

**Building on
35 years
of responsible chemistry**

About the Report

This is the first Sustainability Report of Aarti Industries Limited (AIL) which provides information and sustainability performance data of its operations for FY 2018-19. It is prepared in accordance with **GRI Standards, 2016: Core Option** for the reporting period 1st April 2018 to 31st March 2019. The scope and boundary of the report includes all activities of AIL's Speciality Chemical business segment in India which comprises 5 operational locations – Vapi (Acid, Alchemie, Amine, and Organic), Tarapur-II, Jhagadia (Unit-1 and Unit-2), Kutch and Dahej. The content of this report is focussed on material topics that have been identified through the stakeholder engagement process. However, we have also included other relevant disclosures to aid in enhanced comprehension of its sustainability initiatives and performance.

This report reflects its commitment to the United Nations Sustainable Development Goals (SDGs). Additionally, it highlights case studies to illustrate how sustainability contributes towards the strong foundation of AIL's success and underlines its efforts towards creating value for stakeholders.

AIL's Sustainability Report FY 2018-19 has been externally assured by **Thinkthrough Consulting Pvt. Ltd. (TTC)**, New Delhi, and it is in accordance with 'Type **2 Moderate**' assurance as per the **AA1000 Assurance Standard (2008)**.





We would welcome any feedback or comments on this report. Please email us at: info@aarti-industries.com

Table of Contents

ii AIL at a Glance: Sustainability dashboard 2018-19	
iv Foreword from Chairman and Managing Director	
01 ABOUT AARTI INDUSTRIES LIMITED	31 OUR RESPONSIBLE COMMITMENT TO ENVIRONMENT
01 Our journey of 35 years of responsible chemistry	31 Environmental compliances
05 Our philosophy and core values	31 Managing energy consumption and emission
07 Organizational profile	34 Our water footprint
09 Our activities, brands and products	35 Sustainable waste management
13 What is sustainability at AIL?	36 Our material consumption
15 STAKEHOLDER ENGAGEMENT AND MATERIALITY	37 OUR RESPONSIBLE WORKFORCE
15 Stakeholder engagement	37 Building a culture of sustainability
18 Topics material to our business and stakeholders	43 Ensuring team safety
21 OUR ETHICAL CONDUCT AND SUSTAINABLE GOVERNANCE FRAMEWORK	47 OUR VALUE-CHAIN BASED APPROACH TO SUSTAINABILITY
21 Our code of ethical business conduct	47 Supply chain sustainability
24 Our governance structure for sustainable and responsible business	49 Customer health and safety
26 Aarti Management System: Integrating sustainability and strategy	
27 OUR ECONOMIC FOOTPRINT	51 OUR RESPONSIBILITY TOWARDS SOCIETY
27 Building on our economic value	51 Empowering local communities through welfare initiatives
	58 APPENDICES
	59 GRI content index
	65 Assurance statement
	67 Acronyms

AIL at a glance

Sustainability dashboard FY 2018-19

Economic Footprint 	₹ 127,890 million Market capitalization (as on 31 st March 2019)	₹45,523.50 million Economic value generated	₹ 4,812.80 million Net profit	23% Year-on-Year Growth Rate	₹ 38,219.50 million Speciality chemical revenue
Environmental Footprint 	8 Zero-Liquid Discharge (ZLD) facilities	1.68 million m³ Total water withdrawal	179 GJ/ million INR Revenue Energy Intensity	2 facilities USFDA approved	
	18 tCO₂e/ million INR Revenue Carbon Intensity	10 facilities ISO 14001:2015 certified	9 facilities ISO 45001 certified		
Responsible Workforce 	26.40 hr Manhours of training per employee	69,339 hr Training man-hours	689 Training sessions	1.10 LTI-FR	
Social Responsibility 	₹ 97.30 million CSR Expenditure		Over half a million People benefited		

Note: The financial information depicted in the Sustainability Report are extracted from standalone financial of the Company for the financial year 2018-19

Awards and accolades

Our efforts have yielded desirable outputs and we strive to achieve excellence. We have been honored by several prestigious awards and accolades. Such recognitions not only provide credibility to our claims but also motivate AIL family to continue to innovate and achieve excellence. EcoVadis Gold Medal authenticates our commitment to environmental and social responsibilities. Our innovative and customer-centric approach has helped us in bagging prestigious CHEMEXCIL Trishul and Industrial Green Chemistry awards in the past.



Aarti Industries Limited (Group) has been awarded a gold medal in recognition of our CSR achievement during FY 2018-19

Long-term rating: AA-/Stable
Short-term rating: A1+



Celebrations of 35 years of Aarti Industries





Foreword from Chairman and Managing Director's Desk

Right Chemistry for Brighter Tomorrow

Dear Stakeholders,

It gives me immense pleasure to share with you our first Sustainability Report. The year 2019 marks the completion of 35 years of responsible chemistry at our organization. With a vision to emerge as a 'Global Partner of Choice' to leading consumers of speciality chemicals and pharmaceuticals, we have endeavoured to create value for all our stakeholders since our inception. Sustainability at our organization is guided by the purpose of 'Right Chemistry for Brighter Tomorrow'. Our core values of Care, Integrity, and Excellence have enabled us to achieve constant and resilient growth and become one of the best in the industry with a global footprint.

We have adopted Aarti Management System (AMS) that has been developed in-house with an objective to ensure 'Growth with Sustainability for Sustainable Growth'. We are committed to global sustainable development goals. To translate our commitments into results, we have set ambitious targets of reducing our energy and water intensity in order to reduce overall environmental impact. In addition, we shall continue to strive towards the elimination of health hazards due to chemical and dust exposure, and accidents through the adoption of leading practices and interventions. We are adapting world-class manufacturing practices to achieve our target of zero harm to people and the environment.



In our constant endeavor to adhere to the principles of responsible business, we have resolved to reduce environmental footprint. As part of our sustainability journey, we have achieved Zero Liquid Discharge (ZLD) status for 8 out of 11 of our divisions with 2 divisions achieving ZLD status in the reporting period.

We are committed to reducing our energy consumption. For this purpose, we have adopted various energy efficiency measures such as waste heat recovery systems and are exploring latest technologies which will further reduce the specific energy consumption. Also, we are investing in rooftop solar and co-generation technologies to reduce our carbon intensity.

Our processes and systems are in conformity with globally endorsed standards. Currently, 10 of our divisions are ISO 14001:2015 certified and 9 divisions are ISO 45001 certified. Furthermore, we have achieved Gold medal (among top 5% of performer) in EcoVadis CSR assessment. Being a firm believer in collaborative and collective efforts, we actively participate in various national and international forums to deliberate upon several issues. We have an active membership of renowned organizations and industry associations such as of UN Global Compact India Network, Federation of Indian Export Organisations, and Indian Chemical Council.

As part of our formal sustainability journey, we have undertaken a structured materiality and sustainability maturity assessment. These involved extensive consultations with various stakeholders. We have prioritized material issues into 'very high', 'high', and 'moderate' based on their importance to our business and stakeholders. Occupational Health and Safety, Environment Management, Water, and Economic Performance are the material topics of very high importance. These topics are in conformity with the triple bottom line concept of people, planet, and profit. As a responsible business organization, we have adopted the triple bottom line approach to fuel our growth and development. On the economic front, we have consistently delivered value for our shareholders. The Speciality Chemical market is growing at a consistent rate. Driven by robust

demand and expanding economy, we posted a robust growth of 23% year-on-year basis during FY 2018-19. Our gross revenue from operations increased to INR 45,478 million in FY 2018-19 from INR 36,993 million in FY 2017-18. Furthermore, we achieved a net profit of INR 4,813 million in FY 2018-19.

The environment has always been an area we have been sensitive to. With our nature of operations that is imperative, we cannot ignore it. Some of the areas we have focused upon during FY 2018-19 include occupational health and safety, emission reduction, and resource efficiency. We are striving hard to reduce our carbon footprint by taking various energy efficiency initiatives and changing our energy mix.

Social responsibility has been in our DNA from the time the organization has been incorporated. We are committed to the cause of giving back from the beginning. Education and Skill Development, Health-care, Environment, and Water Conservation, and Rural Development are our focus areas for CSR initiatives. During FY 2018-19, we spent INR 97.30 million towards various CSR initiatives in accordance with Schedule-VII of the Companies Act 2013.

In our endeavor towards responsible chemistry, from 1st April, 2019, we have launched a mega initiative BE SAFE (By Employees Sustainability Assurance for Employees) drive to inculcate a culture of sustainability throughout the organization. We have adopted an inclusive approach in engaging with our stakeholders and developed actions to achieve sustainability.

