

Rating Rationale

Thermax Limited	Rating Symbol*	Rating Score	Rating Action
ESG Rating	CareEdge-ESG 1	78.0	Assigned

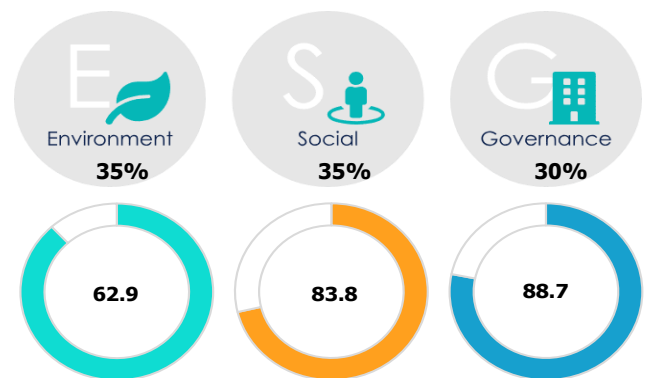
* Please refer www.careedgeesg.com for detailed understanding of CareEdge-ESG's rating symbols and definitions.

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

ESG Score



Pillar Weights & Scores



Rating Scale



All scores are on the scale of 0–100.

Rating Rationale

The ESG rating upgrade of Thermax Limited to 78.0 reflects the company's consistent strengthening of sustainability governance, material improvements in environmental performance, and continued leadership across social dimensions, supported by enhanced disclosures, monitoring mechanisms, and integrated ESG execution across its operations. The score improvement captures measurable progress during FY25, most notably in climate performance, resource stewardship, workforce practices, and ESG oversight, positioning Thermax firmly among ESG leaders within India's capital goods and industrial products sector.

Thermax's sustainability strategy is anchored in a solutions-oriented business model, where environmental responsibility is integral rather than adjunct to operations. This is reflected in the company's early achievement and upward revision of emission reduction targets, increased renewable energy adoption, advancing water

neutrality initiatives, robust occupational health and safety frameworks, supply-chain engagement, and high standards of governance transparency.

However, notwithstanding these strengths, the ESG assessment also incorporates residual environmental intensity relative to revenue and a marginal uptick in safety and conduct-related complaints, indicating areas where sustained focus and outcome-based improvements are required to further enhance Thermax's ESG profile.

Environment Score



62.9

The environment pillar is highly material for the capital goods and industrial products sector, given energy-intensive operations, emissions exposure, regulatory compliance requirements, and lifecycle impacts of products. Thermax's environmental performance during FY25 demonstrates accelerated progress in transition readiness, despite intensity-based constraints typical of the sector. In line with this, the pillar has been given a weight

of 35%, with Thermax getting a score of 62.9. Thermax's environmental score reflects the company's significant steps towards environment stewardship through accelerated initiatives towards emission reduction, renewable energy adoption, water positivity and waste circularity.

In addition to climate mitigation, Thermax maintains robust local air emissions management practices, ensuring continued compliance with the Air (Prevention and Control of Pollution) Act and adherence to emission limits prescribed by relevant Central and State Pollution Control Boards (CPCB/SPCB) across its operational locations. Beyond compliance, the company has adopted proactive air pollution control measures, aimed at reducing particulate emissions and improving occupational and ambient air quality. These include the installation of scrubber-based duct systems in paint houses, upgrades to ventilation and exhaust management infrastructure, improved combustion efficiency, and progressive fuel switching toward cleaner energy sources where operationally feasible. In FY24, Thermax successfully achieved its initial target of 25% absolute reduction in carbon emission from FY19 baseline. The company subsequently revised its target to a more ambitious 35% reduction by FY25, which it has also achieved building on this progress, Thermax has now set a target of achieving a 50% absolute emission reduction by FY30. This progression reflects not only improved operational efficiency but also credible target-setting discipline, wherein interim achievements are used to recalibrate long-term ambition—aligned with best practices in transition planning. The emissions reduction achieved to date has been supported by a combination of process efficiency improvements, cleaner fuel adoption, increased reliance on renewable energy, enhanced operational controls, and technology upgrades across manufacturing and assembly operations. These measures collectively reduce exposure to energy price volatility, emerging carbon pricing mechanisms, and tightening regulatory norms, while also strengthening cost competitiveness over the medium to long term.

Thermax had previously outlined an ambitious target of achieving 80% renewable energy adoption by FY27. In FY 2024-25, the company strengthened its renewable footprint by increasing renewable energy consumption to

135 lakh units, combining green power procurement and on-site solar generation, demonstrating strong progress toward its medium-term energy transition and sustainability goals. Thermax continued to advance its renewable energy adoption and energy transition capabilities as part of its broader sustainability strategy. The company emphasized the deployment of clean energy solutions such as renewable energy (including solar and wind) and strategic investments in carbon capture and other emerging technologies as part of its efforts to reduce emissions. In FY 2024-25, Thermax implemented several operational efficiency initiatives across its manufacturing facilities, including automation of key processes, optimisation of equipment usage, installation of motion sensors to reduce unnecessary energy consumption, and replacement of conventional pumps with energy-efficient alternatives. These measures have contributed to lower energy use and emissions while improving operational efficiency and reducing costs. Due to the water-intensive nature of its operations, Thermax places significant emphasis on efficient water management across cooling, manufacturing, and processing activities. From a disclosure and measurement standpoint, Thermax currently reports Scope 1 and Scope 2 greenhouse gas emissions in line with applicable regulatory requirements and domestic reporting standards. However, Scope 3 emissions have not yet been quantified or disclosed, which remains a relevant gap given the company's extensive upstream procurement footprint and downstream deployment of energy-intensive capital goods. As customer-enabled emissions and supply-chain impacts become increasingly material under evolving ESG and climate disclosure frameworks, the development of a structured Scope 3 measurement and management roadmap represents a key opportunity to enhance completeness, transition credibility, and value-chain engagement over future assessment cycles. Furthermore, Thermax has strengthened operational monitoring and preventive maintenance protocols, enabling early identification of emission-related deviations and reducing the risk of exceedances, shutdowns, or regulatory penalties. This proactive stance reduces both environmental and business continuity risks, particularly in a sector characterized by stringent environmental scrutiny and rising stakeholder expectations around pollution control and climate accountability. Overall, Thermax's climate and emissions performance during the review period reflects a maturing decarbonization trajectory, characterized by outcome-driven execution, disciplined ambition setting, and alignment between environmental performance and operational strategy. While absolute emissions reductions achieved to date position the company favorably relative to sector peers, future progress will increasingly hinge on intensity normalization, Scope 3 integration, and external alignment with evolving climate-related financial disclosure frameworks, which represent important areas for further strengthening of its environmental transition pathway.

