonstrating measurable improvements in ecosystem health.

Grasim's biodiversity initiatives are closely aligned with its physical climate-risk assessment outcomes. Through TCFD-aligned physical-risk analyses, the Company has identified that climate stressors—such as prolonged heatwaves, erratic rainfall, droughts and flooding—pose risks not only to infrastructure and production continuity but also to surrounding ecosystems. Loss of vegetation cover, soil degradation and altered water availability can weaken ecological buffers that protect assets from extreme events. Recognising this interdependency, biodiversity actions at Grasim are increasingly framed as nature-based solutions that enhance climate resilience. For example, green belts and vegetative buffers around plants help mitigate heat-island effects, reduce dust and air pollution, stabilise soil and improve local microclimates. Restoration of water bodies and rainwater-harvesting structures enhances groundwater recharge and supports aquatic biodiversity, while also improving water security for operations. In cyclone- and flood-prone locations, landscape-level interventions, including improved drainage and vegetation cover, contribute to reducing erosion and infrastructure vulnerability. These initiatives create multiple co-benefits by protecting biodiversity while strengthening physical resilience to climate impacts.

In the Chemicals business, biodiversity considerations are primarily linked to land use, air and water emissions, and waste management. Continuous monitoring of effluents, air emissions and waste streams ensures that operations do not adversely impact terrestrial or aquatic ecosystems. In FY 2024–25, 93% of total waste generated was diverted away from landfill through reuse, recycling and recovery, reducing the burden on land resources and preventing contamination that could affect biodiversity. Cleaner production technologies, improved resource efficiency and substitution of hazardous substances further lower ecosystem risks.

Grasim also recognises the importance of stakeholder engagement in biodiversity stewardship. Local communities, regulators and environmental experts are engaged during site-level assessments and implementation of biodiversity management plans. These engagements help incorporate local ecological knowledge, enhance social acceptance and ensure that biodiversity initiatives deliver shared value. In several locations, community-led plantation drives and conservation activities have been integrated with Grasim's environmental programmes, reinforcing local ownership and long-term sustainability. From a governance perspective, biodiversity risks and opportunities are reviewed as part of the Company's broader sustainability

and risk-management framework. Oversight is provided through the Risk Management and Sustainability Committee at the Board level, with accountability cascaded to business and site-level teams. Performance on biodiversity-related actions is monitored alongside climate, water and emissions metrics, ensuring an integrated view of natural-capital management.

Looking ahead, Grasim intends to further enhance biodiversity integration by expanding site-level assessments, strengthening alignment with emerging nature-related frameworks and deepening the linkage between biodiversity actions and climate adaptation planning. As regulatory and investor focus on nature-related risks intensifies, the Company's FY 2024–25 progress demonstrates a proactive and evolving approach that recognises biodiversity as a critical element of both environmental stewardship and business resilience. Grasim's biodiversity strategy and initiatives in FY 2024–25 reflect a mature understanding of the interdependence between climate change, ecosystems and operational resilience. Through responsible sourcing, site-level biodiversity management, afforestation, water stewardship and integration with physical climate-risk assessments, the Company is creating tangible ecological impacts while strengthening its capacity to withstand climate-driven disruptions. This integrated, nature-positive approach supports long-term value creation, stakeholder confidence and the sustainability of Grasim's operations in a rapidly changing environmental landscape.

Grasim's water management framework reflects a high degree of institutionalisation, with governance anchored at the Board and senior management level through the Risk Management & Sustainability Committee. Water and effluents are treated as a double materiality topic, recognising both financial exposure (operational continuity, compliance, capex requirements) and external impacts on shared water resources. The presence of a formal Water Stewardship Policy, aligned with international reporting standards (GRI 303, SEBI BRSR, SDG 6), provides a structured basis for consistent implementation across business units.

From a regulatory standpoint, the company reports full compliance with the Water (Prevention and Control of Pollution) Act, with no instances of material penalties, contested notices, or unresolved corrective actions in FY25. This clean compliance record meaningfully lowers regulatory risk, particularly given the tightening enforcement environment for industrial water use in India. The external assurance of water data by an independent auditor further strengthens confidence in disclosure quality, enhancing comparability and reducing information risk for ESG assessments. Overall, Grasim's governance strength lies not only in policy presence but in operational embedding—monthly site-level monitoring, linkage of sustainability metrics to management oversight, and integration of water risk assessments into enterprise risk management.

In FY25, Grasim's total water withdrawal increased to 60.22 million $m^3$, up from 53.91 million $m^3$ in FY24, representing an ~11.7% year-on-year increase. This rise is primarily attributable to capacity expansion and

scaling of operations, rather than deterioration in water discipline. The cellulosic fibres segment, by far the most water-intensive business, accounted for approximately 45.07 million m³, or ~75% of total withdrawal, underscoring a high concentration risk. Incremental demand also emerged from the newly commissioned decorative paints business during its ramp-up phase. Notably, this increase in absolute withdrawal is accompanied by a material shift in the water sourcing mix, which partially offsets freshwater risk. Seawater usage rose sharply from 1.30 million m³ in FY24 to 8.17 million m³ in FY25—a more than sixfold increase (~528%)—driven by the commissioning and expansion of seawater reverse osmosis (SWRO) systems at coastal locations. This transition meaningfully reduces exposure to stressed inland freshwater basins. Despite this progress, surface water remains the dominant source at ~60%, while groundwater dependency remains relatively low at ~4%, which is prudent in the Indian context given increasing regulatory restrictions on groundwater abstraction. Third-party water procurement increased marginally (~2.5%), while rainwater harvesting continues to contribute less than 0.2%, highlighting an underutilised mitigation lever, particularly for non-process uses.

While withdrawal rose materially, net water consumption increased only marginally, from approximately 27.48 million m³ in FY24 to 28.18 million m³ in FY25 (~2.5% increase). This divergence between withdrawal and consumption suggests improved internal water circulation, reuse, and process optimisation. This efficiency gain is more clearly reflected in water consumption intensity, which declined from 1,063 m³ to 893 m³ per ₹ crore of turnover, representing a ~16% improvement year-on-year. Crucially, this reduction occurred alongside 13% growth in revenue from operations, signalling a credible decoupling of water use from financial expansion. Such decoupling is a key marker of improving resource productivity rather than cyclical variation. Geographically, performance is more disciplined in high-risk contexts. Water consumption intensity in water-stressed areas stands at ~9.74 m³, compared with a company-wide average of ~13.71 m³, implying ~29% lower consumption intensity where scarcity risks are highest. This indicates targeted interventions—such as stricter reuse norms, alternate sourcing, and ZLD adoption—rather than uniform, undifferentiated controls.

Grasim demonstrates near-universal wastewater treatment coverage, with ~59.32 million m³ of wastewater treated in FY25, equivalent to approximately 98% of total water withdrawal. This reflects substantial infrastructure investment in effluent treatment plants (ETPs), sewage treatment plants (STPs), multiple-effect evaporators (MEE), and reverse osmosis units across businesses. However, structural signals in circular water performance are mixed. While absolute recycled water volumes remained broadly flat (27.19 million m³ in FY24 vs. 27.28 million m³ in FY25), the recycling ratio declined materially, from ~50.4% to ~45.3% (~5.1 percentage point drop). This indicates that recycling capacity has not scaled proportionately with higher withdrawal, particularly as new capacity came online. At the same time, treated wastewater discharge increased from 26.43 million m³ to 32.04 million m³ (~21.2% growth), exceeding the rate of withdrawal increase. Although discharge

is fully treated and compliant, the rising discharge-to-withdrawal ratio suggests increasing dilution dependence rather than deeper internal reuse—especially relevant in water-stressed catchments. From a systems perspective, the company's expansion of Zero Liquid Discharge (ZLD) infrastructure to 13 units (12 operational, 1 under commissioning) remains a material strength. ZLD adoption across high-impact CSF, chemicals, textiles, paints, and insulator units demonstrates intent to structurally limit discharge. However, the declining group-level recycling ratio indicates a need to extend ZLD-led circularity beyond current units or deepen reuse efficiency within existing systems, rather than relying primarily on treatment-and-discharge compliance.

Grasim has deployed a portfolio of engineering and process interventions aimed at absolute reduction and reuse optimisation, including:

- 100% expansion of STP capacity at Veraval, enabling higher internal reuse and reduced freshwater intake
- Installation of condensate polishing units, improving recovery of high-quality process water while also enhancing energy efficiency
- Integration of treated wastewater into core production processes, particularly in CSF and chemicals
- Upgradation of ETPs to manage variable hydraulic and pollutant loads, improving compliance reliability under operational stress

These actions indicate a shift from incremental conservation to process-integrated water optimisation, aligned with circular economy principles. Still, recycling efficiency gains have not yet matched withdrawal growth, underscoring execution and scalability as the next challenge. Grasim applies WRI Aqueduct-based water risk assessments to evaluate both dependency risks (freshwater availability, drought severity) and impact risks (effects on downstream users, ecosystems, and community water access). This is particularly relevant given the heavy concentration of water use in the cellulosic fibres segment, which accounts for the dominant share of total withdrawal. Disclosures indicate that a significant proportion of manufacturing capacity is located in medium-to-high water stress basins, heightening long-term exposure to climate variability, regulatory tightening, and social licence pressures. The company's increasing reliance on seawater, high treatment coverage, and ZLD expansion partially mitigates these risks. However, continued growth in absolute withdrawal and discharge intensity implies rising system-level dependence, making further improvements in internal recycling productivity strategically important.

Grasim's water stewardship framework demonstrates strong governance, regulatory discipline, and infrastructure depth, with measurable gains in efficiency and risk-aware source diversification. Performance trends show credible decoupling of water use from revenue growth and targeted intensity control in water-stressed geographies. At the same time, absolute water dependence continues to rise, and recycling ratios have weakened, signalling that circularity has not yet scaled in step with expansion. From an ESG risk perspective, Grasim currently sits in a low compliance risk but moderate transition risk position. Future performance quality

will increasingly depend on its ability to translate treatment leadership into higher reuse efficiency, accelerate rainwater harvesting contributions, and further reduce discharge reliance—particularly as operations expand in water-constrained regions.

Grasim's waste management approach reflects a maturing shift from compliance-driven disposal practices toward resource optimisation and circularity-led material management. Waste and circularity are treated as a material environmental issue within the company's sustainability framework, with clear oversight mechanisms and performance tracking across business segments. Importantly, waste reduction, reuse, recycling, and recovery are embedded within operational controls rather than treated as peripheral CSR interventions. The company's waste strategy aligns with regulatory requirements under Indian hazardous and non-hazardous waste rules, while also extending beyond compliance through waste-to-wealth initiatives, Extended Producer Responsibility (EPR) execution, and product-level circular innovation. Independent assurance of environmental data further strengthens disclosure credibility and comparability across reporting years. Governance strength is evident in the increasing granularity of disclosures—segmentation by hazardous vs. non-hazardous streams, treatment pathways (reuse, recycling, recovery, landfill, incineration), and business-level contributions. This enables clearer assessment of transition risks and operational efficiency rather than masking performance under aggregated figures.