This report "Building on 35 years of Responsible Chemistry", based on the GRI framework, is our first attempt at capturing the organization's sustainability performance and initiatives.

We hope you find our journey towards responsible chemistry interesting!

Thank you.

Rajendra V Gogri
Chairman & Managing Director

About Aarti Industries Limited



OUR JOURNEY OF 35 YEARS OF RESPONSIBLE CHEMISTRY

AIL, headquartered in Mumbai, is one of the leading benzene-based speciality chemical and pharmaceuticals company of the world having a global footprint. We emphasize on process chemistry competence (recipe focus) and scale-up engineering competence (asset utilization). Our manufactured products are used in downstream manufacturing of pharmaceuticals, agrochemicals, polymers, fuel additives, surfactants, pigments, dyes, etc. Ever since our inception, our technical excellence, thrust on research and development (R&D), adherence to environmental standards, and customer-centricity have been the key drivers of our remarkable growth, that underlines our constant endeavor to become a 'Global Partner of Choice'. We have always been mindful of integrating our core values of 'Care', 'Integrity',

and 'Excellence' in our business performance which helped us in building on 35 years of responsible chemistry. We started our journey back in 1984 and grown progressively and sustainably to become one of the front-runners in the chemical and pharmaceutical industries today, scaling several milestones on the way.

Our history dates back to 1984, when two brothers Chandrakant V. Gogri and Rajendra V. Gogri, and Parimal H. Desai, having studied Chemical Engineering at the prestigious Institute of Chemical Technology (ICT) (formerly known as University Department of Chemical Technology (UDCT)) and driven by entrepreneurial spirit incorporated Aarti Organics Private Limited, along with Shantilal T. Shah, with an objective to manufacture chemicals and allied products.



In 1992, we decided to go public and our IPO attracted oversubscription. It underscores the confidence of investors in our operational robustness and management capabilities. Driven by our insatiable appetite to grow, we continued consolidation through our unique strategy of value-chain based integration. We adopted strategies such as acquisition and merger and related diversification in an endeavor to achieve our vision to become a 'Global Partner of Choice'. Our core values have propelled us on a rapid growth path and helped us in becoming one of the leading players in speciality chemical segment with a significant global footprint.

"2019 marks the 35th anniversary of our operations, a history that amounts to much more than just manufacturing chemicals. Over the years, we have evolved from a local player in manufacturing organic and inorganic chemical products to an aspiring 'Global Partner of Choice'. We operate along two business segments – Speciality Chemicals and Pharmaceuticals. We supply to over 700 domestic customers and over 400 international customers, and a workforce of over 5,000 employees. Guided by our vision and mission, we strive to achieve the highest standards of excellence in our operations. We are committed to consolidate and carry forward our legacy of 35-years of responsible chemistry and provide the exemplary leadership to the industry."

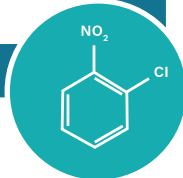
Rashesh Gogri
Vice Chairman and
Managing Director



This is how we have evolved over the years

Aarti Organics Pvt. Ltd. was incorporated

1984



1986

Commenced 1,200 TPA units for Nitrochlorobenzene (NCB) at Sarigram, Gujarat

Set up additional unit at Vapi to manufacture NCB with the capacity of 4,500 TPA

1990



Commenced production in Jhagadia

Pioneered hydrogenation process based on Swiss technology

2001



2004

Setup a large-scale Specialty Chemical unit at Kutch

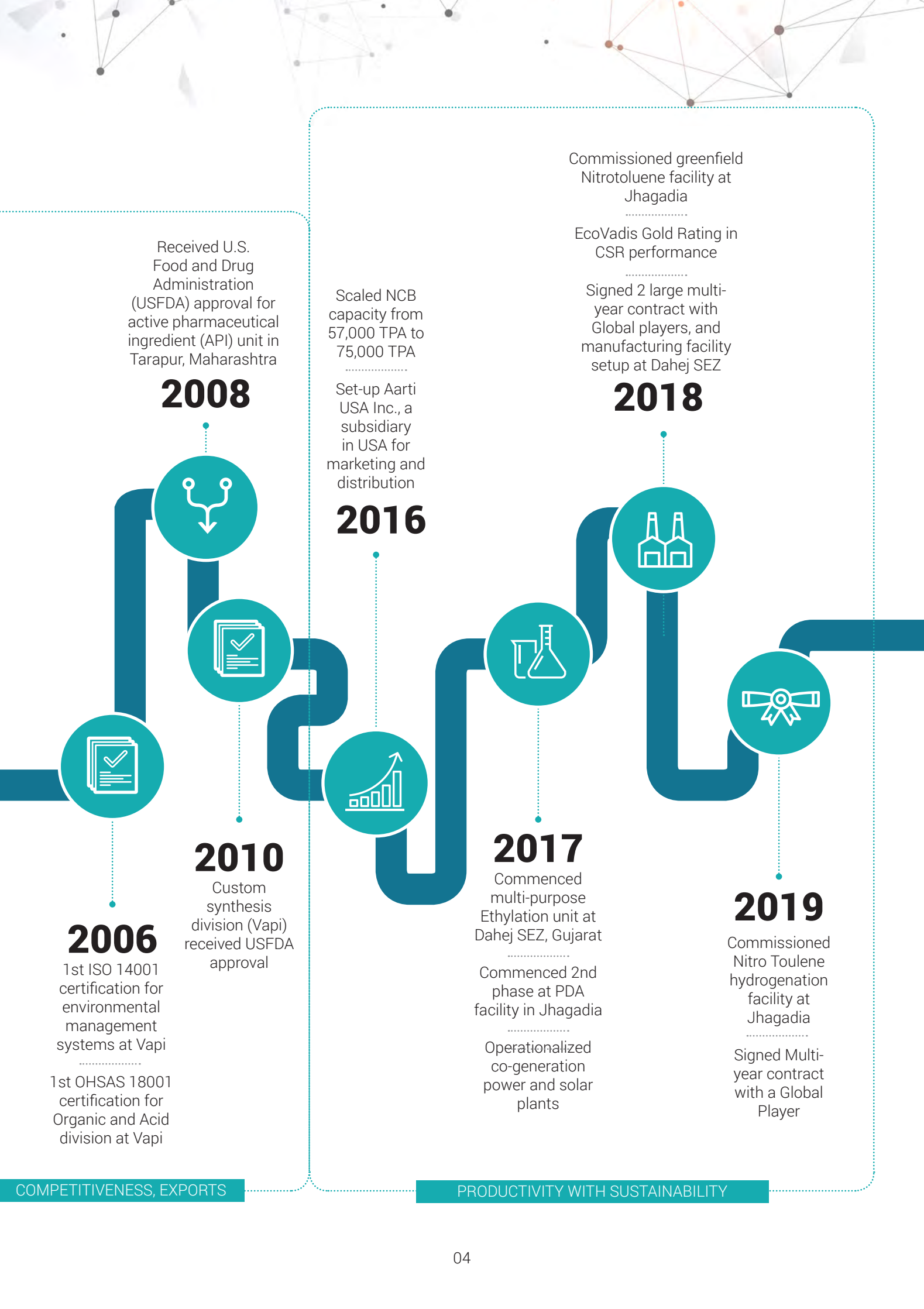


1998

Set up Alchemic (Europe) Ltd., a subsidiary in UK for marketing and distribution

LICENSING OF SMALL-SCALE INDUSTRIES AND FOCUS ON IMPORT SUBSTITUTION

CONSOLIDATION, SCALE, COST



Received U.S. Food and Drug Administration (USFDA) approval for active pharmaceutical ingredient (API) unit in Tarapur, Maharashtra

2008

Scaled NCB capacity from 57,000 TPA to 75,000 TPA

Set-up Aarti USA Inc., a subsidiary in USA for marketing and distribution

2016

Commissioned greenfield Nitrotoluene facility at Jhagadia

EcoVadis Gold Rating in CSR performance

Signed 2 large multi-year contract with Global players, and manufacturing facility setup at Dahej SEZ

2018



2006

1st ISO 14001 certification for environmental management systems at Vapi

1st OHSAS 18001 certification for Organic and Acid division at Vapi

2010

Custom synthesis division (Vapi) received USFDA approval



2017

Commenced multi-purpose Ethylation unit at Dahej SEZ, Gujarat

Commenced 2nd phase at PDA facility in Jhagadia

Operationalized co-generation power and solar plants



2019

Commissioned Nitro Toulene hydrogenation facility at Jhagadia

Signed Multi-year contract with a Global Player

COMPETITIVENESS, EXPORTS

PRODUCTIVITY WITH SUSTAINABILITY

Through-out our journey of 35 years, we have placed great value on ensuring good corporate governance incorporating elements of impeccable integrity, transparency, and responsiveness. We have meticulously adhered to the highest standards of ethical conduct. Such standards of corporate governance and ethical standards have ensured maximization of stakeholders' value. The integrity of our governance is reflected in fairness of our business dealings, employer-employee relationships, and community upliftment. We have consistently expanded and successfully competed, and established ourselves as a credible, reliable, and responsible player in chemical industry. We shall strive hard to build on the responsible and ethical conduct, , and establish ourselves as a transformational organization."