In FY25, the company continued to strengthen its water stewardship practices through initiatives such as water recycling, rainwater harvesting, and process optimisation, while progressing towards its water positivity goals and implementing targeted water consumption reduction measures. In FY25, the company continued to strengthen its water positivity and resilience strategy through rainwater harvesting, recycling, process optimisation, and Zero Liquid Discharge (ZLD) systems. Notably, three manufacturing plants have achieved

water-neutral certification, underscoring measurable progress in balancing withdrawal with replenishment. These initiatives reduce freshwater dependency, mitigate local water scarcity risks, and enhance long-term operational resilience. However, adoption of structured water efficiency management systems such as ISO 46001 / ISO 24256 remains an opportunity to further formalise monitoring and benchmarking practices.

Thermax has continued to strengthen its circular economy-oriented waste management framework, embedding resource efficiency principles across manufacturing operations, project execution sites, and auxiliary facilities. The company follows a structured waste hierarchy focused on avoidance and reduction at source, followed by reuse, recycling, and environmentally responsible disposal, thereby minimizing landfill dependency and regulatory exposure. This approach is operationalized through facility-level waste management plans, standardized segregation protocols, and continuous monitoring of waste streams, ensuring alignment with applicable environmental regulations and internal sustainability objectives. At the operational level, Thermax has enhanced waste segregation at source, enabling higher recovery rates for recyclable materials while ensuring the safe handling of hazardous and process-related waste. Hazardous waste streams are managed through authorized vendors and approved treatment, storage, and disposal facilities, supported by controlled storage, labelling, documentation, and periodic audits. These practices reduce contamination risks, prevent environmental incidents, and support compliance with relevant statutory requirements, while also strengthening traceability and accountability across the waste lifecycle. In parallel, the company has taken steps toward reducing waste generation through process optimization, material efficiency improvements, and increased reuse of packaging and scrap materials, particularly within fabrication and assembly operations. Internally generated scrap and by-products are assessed for potential reuse within operations or channelled to recycling partners, supporting both waste minimization and cost efficiency. This reflects a shift from a disposal-centric model toward resource recovery and value retention, consistent with circular economy principles.

Beyond operational waste management, Thermax's sustainability strategy places strong emphasis on sustainable product design, recognizing that a significant portion of environmental impact is determined at the design and engineering stage. In this context, the company has institutionalized the application of Life Cycle Assessment (LCA) methodologies across key product categories. These assessments span both cradle-to-gate and cradle-to-grave evaluations, enabling Thermax to systematically assess environmental impacts associated with raw material extraction, manufacturing, transportation, use-phase performance, and end-of-life treatment or disposal. The integration of LCA into product development provides Thermax with a data-driven basis to identify hotspots related to emissions, energy use, material intensity, and waste generation across product lifecycles. Insights from these assessments are increasingly being used to inform design optimization, including material substitution, weight reduction, improved energy efficiency during the use phase, and enhanced recyclability at end of life. This approach not only supports the company's internal decarbonization and resource efficiency goals but also enhances the environmental performance of solutions delivered to customers operating in energy- and emission-intensive industries. Furthermore, Thermax's lifecycle-led product strategy strengthens

its value proposition in the green solutions and clean energy segments, where customers increasingly demand solutions that deliver measurable environmental benefits over their operational lifetime. By embedding lifecycle thinking into engineering and product innovation, Thermax supports customers in improving their own ESG performance, reinforcing long-term commercial relevance while contributing to systemic sustainability outcomes across downstream value chains.

From a risk-management perspective, the company's focus on waste minimization and lifecycle assessment reduces exposure to tightening environmental regulations, resource price volatility, and waste-related liabilities, while also improving operational resilience. At the same time, the absence of formal zero-waste-to-landfill certification across all facilities and limited disclosure on waste intensity trends relative to revenue represent areas where additional standardization and quantitative reporting could further enhance transparency and benchmarking. Overall, Thermax's waste management and sustainable product design practices reflect a maturing circularity framework, transitioning from compliance-driven waste control toward strategic resource efficiency and lifecycle-based innovation. Continued expansion of quantitative disclosures, certification coverage, and integration of circular design metrics into product portfolios would further strengthen the company's environmental transition pathway and peer leadership positioning.

Though Thermax does make negative impact on environment from its operations, Biodiversity management forms an increasingly important component of Thermax Limited's environmental stewardship framework, particularly given the company's manufacturing footprint, project-based operations, and interface with land, water, and natural resources. While biodiversity-related impacts in the capital goods sector are generally indirect and localized, Thermax demonstrates a conscious, preventive, and compliance-led approach to minimizing ecological disturbance and promoting nature-positive practices within the boundaries of its operations. Thermax's approach to biodiversity is anchored in its broader environmental and sustainability policies, which emphasize regulatory compliance, risk avoidance, and responsible resource use. The company follows applicable environmental clearance norms, land-use regulations, and pollution control requirements, ensuring that manufacturing operations and project sites do not encroach upon ecologically sensitive areas, including protected habitats and biodiversity-rich zones. Rather than adopting a reactive conservation posture, Thermax emphasizes a preventive and mitigation-first approach, whereby environmental impact considerations—including biodiversity disturbance—are addressed at the planning and execution stages of projects. This includes selection of project sites, layout design, and operational controls that limit land degradation, deforestation, soil erosion, and habitat fragmentation. A key element of Thermax's biodiversity-related initiatives is the development and maintenance of greenbelts within and around manufacturing facilities, which serve multiple ecological and environmental functions. These greenbelts are designed to:

- Act as natural buffers between industrial activity and surrounding ecosystems
- Improve local microclimates, air quality, and dust attenuation
- Support habitat creation for local flora and fauna, particularly birdlife and pollinators

The company prioritises native and regionally appropriate plant species, recognizing their superior adaptability, lower water requirements, and higher ecological value compared to exotic varieties. This practice supports local biodiversity resilience while reducing long-term maintenance and irrigation demand.