A defining feature of Grasim's waste management trajectory is its growing emphasis on value retention within material loops, particularly in textile and fibre-based businesses. The company has actively pursued upcycling and circular product development, most notably:

- Textile waste circularity: Collaborations with the Central Silk Board and downstream partners (e.g., Lion Fabric, Ka-sha, Usha Yarns) have enabled conversion of silk and textile waste into value-added circular yarns such as *Reviva-M* and *Puneh*. These initiatives signal a shift from end-of-pipe waste handling to design-for-circularity models.
- Sustainable product substitution: Development of lyocell-based flushable wipes as alternatives to synthetic materials and biodegradable national flags in partnership with Prabhavana demonstrates downstream waste avoidance through material substitution, reducing future waste burdens rather than only managing current waste streams.
- Recycling ecosystem investments: Strategic partnership with Circ to procure recycled pulp strengthens upstream textile recycling infrastructure and supports closed-loop fibre production, addressing one of the most structurally challenging waste categories in the apparel and MMCF value chain.

On the industrial side, waste-to-wealth initiatives, such as the reuse of PAC sludge in in-house manufacturing, illustrate efforts to minimise hazardous waste disposal while extracting economic value from residual streams.

These initiatives collectively indicate a transition from linear waste minimisation to circular resource productivity, though their current scale remains modest relative to total waste volumes.

In FY25, Grasim's total waste generation increased from ~10.17 million MT to ~11.31 million MT, corresponding to an ~11.2% year-on-year rise. This increase aligns closely with business expansion, including the scaling of building materials operations, rather than indicating deterioration in waste discipline. Crucially, waste intensity per crore of turnover declined from ~40.3 MT to ~35.8 MT, reflecting a ~12.5% improvement. This reduction suggests partial decoupling of waste generation from financial growth, as revenue increased by ~13% over the same period. While absolute waste volumes rose, efficiency gains indicate that incremental revenue is being generated with proportionally lower waste intensity—an important transition signal in resource-heavy industries. From a concentration standpoint, chemicals account for ~50% of total waste generated, followed by the cellulosic fibres business. This distribution reflects inherent process characteristics (e.g., chemical reactions, sludge generation, recovery losses) and underscores that circularity outcomes will be heavily influenced by performance in these two segments.

Hazardous waste accounted for ~20% of total waste in FY25, down from ~22% in FY24, indicating a modest but positive shift in waste composition. In absolute terms, hazardous waste generation declined from ~226,187 MT to ~222,433 MT (~1.7%), even as overall waste volumes increased—a noteworthy trend suggesting process optimisation or input substitution in high-risk streams. The chemicals business dominates hazardous waste generation, contributing approximately two-thirds (66.6%) of total hazardous waste. This concentration heightens operational and regulatory risk exposure but also presents the largest opportunity for technological and process-driven reductions. Treatment patterns reveal a rebalancing toward recovery-oriented pathways:

- Waste recovery increased sharply by ~46.7%, from ~20,079 MT to ~29,469 MT, indicating stronger deployment of higher-value treatment and reuse options.
- Recycling declined by ~6.5%, from 87,878 MT to 82,165 MT, suggesting substitution of recovery for recycling rather than increased disposal.
- Landfilling declined marginally (~0.6%), maintaining containment of the least preferred disposal pathway.
- Incineration rose ~56.7% (from 565 MT to 886 MT), though it remains <0.5% of hazardous waste, limiting environmental risk from thermal treatment.

Overall, hazardous waste trends point to qualitative improvement in treatment hierarchy, even if progress remains incremental and uneven across disposal routes.

Non-hazardous waste constitutes the majority of Grasim's waste footprint and increased from ~7.91 million MT in FY24 to ~8.93 million MT in FY25 (~12.8% increase). The cellulosic fibres segment alone contributes ~50% of this stream, reflecting residue generation from fibre processing and by-products.

Within this category, performance improvements are more pronounced:

- Reuse volumes rose by ~32.4%, from ~4.94 million MT to ~6.53 million MT, making reuse the dominant treatment pathway.
- Reuse now accounts for ~73% of non-hazardous waste managed, up from ~62% in FY24, indicating a significant shift toward internal or external material reintegration.
- Recycling volumes declined ~21%, from ~2.81 million MT to ~2.22 million MT, reducing its share from ~36% to ~25%.
- Landfilling remained marginal (<1%), despite a slight ~1.7% increase, highlighting minimal reliance on final disposal.

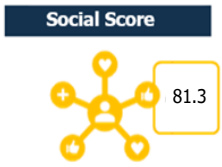
The shift from recycling to reuse suggests improved process integration where waste streams are reincorporated upstream or within adjacent value chains, offering higher material value retention and lower energy intensity than external recycling.

Grasim's waste management trajectory reflects a dual narrative: rising absolute waste volumes driven by scale expansion, alongside measurable efficiency gains and clearer movement up the waste hierarchy. Governance quality is strong, disclosures are increasingly decision-useful, and circular initiatives demonstrate innovation beyond regulatory minimums. However, risks remain concentrated:

- Waste generation remains structurally linked to chemicals and cellulosic fibres, amplifying exposure to input volatility, regulatory tightening, and disposal constraints.
- Declining recycling volumes, even as reuse improves, suggest trade-offs that may not always align with best-in-class circular benchmarks.
- Circular initiatives, while innovative, currently address niche or downstream streams, and will need scaling to materially influence aggregate waste outcomes.

From an ESG perspective, Grasim can be characterised as moderate impact with improving circular efficiency, positioned in a transition phase rather than a mature circular model. Future performance quality will hinge on its ability to scale reuse and recovery at pace with business growth, reduce hazardous waste intensity further, and embed circular design principles deeper into core chemical and fibre processes. Grasim's waste profile places it in a moderate inherent risk category with improving transition readiness. From an ESG lens, Grasim's waste risk is structural rather than event-driven. There are no red flags related to non-compliance, penalties, or unmanaged hazardous waste. Regulatory and liability risk remains well-controlled. The primary risk here is cost escalation, not compliance failure. Grasim is best characterised as a controlled, compliance-strong industrial emitter with credible circular transition momentum, but not yet a low-waste enterprise. The principal ESG risk

is executional—whether reuse and circular feedstock integration can scale faster than business growth over the next 3–5 years.




Transition Pathway Trajectory
**Leadership**

The social pillar constitutes 35% of the sector's overall weight. With a social score of 81.3, GRASIM outperforms its industry peers, reflecting strong performance across key parameters such as human rights, product safety and quality, employee health and safety, privacy and data security and value chain management.

Grasim Industries' approach to occupational health and safety (OHS) reflects a highly institutionalised and systems-oriented model, indicative of an organisation operating in inherently hazardous industrial segments (chemicals, cellulosic fibres, building materials). The near-universal adoption of ISO 45001:2018 certification across operational sites signals alignment with globally recognised safety management standards and implies consistency in hazard identification, incident reporting, corrective action, and management review processes.
This formal standardisation is reinforced by a multi-tier governance structure, comprising:

- Site-level safety committees with workforce representation,
- Business-level and corporate-level H&S reviews led by senior management,
- Periodic independent audits and certification renewals.

From an ESG perspective, this layered structure reduces key-person dependency risk and mitigates execution slippage as operations scale or diversify. Safety outcomes are thus less reliant on informal practices and more embedded within audited systems—an important consideration for long-duration credit exposure. A central strength of Grasim's H&S framework is its preventive orientation, with strong emphasis on anticipating risks rather than reacting to incidents. The systematic deployment of Hazard Identification and Risk Assessment (HIRA) and Hazard and Operability Studies (HAZOP) across units signifies mature risk engineering practices, particularly relevant for high-risk chemical and fibre operations where low-probability, high-impact events can materially disrupt operations.
Grasim has increasingly complemented traditional risk assessment tools with technology-enabled safety systems, reflecting a shift toward leading indicators, which are widely regarded as more predictive of future safety performance than lagging metrics alone. Notable initiatives include:

- AI-based video analytics (SPARSH) to identify unsafe behaviours (e.g., PPE non-compliance, unsafe proximity to equipment),
- IoT-enabled monitoring for equipment health, environmental conditions (noise, dust), and process deviations,
- Enhanced near-miss reporting frameworks, encouraging early intervention before incidents escalate.

For ESG analysts, this transition toward leading indicators suggests increasing risk foresight capability, reducing the probability of severe incidents that could impair asset integrity, production continuity, or corporate reputation.

Grasim's reported safety outcomes show incremental but meaningful improvements in lagging indicators, reinforcing the effectiveness of its systems. Workforce fatalities declined from 3 in FY24 to 1 in FY25, translating into a ~6.7% reduction in fatality rate on a comparable headcount-adjusted basis. Average LTIFR reduced by ~14%, from 0.17 in FY24 to 0.145 in FY25, reflecting improved incident prevention. Recordable injury rate remains very low (~0.002), indicating strong baseline controls across operations. However, a disaggregated analysis reveals an important structural risk: contract worker exposure. LTIFR remains consistently lower for permanent employees than for contract workers, and the sole fatality reported in FY25 occurred within the worker category. This divergence highlights a common ESG challenge in heavy industry—uneven depth of safety culture penetration across employment types. From a risk standpoint, this implies an elevated operational risk at contractor interfaces, potential reputational exposure in the event of serious incidents and the need for tighter vendor and contractor safety integration to prevent tail-risk events. Grasim's definition of workplace safety extends beyond immediate injury prevention to longer-term occupational health and work environment risks, reflecting a more holistic interpretation of employee well-being.

The company operates Occupational Health Centres (OHCs) and conducts periodic medical examinations linked to job-specific exposure profiles. Key focus areas include:

- Dust and noise exposure management in fibre, cement, and chemical units,
- Ergonomic assessments to reduce musculoskeletal disorders,
- Nutritional support programmes and immunisation drives,
- Surveillance for early detection of work-related health risks.

While these initiatives indicate strong input-side controls, disclosures remain relatively limited on outcome-based metrics (e.g., occupational disease incidence, sickness-related absenteeism). For ESG evaluators, this represents a data transparency gap rather than clear underperformance, but one that constrains long-term health risk assessment. raining and behaviour-based safety form a critical pillar of Grasim's strategy. During FY25, the company delivered over 1,60,000 hours of OHS training, including conventional classroom and on-site programmes, virtual Reality (VR)-based immersive simulations for high-risk scenarios and safety induction for new hires and contractors. Coverage levels are robust, with 100% of employees and approximately 44% of the broader workforce (including contract workers) receiving structured health and safety training during the year. From a risk mitigation standpoint, this sustained investment strengthens human reliability, which is often the most variable factor in industrial safety outcomes.