Parimal H. Desai
Whole Time Director

OUR PHILOSOPHY AND CORE VALUES

Renowned business thinker Peter Drucker has said that the purpose of a business is to create and retain customers. Our approach of customer-centricity is in concurrence of Peter Drucker's philosophy. We have defined our purpose as 'Right Chemistry for Brighter Tomorrow', which highlights our constant focus on the delivery of appropriate solutions to fulfil the needs of our customers. Furthermore, we have a futuristic attitude. We strive and channelize our efforts for a brighter tomorrow. The focus on tomorrow has ingrained the culture of 'Sustainability' in our organization. We are proud to affirm that our attitude towards sustainability flows from 'the purpose' of our organization. Our visionary founders and committed workforce have nurtured sustainability within the organization. Furthermore, our vision, mission, and values highlight our attitude to achieve excellence in the sphere we operate.



Purpose

Right Chemistry for a Brighter Tomorrow



Vision

To emerge as a 'Global Partner of Choice' to leading consumers of speciality chemicals and intermediates



Mission

Delighted stakeholders



Core Values



Care

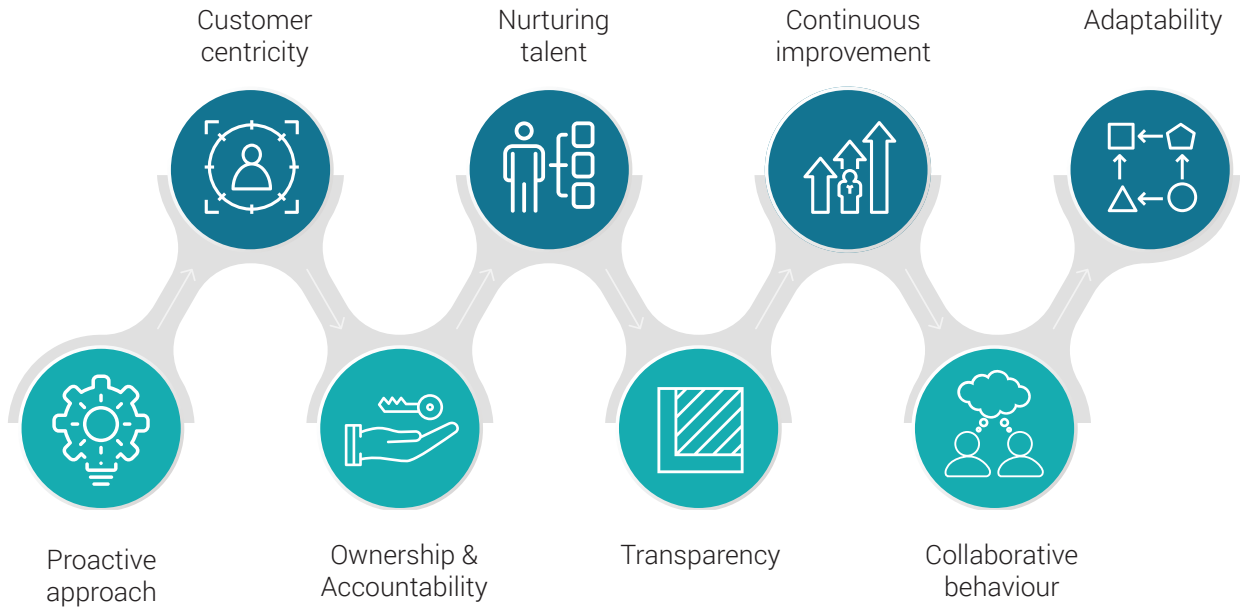


Integrity

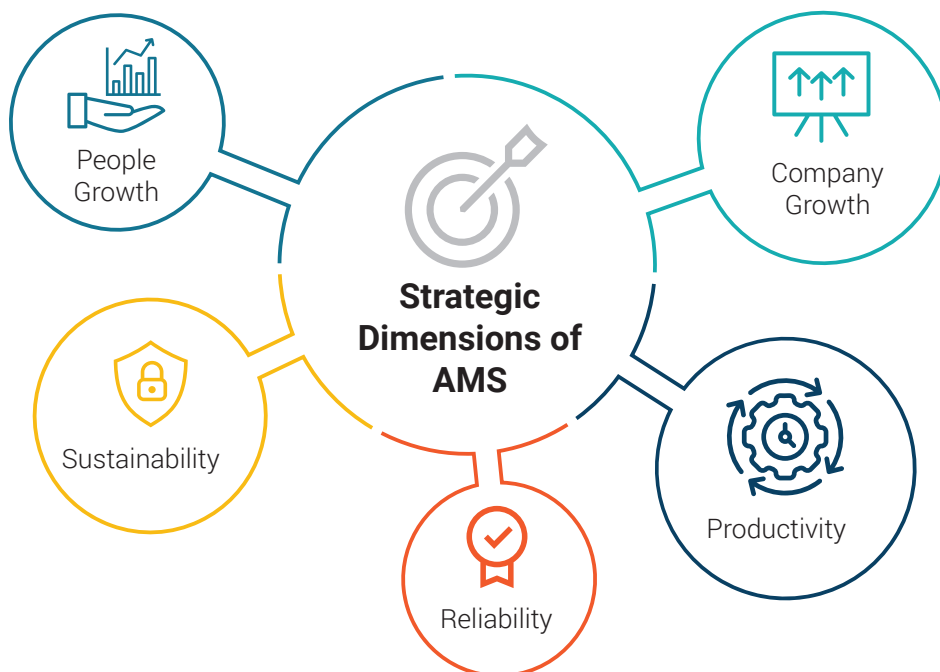


Excellence

Cultural attributes at Aarti Industries



Aarti Management System integrating sustainability and strategy

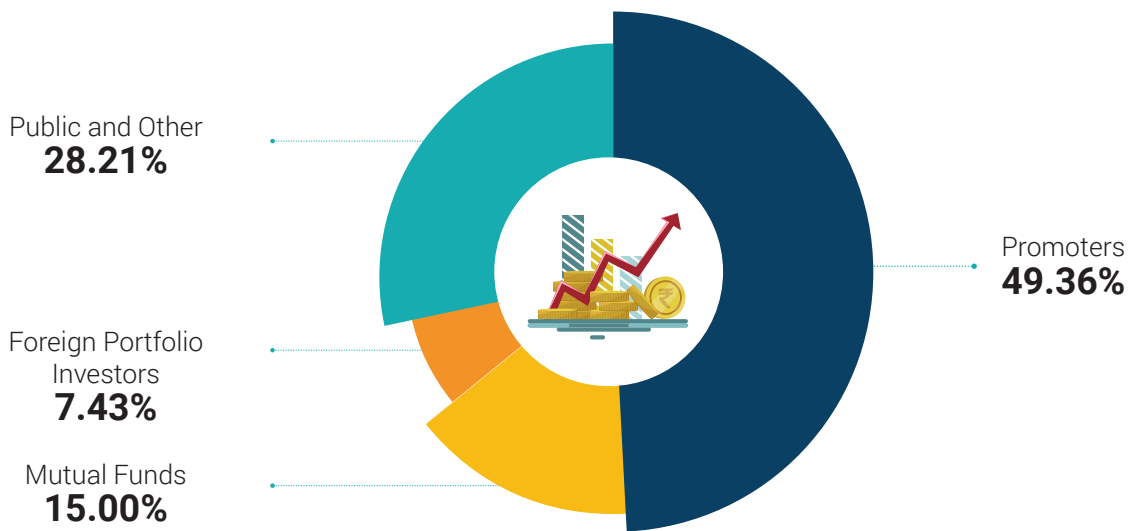


ORGANIZATION PROFILE

Over the past three decades, we have emerged as a 'Global Partner of Choice' and currently we serve over 400 international and 700 domestic customers. Among these are market leaders in agrochemicals, pharmaceuticals, polymers, home and personal care products, and pigments. Furthermore, we enjoy the confidence of investors