While Thermax demonstrates sound baseline biodiversity management practices, biodiversity initiatives are currently embedded within broader environmental management systems rather than articulated as a distinct strategic pillar. Looking ahead, Thermax has an opportunity to further strengthen its biodiversity profile by:

- Developing a formal biodiversity or nature-positive policy aligned with emerging frameworks such as TNFD
- Conducting site-level biodiversity risk screenings or dependency assessments, particularly for newer or expanded facilities
- Enhancing disclosure around greenbelt coverage, species diversity, and conservation outcomes
- Exploring nature-based solutions and supplier engagement on biodiversity considerations

Overall, Thermax's biodiversity practices reflect a responsible, compliance-aligned, and risk-mitigative approach, appropriate for its sectoral context. While not yet a primary differentiator within the Environment pillar, these initiatives contribute meaningfully to ecosystem protection, regulatory assurance, and social licence to operate, and provide a strong foundation for progression toward more explicit nature-positive strategies in future assessment cycles.

Despite strong progress, the environment score is moderated by higher emissions and energy intensity relative to revenue, typical of the sector but nonetheless material to comparative performance. Additionally, the absence of Scope 3 emissions disclosure, pollutant-specific reduction targets, and ISO 50001 certification represents scope for further strengthening environmental management depth and transparency.

Social Score



For the heavy electricals and IP sector, the social pillar carries a weight of 35%. Thermax demonstrates a strong commitment to social parameters, scoring 83.8, much higher than the industry median of 67.0. Thermax demonstrates clear and sustained leadership across social parameters, significantly outperforming the sector median and consolidating its position as a responsible employer, community partner, and value-chain

steward within the capital goods and industrial ecosystem. The company's social performance is characterized by a people-centric operational philosophy, where workforce well-being, inclusive growth, community resilience, and customer trust are not treated as peripheral obligations but as strategic enablers of long-term value creation. This approach is particularly relevant in a sector marked by labor intensity, complex supply chains, and diverse stakeholder interfaces.

Occupational health and safety remains a core social priority for Thermax, underpinned by a robust, certified Occupational Health and Safety Management System aligned with ISO 45001:2018. This framework is implemented through multi-layered controls encompassing systematic hazard identification, risk assessment,

preventive engineering measures, standard operating procedures, and regular safety audits, supported by continuous training and awareness programmes for employees and on-site personnel. The company emphasizes proactive risk prevention over reactive compliance, embedding safety considerations into daily operational practices and supervisory oversight. Regular safety drills, incident reporting mechanisms, and near-miss analysis contribute to a learning-oriented safety culture aimed at minimizing workplace incidents and enhancing workforce confidence. These measures collectively support a safe, productive, and resilient work environment, which is critical for sustaining operational continuity and employee engagement in a manufacturing-intensive sector. That said, a marginal increase in workplace safety and conduct-related complaints reported during the year underscores the importance of continued vigilance, particularly as the scale and complexity of operations expand. This highlights the need for outcome-focused safety interventions, deeper behavioural safety programmes, and reinforced contractor safety oversight to ensure that strong systems consistently translate into improved on-ground outcomes.

Thermax's human capital strategy is anchored in the principles of equity, dignity, and opportunity, supported by comprehensive policies and institutional frameworks. The company's Equal Opportunity Policy, Prevention of Sexual Harassment (POSH) framework, structured grievance redressal mechanisms, and periodic human rights training reflect alignment with both national legislation and globally accepted labour and human rights standards. In FY25, Thermax recorded a year-on-year increase in women's workforce representation to 10.1%, up from 9.4%, demonstrating measured and consistent progress in enhancing gender diversity within a traditionally male-dominated industrial sector. While the pace of change remains gradual, the upward trend indicates sustained intent and structural efforts to broaden participation. Importantly, Thermax reports workforce composition and remuneration data disaggregated by gender, reinforcing transparency and accountability in pay equity and talent progression. The company continues to promote merit-based advancement, supported by structured learning and development programmes aimed at building future-ready technical, managerial, and leadership capabilities. These initiatives strengthen internal talent pipelines, enhance workforce adaptability, and support long-term organizational competitiveness amid rapid technological and energy transitions. However, representation of persons with disabilities remains limited, signaling a meaningful opportunity to expand inclusion efforts. Advancing accessible infrastructure, targeted hiring initiatives, and customised skill development programmes aligned with the Rights of Persons with Disabilities Act, 2016 would further strengthen Thermax's inclusive growth agenda and social impact footprint.

Thermax's commitment to community development is operationalized through the Thermax Foundation, its dedicated CSR implementation arm, guided by a Board-approved CSR policy and clearly defined thematic priorities. The company's community strategy emphasizes long-term socio-economic empowerment rather than short-term philanthropic interventions, with a focus on livelihoods, skills, and social security. During FY25, Thermax significantly strengthened its flagship Social Compact (SoCo) programme, particularly through the expansion of Project Saathi, which now operates across multiple states and industrial locations. Project Saathi

plays a critical role in facilitating access to social security benefits for contract and informal workers, including enrolment in statutory schemes such as health insurance, provident fund, and other welfare entitlements. This intervention directly addresses systemic vulnerabilities in the informal workforce and aligns closely with national labour welfare and social protection priorities. Through the Foundation, Thermax also operates skill-building programmes, worker and community facilitation centres, and localized development initiatives that collectively reach thousands of beneficiaries. These programmes are designed with clearly articulated objectives, defined target groups, and measurable outcomes, reflecting a structured and impact-oriented approach to social capital creation. By strengthening capabilities at the community level, Thermax contributes to inclusive economic participation, workforce preparedness, and regional development.

Recognizing that social risk and impact increasingly extend beyond direct operations, Thermax has embedded responsible business practices across its value chain. Supplier sustainability expectations are integrated into procurement processes through evaluation frameworks, capacity-building initiatives, grievance redressal mechanisms, and a defined sustainable sourcing roadmap. These measures promote adherence to labour standards, ethical conduct, and operational safety across supplier operations, reducing reputational and operational risks. Notably, no supplier-related controversies were reported during FY25, indicating effective upstream risk screening and engagement.

On the customer front, Thermax places strong emphasis on trust, transparency, and performance reliability. The company leverages advanced digital platforms such as Edge Live, an AI- and ML-enabled performance monitoring solution, which allows customers to track operational efficiency, energy performance, and maintenance outcomes in real time. Complemented by customer portals that enhance visibility into manufacturing, project execution, and service timelines, these tools strengthen customer confidence and long-term relationships. Thermax's ISO 9001 certification further underscores its commitment to quality management and continuous improvement, reinforcing customer trust in product reliability and service excellence. Together, these initiatives position Thermax as a solutions partner rather than a transactional equipment provider, enhancing customer value while supporting broader sustainability outcomes across industrial value chains.