Grasim addresses process safety through preventive maintenance, incident root cause analysis (RCA), and cross-site learning loops—key elements of a credible Process Safety Management (PSM) framework. Additionally, safety governance extends beyond plant boundaries through IoT-enabled transport safety systems incorporating driver monitoring and route tracking, fatigue management protocols and speed compliance, and vendor and logistics partner safety audits. This broader scope reduces value-chain safety blind spots, which are increasingly scrutinised under ESG and social license lenses.

From a credit risk perspective, employee health and safety is most relevant through its impact on operational continuity, liability exposure, regulatory risk, and reputational stability. Grasim's H&S profile contributes positively on several fronts:

Key Risk Mitigants

- Low frequency of serious incidents reduces the probability of plant shutdowns, investigation-led stoppages, or material legal liabilities.
- ISO-certified systems and third-party audits lower governance risk and enhance lender confidence in management controls.
- Preventive, tech-enabled safety management reduces tail-risk events that could trigger sudden cash flow disruption.
- Strong training intensity supports workforce capability and resilience as operations scale.

Residual ESG Risks to Monitor

- Contract labour safety outcomes remain a structural vulnerability; severe contractor incidents could still pose reputational and regulatory risks.
- Limited disclosure on occupational health outcomes may obscure long-term productivity and absenteeism risks.
- As new businesses (e.g., paints, building materials) mature, consistency of safety culture across newer sites will be key.

Overall, Grasim's health and safety framework represents a clear credit-positive ESG attribute. While not risk-free, the combination of standardised systems, improving performance trends, and expanding preventive initiatives materially reduces the likelihood of high-severity ESG events that could impair cash flows, capital access, or long-term enterprise value. H&S at Grasim should be viewed as a risk mitigant rather than a risk amplifier, with continued monitoring warranted primarily around contractor management and long-term occupational health outcomes rather than immediate safety compliance.

Grasim Industries operates across a highly diversified customer landscape, spanning B2B industrial customers (chemicals, fibres), B2C consumers (textiles, paints), and emerging B2ECA / institutional and enterprise accounts (large builders, fashion brands, infrastructure players). This multi-channel exposure materially increases the complexity of customer relationship management, as expectations vary significantly across dimensions such as

product performance, service responsiveness, sustainability assurance, regulatory compliance, and disclosure transparency. In this context, Grasim's customer orientation framework reflects a deliberate shift from transactional supply relationships toward relationship-based and trust-anchored engagement, particularly visible in businesses exposed to downstream consumer scrutiny and international value chains. The integration of environmental and social attributes—responsible sourcing, traceability, product integrity—into customer engagement is especially relevant in the textiles, fibres, and chemicals segments, where buyers increasingly face their own ESG commitments and regulatory obligations. As a result, customer relationship management at Grasim increasingly functions as both a commercial and ESG risk interface. Grasim demonstrates a structured approach to measuring customer sentiment, anchored in the use of Net Promoter Score (NPS) as a core indicator. The reported NPS of 67 suggests a relatively strong degree of customer advocacy and loyalty, particularly for an industrial conglomerate with significant B2B exposure. Such a score typically indicates more promoters than detractors and implies baseline satisfaction with product quality, service reliability, and relationship management. Beyond the headline metric, a key strength lies in how feedback is operationalised. The company reports:

- Monthly customer feedback cycles,
- Structured dissemination of insights across sales, operations, and zonal leadership, and
- Integration of feedback into corrective actions and service improvement initiatives.

This indicates the presence of a closed-loop feedback system, where customer inputs are not merely collected for disclosure but actively influence operational behaviour. From an ESG perspective, this reflects a move toward responsiveness and accountability, both of which are increasingly relevant for social performance evaluation.

However, the absence of longer-term trend data, segmentation of NPS by business line, or explicit peer benchmarking constrains the ability to assess whether performance is leading, average, or lagging within relevant industries. For investors and ESG analysts, this limits comparability and weakens performance attribution.

A defining feature of Grasim's evolving customer engagement strategy is its investment in digital platforms to enhance transparency, service efficiency, and trust. These initiatives address both operational convenience and ESG-driven expectations around information access and traceability. Platforms such as Birla Connect provide customers with real-time visibility into order status, billing, documentation, and account management through a multilingual interface. This improves not only service efficiency but also information symmetry, reducing disputes, delays, and dissatisfaction—particularly important in B2B and institutional contexts where transaction volumes and contractual complexity are high. More strategically significant is GreenTrack for Cellulose business, Grasim's blockchain- and molecular-tagging-enabled traceability platform. By enabling end-to-end visibility from raw material sourcing through manufacturing to finished product, GreenTrack addresses several material ESG risks:

- Counterfeiting and product dilution,

- Credibility of sustainability claims, and
- Compliance with brand, regulatory, and customer disclosure requirements.

With over 120 brands and ~2,800 value-chain partners onboarded, GreenTrack positions Grasim as an emerging leader in traceability-driven customer trust in Cellulosic fibres. This capability shifts customer engagement from price- and volume-based negotiation toward value-based relationships grounded in verifiable data. The planned development of GreenTrack 2.0—with expanded data layers and disclosure functionality—signals responsiveness to evolving regulatory and market expectations, including due diligence, digital product passports, and extended supplier accountability. From an ESG lens, this materially strengthens Grasim's customer-facing transparency infrastructure, reducing downstream reputational and compliance risks for both the company and its customers. From a consumer protection standpoint, Grasim demonstrates the presence of several baseline governance mechanisms:

- Customer satisfaction surveys and feedback tools,
- Formal grievance redressal processes,
- Communication protocols for service disruptions and product use guidance.

The existence of a dedicated committee overseeing customer engagement and advertising practices indicates an awareness of ethical marketing responsibilities, particularly relevant as the group expands its consumer-facing footprint (e.g., decorative paints, textiles). Actions and oversight exist, but a clearly articulated Responsible Marketing or Consumer Protection Policy aligned with global frameworks (e.g., OECD consumer protection principles, UN Guidelines for Consumer Protection) represents further improvement opportunities. Enforcing best practices shall make standards not dependent on practice rather codified commitment, thereby reducing variability in interpretation across business units. For ESG assessments, gaps do not imply misconduct, rather opportunity to strengthen standard-setting clarity and accountability, particularly as consumer scrutiny and regulatory expectations intensify.

Grasim reports the presence of a grievance redressal mechanism; however, approximately 57.6% of complaints were resolved within the fiscal year, indicating moderate closure efficiency. While no major consumer-related controversies or regulatory actions are reported, this resolution rate suggests potential bottlenecks in:

- Escalation and accountability mechanisms,
- Cross-functional coordination, or
- Timeliness of response and closure.

In ESG terms, grievance management is not only a procedural requirement but a proxy for trust and responsiveness. As customer expectations around speed, transparency, and accountability continue to rise—particularly in consumer-facing and digital channels—improving grievance resolution efficiency will be critical for sustaining confidence and avoiding latent reputational risks. Enhancing disclosure on grievance categorisation, average resolution time, and repeat complaint rates would also materially strengthen performance assessment.

Overall, Grasim's customer relationship and consumer protection framework reflects a strong foundational system with selective areas of emerging leadership, particularly in transparency, traceability, and digital engagement. The company demonstrates alignment with key ESG principles, including:

- Stakeholder responsiveness,
- Product integrity and authenticity,
- Transparency across value chains, and
- Ethical engagement with customers and partners.

To transition from a strong foundation to best-in-class ESG performance, Grasim will need to:

- Formalise responsible marketing and consumer protection standards through clear, enterprise-wide policies,
- Improve grievance resolution effectiveness and related disclosures, and
- Enhance longitudinal and peer-relative reporting on customer satisfaction metrics.

From an ESG risk perspective, current customer-related risks appear manageable and non-systemic, but future exposure will increasingly depend on execution quality as consumer-facing businesses scale and regulatory scrutiny around transparency, traceability, and advertising intensifies. Strengthening policy codification and performance transparency will be essential to consolidate trust and maintain competitive positioning in credibility- and disclosure-sensitive markets.

Human capital is a core value driver for Grasim Industries, given the company's presence in labour-, skill-, and safety-intensive sectors such as chemicals, cellulosic fibres, cement, paints, and financial services. The company's operating model requires a large, technically skilled, geographically dispersed workforce capable of managing complex processes, high safety risks, and rapid business expansion. Grasim's human capital profile is shaped by three structural features:

- Scale and diversity of workforce across multiple business lines and geographies,
- High reliance on operational and contract workforce in manufacturing-heavy segments,
- Ongoing transformation, with new consumer-facing and digital businesses increasing demand for different skill sets.

Against this backdrop, Grasim's human capital strategy reflects an attempt to balance growthlinked workforce expansion with investments in training, safety, capability building, and engagement—while managing social risks related to attrition, labour relations, and inclusion. In FY25, Grasim reported a total permanent workforce of ~55,257 employees, up from ~49,599 in FY24, representing a ~11.4% yearonyear increase. This growth reflects expansion of new businesses (paints, B2B ecommerce), scaling of manufacturing capacities, and increased managerial and technical hiring to support diversification. The workforce is predominantly Indiabased, with ~99.7% of employees located domestically. This geographic concentration reduces complexity related to multijurisdictional labour regulation. Grasim's operations also rely heavily on contract and worker categories,

particularly in manufacturing units. While this is typical for large industrial firms, it increases ESG exposure related to workforce safety differentials and training coverage gaps. Grasim hired approximately 7,026 new employees in FY25, compared with 4,835 in FY24, reflecting accelerated growth momentum. Of total open positions, ~36% were filled internally, indicating a moderate but improving internal mobility rate relative to prior years. From a human capital sustainability perspective:

- Internal hiring reduces onboarding risk and enhances cultural continuity,
- However, the relatively modest internal fill rate suggests ongoing dependence on external talent for specialised and growth roles.

Grasim reported a total employee turnover rate of ~9.2% in FY25, up from 8.3% in FY24. Voluntary attrition stood at ~7.7%, compared with 6.7% in FY24. While these levels remain manageable and broadly in line with Indian industrial benchmarks, the upward trend suggests emerging pressures from:

- Competitive labour markets,
- Expansion into consumer- and tech-adjacent businesses,
- Increased demand for cross-functional and digital capabilities.