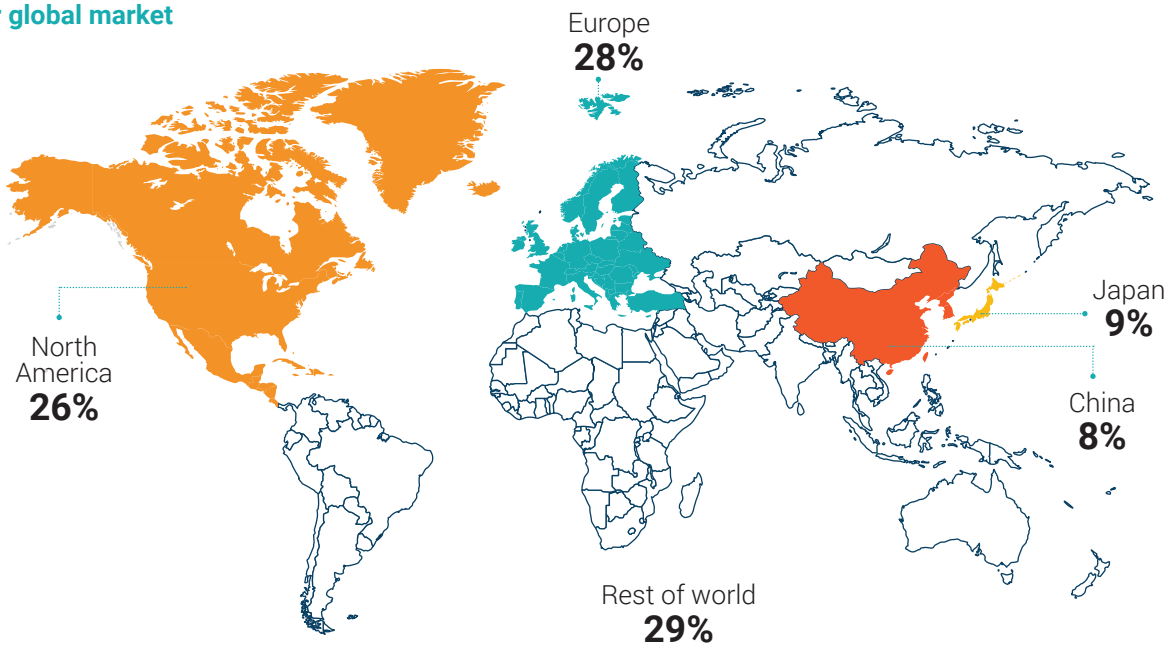
due to our operational strengths and management capabilities. Our shares were listed at National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) Limited in 1992, under Group A category and currently are widely traded. Driven by investor confidence, we have crossed market capitalization of INR 127,890 million as on 31st March 2019.

Our shareholding pattern

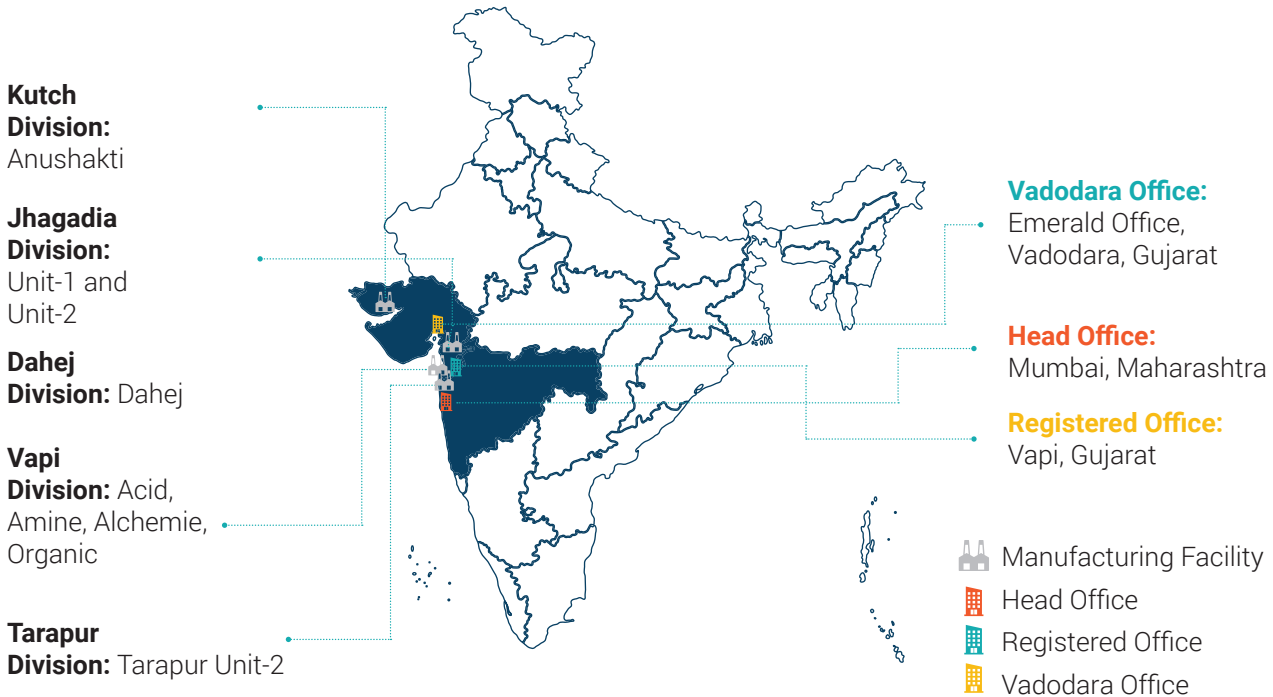


*Our shareholding pattern as on 31st March 2019

Our global market



Our chemical manufacturing facilities in India



We at ALL, value our employees commitment which is coined as “A High Performing Team Co-creating World-class Company”, wherein the whole leadership team is engaged through a structured leadership development and alignment process in cocreating our goals for 2018-21.

Driven by the right ‘purpose’ and ‘vision’ shared by the whole organization, we have been able to perform consistently and emerge as one of the market leaders in the specialty chemical industry. We at ALL, have long cherished the core values that have helped us in delivering value to our stakeholders. We Care for our employees, customers, suppliers, local communities, shareholders, and the environment. Our employee benefit plans and adherence to the highest standards of occupational health and safety standards showcase our attitude of Care towards our employees. Through our responsible and sustainable operations, we exhibit our Care for the environment and society. We are in the business of Sustainability and strive to achieve excellence in all the spheres of our business.