While Thermax continues to prioritize employee safety and welfare, reported safety and conduct performance highlights the importance of continuous focus on workplace sustainability. The company also has opportunities to expand its inclusive practices, particularly by increasing the representation of differently abled persons within the workforce. Addressing these areas would further strengthen Thermax's social impact.

Governance Score



88.7

The Governance pillar carries a weight of 30%. With a Governance score of 88.7, higher than the industry median of 67.3 – Thermax showcases a robust and mature governance framework, with ESG considerations embedded at the highest levels of decision-making. The company follows a structured and accountable approach to sustainability, supported by a comprehensive set of Board-approved ESG and compliance policies. The Board of Directors and senior management actively oversees governance, risk, and sustainability matters through periodic reviews and well-defined reporting mechanisms. Governance remains a foundational strength and strategic differentiator for Thermax Limited, underpinning the company's ability to execute its sustainability agenda with credibility, accountability, and long-term discipline. The company's governance framework reflects mature institutional structures, strong ethical anchoring, and progressive use of digital governance tools, positioning Thermax as a market leader in integrating ESG considerations into corporate decision-making rather than treating them as a compliance-led overlay.

Thermax's governance approach is distinguished by its top-down ownership of ESG, rigorous risk integration, and emphasis on data-driven monitoring and transparency, enabling the company to respond effectively to evolving regulatory expectations, investor scrutiny, and stakeholder accountability. This governance maturity is a key enabler of the company's strong social outcomes and advancing environmental transition.

ESG governance at Thermax Limited is deeply institutionalised at the highest levels of leadership, reflecting a long-standing recognition that sustainability, risk governance, and ethical oversight are inseparable from core business strategy and long-term value creation. Oversight is anchored firmly at the Board of Directors and senior executive management, positioning ESG not as an operational adjunct but as a strategic governance priority that influences investment decisions, risk appetite, performance management, and stakeholder engagement.

The Board plays an active, deliberative, and supervisory role in ESG stewardship. It is responsible for setting the overarching sustainability vision, approving material ESG policies, and regularly reviewing progress against defined environmental, social, and governance priorities. ESG performance is monitored through structured, periodic reporting, enabling the Board to assess not only compliance but also the effectiveness, pace, and credibility of execution. This ensures that sustainability objectives remain closely aligned with corporate strategy, macroeconomic realities, and evolving regulatory and stakeholder expectations. Importantly, Thermax's ESG oversight is not episodic or disclosure-driven; rather, it is embedded into the Board's ongoing decision-making cadence, allowing governance considerations to directly influence strategic choices related to capital expenditure, expansion planning, technology adoption, and market positioning. Supporting the Board's oversight is a dedicated sustainability function, institutionalised with clearly defined roles, responsibilities, and reporting lines. This function acts as the central coordinating mechanism for ESG strategy, implementation, monitoring, and disclosure across the organisation. By formalising sustainability ownership within the organisational structure, Thermax ensures that Board-level intent is systematically translated into operational execution across manufacturing units, project sites, business divisions, and geographies.

This governance architecture enables:

- Clear accountability for ESG outcomes at functional and business-unit levels
- Consistent interpretation and implementation of ESG policies across a diversified operational footprint
- Structured escalation mechanisms for material ESG risks and incidents
- Standardised performance tracking to prevent fragmentation or dilution of sustainability efforts

Such clarity is particularly critical in a capital goods enterprise with complex operations, multi-location manufacturing, and extensive value-chain interfaces, where decentralized execution often heightens the risk of governance slippage. Thermax's approach significantly mitigates this risk by ensuring alignment, consistency, and oversight across the organisation.

A key differentiator in Thermax's governance framework is the formal integration of ESG risks into its Enterprise Risk Management (ERM) system. Environmental, social, regulatory, and reputational risks are identified, assessed, prioritised, and monitored alongside traditional financial and operational risks, reinforcing the view that ESG factors are material enterprise-level risks with direct financial and strategic consequences.

This integrated risk lens enables Thermax to:

- Systematically identify emerging and non-linear risks, such as climate regulation shifts, carbon transition risks, workforce availability challenges, supply-chain disruptions, and evolving compliance expectations
- Assess ESG risks in terms of likelihood, severity, time horizon, and interdependencies
- Align mitigation strategies with capital allocation, operational controls, and strategic planning
- Ensure that ESG risk considerations inform long-term investment, business continuity, and resilience planning

By embedding ESG into ERM, Thermax moves beyond reactive risk management toward a forward-looking, anticipatory governance model. This strengthens strategic foresight and improves the company's ability to respond adaptively to external shocks, policy evolution, and stakeholder scrutiny—an increasingly critical capability in the context of climate transition, labour reforms, and tightening governance norms.

The governance architecture ensures that sustainability is not siloed from financial and strategic decisions, but rather integrated into the company's broader performance and planning frameworks. This alignment enables Thermax to balance growth, profitability, and sustainability objectives while maintaining capital discipline.

Decisions related to technology investments, process upgrades, energy transition initiatives, and workforce development are evaluated through a dual lens of financial viability and ESG impact, reinforcing responsible growth and reducing long-term downside risk. In doing so, governance acts as a bridging mechanism between purpose and performance—enhancing both.

The integration of ESG governance into Board oversight, executive accountability, and enterprise risk management materially enhances Thermax's organisational resilience. It strengthens the company's ability to anticipate and manage long-term transition risks, absorb regulatory and market shocks, and align sustainability ambitions with capital allocation and business strategy. As a result, this governance model safeguards

shareholder value, enhances stakeholder confidence, and positions Thermax to navigate structural shifts in energy, industry, and regulation with credibility and discipline.