From an ESG risk standpoint, attrition is not currently a material concern, but continued upward movement could elevate execution risk if not addressed through engagement and career progression frameworks. Grasim invested significantly in workforce development, delivering approximately 4.4 lakh (440,000+) training hours during FY25. This equates to an average of ~13.9 training hours per full-time employee, covering:

- Occupational health and safety,
- Technical and functional upskilling,
- Behavioural and leadership development.

Notably, health and safety training alone accounted for ~1.12 lakh hours, underscoring the company's risk-aware approach to workforce capability in hazardous environments.

Training programs span:

- Skill upgradation (technical, operational excellence),
- Digital and functional learning for new businesses,
- Leadership pipeline programs (e.g., Focus 50, Lead the Change).

These initiatives are designed to support succession planning, cross-business mobility, and reduced dependence on external hiring for leadership roles. From a human capital ESG perspective, Grasim demonstrates strong investment in human capability as a resilience lever, particularly important for maintaining productivity and safety during rapid expansion. Gender diversity remains a structural weakness in Grasim's human capital profile:

- Women represent ~4.8% of total workforce,
- ~6.9% of management roles,
- Only ~2.6% of top management positions,
- ~6.1% of STEM-related positions.

These figures thought low, are not atypical for heavy industrial manufacturing in India. From an ESG standpoint low gender diversity presents talent pool risks over the medium term. However, Grasim does not report wage discrimination; mean and median gender pay gaps are reported as negative (i.e., favourable for women on average), suggesting pay equity once employed. Grasim reports policies on equal remuneration, non-discrimination, prevention of harassment, and freedom of association (with ~35% of employees covered by collective bargaining).. The presence of grievance mechanisms and union engagement mitigates labour relations risk, although union representation also limits workforce flexibility during downturns. Grasim conducts periodic employee engagement surveys (e.g., Vibes Survey). Reported engagement scores declined from 93% in FY24 to ~87% in FY25. While absolute engagement remains relatively high, the decline is primarily attributed to rapid workforce expansion, integration challenges in new businesses, and increased workload during growth phase. Engagement trends are a leading indicator to monitor, as sustained declines often precede higher attrition or productivity issues. Well-being initiatives include such as health check-ups, counselling and mental health support, flexible benefits and family-support policies, and support for employees approaching retirement. These measures partially mitigate burnout and morale risks during expansion cycles.

Disclosures state:

- 100% assessment of own operations for risks related to child labour, forced labour, discrimination, workplace harassment, and wage compliance,
- No identified violations within own operations,
- Tier-1 suppliers required to acknowledge and comply with Supplier Code of Conduct.

While disclosures on supply-chain labour audits remain limited, risk exposure appears low to moderate, given the domestic concentration of operations and formal governance mechanisms. From a credit and ESG risk standpoint, Grasim's human capital management acts as a net risk mitigant rather than a risk driver. Implemented initiatives mitigate operational disruption, safety-related shutdowns, and social controversies. However, with growing business workforce diversity, engagement, and contract-worker integration need to keep strengthening.

Grasim Industries Limited demonstrates a well-embedded and institutionally governed approach to community development, positioning its CSR and community engagement efforts as an extension of its broader sustainability and stakeholder-engagement strategy rather than as isolated philanthropic activities. The company's community investments are guided by a formal CSR framework aligned with statutory obligations under the Companies Act, 2013 and the Aditya Birla Group's long-standing "We Care" philosophy, which emphasises inclusive growth, long-term capability building, and shared value creation.

During FY25, Grasim's community development footprint was both geographically extensive and demographically significant, covering 311 villages across rural and semi-urban locations and reaching approximately 12.46 lakh beneficiaries through various CSR programmes. The company incurred CSR

expenditure of ~₹88.42 crore, underscoring continuity and scale in social investment rather than episodic or compliance-driven spending.

Grasim's community programmes are organised around multiple development themes, reflecting an understanding that social well-being, economic resilience, and environmental sustainability are interconnected. These thematic priorities reflect a long-term, development-oriented approach, with a focus on addressing structural challenges rather than addressing immediate needs alone. Beyond direct CSR expenditure, Grasim contributes to community well-being through its operational footprint and employment model. A significant proportion of the company's manufacturing operations are located outside major metropolitan centres, spanning smaller towns and rural regions. This geographic distribution supports balanced regional development and helps channel economic activity into less urbanised areas. Key dimensions of this economic integration include:

- Direct employment
    - A portion of Grasim's total wage expenditure is directed toward employees based in smaller towns and industrial clusters, supporting household incomes and local consumption
    - Employment opportunities span skilled, semi-skilled, and support roles, contributing to workforce participation in regions with limited industrial presence
- Indirect and induced employment
    - Grasim's operations generate indirect livelihoods through contractors, logistics providers, maintenance services, and ancillary industries
    - Local sourcing and vendor engagement further strengthen the regional supply chain ecosystem
- Skill development and capability enhancement
    - On-the-job training and skill development initiatives improve workforce employability and mobility, extending benefits beyond the company's immediate employment base

This combination of direct CSR investment and economic presence amplifies the company's socio-economic impact, reinforcing community resilience around operational locations. Grasim's community development strategy is not implemented in isolation but is aligned with the Aditya Birla Group's wider social investment platforms, enabling consistency, governance oversight, and knowledge sharing across businesses. The CSR framework emphasises:

- Alignment with national development priorities
- Selection of programmes based on local needs assessments
- Monitoring and evaluation of project outcomes

This structured approach allows the company to pursue longer-term developmental objectives, rather than fragmented or short-duration interventions. From an ESG lens, Grasim's community engagement efforts demonstrate several positive attributes:

- Scale and continuity: CSR spending, beneficiary reach, and geographic coverage indicate sustained commitment rather than symbolic initiatives.
- Strategic relevance: Focus areas such as education, healthcare, and livelihoods directly address social capital formation and economic participation.
- Local integration: Employment generation, local sourcing, and cluster-based operations deepen socio-economic linkages with host communities.

At the same time, the company's disclosures are largely input- and reach-focused, with limited publicly available metrics on long-term outcomes—for example, improvements in income stability, educational attainment, or health indicators within beneficiary communities. Strengthening outcome-based reporting would enhance transparency and allow for clearer assessment of social return on investment. Grasim Industries' approach to community support and development reflects a mature and structured CSR model, closely integrated with its operational footprint and corporate values. By combining statutory CSR compliance with long-term social investments, employment generation in smaller towns, and local economic engagement, the company contributes materially to regional development and inclusive growth in areas surrounding its operations. While the breadth and scale of initiatives are clearly established, future enhancement of impact measurement and outcome disclosures would further strengthen Grasim's positioning as a responsible and socially integrated industrial enterprise, particularly as stakeholder expectations around measurable social impact continue to rise.

Grasim Industries Limited's approach to human rights reflects a well-developed, policy-anchored, and governance-driven framework that is increasingly aligned with global expectations for responsible business conduct. Human rights considerations are not treated as a standalone compliance requirement but are embedded within the company's broader sustainability, ethics, and human capital strategies, reflecting the nature of its operations across labour-intensive and industrially complex businesses. At the foundation of this approach is a formal Human Rights Policy that is aligned with internationally recognised principles, including those reflected in the UN Guiding Principles on Business and Human Rights and the Aditya Birla Group's sustainability commitments. This policy applies across Grasim's own operations and extends to its business partners and suppliers, reinforcing expectations around ethical labour practices, non-discrimination, freedom of association, fair wages, safe working conditions, and respect for dignity at the workplace. By explicitly extending human rights requirements to the value chain, Grasim acknowledges that social risks are not confined to direct employment relationships but can also arise through outsourced, contractor, and supplier arrangements. Human rights oversight is embedded within the company's governance architecture through designated committees, senior management accountability, and site-level responsibilities. Human rights requirements are incorporated into contractual arrangements with suppliers and business partners, which helps translate policy intent into enforceable expectations. This contractual integration, combined with periodic internal assessments and statutory or third-party audits across all plants and offices, provides a structured mechanism to identify, monitor,

and address potential human rights risks in a proactive manner. From an ESG perspective, this reduces dependency on reactive responses and demonstrates a systems-based approach to risk management.

Grasim has also established multiple grievance and reporting channels, including whistleblower mechanisms, to enable employees and stakeholders to raise concerns related to discrimination, harassment, or other human rights violations without fear of retaliation. The presence of safeguards to prevent adverse consequences for complainants is a critical component of the framework, as the effectiveness of grievance mechanisms depends not only on their existence but also on employee confidence in using them. During the reporting period, the company disclosed that there were no reported human rights complaints other than those related to sexual harassment, and that 100% of applicable human rights complaints were resolved, indicating functional grievance handling systems. At the same time, the very low number of reported cases necessitates cautious interpretation, as underreporting can sometimes mask latent issues, particularly in large workforces with a significant proportion of operational and contract labour. A key and more visible component of Grasim's human rights framework is its zero-tolerance approach to workplace harassment, supported by a dedicated Policy on Prevention of Sexual Harassment (POSH) in line with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act. Internal Committees have been constituted across locations to receive, investigate, and resolve complaints in a time-bound manner. During FY25, the incidence of POSH complaints remained extremely low relative to the size of the female workforce. Importantly, approximately 83% of POSH complaints were resolved within the fiscal year, demonstrating procedural effectiveness and adherence to statutory timelines, even though a small proportion of cases may require extended resolution due to their complexity. The fact that a high proportion of POSH complaints were upheld following investigation is significant from a governance and culture perspective. It suggests that grievance mechanisms are not merely perfunctory but are capable of identifying misconduct and triggering corrective action where warranted. This reinforces credibility of the redressal process and can encourage future reporting, which is a positive signal for long-term cultural health, even if short-term complaint numbers remain low.

Preventive measures form an essential pillar of Grasim's human rights strategy. The company undertakes regular training and awareness programmes to embed respect, inclusiveness, and ethical conduct across the workforce. During the reporting period, approximately 27% of employees and 13% of workers received training on human rights policies, while around 92% of employees were trained on POSH guidelines. These figures indicate strong coverage on harassment-specific awareness, reflecting regulatory priority, while broader human rights training coverage remains an area where deeper penetration—especially among contract and shop-floor workers—could further strengthen risk prevention. The emphasis on awareness aims to reduce the likelihood of violations, increase understanding of acceptable behaviour, and build trust in grievance mechanisms. Taken together, Grasim's human rights framework reflects a mature, compliance-strong, and preventative model, particularly notable given the scale and industrial nature of its operations. Policies are clearly articulated, grievance and

oversight mechanisms are in place, and training efforts are ongoing. From an ESG risk standpoint, these measures significantly reduce the likelihood of severe human rights controversies, regulatory penalties, or reputational damage arising from systemic labour or workplace conduct failures.

As stakeholder expectations evolve, strengthening transparency around outcomes, expanding human rights training coverage to a higher proportion of workers and contractors, and maintaining vigilance against underreporting will be important to sustain and deepen the effectiveness of Grasim's human rights commitment.