Renil Gogri

Whole Time Director

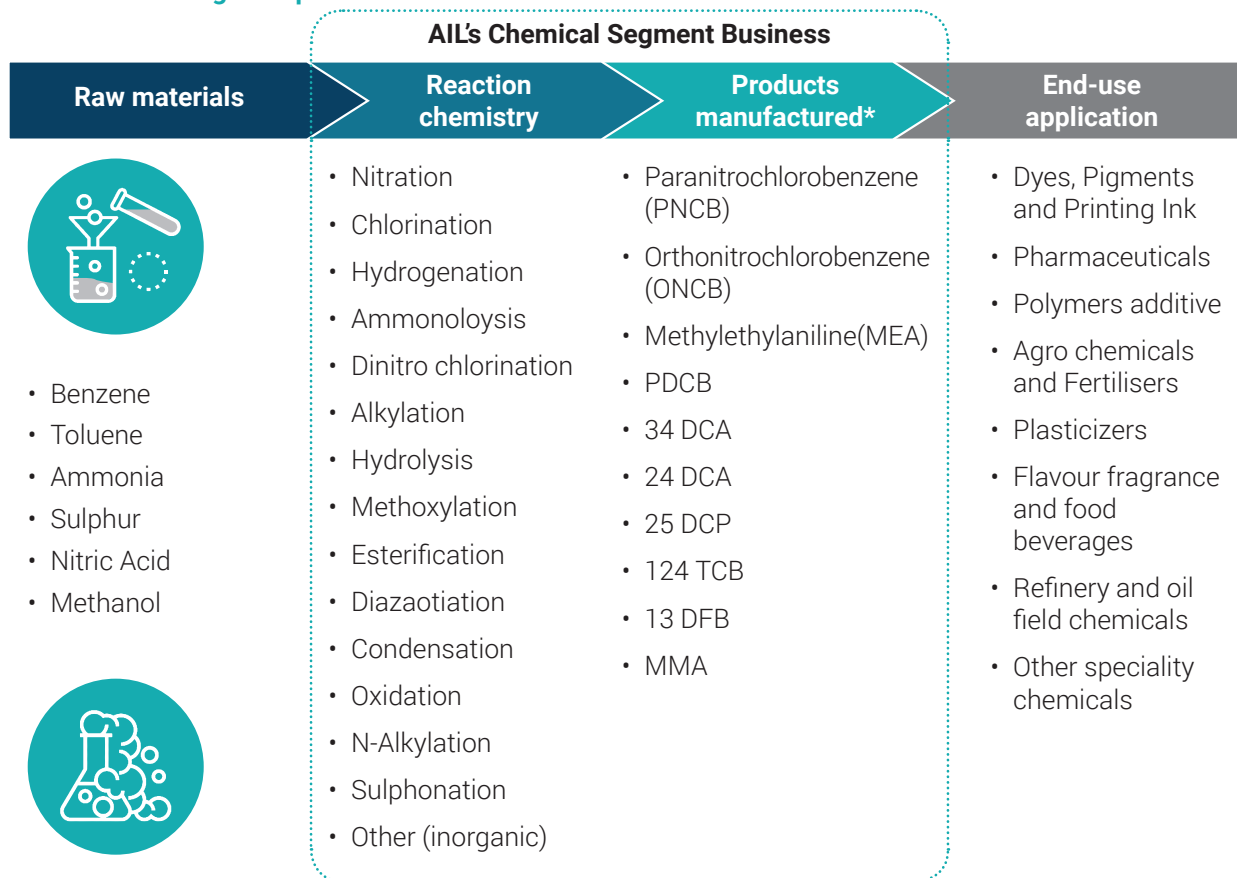


OUR ACTIVITIES, BRANDS, AND PRODUCTS

At AIL, we perform several chemical processes such as nitration, chlorination, ammonisation, etc., to produce intermediary products that are raw

materials to produce end-products such as dyes, pigments, pharmaceuticals, etc. Benzene and toluene constitute the major raw materials used by us.

AIL's chemical segment products



*Detailed list of products manufactured from various reaction chemistries are available at <https://www.aarti-industries.com/products/chemicals/chemistry/list/6/>.

Markets served

Over the years, we have consolidated on our expertise in responsible and sustainable chemistry and leveraged on our network of responsible customers across the globe and established a strong global footprint. We export our products to more than 60 countries, including, China, North America, Europe, and Japan. Furthermore, a major share of revenue is contributed by our customers with whom we have maintained a long-term relationship. Our customer-centric approach and robust strategic relationships provide us greater visibility nationally and globally. We have a diversified and hedged portfolio that comprises multiple products, geographies, customers, and industries. We serve leading global customers manufacturing end-use products such as agro-chemicals, polymers, dyes, printing inks, fuel additives, pharmaceuticals, pigments, aromatics, surfactants among other speciality chemical products.



We manufacture over **200+** products at our world-class facilities



Serving over **700+** domestic customers



Serving over **400+** international customers

External initiatives

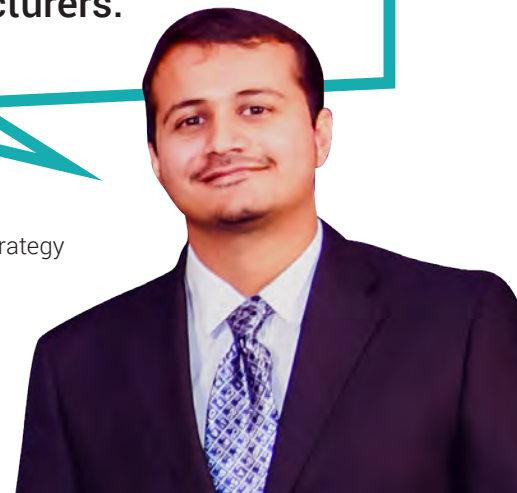
We are a firm believer of collective and collaborative efforts. Moreover, certifications provide credibility to our claims, help us in the identification of gaps, and achieve excellence. We have obtained several globally endorsed certifications such as ISO, OHSAS, EcoVadis, etc. Furthermore, we actively participate at various regional and national forums to deliberate and discuss the prevalent issues in the industry and resolve to tackle these collectively. Such forums provide us an opportunity to showcase our strengths and learn from those of peers. We firmly believe that such collective efforts can lead us to sustainable and inclusive development.



At ALL, we have adopted a value-chain based strategic approach. Our core competence is in generating value-based products from commodity starting materials. Our strategic focus to transform by-products into useful marketable products helps in achieving responsible chemistry by minimizing hazardous waste. Our innovation programme has enabled us to move towards downstream products and co-products - expanding operations towards higher-value chemical processes. Riding on our efforts today, we have a product mix comprising over 200 products and are looking forward to enhance our product portfolio to consolidate our position as one of the leading chemical manufacturers."

Mirik Gogri

Head, Corporate Strategy



Our external initiatives

ISO 14001 2015:

It is one of the most popular ISO certifications and accepted globally. ISO 14001 standard specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001 certification has intended outcomes of enhancement of environmental performance, fulfilment of compliance obligations, and achievement of environmental objectives. Currently, our 10 divisions have been certified with ISO 14001.

ISO 45001:

ISO 45001 standard specifies the requirements for Occupational, Health, and Safety (OH&S) management system. It is based on earlier international standards such as OHSAS 18001 and ILO-OSH guidelines. It provides guidance to an organization to enable it to provide a safe and healthy workplace by preventing work-related injury and ill health, as well as by proactively improving its OH&S performance. The intended outcomes of ISO 45001 certification are continual improvement of OH&S performance, fulfilment of legal and other requirements, and achievement of OH&S objectives. It is globally accepted standard. Currently, 9 of our divisions are certified with ISO 45001.

EcoVadis

CSR Ratings:

EcoVadis provides reliable CSR ratings and scorecards covering 21 CSR Indicators, 190 commodities, and 150 countries. It is built on 3 Pillars: People, Process, and Platform. It assesses an organization's performances on 21 indicators concerning Environment, Labour and Human Rights, Ethics, and Sustainable Procurement. We achieved Gold Rating in Ecovadis CSR assessment in 2018. Ecovadis ratings are widely accepted by our customers.

Together for Sustainability (TfS):

Together for Sustainability (TfS) is a joint initiative of chemical companies to implement a global program to assess, audit, and improve sustainability practices within the supply chains of the chemical industry. It intends to build the industry's standard for sustainable supply chains and has established a standard approach for evaluating and improving the sustainability performance of suppliers within chemical industry supply chains. Moreover, TfS assessments and audits are conducted to a pre-defined set of criteria and then shared across TfS members, improving efficiency of all involved. In TfS audit conducted in 2017, our divisions achieved a score up to 86%.

Memberships of major associations

Indian Chemical Council



United Nations Global Compact Network of India



CHEMEXCIL – Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council



Federation of Indian Export Organisation



Tarapur Industrial Manufacturers Association (TIMA), Maharashtra, India



Indian Institute of Chemical Engineering (IICChE)



Bharuch District Manufacturers Association, Gujarat, India



Dahej Industrial Association, Gujarat, India



Dahej Fire Safety Committee, Gujarat, India



Vapi Emergency Control Centre, Gujarat, India



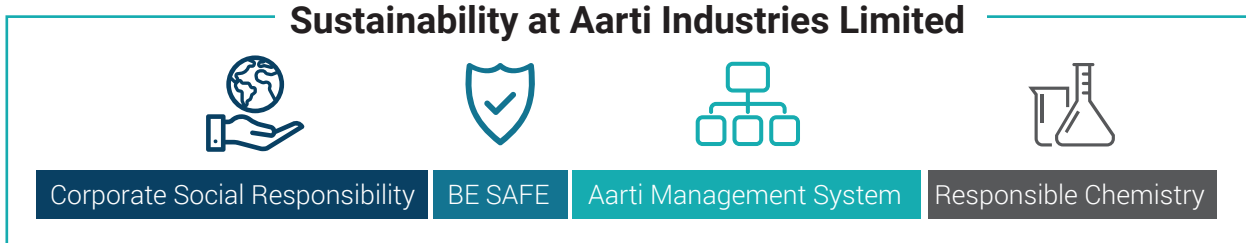
Vapi Industrial Association



Kutch Industrial Association



WHAT IS SUSTAINABILITY FOR AIL?



At AIL, we embrace sustainability by considering it to be a business approach to create a long-term value by taking into consideration how we operate in the ecological, economic and social environment. It helps us improve processes, pursue growth and add value to our organization rather than focussing on reputation alone. Ever since our inception, we have been practicing CSR and sustainability in our everyday activities.


Furthermore, we endeavour hard towards **responsible chemistry**. Our research and development is directed towards process improvements to reduce raw material consumption, energy and water conservation, waste, effluent, and emission reduction. We are using modern state-of-art technologies in waste heat recovery, steam-reengineering, and effluent treatment at our manufacturing sites. We aspire to become one of the most **resource efficient** organizations through our constant efforts in achieving sustainability. Our holistic approach and perseverance towards responsible chemistry has helped us in achieving Gold Ratings in EcoVadis CSR assessment in 2018 and improvements from Silver Ratings obtained in 2017. This showcases our accelerated business sustainability ratings as a result of our improved environmental and social outcomes.