Thermax has built a deeply institutionalised ethical and compliance architecture, underpinned by strong leadership commitment, formalized policy frameworks, and consistent enforcement mechanisms. Ethical conduct at Thermax is not treated as a minimum compliance requirement but as a core organisational value and strategic risk-management tool, shaping behaviours, business decision-making, and stakeholder relationships across the enterprise and its extended value chain. At the foundation of this framework is a Board-approved Code of Conduct, which clearly articulates expected standards of integrity, accountability, fairness, and lawful behaviour for employees, senior management, directors, and relevant business partners. The Code covers key areas such as conflicts of interest, ethical business practices, regulatory compliance, treatment of stakeholders, data integrity, and responsible engagement with suppliers and customers. Its Board approval and enterprise-wide applicability underscore management's zero-tolerance stance toward unethical practices, while reinforcing a consistent ethical culture across business units and geographies. The Code of Conduct is actively supported by a robust Whistleblower / Vigil Mechanism, which serves as a critical pillar of Thermax's ethical governance ecosystem. The mechanism provides secure, confidential, and accessible reporting channels for employees and relevant stakeholders to raise concerns related to unethical conduct, fraud, corruption, harassment, regulatory breaches, or governance lapses. Importantly, the framework incorporates explicit safeguards against retaliation, reinforcing trust in the system and encouraging early reporting of potential issues before they escalate into material risks. Effective whistleblower mechanisms enhance early risk detection, reduce the probability of systemic governance failures, and strengthen internal accountability—key determinants of long-term institutional credibility.

During the review period, Thermax further strengthened its governance posture through the formal introduction of a dedicated Anti-Bribery and Anti-Corruption (ABAC) framework, reinforcing its zero-tolerance approach toward bribery, facilitation payments, kickbacks, and other unethical business practices. This framework codifies expectations around ethical engagement with public officials, customers, suppliers, intermediaries, and other third parties, particularly relevant in a sector characterized by large projects, government interfaces, and complex procurement structures.

The ABAC framework is operationalized through a combination of:

- Periodic employee training and awareness programmes, ensuring that ethical expectations are clearly understood across organisational levels
- Internal audits and compliance reviews to verify adherence and identify control gaps
- Third-party due diligence processes, extending compliance oversight to key suppliers, contractors, agents, and partners

By explicitly extending ethical expectations beyond its own workforce to critical value-chain partners, Thermax materially reduces exposure to third-party corruption risks, which remain a leading cause of legal, financial, and reputational damage in capital-intensive industries. Strong ABAC systems lower regulatory enforcement risk, protect licence to operate, and enhance investor confidence, particularly among global institutional investors with strict compliance expectations. While ABAC principles are well-embedded within existing frameworks, there remains scope for further strengthening through the development of a standalone, granular ABAC policy with enhanced public disclosure, dedicated reporting metrics, and clearer enforcement protocols—an enhancement that could further elevate Thermax’s governance posture in line with evolving global best practices.

Transparency is a defining characteristic of Thermax’s governance model. The company maintains structured, detailed, and consistent disclosures aligned with applicable statutory requirements and leading ESG reporting principles, enabling stakeholders to evaluate governance quality, risk exposure, and sustainability performance with clarity and confidence.

Disclosures span:

- Sustainability and ESG performance, including policy positions, initiatives, and outcomes
- Enterprise risk management practices, including integration of ESG risks
- Governance structures, Board oversight, and committee functioning
- Stakeholder engagement and grievance redressal mechanisms

Accentuated disclosure enhances investor confidence, supports informed capital allocation decisions, and reinforces regulatory trust, particularly in an environment of heightened scrutiny around corporate governance and ESG integrity. High-quality transparency reduces information asymmetry, lowers reputational risk, and positions the company favourably with lenders, investors, and regulators. Collectively, Thermax’s ethics, compliance, and transparency framework reflects a mature governance culture, where integrity is embedded into systems, behaviours, and decision-making rather than managed through reactive controls. This ethical backbone materially strengthens the company’s resilience, protects enterprise value, and reinforces its standing as a trusted, governance-led industrial organisation.

A defining differentiator in Thermax’s governance model is its early and sophisticated adoption of digital governance tools to enable real-time ESG intelligence, oversight, and performance assurance. In an environment where regulatory scrutiny, investor expectations, and disclosure standards are rapidly evolving, Thermax has proactively moved beyond static, compliance-oriented reporting toward a dynamic, technology-enabled governance ecosystem.

Central to this approach are proprietary digital platforms such as Thermax Care and SPREE, which function as integrated ESG and performance management systems across operations. These platforms enable the systematic collection, consolidation, and real-time monitoring of ESG data across manufacturing facilities, project sites, and business verticals. By integrating environmental, social, and governance metrics into centralized

dashboards, Thermax provides senior management and the Board with continuous visibility into ESG performance trends, deviations from targets, and emerging risk signals.

This digital architecture allows leadership to:

- Track performance against defined ESG goals and regulatory requirements in near real time
- Identify early warning signs related to environmental compliance, safety performance, or social risk indicators
- Initiate data-driven corrective actions before issues escalate into material regulatory, operational, or reputational risks
- Improve accuracy, consistency, and auditability of ESG disclosures, reducing reliance on manual data aggregation

Crucially, the use of digital ESG intelligence reduces dependence on retrospective, periodic reporting cycles, which often limit management's ability to respond proactively. Instead, Thermax has embedded ESG into a continuous performance management framework, aligning governance practices with increasing demands from regulators, ESG rating agencies, and institutional investors for timely, outcome-oriented, and decision-relevant data. Technology-enabled ESG monitoring materially enhances decision-making speed, strengthens data integrity, and improves governance responsiveness. This positions Thermax to adapt swiftly to regulatory change, investor scrutiny, and emerging ESG risks, while reinforcing confidence in the credibility of its disclosed performance.

Strong Board oversight enhances strategic discipline, mitigates governance and execution risks, and supports sustainable long-term value creation by ensuring that growth, risk, and sustainability are evaluated in an integrated manner. Thermax's Board structure reflects a high degree of governance maturity, characterized by a balanced and well-calibrated composition of executive, non-executive, and independent directors. This composition ensures a diverse range of expertise, perspectives, and professional experience, spanning strategy, finance, risk management, industrial operations, sustainability, and governance. The presence of seasoned independent directors enhances oversight quality, objectivity, and challenge, strengthening the Board's ability to question assumptions, scrutinize risk exposures, and hold management accountable. At the same time, executive directors provide deep operational insight and strategic continuity, ensuring that Board deliberations remain grounded in business realities and execution feasibility. This balance supports informed, forward-looking decision-making, particularly on matters involving long-term investment, ESG strategy, and enterprise resilience.