Grasim Industries Limited demonstrates a mature and increasingly integrated approach to value chain management, positioning responsible sourcing and supplier governance as a core component of its sustainability framework rather than a peripheral compliance function. Given the company's diversified operations across chemicals, cellulosic fibres, building materials, textiles, and emerging consumer-facing businesses, the complexity and scale of its value chain introduce material ESG risks related to environmental compliance, labour practices, human rights, and operational continuity. Grasim's response to these risks reflects an effort to balance commercial efficiency with ethical and responsible business conduct across upstream and downstream relationships.

At the policy level, Grasim has established a structured framework governing engagement with suppliers and value chain partners. Expectations around environmental management, human rights, occupational health and safety, and statutory compliance are clearly articulated through supplier codes of conduct and contractual requirements. These expectations are reinforced through regular communication and awareness-building initiatives, reflecting a recognition that responsible value chain management requires not only enforcement but also capacity building. The company undertakes training and sensitisation programmes to familiarise suppliers with regulatory requirements, environmental risk management practices, and sustainability expectations. This focus on awareness is particularly relevant in the Indian context, where a significant portion of the supplier base consists of small and medium enterprises with varying levels of ESG maturity.

From a monitoring and assurance perspective, Grasim has implemented systematic assessment mechanisms across its value chain. During the reporting period, the company disclosed that 100% of its value chain partners were assessed for environmental impacts, underscoring an extensive coverage of environmental risk screening rather than selective or risk-based sampling. These assessments are designed to evaluate compliance with environmental regulations, identify potential operational risks, and ensure alignment with Grasim's environmental stewardship objectives. In parallel, the company evaluates the human rights practices of its value chain partners, including compliance with labour laws, fair employment practices, and statutory obligations such as the deduction and deposit of employee dues. This dual focus on environmental and social dimensions reflects an understanding that supply chain risks often intersect across ESG pillars and cannot be managed in isolation.

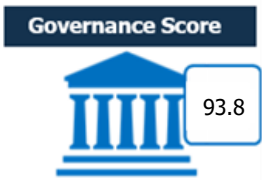
Grasim's approach to supplier governance goes beyond monitoring to include mechanisms for remediation and accountability. The company has established a grievance redressal system accessible to value chain partners,

enabling suppliers and other business counterparts to raise concerns related to labour practices, business conduct, payment issues, or operational challenges. The availability of such channels indicates an acknowledgement that power asymmetries within supply chains can otherwise inhibit transparent communication. During the reporting year, all complaints received from value chain partners were reported as resolved, suggesting that the grievance mechanism is operational and capable of closing issues once raised. While the volume and nature of grievances are not publicly disaggregated, the reported resolution rate points to procedural effectiveness and responsiveness at a minimum.

Health and safety and human rights expectations are also explicitly extended to the supply chain, reflecting Grasim's recognition that reputational and operational risks may arise from incidents involving contractors or suppliers, even if they fall outside direct operations. Policies governing supplier conduct include provisions related to safe working conditions, prevention of discrimination and harassment, and respect for basic human rights. The company reported no serious concerns related to health and safety or human rights violations among value chain partners during the reporting period, which suggests that existing monitoring and engagement mechanisms are currently sufficient to control major risks. However, as with most large industrial supply chains, the absence of reported incidents should be interpreted in conjunction with ongoing oversight rather than as a definitive indicator of risk elimination. An important dimension of Grasim's value chain strategy is its emphasis on local sourcing and supplier inclusion. The company reported that approximately 58% of its input materials were sourced from within India, and around 16% were procured from MSMEs or small producers. These sourcing patterns support domestic supply networks and contribute to the resilience of local economies, particularly in regions where Grasim's manufacturing operations are located. Engagement with MSMEs also aligns with broader national development objectives and reflects an inclusive approach to supplier participation. At the same time, sourcing from smaller enterprises can elevate ESG risks related to compliance capacity and environmental controls, reinforcing the importance of the company's training and assessment initiatives.

From a commercial governance perspective, Grasim disclosed an average accounts payable cycle of around 61 days, which is broadly consistent with standard industry practices for large manufacturing enterprises. Timely payment practices are an increasingly relevant social consideration within ESG assessments, particularly for MSME suppliers that are more sensitive to working capital constraints. While the payable cycle does not indicate accelerated payment programmes, it does not point to excessive delays that could strain supplier relationships. Disclosures remain primarily focused on coverage and process indicators, such as the proportion of partners assessed or complaints resolved, with limited visibility into outcome-oriented metrics, including improvements in supplier ESG performance over time or the severity of issues identified. As stakeholder expectations evolve, enhanced transparency around corrective actions, supplier performance improvements, and risk-tiering within the supply chain would further strengthen Grasim's positioning as a responsible value chain steward. Overall, Grasim's value chain management approach reflects a transition from transactional supplier oversight to a more structured and responsible sourcing model. The combination of policy frameworks, comprehensive

environmental and social assessments, supplier training programmes, grievance redressal mechanisms, and support for local and MSME sourcing indicates a deliberate effort to embed ESG principles across the supply chain. From an ESG risk perspective, this framework mitigates exposure to regulatory non-compliance, labour-related controversies, and supply disruptions arising from ESG failures at the supplier level.




The Governance pillar carries a weight of 25% for the sector. With a governance score of 93.8, GRASIM holds the leadership position among its industry peers, showcasing its strong governance framework and the efficient integration of ESG principles into strategic decision-making across top leadership levels. Key governance aspects such as business ethics, oversight on ESG, board composition, board functioning, remuneration, and reporting, filing and disclosures.

Grasim Industries Limited's approach to ESG oversight reflects a formalised and multi-layered governance architecture, designed to embed environmental, social, and governance considerations into both strategic decision-making and operational oversight. ESG is not positioned as a standalone sustainability function but is integrated within the company's broader governance, risk management, and performance monitoring systems. This integration is particularly relevant given Grasim's diversified portfolio across materials, chemicals, consumer-facing businesses, and financial services, where ESG risks can vary significantly across segments.

At the apex of ESG oversight sits the Board of Directors, which retains ultimate responsibility for supervising sustainability-related risks, opportunities, and performance. The Board's role extends beyond high-level endorsement of policies to include review of material ESG risks, alignment of sustainability priorities with long-term business strategy, and monitoring of progress against defined targets. This Board-level involvement is a critical governance signal, as it ensures that ESG considerations are addressed with the same level of scrutiny as financial and operational risks. Operational oversight of ESG matters is primarily exercised through the Risk Management and Sustainability Committee, a Board-level committee mandated to oversee enterprise risks, including climate, environmental compliance, health and safety, social, and reputational risks. ESG topics such as water stewardship, emissions, waste management, human capital, health and safety, compliance, and stakeholder engagement fall within the committee's purview. By integrating sustainability oversight with risk management, Grasim positions ESG not as an external reporting obligation but as a core component of enterprise risk governance, which is particularly relevant for investors and credit analysts assessing long-term resilience.

Below the Board and its committees, ESG oversight is supported by a clearly defined management-level governance structure. Senior leadership, including the Chief Sustainability Officer and business-level heads, is

responsible for translating Board-approved ESG priorities into actionable strategies, policies, and operational controls. ESG responsibilities are cascaded across functions and geographies through defined roles, site-level committees, and performance review mechanisms. This layered structure helps ensure consistency of implementation while allowing flexibility to address business-specific ESG risks. A notable aspect of Grasim's ESG governance framework is the integration of ESG performance into management accountability and incentives. Key sustainability parameters—such as health and safety outcomes, resource efficiency, environmental compliance, and social metrics—are linked to performance evaluation of senior executives and business leaders. This linkage reinforces accountability and reduces the risk that ESG objectives remain aspirational rather than execution-driven. From a governance perspective, incentive alignment is a critical lever for embedding ESG into day-to-day decision-making.

Grasim's oversight framework is further strengthened by the identification of ESG issues through a materiality assessment process that incorporates both business impact and stakeholder perspectives. Material ESG topics are mapped into the company's Enterprise Risk Management framework, allowing for systematic identification, prioritisation, monitoring, and mitigation of ESG risks. This mechanism ensures that emerging risks—such as water scarcity, climate transition risk, labour and contractor safety, or customer transparency expectations—are formally captured rather than addressed in an ad-hoc manner. Monitoring and control processes play a central role in converting governance intent into effective oversight. ESG performance across environmental and social indicators is subject to regular internal reviews at the business and unit level, and consolidated reporting to senior management and the Board. In addition, independent third-party assurance of selected ESG indicators, including critical environmental and social data, provides an additional layer of credibility and reduces information asymmetry for stakeholders. This assurance function enhances trust in disclosures and strengthens the governance system by subjecting ESG data to external validation.

The governance framework also emphasises policy-based control, with formal policies in place across environmental management, health and safety, human rights, business ethics, whistleblower protection, and responsible sourcing. These policies are approved at senior levels and periodically reviewed to ensure alignment with evolving regulatory and stakeholder expectations. The presence of such policy infrastructure provides a consistent reference point for decision-making across the organisation and across the value chain. In terms of stakeholder oversight, Grasim's ESG governance structure incorporates mechanisms for stakeholder engagement and grievance redressal, including whistleblower systems and channelled grievance processes for employees, contractors, and business partners. These mechanisms feed into governance oversight by enabling early identification of ethical, social, or compliance-related issues, thereby strengthening the company's ability to respond before risks escalate into material controversies. The reporting of grievance outcomes to management and, where relevant, the Board enhances transparency and accountability within the governance system.

From an ESG maturity standpoint, Grasim's oversight framework exhibits several strengths: clear Board-level accountability, integration of ESG with enterprise risk management, defined management responsibilities, incentive alignment, and external assurance. These elements collectively reduce the likelihood of governance failures related to unchecked ESG risks and support long-term strategic resilience. However, as ESG expectations continue to evolve—particularly around climate transition planning, biodiversity, supply-chain due diligence, and social impact measurement—the effectiveness of oversight will increasingly depend on the Board's ability to engage with forward-looking ESG risks, rather than primarily historical performance. Overall, Grasim Industries' oversight of ESG reflects a robust and structured governance model, enabling ESG considerations to influence strategic priorities, risk monitoring, and operational execution. The framework positions the company to manage ESG-related risks in a disciplined and accountable manner, while supporting long-term value creation in a regulatory and stakeholder environment that increasingly demands strong governance of sustainability issues.

Grasim Industries Limited's business ethics framework reflects a well-institutionalised and compliance-driven governance approach, aligned with Indian regulatory requirements as well as widely accepted corporate governance norms. Given the company's scale, diversified business portfolio, and exposure to regulated, capital-intensive, and consumer-facing segments, ethical governance is a critical enabler of stakeholder trust, operational continuity, and long-term value preservation. Within this context, business ethics at Grasim is treated not merely as a code-based obligation, but as a system of controls, accountability, and behavioural reinforcement embedded across the organisation and its value chain.