Corporate Social Responsibility at our organization is guided by the deep-rooted philanthropic culture and responsible mindset of our promoters. We have been engaged in community service through our activities focused on 7 thematic areas namely education, healthcare, water conservation and environment, rural development, disaster relief, women empowerment and livelihood opportunities. We have been discharging our social responsibility even before mandate of Companies Act 2013 came into existence. We believe in philosophy of equitable and inclusive growth and distributive justice.

BE SAFE (By Employees Sustainability Assurance for Employees) is a mega initiative being implemented by us to inculcate the culture of sustainability throughout the organization. For the reporting period, **occupational health and safety** is the focus of BE SAFE initiative. To reinforce message of safety, we organize BE SAFE huddle every day in the evening that is attended by all personnel from all manufacturing units through a video conferencing. In this huddle learnings from major events, success stories, breakthrough achieved are shared. In addition, BE SAFE pledge is taken by all employees at the start of every shift.


Our approach towards safety under this initiative is as follows:

- 01 Quarter-wise health check-up on the focus areas for respective divisions
- 02 List of "Accomplishment" and "How to be accomplished" prepared
- 03 Half-day interactive sessions planned with the working teams
- 04 Fortnightly review (support & guidance) by steering committee
- 05 Interactive sessions once a month to leverage learning and exchange of tacit knowledge
- 06 Provide assurance to management on health check of all divisions




Furthermore, we have adopted Aarti Management System (AMS), that has been developed in-house and acts as an internal guide towards sustainability. It plays an important role in realising our values and mission. It is an integrated management system which takes care of all its stakeholders and provides a meticulous framework to achieve its objectives of **Sustainability, Reliability, Productivity, People Growth and Company Growth**, each with defined target for 2018-19.

During the reporting period, we have assessed our sustainability maturity on various business dimensions such as governance, supply chain and procurement, product development, human resources, risk management, strategy, marketing and communication, regulatory compliance, finance, and operations; and identified gaps. We have further devised a well-structured roadmap to help us in moving the needle in the sustainability dimension. In this process, we have set stretched targets for ourselves which are in alignment with SDGs and has been depicted in the materiality section ahead.



“Sustainability is the need of the hour for any business, and more so for a chemical manufacturing industry where environment, social and governance risks are major threats to business in today’s Volatile, Uncertain, Complex and Ambiguous (VUCA) world.

Our approach at AIL revolves around five strategic dimensions, i.e., Sustainability, Productivity, Reliability, People Growth, and Company Growth; wherein each has a few strategic objectives that are developed and adopted through an internally developed system known as Aarti Management System (AMS). Sustainability is imperative for our business considering the impact it has on all internal and external stakeholders. We are committed towards the cause of sustainability and making AIL a world-class chemical manufacturing company.”



Ajay Kumar Gupta
Corporate Head,
SHE and Sustainability



Stakeholder engagement and materiality

STAKEHOLDER ENGAGEMENT

We have resolved to create value for our stakeholders. Stakeholder inclusiveness emanates from our core values of 'Care', 'Integrity' and 'Excellence'. To achieve our strategic objectives successfully, we have identified our key stakeholder groups based

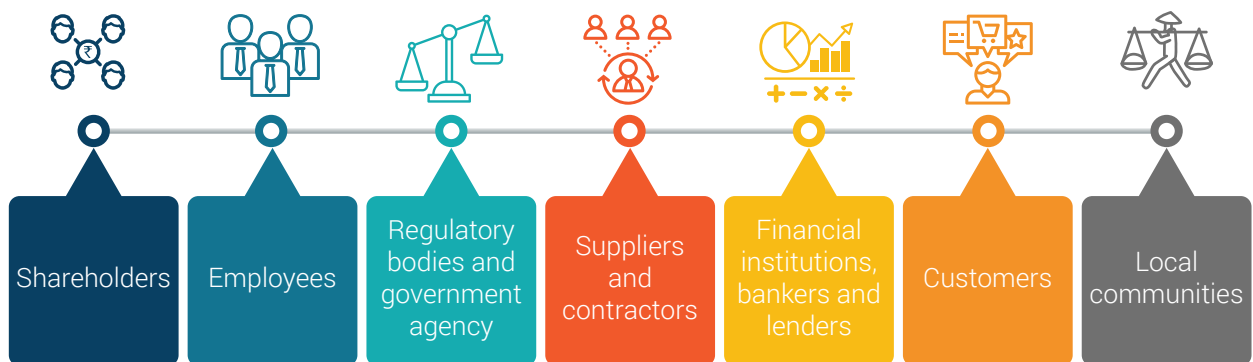
on evaluation by our senior leadership in consultation with other employees.

We encourage and actively engage with our stakeholder groups on a regular basis to understand their key interests and concerns.





All's stakeholder groups



Stakeholder group	Significance of engagement	Frequency of engagement
Employees	<p>Employees are the backbone of any organization. More than 5,000 employees are part of the AIL family. Employees are one of the most important internal stakeholders. Every employee group has its own significance to our business:</p> <ul style="list-style-type: none"> • Senior Leadership – Discuss objectives of strategic dimensions and improvement initiatives • Leadership and managerial employees – Discuss areas of improvement and review the progress of the initiatives taken • All employees – Discuss day-to-day performance on several aspects including that on health and safety • New and contract employees – They need to be made conversant with employment-related practices, shared values of AIL, and SHE practices 	<ul style="list-style-type: none"> • Senior leadership meets on a monthly basis • Leadership and managerial employees across different function and forums meet on a monthly basis • All employees meet weekly during safety meetings • New employees go through a 2-day safety induction programme • Contract employee go through a 1-day safety induction programme
Regulatory bodies	<ul style="list-style-type: none"> • We engage with various regulatory authorities, municipal corporations, and government departments, to discuss matters concerning legal and environmental compliances 	<ul style="list-style-type: none"> • Engagements with regulatory bodies are either on need basis or at various forums through open invitations and specialized programmes
Suppliers and contractors	<ul style="list-style-type: none"> • We engage with our suppliers and contractors to discuss cost, quality, and delivery-related issues. It also focusses on sharing information on upcoming technologies or equipment, sustainability, their performance and recognitions, and concerns 	<ul style="list-style-type: none"> • Suppliers are engaged on regular basis and contract discussion meetings as and when required • Contractors are engaged on regular basis and at the time of renewal of contracts during the performance review
Financial institutions, bankers, and lenders	<ul style="list-style-type: none"> • Regular discussion meetings are conducted to discuss business performance and sustainability. The focus areas identified during this process are sharing of information on financial growth, strengthening relationships with stakeholders 	<ul style="list-style-type: none"> • Bankers are engaged on the regular basis during financial discussion meetings and consortium meetings • Regular feedback is encouraged through communication media
Customers	<ul style="list-style-type: none"> • Our business model is market driven and customers' requirement guides our business strategy. Their needs are assessed, and area of focus is identified during engagement. The initiatives that are needed to address these issues are also deliberated upon 	<ul style="list-style-type: none"> • We engage with customers regularly to understand their requirements, at least once a year • Regular feedbacks are encouraged through communication media
Local communities	<ul style="list-style-type: none"> • Our engagements with communities across India focus on need assessment for implementing community development initiatives, employment, and other environmental and social issues. Some of the focus areas identified are: 	<ul style="list-style-type: none"> • Regular engagement with local communities to understand their requirements and concerns

Stakeholder group	Significance of engagement	Frequency of engagement
	1. Cluster and rural development 2. Education and skill development 3. Childcare and healthcare facilities 4. Women empowerment 5. Environment and water conservation 6. Livelihood opportunities 7. Disaster relief and rehabilitation	
Shareholders	<ul style="list-style-type: none"> We have more than 40,000 shareholders who have demonstrated confidence in our operations by investing capital. 	<ul style="list-style-type: none"> We engage with our shareholders during Annual General Meetings and extraordinary general meetings. Also, we engage with our shareholders whenever need be.

TOPICS MATERIAL TO OUR BUSINESS AND STAKEHOLDERS

Sustainability has become a critical success factor for business due to shifting focus from primarily on shareholders to a larger group of stakeholders including shareholders, employees, customers, regulatory bodies, suppliers and contractors, and local communities, from wealth maximization to environmental, social and governance (ESG) performance, from financial disclosures to financial and non-financial disclosures. We have responded to such transition by adopting measures for sustainability, evaluate performances, and communicate with the help of our Sustainability Report.