Governance effectiveness is further reinforced through active Board-level committees, including the:

- Audit Committee, which ensures financial integrity, internal controls, and compliance discipline
- Nomination and Remuneration Committee (NRC), which oversees leadership succession, remuneration alignment, and Board effectiveness
- Risk Management Committee, which provides focused oversight of enterprise-wide risks, including ESG-related risks

These committees enable depth of review, role clarity, and accountability, supporting disciplined governance and long-term stewardship. Their functioning strengthens alignment between risk appetite, executive incentives, sustainability goals, and business strategy, helping ensure that growth is pursued responsibly.

In addition, Thermax maintains regular investor engagement, transparent communication, and formal grievance redressal mechanisms for shareholders and stakeholders. These mechanisms reinforce trust, facilitate constructive dialogue, and reflect a governance culture oriented toward engagement, responsiveness, and openness, rather than defensiveness.

Overall, Thermax's governance strength is defined by its top-down leadership commitment, institutionalized ethical culture, integrated ESG-risk management, and proactive deployment of digital governance tools. Governance at Thermax functions not merely as a mechanism for control or compliance, but as a strategic enabler of resilience, credibility, and sustainable growth. This mature governance framework reinforces the effectiveness of the company's environmental transition and social performance, supports stakeholder trust, and positions Thermax as a governance and ESG leader within the capital goods sector. By embedding governance deeply into strategy, operations, and performance management, Thermax strengthens its long-term competitiveness while delivering sustained value to shareholders and society.

Key rating drivers

Strengths

Discerning governance framework with high-level ESG integration, board training, and active oversight

Thermax demonstrates a strong commitment to sustainability through active leadership involvement, with ESG integration being a key focus at the highest levels of the organization. It has established a comprehensive set of Board-approved policies covering all key ESG parameters, ensuring a structured and accountable approach to sustainability. Thermax has a structured sustainability governance framework with ESG oversight at both the senior management and Board levels, where ESG performance and initiatives are periodically reviewed. The company has a comprehensive ESG Statement in place along with a dedicated Sustainability team that supports ESG initiatives and reporting processes. The Board plays a crucial role in ESG governance, providing active oversight of sustainability strategy, risk management, and long-term value creation. ESG considerations are integrated into the company's overall business strategy. The governance framework is further strengthened through BRSR, separate sustainability reporting along with internal monitoring systems and independent assurance, ensuring transparency, accountability, and informed decision-making.

The Board and Key Managerial Personnel (KMP) demonstrate a high level of participation in training programs focused on sustainability and ESG. This high level of Board engagement ensures a top-down approach to sustainability, fostering accountability, and encouraging broader employee participation. Thermax's strong governance framework sets it apart from its peers, reinforcing its leadership in corporate sustainability.

Long-standing commitment to social stewardship

With a legacy rooted in social responsibility since the leadership of Anu Aga and Meher Pudumjee, both strong advocates of social work, Thermax has embedded the social responsibility commitment into its core values. This commitment is reflected in the company's Board-approved CSR policy, which explicitly recognises the Thermax Foundation (TF) as the dedicated Corporate Social Responsibility (CSR) arm of Thermax Limited. TF, registered as a Section 8 company under the Companies Act, 1956, plays a central role in designing and executing CSR initiatives of the Thermax Group. By leveraging TF's expertise and resources, Thermax ensures a structured and impact-driven approach to its social responsibility efforts. In FY25, Thermax reported 0 consumer complaints across multiple standard complaint categories such as data privacy, advertising, cybersecurity, unfair trade practices, and delivery of essential services, underscoring strong stakeholder engagement and responsible business practices. The company demonstrates strong community engagement through its Social Compact (SoCo) program, which was launched during the pandemic to aid informal and migrant workers by providing them access to government social security schemes. All beneficiaries of its CSR initiatives belong to vulnerable and marginalized communities. Thermax invests the full statutory requirement of 2% of its average net profit in CSR activities and actively monitors and assesses the impact of its initiatives, reflecting the company's sustainability vision.

Roadmap-driven sustainability strategy with ambitious targets in environmental impact reduction and workforce inclusivity

A well-structured roadmap is essential for driving sustainability, enabling companies to set clear targets, track progress, and take proactive measures. Thermax has established a strong framework across key ESG themes, ensuring a balance of short-term milestones and long-term commitments. It initially aimed to reduce emissions by 25% by FY25 (from a 2019 baseline) but exceeded this goal in FY24, prompting a revised target of 35% by FY25. Having already achieved this, the company is now working towards a 50% absolute emissions reduction by FY30, with confidence in achieving it ahead of schedule. Demonstrating continued ambition in its climate strategy. The company also significantly increased its share of energy consumption from renewable sources in FY 2024-25, reflecting accelerated action on clean energy integration. The company has committed to reducing freshwater consumption by 5% by FY 2030, demonstrating its long-term focus on water conservation with three plants already water neutral. As part of its journey toward Zero Waste to Landfill, Thermax has set an annual target to restrict landfill disposal to less than 5% of total waste generated. In FY 2024-25, the company recorded a landfill rate of 6%, reflecting a marginal variance from the target. Thermax is also committed to reducing total waste generation by 5% by 2030, using FY 2024-25 as the baseline, demonstrating sustained efforts to minimize environmental impact and drive continuous improvement in waste management. We have increased women's representation in our workforce from 9.4% to 10.1% in FY 2024-25. While progress has been made, we remain some distance from our target of 15% female representation by FY 2025, reflecting our continued focus on

diversity, equity, and inclusion initiatives. This roadmap-driven approach strengthens the company's ESG performance, allowing it to surpass industry benchmarks and exhibit leadership in responsible business practices.

Holistic sustainability approach through comprehensive initiatives

Thermax is working towards improving accessibility across its premises, taking steps to eliminate barriers for differently abled employees. The company has implemented measures such as ramps, wheelchairs, and dedicated washroom facilities at select locations, in line with the Rights of Persons with Disabilities Act, 2016. The company promotes equal opportunity and non-discriminatory employment practices through its established policies and ethical frameworks. It has implemented structured grievance redressal mechanisms, including whistleblower and POSH frameworks, to address human rights concerns. Human rights requirements are also integrated into its business agreements and contracts, demonstrating a systematic approach to ethical business practices. Thermax has instituted a robust grievance redressal mechanism, clearly defining responsibilities and acceptable conduct for employees while ensuring safeguards against retaliation in discrimination and harassment cases. The company further strengthens its commitment through comprehensive employee training on human rights policies and periodic awareness sessions on its Prevention of Sexual Harassment (POSH) policy. All its plants and offices undergo regular assessments to uphold human rights standards.