At the core of the framework is a comprehensive Code of Conduct, which establishes expectations around integrity, fair dealing, compliance with laws, conflict-of-interest management, confidentiality, and responsible decision-making. This code applies uniformly across employees, directors, and senior management, ensuring that ethical standards are consistent irrespective of hierarchy or function. The Code is complemented by a dedicated Anti-Bribery and Anti-Corruption (ABAC) Policy, which defines zero-tolerance principles for bribery, facilitation payments, and corrupt practices in any form. Together, these policies form the backbone of Grasim's ethical governance structure and are aligned with applicable laws, including anti-corruption regulations and corporate governance guidelines. Grasim's ethics framework is further strengthened by robust compliance with securities-market regulations, including the SEBI (Prohibition of Insider Trading) Regulations, 2015. The presence of formal insider-trading controls, defined trading windows, and monitoring mechanisms indicates a strong emphasis on market integrity and equitable treatment of investors. These controls are particularly important for a listed conglomerate with frequent access to capital markets and wide institutional shareholding.

From a governance oversight perspective, conflict-of-interest management and Related Party Transactions (RPTs) are carefully controlled and subject to multiple layers of scrutiny. Conflicts of interest at the Board and senior-management level are formally disclosed and managed through structured processes. RPTs are reviewed and approved by the Audit Committee and, where required, by shareholders, ensuring transparency and

compliance with regulatory thresholds. The extremely low shareholder dissent—approximately 0.01% votes cast against RPT resolutions—is a strong signal of investor confidence in the company's governance practices, disclosure quality, and fairness of transactions.

A notable strength of Grasim's business ethics architecture is the extension of ethical expectations beyond the organisational boundary. The Code of Conduct and ABAC policies are contractually applicable to suppliers, vendors, distributors, and other business partners, reflecting recognition that ethical risks often originate in the value chain rather than within direct operations. This approach mitigates exposure to third-party misconduct, bribery risks, and reputational spillovers, particularly in procurement-heavy and infrastructure-linked segments. Training and awareness initiatives targeted at suppliers further reinforce these expectations and help address disparities in governance maturity among value chain partners. The company's control environment appears stable and effective, with no reported incidents of corruption, bribery, insider trading, conflicts of interest, or anti-competitive conduct during the reporting period. While the absence of reported incidents does not eliminate the possibility of latent risk, it indicates that existing controls, surveillance mechanisms, and cultural norms are functioning adequately to prevent or detect material breaches. Importantly, the credibility of this assessment is supported by the breadth of training coverage, independent oversight, and grievance systems in place.

An essential pillar of Grasim's ethical governance is its Whistleblower Protection Policy, which provides confidential and secure channels for reporting unethical behaviour, regulatory non-compliance, or violations of the Code of Conduct. The policy explicitly prohibits retaliation against whistleblowers, a critical safeguard in enabling early detection of issues and reinforcing a culture of accountability. Training coverage on the whistleblower policy stands at 100% of employees, indicating strong diffusion of awareness and reinforcing the accessibility of reporting mechanisms across the organisation. Stakeholder responsiveness is another area where Grasim's ethics framework demonstrates operational depth. The company maintains dedicated grievance redressal mechanisms for investors and shareholders, ensuring transparency and procedural fairness in stakeholder engagement. During the reporting period, 100% of investor complaints were resolved, while shareholder complaints achieved a resolution rate exceeding 96%. These figures reflect high responsiveness, effective escalation and closure mechanisms, and a governance culture that prioritises accountability to capital providers—an important consideration for institutional investors and credit analysts.

From an implementation and culture-building standpoint, Grasim demonstrates strong training penetration across ethical risk areas. Approximately 92% of employees received training on the Code of Conduct and ABAC policies, indicating that ethical expectations are not confined to senior leadership but are actively communicated across the workforce. Regular training reinforces risk awareness, helps standardise ethical decision-making, and reduces dependency on individual discretion in complex operating environments. Extending ethics-related training to suppliers and partners further strengthens control effectiveness across the value chain.

From an ESG maturity perspective, Grasim's business ethics framework exhibits several structural strengths: comprehensive policy coverage, Board and committee-level oversight, strong investor confidence indicators,

high training coverage, effective grievance resolution, and value chain integration. These elements collectively reduce exposure to governance-related tail risks, such as fraud, regulatory penalties, litigation, or reputational damage, which can materially impair enterprise value. At the same time, as regulatory expectations and stakeholder scrutiny continue to evolve—particularly around third-party risk management, antitrust oversight, and real-time disclosure—ongoing vigilance will be required to sustain effectiveness. Enhancing transparency around ethics audits, third-party risk assessments, or anonymised whistleblower trends could further strengthen external confidence without compromising confidentiality. Collectively, Grasim Industries' business ethics framework can be characterised as strong, well-embedded, and governance-led, functioning as a stabilising force within the company's broader ESG profile. For investors and creditors, this framework acts as a risk mitigant rather than a risk amplifier, supporting confidence in management integrity, decision-making discipline, and long-term stewardship of shareholder and stakeholder interests.

Grasim Industries Limited's Board composition reflects a deliberately balanced governance structure designed to support effective oversight, strategic guidance, and accountability in a diversified and capital-intensive conglomerate. Board composition is treated not merely as a statutory requirement but as a governance lever that enables informed decision-making, risk management, and long-term stewardship. Given the company's exposure to complex operational, environmental, and social risks, the design and functioning of the Board form a foundational element of its overall ESG governance framework.

Grasim's Board is structured to maintain an appropriate balance between executive, non-executive, and independent directors, consistent with regulatory requirements and widely accepted corporate governance norms. This balance ensures that management insight is complemented by independent judgement, while avoiding excessive concentration of influence. Independent directors constitute a significant proportion of the Board, supporting objectivity in oversight, particularly across areas such as audit, risk management, related-party transactions, remuneration, and sustainability. From an ESG perspective, strong Board independence reduces the risk of unchecked management actions and enhances credibility with investors and other stakeholders. The separation of leadership oversight and management execution is another important feature of Grasim's Board structure. The presence of non-executive leadership in Board deliberations helps reinforce checks and balances, limiting key-person risk and improving the quality of strategic challenge. This separation supports a governance environment where long-term value creation and risk mitigation take precedence over short-term operational considerations. Board composition at Grasim is also shaped by an emphasis on diversity of skills, experience, and professional background. Directors collectively bring expertise across areas such as manufacturing, chemicals, finance, sustainability, governance, consumer markets, and risk management. This breadth is particularly relevant given Grasim's multi-segment portfolio, where Board members must oversee businesses with varying risk profiles, capital requirements, regulatory exposure, and market dynamics. A diversified skills matrix strengthens the Board's ability to evaluate strategic proposals, assess

ESG-related risks, and respond to external disruptions. In terms of gender diversity, Grasim has representation of women directors on its Board, in line with regulatory expectations. While gender diversity is improving across the Board and senior governance structures, it remains an area where continued enhancement would strengthen alignment with global best-practice benchmarks, particularly as stakeholder expectations around inclusive leadership continue to rise. From an ESG governance standpoint, Board gender diversity is increasingly viewed as a proxy for broader inclusion, diversity of perspective, and decision-making quality.

The Board's effectiveness is reinforced through structured committee architecture, with key committees such as the Audit Committee, Nomination and Remuneration Committee, Risk Management and Sustainability Committee, and Stakeholders' Relationship Committee. These committees are primarily composed of independent directors and are chaired by non-executive members, ensuring focused oversight of critical governance areas. Committee structures enable deeper engagement with technically complex issues, including financial controls, executive remuneration alignment, ESG risks, human capital management, and shareholder engagement. Board composition is further governed through formal nomination and evaluation processes. The Nomination and Remuneration Committee plays a central role in assessing Board size, composition, independence, and skill requirements, ensuring that Board refreshment aligns with evolving strategic and ESG priorities. Periodic Board evaluations—covering collective performance, committee effectiveness, and individual director contribution—support continuous improvement and help identify gaps in expertise or governance capability. This evaluation-led approach reduces the risk of board stagnation and reinforces accountability at the governance level.

Director tenure and succession planning are managed to balance continuity with renewal. While continuity supports institutional knowledge and strategic consistency, controlled refreshment enables the introduction of new perspectives, especially in areas such as sustainability, digital transformation, and stakeholder engagement. From a governance and ESG perspective, balanced tenure mitigates risks associated with entrenchment while preserving strategic memory. Another important dimension of Board composition at Grasim is the alignment of governance oversight with ESG responsibilities. Board-level engagement on sustainability and risk issues—either through dedicated committees or integrated risk oversight structures—ensures that ESG considerations are woven into strategic discussions. This elevates ESG from a reporting or compliance function to a matter of Board accountability, reinforcing oversight of climate risks, resource management, workforce safety, human rights, and ethical conduct.

Grasim Industries Limited's Board composition reflects a robust and largely well-aligned governance framework, characterised by appropriate independence, diversified expertise, structured committee oversight, and formal evaluation processes. These features support effective management oversight, disciplined capital allocation, and responsible stewardship of stakeholder interests. As ESG expectations continue to evolve, further strengthening Board diversity—particularly gender and ESG-specific expertise—would enhance the Board's ability to anticipate emerging risks and opportunities, reinforcing governance resilience over the long term.

The functioning of Grasim Industries Limited's Board reflects a formalised, process-driven, and compliance-aligned governance culture, designed to support informed decision-making and effective oversight across a diversified business portfolio. Board functioning goes beyond basic statutory requirements and is structured to ensure that deliberations are substantive, risk-aware, and aligned with long-term strategic and ESG objectives. The Board convenes at regular intervals, with meetings structured around well-defined agendas that encompass not only financial performance and capital allocation but also risk management, ESG priorities, regulatory developments, and stakeholder considerations. Board discussions are supported by detailed pre-read materials, enabling directors—particularly independent directors—to prepare adequately and engage meaningfully on complex operational, financial, and sustainability-related matters. This preparatory rigor strengthens the quality of debate and reduces information asymmetry between management and the Board. Committee functioning is central to Board effectiveness at Grasim. Key committees such as the Audit Committee, Nomination and Remuneration Committee, Risk Management and Sustainability Committee, and Stakeholders' Relationship Committee meet regularly and report their deliberations and recommendations to the full Board. The delegation of responsibilities to specialised committees allows for deeper scrutiny of technically complex areas, while final accountability remains with the Board as a whole. Importantly, committees are largely composed of independent directors and chaired by non-executive members, reinforcing independence and objectivity in oversight. Board functioning is also reinforced through formal evaluation mechanisms. Periodic evaluations of the Board, its committees, and individual directors enable assessment of effectiveness, identification of skill gaps, and continuous improvement in governance practices. These evaluations support Board refreshment, succession planning, and alignment with evolving strategic and ESG priorities, thereby reducing the risk of complacency or governance stagnation. From an ESG perspective, a notable feature of Grasim's Board functioning is the integration of ESG oversight into mainstream governance processes. ESG considerations are routinely discussed at the Board and committee levels, rather than being relegated to standalone sustainability sessions. This integration signals that environmental, social, and governance risks are treated as enterprise-wide concerns with potential financial and reputational implications.