Guided by GRI, materiality assessment is a systematic approach to identify and prioritize our

material topics, risks, or opportunities that are of prime concern to stakeholders and could impact the ability to execute corporate business strategy. The identification and prioritization of appropriate and relevant material topics mark the starting point of assessing and reporting our sustainability efforts. For our first Sustainability Report FY 2018-19, we conducted our materiality assessment by engaging with a diverse pool of employees from various departments and locations, who interface on a day-to-day basis with our external identified stakeholder groups. The engagement included extensive consultations amongst various stakeholders of AIL including the key leadership team, functional heads, departmental heads, and key officials.

Methodology for materiality assessment

Scoring for materiality assessment was done on two dimensions (Potential impact on business, Influence on stakeholders)

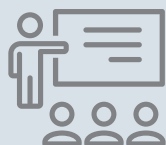
1 Development of materiality questionnaires in accordance with GRI Standard Materiality Disclosures 2016



3 Discussions among members led to scoring of material topics on a scale of 1 to 5, very-low to very-high relevance, respectively



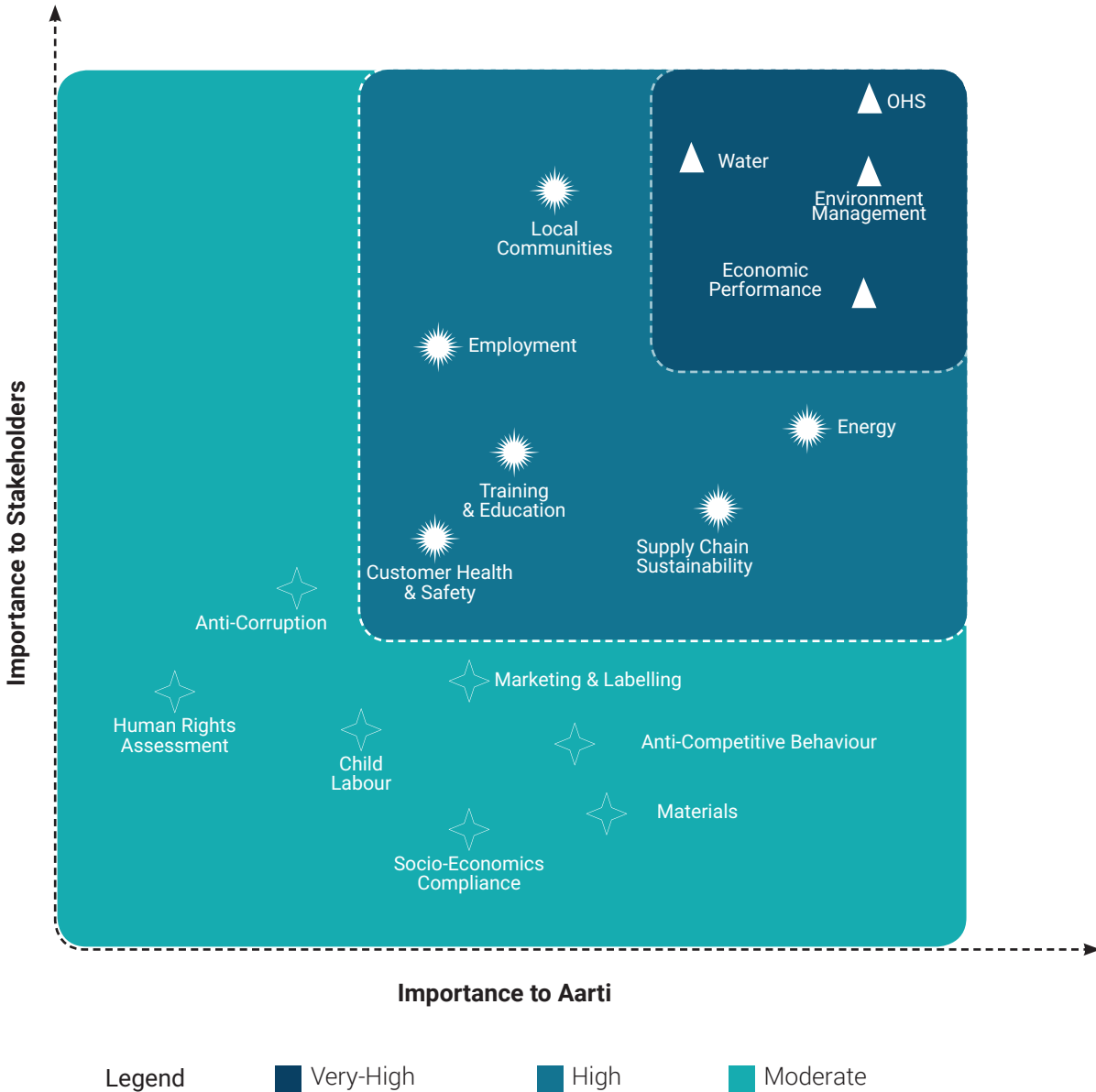
2 Divided pool of functional and departmental heads into 5 groups of 5-6 members each



4 Validating the material topics obtained from exercise, via subsequent discussions with various functions

Our materiality matrix

Based on our comprehensive materiality assessment this year, we have developed our materiality matrix bringing out AIL's most material topics.



Since it is our first report, we have reported disclosures on our 'very-high' and 'high' material topics mapped from both business and stakeholder perspectives. We have additionally chosen to report our performance against select 'moderate' material topics for the reporting year. Based on our internal consultations, we have brought out our overall commitment and streamlined to AIL's crucial material topics. As our contribution to UN SDGs and being a responsible company, we have mapped our material topics with relevant SDGs.

Our material topics



Our ethical conduct and sustainable governance framework

OUR CODE OF ETHICAL BUSINESS CONDUCT

At AIL, we believe that to enhance stakeholder value and accomplish long-term goals, a good corporate governance structure is a key element which provides a strong foundation. Our corporate governance is guided by AIL's core value system; Care, Integrity and Excellence, ensuring transparency to take informed decision and building trust for influential

collaboration. It helps us in being a reliable partner of our customers, suppliers, employees, and shareholders. This further aids in the enhancement of long-term shareholder's value, thereby attributing to our journey of 35 years of a responsible chemistry. We comply with the mandatory corporate governance requirements stipulated under Regulation 34(3) of the Listing Regulations.