Thermax supports employee growth through training programs tailored to its divisions. It promotes diversity and inclusion, especially by encouraging more women in mid-level roles to build future leaders. The company works to maintain fair pay - for FY 2024-25, the female-to-male median pay ratio is about ₹107 per ₹100 for employees and ₹50 per ₹100 for workers. Thermax also uses digital tools to improve customer experience and transparency, giving better visibility into projects and performance. The company maintains high quality standards, with several of its sites certified under ISO 9001. On the environmental front, Thermax remains compliant with the Air Act and keeps emissions within CPCB limits. The company has expanded its use of renewable energy by procuring green electricity for major plants and installing rooftop solar at key sites. It uses advanced technologies, including high-efficiency gasifiers, and collaborates with IIT Delhi on carbon capture and utilization initiatives. Thermax also focuses on energy efficiency, implementing measures such as fixing compressor leakages, deploying motion sensors, upgrading cooling systems, and installing LED lighting. Water conservation continues to be a priority, with Zero Liquid Discharge systems, rainwater harvesting, and leak detection helping several plants achieve water-neutral certification. Through these strategic initiatives, Thermax continues to integrate sustainability into its core operations, setting a benchmark for environmental and social responsibility in the industry.

Lifecycle-Based Environmental Management

Thermax Limited demonstrates a strong commitment to environmental stewardship through its adoption of comprehensive Life Cycle Assessment (LCA) practices, including both cradle-to-gate and cradle-to-grave approaches. By evaluating environmental impacts across the entire product lifecycle-from raw material

extraction to end-of-life disposal-the company gains a holistic understanding of its footprint and identifies opportunities for resource efficiency and emission reduction. This end-to-end assessment capability reflects a proactive and forward-looking approach to sustainable product design and lifecycle management, positioning Thermax favorably among industry peers in integrating environmental considerations into core business processes.

Strong health and safety framework with integrated policies, proactive training and strong employee engagement

In the heavy electrical and IP industry, where employees often work with heavy machinery, high-voltage systems, and hazardous materials, a robust health and safety system is crucial in ensuring well-being of its workforce. Fostering a safe work environment boosts employee morale and enhances overall productivity and efficiency of the organization. Thermax demonstrates a strong commitment to employee health and safety through an integrated health, safety, and environment (HSE) management system that encompasses an Occupational Health, Safety and Environment (OHSE) Policy and a separate Health policy for its workforce. The company has also implemented the ISO 45001:2018 OHS Management System across its manufacturing, EPC, and O&M sites. No serious concerns or complaints were raised regarding health and safety in FY2024-25. Thermax also has a separate health and safety team and encourages workers to report work-related hazards in open forums, providing a platform to them to address issues directly with Senior Management. Safety training is held every week for all workers. The training program is highly sophisticated in nature with Behavior-Based Safety training embedded into the program to identify and modify at-risk behaviors, rather than just enforcing compliance. This proactive approach fosters a safety-driven workplace culture, reducing incidents through continuous observation, feedback, and employee engagement.

Structured approach to supplier sustainability with targeted interventions and performance monitoring

Thermax has implemented a structured approach towards supplier sustainability, categorizing vendors as either Sustainable or Unsustainable based on a comprehensive assessment. This classification is determined through a detailed questionnaire covering mandatory-driven and voluntary-driven criteria to evaluate suppliers holistically. Thermax focuses on its highest-expenditure unsustainable vendors. To facilitate this transition, the company provides targeted training and conducts on-site audits to identify and address key gaps. Based on these assessments, the company develops tailored, time-bound action plans to help the suppliers transition to the Sustainable category, considering their size and resources. Thermax has also established a grievance redressal mechanism for its value chain partners, ensuring a structured approach to addressing concerns. Notably, no complaints were filed in FY2024-25, and no serious issues were raised regarding health, safety, or human rights within its value chain. These outcomes reflect Thermax's strong supplier engagement practices, reinforcing its commitment to ethical and sustainable business operations. These practices show Thermax's commitment to ethical and responsible business.

Weaknesses**Higher-than-industry median environmental intensities**

Though Thermax has made notable progress in environmental management through several initiatives, there remain opportunities for further strengthening its approach. The company's air emissions intensity (per revenue) stands at 0.005, higher than the industry median of 0.00099, indicating scope for a more structured emission management framework. Thermax has already taken significant steps, including installation of sprinklers in manufacturing units, adoption of scrubber-based ducts in paint houses, and transition to cleaner fuels such as CNG and biofuels. Introducing a formalised air emissions policy and setting targeted reduction goals could further enhance the long-term effectiveness of these efforts. Similarly, while the company has undertaken multiple energy efficiency projects, its Scope 1 emissions intensity (per revenue) stands at 1.18 tCO₂e/INR, which remains significantly above the industry median of 0.544 tCO₂e/INR. Thermax's waste intensity of 2.8 per rupee remains above the industry median of 0.7 tCO₂e/INR, indicating scope for improved waste and resource efficiency. Thermax's energy consumption intensity (per revenue) of 44.26 gigajoules/INR crore exceeds the industry median of 34.46 gigajoules/INR crore, suggesting that adoption of an enhanced energy management system, such as ISO 50001, could drive further efficiencies. By building on its existing initiatives with a more structured approach to emissions and energy management, Thermax can further exhibit its leadership in sustainability and environmental responsibility.

Workforce Safety and Training Coverage – Areas for Improved Consistency

Reported workforce safety and conduct-related complaints increased slightly in the current year suggesting the need for closer attention to consistency in workplace safeguards and preventive practices. In parallel, the percentage of workers trained on human rights policies has declined compared to the previous year, indicating some moderation in the extent of employee sensitization efforts. This reduction in training coverage may have implications for sustained awareness levels across the workforce, making it an area that could benefit from more consistent focus going forward.