Grasim Industries demonstrates a high degree of regulatory compliance and disclosure discipline, reflecting its status as a listed entity with significant institutional ownership. The company adheres to statutory filing requirements under the Companies Act, SEBI regulations, and applicable stock-exchange listing obligations, including timely submission of financial results, governance disclosures, and shareholder communications. The company's disclosure framework encompasses financial, governance, and ESG-related information, providing stakeholders with visibility into performance, risk management practices, and strategic direction. Governance disclosures include detailed reporting on Board composition, committee structure, attendance, independence, related-party transactions, and remuneration policies. This level of granularity enhances transparency and

facilitates informed decision-making by investors, analysts, and regulators. In the ESG domain, Grasim's disclosures have progressively expanded to include environmental performance metrics, social indicators, and governance practices, supported in part by independent assurance of selected data points. This approach reduces the risk of greenwashing or selective disclosure and enhances the credibility of reported information. By aligning disclosures with evolving sustainability reporting expectations, the company positions itself to meet increasing investor and regulatory scrutiny around ESG transparency. The effectiveness of the disclosure framework is further evidenced by high levels of shareholder confidence and engagement. Minimal shareholder dissent on governance-related resolutions, including those related to related-party transactions, reflects trust in the company's transparency and fairness. The presence of structured investor and shareholder grievance redressal mechanisms—with high resolution rates—reinforces this confidence and demonstrates accountability in stakeholder communication. From a governance risk perspective, Grasim's disciplined filing and disclosure practices mitigate exposure to regulatory penalties, reputational damage, and investor distrust, thereby supporting stable access to capital and long-term valuation resilience.

Grasim Industries' remuneration framework is designed to ensure fairness, transparency, and alignment with the company's long-term strategic and ESG objectives. Oversight of remuneration rests with the Nomination and Remuneration Committee, which operates under a formal policy approved by the Board and disclosed to shareholders. This policy defines principles governing executive and non-executive remuneration, performance metrics, and the balance between fixed and variable components. Executive remuneration is structured to align management incentives with financial performance, operational efficiency, and selected non-financial parameters, including health and safety, compliance, and sustainability-related outcomes. By linking a portion of variable pay to such metrics, Grasim reinforces accountability for responsible business conduct and risk management, reducing the likelihood of excessive risk-taking driven solely by short-term financial targets. From an ESG standpoint, this incentive alignment is a critical control mechanism that embeds sustainability considerations into leadership behaviour. The remuneration of non-executive and independent directors is structured to preserve independence and objectivity, with fees and commission subject to statutory limits and shareholder approval. Transparent disclosure of remuneration components and decision-making processes enhances investor confidence and reduces concerns around excessive or misaligned pay practices. Grasim also demonstrates attention to internal equity and pay governance, supported by reported compliance with equal remuneration principles. While gender representation remains an area for further improvement at the workforce and leadership levels, disclosures indicate that pay structures are not systematically discriminatory, which helps mitigate social and reputational risks. From a governance effectiveness perspective, the remuneration framework balances competitiveness and restraint, enabling the company to attract and retain leadership talent while maintaining alignment with shareholder and stakeholder interests. Regular review of remuneration policies ensures responsiveness to changing regulatory norms, market practices, and ESG expectations.

Overall, Grasim Industries Limited's governance performance demonstrates high institutional impact, anchored in strong Board oversight, disciplined disclosure practices, robust ethical controls, and clear accountability mechanisms. Governance structures are not only compliant with regulatory expectations but are actively leveraged to manage enterprise-wide risks, integrate ESG considerations into strategic decision-making, and reinforce long-term value creation. The effectiveness of Board functioning, the depth of committee oversight, transparent filing and reporting discipline, and incentive alignment through remuneration collectively enhance organisational resilience and stakeholder confidence. Importantly, governance at Grasim operates as a stabilising force—mitigating financial, operational, and reputational risks across a diverse business portfolio—rather than as a reactive compliance layer. While further progress in areas such as diversity, forward-looking ESG scenario oversight, and outcome-oriented disclosures would strengthen alignment with evolving global best practices, the overall governance framework positions Grasim as a well-governed, risk-aware, and impact-driven enterprise capable of sustaining performance amid increasing regulatory, investor, and societal scrutiny.

## Key Rating Drivers

### Strengths

**Strong and Institutionalised ESG Governance Framework**

Grasim demonstrates a high level of ESG governance maturity, with Board-level oversight, a dedicated Risk Management & Sustainability Committee, and clear management accountability. ESG considerations are embedded into enterprise risk management, capital allocation, and executive incentives, ensuring sustainability is integrated into strategic and operational decision-making. This structure materially reduces governance slippage and supports long-term resilience across business segments.

**Credible Climate Transition Strategy with Measurable Progress**

The company has established a clear net-zero ambition supported by scenario-based climate risk assessments, internal carbon pricing, and time-bound emissions-intensity targets. Year-on-year reductions in energy and emissions intensity despite operational growth demonstrate credible execution capability. Product-level innovations that enable downstream avoided emissions further strengthen Grasim's climate positioning beyond its operational boundary.

**Robust Environmental and Resource Management Systems**

Grasim exhibits strong environmental stewardship across energy, water, waste, and biodiversity management. ISO-aligned systems, near-total waste recovery, expanding ZLD infrastructure, high wastewater treatment coverage, and certified raw-material sourcing support regulatory compliance and operational resilience. These

systems place the company above industry medians on several environmental dimensions, despite the inherent intensity of its operations.

**High Transparency, Ethical Controls, and Disclosure Quality**

The company maintains comprehensive disclosures across ESG themes, supported by independent assurance of key metrics. Robust business-ethics controls, whistleblower mechanisms, and strong investor grievance resolution rates reinforce stakeholder confidence. Minimal shareholder dissent on governance matters further reflects trust in disclosure quality, fairness, and ethical conduct.

**Weaknesses**

**Opportunity to Accelerate Renewable Energy Penetration**

While emissions intensity has improved, renewable energy adoption remains below industry medians at the consolidated level. Accelerating renewable electricity and alternative fuel substitution—particularly in energy-intensive segments—would strengthen alignment with long-term decarbonisation pathways and further reduce exposure to transition risks related to carbon pricing and energy volatility.

**Opportunity to Strengthen Outcome-Based Safety Performance**

Grasim maintains best-in-class safety systems and preventive frameworks; however, contractor-related fatalities and residual LTIFR risks signal scope for deeper on-ground execution. Enhancing contractor integration, supervision, and outcome-based safety accountability would improve consistency between systems strength and real-world safety outcomes, particularly as new capacities scale.

**Opportunity to Improve Workforce Gender Diversity and Inclusion**

Gender representation across the workforce, senior management, and Board remains materially below industry and global benchmarks. While pay equity is maintained, improving gender diversity would strengthen human-capital resilience, expand the talent pool, and enhance governance and decision-making quality over the medium to long term.

## Key ESG Parameters of GRASIM

| Parameters | Unit | Chemicals 2025-26 | Industry Median | Pulp and Fibre 2025-26 | Industry Median |
|---|---|---|---|---|---|
| ***Environment*** | | | | | |
| Scope 1 intensity | tCO2e/INR crore of turnover | 20.88 | 20.88 | 203.18 | 53.19 |
| Scope 2 intensity | tCO2e/INR crore of turnover | 11.33 | 5.50 | 12.58 | 13.17 |
| Renewable energy consumption | % (of total energy consumption) | 0.05 | 0.13 | 0.076 | 0.64 |
| Energy intensity | GJ/ INR crore of turnover | 320.29 | 320.29 | 2387.24 | 2361.84 |
| Waste generation intensity | MT/ INR crore of turnover | 6.45 | 6.00 | 34.63 | 35.01 |
| Waste recovery rate | % | 0.91 | 0.78 | 0.94 | 0.8 |
| Achieved Zero liquid discharge | Yes/No | Yes | - | Yes | - |

*Data source: company information, public sources, CareEdge-ESG research & analysis*
KL = kiloliters | MT = metric tons | GJ = gigajoules

| ***Social*** | **Unit** | **Grasim** | **Industry Median** |
|---|---|---|---|
| Employee turnover | % | 15% | 15% |
| Female to male employees' ratio | Per 100 male employees | 10.04% | 9.49% |
| Female to male employees' median pay | Per Rs. 100 of male employees' median pay | 83.91% | 108.70% |
| Health & safety complaints | # | 0.00% | 0.00% |
| Health insurance coverage | % | 98.85% | 99.25% |
| Accident insurance coverage | % | 96.59% | 100.00% |
| Differently abled workforce | % of total workforce | 0.13% | 0.09% |
| POSH complaints upheld over reported | X/Y | 91.67% | 0.00% |
| Average lost time injury frequency rate | # | 14.50% | 6.75% |
| Workforce fatality rate | Per employee | 0.00% | 0.00% |
| Total recordable injury rate | # | 0.20% | 0.04% |
| ***Governance*** | **Unit** | **Grasim** | **Industry Median** |
| No. of female in board | # | 1 | 1 |
| % board members trained on BRSR | % | 100.00% | 100.00% |
| % KMPs trained on BRSR | % | 100.00% | 100.00% |
| Income gap ratio (CEO pay to median pay) | X: Y | 213.26 | 125.76 |

## Rating Sensitivities

### Positive Factors

- Reduction in scope1, scope 2, and scope 3 emissions intensities
- Increase in renewable energy consumption
- Decrease in LTIFR, fatality and recordable injury rate
- Increase coverage of training for contract workers
- Increase in representation of female across all tiers of organization

### Negative Factors

- Increase in overall water and energy consumption intensities
- Limited emphasis on health and safety, workforce development

## Analytical approach

**Rating boundary:** CareEdge-ESG has considered standalone data of GRASIM for assessment. The same is in line with their disclosure in BRSR. Transition indicators are incorporated in the ESG rating assessment of CareEdge-ESG methodology.