Key ESG Parameters of Thermax

Parameters	Unit	2025-26	Industry Median
Environment			
Scope 1 intensity	tCO2e/INR crore of turnover	1.2	0.5
Scope 2 intensity	tCO2e/INR crore of turnover	1.9	2.0
Scope 3 intensity	tCO2e/INR crore of turnover	NR	28.08
Renewable energy consumption	% (of total energy consumption)	49.1%	14.8%
Energy intensity	GJ/ INR crore of turnover	44.3	34.5
Water consumption intensity	KL/ INR crore of turnover	62.9	31.4
Waste generation intensity	MT/ INR crore of turnover	2.8	0.7
Waste recovery rate	%	79.7%	84.7%
Zero waste to landfill	Waste to landfill/total waste	3%	100%
Achieved Zero liquid discharge	Yes/No	Yes	-
Social			
Employee turnover	%	15%	12%
Female to male employees' ratio	Per 100 male employees	0.08	0.08
Female to male employees' median pay	Per Rs. 100 of male employees' median pay	1.07	0.79
Health & safety complaints	#	0.00	0.00
Health insurance coverage	%	100%	100%
Accident insurance coverage	%	100%	100%
Differently abled workforce	% of total workforce	0.22%	0.09%
POSH complaints upheld over reported	X/Y	100%	0.0%
Average lost time injury frequency rate	#	0.11	0.15
Workforce fatality rate	Per employee	0.00	0.00
Total recordable injury rate	#	0.003	0.001
Governance			
No. of female in board	#	2	0
% board members trained on BRSR	%	100%	100%
% KMPs trained on BRSR	%	67%	100%
Income gap ratio (CEO pay to median pay)	X:Y	162.53	46.38

Data source: company information, public sources, CareEdge-ESG research & analysis

*Adjusted for chemicals business

NR = Not Reported | mt = metric tons | GJ = gigajoules | KL = kilolitres

Rating Sensitivities
Positive Factors

- Improved environmental performance and intensity metrics
- Strengthening diversity initiatives
- Enhancing employee skill development and training programs
- Increasing investment in R&D and advanced energy technologies

Negative Factors

- Increase in workforce safety and conduct-related complaints
- Decline in percentage of workers trained on human rights policies

Analytical approach

Rating boundary: CareEdge-ESG has considered standalone data of Thermax for assessment. The same is in line with their disclosure in BRSR.

Methodology/ Criteria

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

About company and industry

Thermax Limited was incorporated in 1966 as Wanson India Pvt Ltd and went public in February 1995. It began operations by manufacturing packaged boilers but subsequently diversified its product portfolio, which now includes packaged and custom-made large boilers, cogeneration equipment, air pollution-control equipment, water- and waste-treatment plants and chemicals, and absorption chillers. The business segments of Thermax are Industrial Products, Industrial Infra, Green Solutions and Chemical. Key industries served include agriculture, automobile, cement, FMCG, oil & gas, metals, pharmaceuticals, power, textiles etc.

Thermax operates in over 30 countries globally through its 20 Indian subsidiaries and 20 international subsidiaries. It has 10 manufacturing facilities in India and four overseas. Its order book stood at INR 9,355 crore as of March 2024.

Source of information

While assigning ratings, CareEdge-ESG has considered publicly available information such as annual reports of the company and other policies, sustainability reports, certifications, BRSR reports, additional 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	78.0	March 28, 2025	-	-

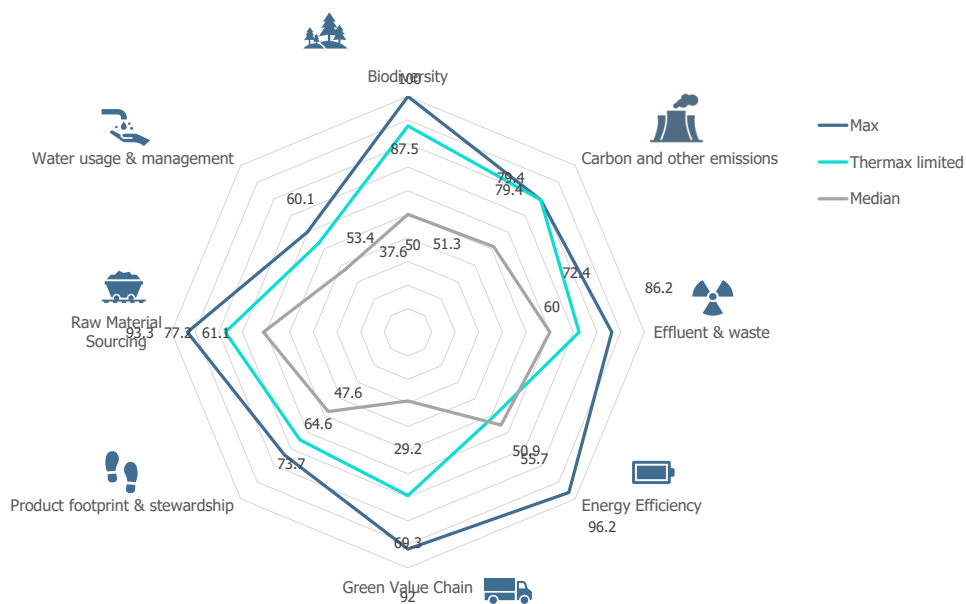
Annexure: Graphical summary of key rating drivers¹

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

Materiality	Environment	Social	Governance
H I G H	 Effluent & waste  Energy Efficiency	 Employee Health & Safety  Product Safety & Quality  Human Capital	 Business Ethics  Oversight on ESG
	 Carbon and other emissions  Water Usage & Management  Raw material sourcing  Green Value Chain	 Value Chain  Human Rights	 Board composition  Reporting Filing and Disclosures
L O W	 Biodiversity  Product Footprint & Stewardship	 Community support & development	 Board functioning  Remuneration

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

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



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



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

Summary of Pillar & Theme Scores:

Theme	Thermax FY25	Industry Median
Biodiversity	87.5	50.0
Carbon and other emissions	79.4	51.3
Effluent & waste	72.4	60.0
Energy Efficiency	50.9	55.7
Green Value Chain	69.3	29.2
Product footprint & stewardship	64.6	47.6
Raw material sourcing	77.2	61.1
Water usage & management	53.4	37.6
Total Environment Score	62.9	51.2
Product safety & quality	96.0	69.4
Human Rights	71.7	72.5
Human Capital	57.8	51.2
Employee health & safety	90.2	72.6
Value Chain	88.3	59.7
Community support & development	68.8	53.7
Total Social Score	83.8	67.0
Reporting, Filing and Disclosures	89.6	76.6
Remuneration	57.6	57.8
Business Ethics	94.1	69.4
Board Functioning	81.7	82.7
Board Composition	88.5	76.6
Oversight on ESG	86.9	57.2
Total Governance Score	88.7	67.3
Total ESG score	78.0	61.3

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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.

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