## Methodology/Criteria

For detailed understanding of the criteria and methodology used by CareEdge-ESG, please refer to the methodology document available on www.careedgeesg.com

### About the company and industry

Grasim Industries Limited is the flagship company of the Aditya Birla Group and is headquartered in Mumbai. The company operates across multiple sectors, including cement, chemicals, textiles, and financial services, and has emerged as one of India's leading diversified manufacturing enterprises. Grasim is primarily engaged in the production of viscose staple fibre (VSF), viscose filament yarn (VFY), and chemicals such as caustic soda, while also serving as the holding company for major group businesses like UltraTech Cement and Aditya Birla Capital. Through this diversified portfolio, the company plays a significant role in supplying essential industrial inputs and consumer materials across domestic and global markets.

Over the years, Grasim has expanded its operational footprint through strategic investments, capacity expansions, and diversification into new business segments. The company is a global leader in viscose fibre production and maintains a strong presence in the chemicals sector, particularly in chlor-alkali products that support industries such as textiles, pulp and paper, and water treatment. In addition, through its subsidiary UltraTech Cement, Grasim is associated with one of the largest cement manufacturing networks in India, serving infrastructure, housing, and construction sectors. More recently, the company has also entered the paints segment with the launch of Birla Opus, signalling its intent to diversify further into fast-growing consumer-facing industries.

Grasim operates within the broader Indian manufacturing and materials sector, which forms a crucial component of the country's industrial economy. Industries such as textiles, chemicals, and cement are foundational to economic development, supporting infrastructure creation, manufacturing value chains, and employment generation. As India continues to expand its infrastructure, housing, and industrial base, companies like Grasim contribute by supplying key raw materials and intermediate goods essential for downstream industries. Its integrated operations across fibres, chemicals, and building materials allow it to serve diverse sectors while maintaining strong linkages within industrial value chains.

Furthermore, Grasim's strategic priorities increasingly reflect sustainability and innovation in manufacturing. The company has undertaken initiatives focused on resource efficiency, renewable energy adoption, circular production processes, and responsible sourcing within its fibre and chemical operations. These efforts align with India's broader transition toward more sustainable industrial practices and environmentally responsible production systems. By integrating operational efficiency with sustainability goals and diversification strategies, Grasim continues to strengthen its position as a major industrial player while contributing to a more resilient and future-oriented manufacturing ecosystem

## Source of information

While assigning ESG Ratings, CareEdge-ESG has considered publicly available information such as integrated annual reports of the company, policies, sustainability reports, certifications, BRSR reports, quarterly presentations, and additional non-public information and comments provided by the company.

**Status of non-cooperation with previous ERP:** Not applicable

**Rating history for last three years:**

| Sr. No. | Name of Product | Current Rating | | Rating history | | |
|---|---|---|---|---|---|---|
| | | Rating | Score | Date(s) & Rating(s) assigned in 2024-25 | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 |
| 1 | ESG Rating | CareEdge-ESG 1+ | 85.4 | | - | - |

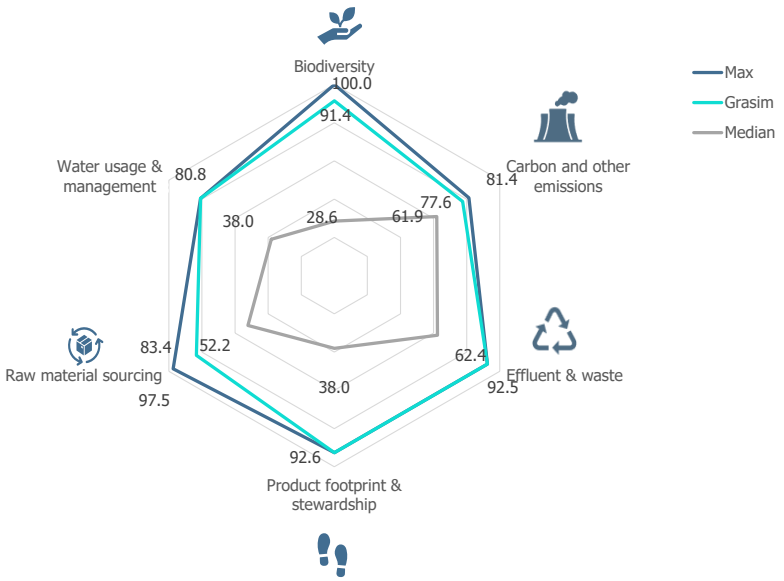
## Annexure: Graphical summary of key rating drivers[1]

**Hierarchy:** While arriving at pillar level scores for GRASIM, CareEdge–ESG has assigned theme weights based on relative importance and sectoral hierarchy as depicted in the exhibit below.

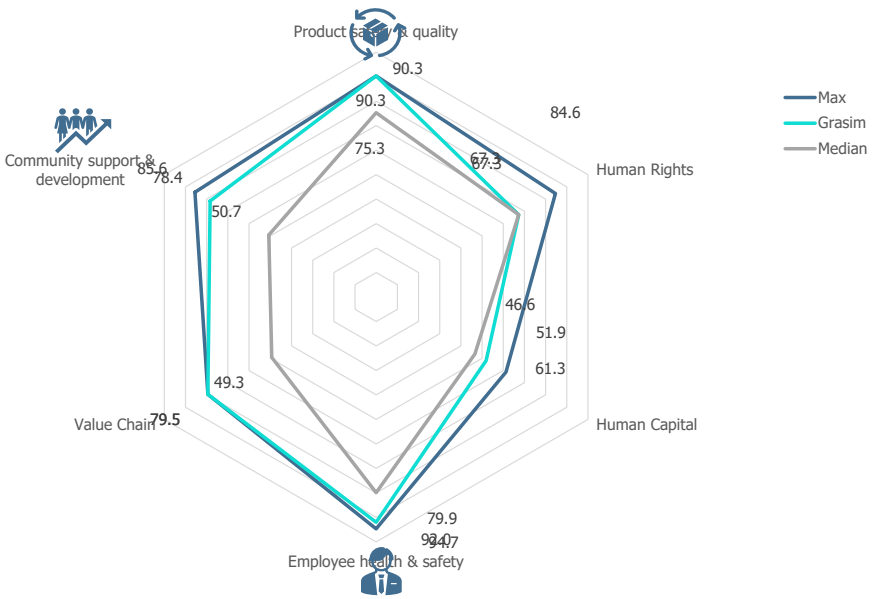
| Materiality | Environment | Social | Governance |
|---|---|---|---|
| HIGH | Carbon and other emissions | Employee health & safety | Business Ethics<br>Oversight on ESG |
| MEDIUM | Water usage & management<br>Effluent & waste | Product Safety & Quality<br>Human Capital | Board Composition |
| LOW | Biodiversity<br>Product footprint & stewardship<br>Raw Material Sourcing | Human rights<br>Community Support & Development<br>Value Chain | Reporting, filling & disclosures<br>Board Functioning<br>Remuneration |

[1] *Comprehensive analytical insights, inferences and benchmarking is provided in CareEdge-ESG's detailed ESG Report*

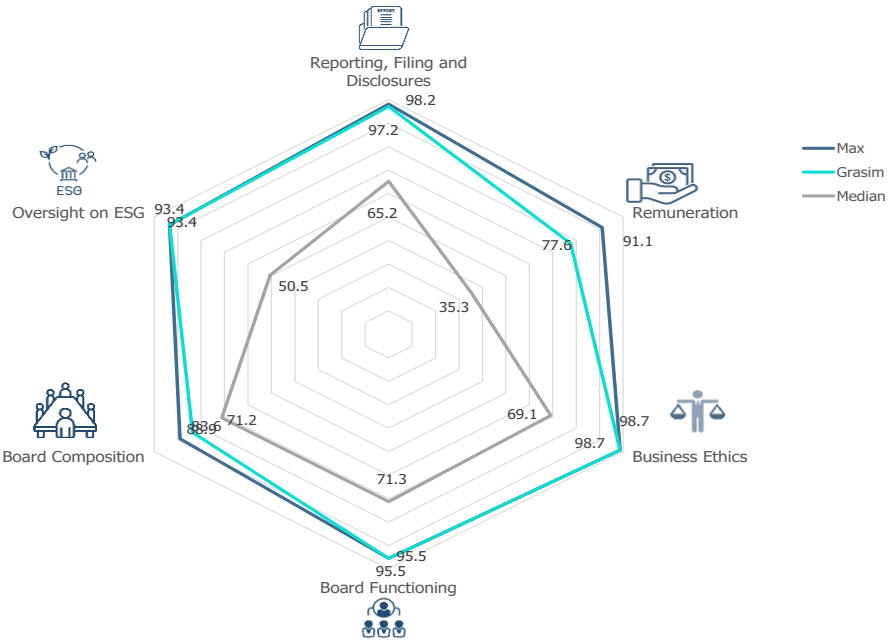
**Environment Pillar:** GRASIM's theme-wise performance and industry benchmarks




**Social Pillar:** GRASIM's theme-wise performance and industry benchmarks



**Governance Pillar:** GRASIM's theme-wise performance and industry benchmarks




## Summary of pillars and theme scores

| Theme | Grasim | Industy Median |
|---|---|---|
| Biodiversity | 91.4 | 28.6 |
| Carbon and other emissions | 77.6 | 61.9 |
| Effluent & waste | 92.5 | 62.4 |
| Product footprint & stewardship | 92.6 | 38.0 |
| Raw material sourcing | 83.4 | 52.2 |
| Water usage & management | 80.8 | 38.0 |
| **Total Environment Score** | **83.7** | **51.4** |
| Product safety & quality | 90.3 | 75.3 |
| Human Rights | 67.3 | 67.3 |
| Human Capital | 51.9 | 46.6 |
| Employee health & safety | 92.0 | 79.9 |
| Value Chain | 79.5 | 49.3 |
| Community support & development | 78.4 | 50.7 |
| **Total Social Score** | **81.3** | **70.9** |
| Reporting, Filing and Disclosures | 97.2 | 65.2 |
| Remuneration | 77.6 | 35.3 |
| Business Ethics | 98.7 | 69.1 |
| Board Functioning | 95.5 | 71.3 |
| Board Composition | 83.6 | 71.2 |
| Oversight on ESG | 93.4 | 50.5 |
| **Total Governance Score** | **93.8** | **65.6** |
| **Total ESG Score** | **85.4** | **62.0** |

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**About:**

CareEdge is a knowledge based analytical group that aims to provide superior insights based on technology, data analytics and detailed research. CARE ESG Ratings Limited (CareEdge-ESG) is one of the India's pioneer ESG rating provider fostering sustainability with ESG insights. With an aim of being a catalyst of change for a sustainable future with the most credible ESG assessments, CareEdge-ESG provides a 360-degree appraisal for the ESG performance benchmarking cum transition enabling ESG risk mitigation and enhanced decision-making capabilities for all stakeholders.

**Disclaimer:**