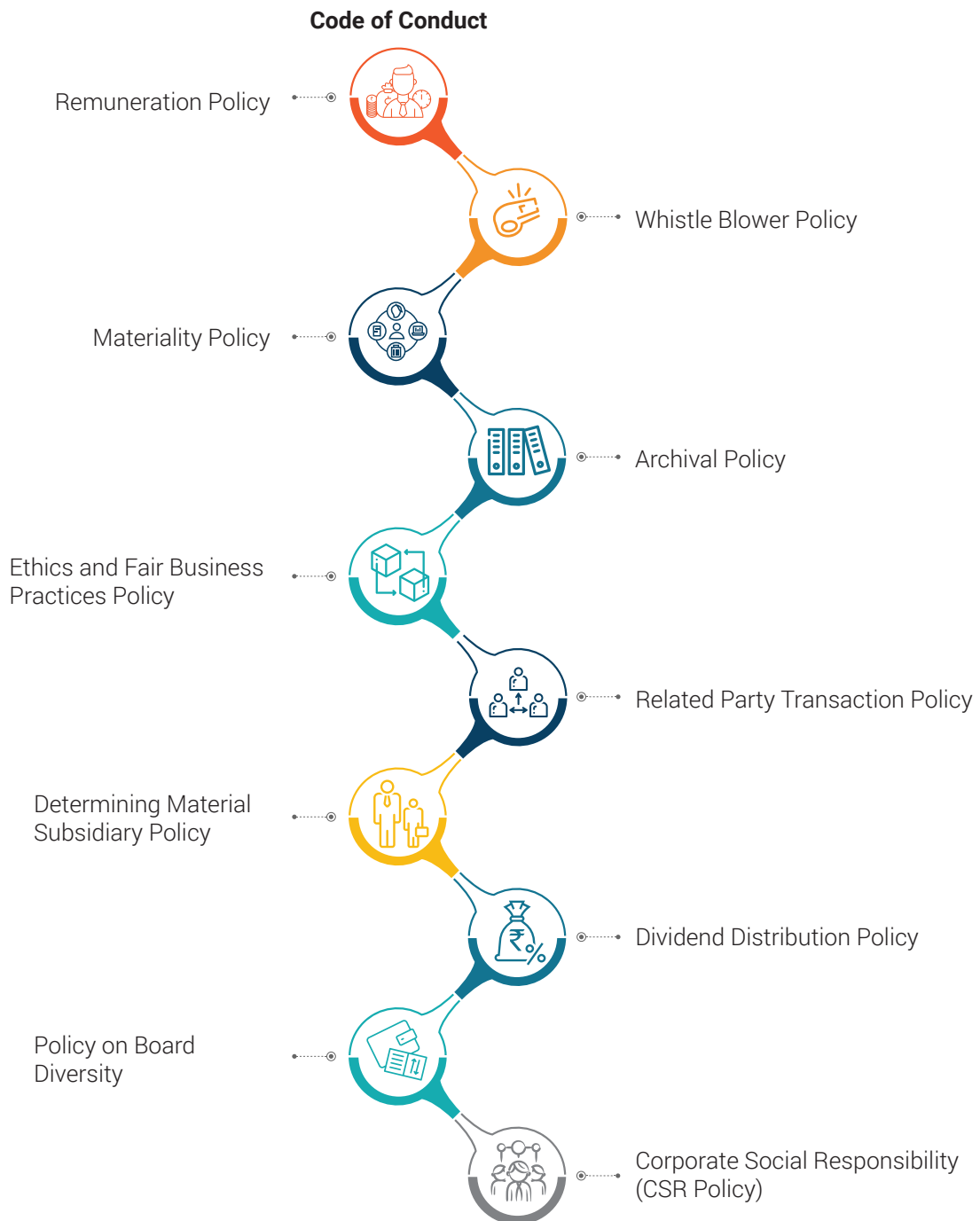




To achieve our long-term goals and continuous growth resulting in increased profitability, compliance with applicable rules, regulations, codes, guidelines, and policies is a permanent feature of our corporate culture. Our code of ethical business conduct specifies and helps continued implementation of the Company's values by establishing certain non-negotiable minimum standards of behaviour. It guides us on compliance, labor practices and standards, environmental

health and safety, board diversity and independent directors, reporting and contact persons, disciplinary actions and compliance with the code. Details on our Code of Conduct are available at our website (https://www.aartiindustries.com/media/investors/corporate_governance/1523527263_Code_of_Conduct_Aarti_Industries_Very_final.pdf). We strive to engrain it in our daily conduct, our business partners and public accordingly.

Our policies











OUR GOVERNANCE STRUCTURE FOR SUSTAINABLE AND RESPONSIBLE BUSINESS

Our Board of Directors

ALL's composition of Board of Directors ('the Board') conforms with the Listing Regulations, 2015 and the Companies Act, 2013. As on 31st March 2019, the Board consists of 16 (sixteen) members of whom 7 (seven) are Executive Directors, 1 (one) is Non-Executive Director and 8 (eight) are Independent Directors; except Managing Directors

and Independent Directors, the other Directors are liable to retire by rotation. This composition comprises of 2 (two) female members. The Board has constituted various committees which aid in the smooth functioning of all its activities and operations.

S.No.	Name of the committee	Committee composition
1	Stakeholders' Relationship Committee	1  Independent Director 5  Non-Independent Directors
2	Corporate Social Responsibility Committee	2  Independent Directors 3  Non-Independent Directors
3	Risk Management Committee	4  Non-Independent Directors 3  Senior Executives
4	Audit Committee	6  Independent Directors 3  Non-Independent Directors
5	Nomination and Remuneration Committee	3  Independent Directors 1  Non-Independent Director
6	Finance and Investment Committee	7  Non-Independent Directors

Details on our Board of Directors and functioning of Board Committees is available in our Annual Report FY 2018-19.

CSR Committee

Pursuant to provisions of Section 135 of the Companies Act, 2013, our CSR committee has been constituted which formulates and recommends the Board a CSR policy under the Companies Act 2013 and monitors implementation of CSR Policy of the organization from time-to-time.

Stakeholders' Relationship Committee

Pursuant to provisions of Section 178 (5) of the Companies Act, 2013 read with Regulation 20 of Listing Regulations 2015. Our stakeholder relationship committee of the Board has been constituted to especially look into the mechanism of redressal grievances of Stakeholder relationship committee of the Board has been constituted to especially look into the mechanism of redressal grievances of shareholders.

Risk Management Committee

Our risk management committee has been entrusted with the key responsibility of identification, prioritization, and development of mitigation plans for various risks our businesses are exposed to. This committee is headed by a board member and has representatives from the senior executives. The Board defines the roles and responsibilities of the committee and delegates monitoring and reviewing of the risk management plan to the committee and other such functions as it may deem fit. Constitution and functioning of the Risk Management Committee is in accordance with Securities and Exchange Board of India's (SEBI) mandate.

This committee has been tasked with framing, implementation, and monitoring of Risk Management Policy; development of actionable plans; and execution, review, and reporting of the

steps taken. We have identified and categorized risks into clusters of operations, business, financial, human resources, regulatory, legal, and governance. Furthermore, we have used framework of probability and impact to segment the identified risks into high priority, medium priority, and low priority. We have developed a well-structured risk management action plan for high priority risks, and these are being implemented.

Sustainability Council

Sustainability council is a cross functional task force to deliberate upon sustainability related issues. It is the highest decision-making body entrusted with the responsibility to define sustainability objectives and plan actionable steps to achieve these. It is led by the Chairman and has representatives from the Board, top leadership, and senior management family from all the zones. Meetings of the council take place on monthly basis to review sustainability performance and discuss challenges and opportunities.

Environmental Council

Environmental Council is entrusted with the responsibility to deliberate upon specific issues related to environmental impacts of our operations and compliance thereof to ensure 100% adherence to existing norms and prescribed practices. It is led by the Chairman and has representation from the board, top leadership, and senior management family from all the zones. Environmental council prepares plans and strategies, provides guidance, and reviews the progress made on implementation.

AARTI MANAGEMENT SYSTEM: INTEGRATING SUSTAINABILITY AND STRATEGY

Cognizant of the need to integrate sustainability into business strategy, and guided by the proactive approach of our leadership, we have developed Aarti Management System (AMS) to ensure **'growth with sustainability for sustainable growth'**. AMS has five strategic dimensions – Sustainability, Reliability, Productivity, People Growth, and Company Growth. Under each objective we have defined specific commitments such as zero exposure through exceeding environmental norms; zero breakdowns in operations through right asset management; ensuring supply of right product in right time through improvement in raw material and utility consumption; efficient level of human resource utilization through triple 'P' approach of People, Policies, and Performance; and customer-centricity through capacity expansion and induction of new product lines. AMS highlights our commitments to health and safety, environment, and energy efficiency.

Moreover, AMS enable us to identify risks associated with our products and processes, and take precautionary approach in mitigating these risks.

AMS acts as a comprehensive guide for our organization. Under AMS, we have identified 12 pillars such as operations, R&D, business excellence, human resources, finance, commercials, etc. and elements under each pillar. Furthermore, various stakeholders have been mapped against their respective responsibilities to achieve specific objectives under each pillar. Detailed and comprehensive nature of AMS provides requisite guidance and agility to our leadership, managerial staff, and other employees to manage our complex and integrated business effectively and efficiently and achieve sustainable growth.





Our economic footprint

BUILDING ON OUR ECONOMIC VALUE

Strong economic value addition is essential for any business organization to thrive and sustain. A robust economic growth ensures sustainable and equitable development. Criticality of economic performance makes it a material topic of high priority.

All employees of AIL family are entrusted with the responsibility of value generation. Economic performance is monitored and reported periodically in compliance with prevailing rules and regulations. Our finance team headed by Chief Financial Officer

(CFO) is responsible for accurate recording and reporting of all economic indicators. The finance team in collaboration with business excellence, project excellence, and commercial teams strives for better economic performance.

Driven by increasing demand, speciality chemical market growing at a consistent rate. Riding on the robust demand and expanding economy, we posted strong growth of 23% on year-on-year (YoY) basis in the financial year (FY) 2018-19. Our detailed financial report is available in our Annual Report FY 2018-19.



S. No.	Name of the entity	% of shares held
1	Aarti Corporate Services Ltd.	100%
2	Aarti Polychem Ltd.	100%
3	Aarti USA Inc.	100%
4	Alchemie (Europe) Ltd.	88.89%
5	Ganesh Polychem Ltd.	50.24%
6	Innovative Envirocare Jhagadia Ltd.	100%
7	Nascent Chemical Industries Ltd. (through Aarti Corporate Services Ltd.)	50.49%
8	Shanti Intermediate Pvt. Ltd. (through Aarti Corporate Services Ltd.)	100%

Direct economic value generated and distributed

In FY 2018-19, our gross revenue from operations increased to INR 45,478 million from INR 36,993 million in the previous year. In addition, an economic value generated from investments and

other sources were INR 45 million. In FY 2018-19, we had a net profit of INR 4,812 million. The economic value generated has been distributed in a manner detailed below:

Economic value distributed	Amount (INR million)
Operating Cost (includes cost of raw materials, depreciation, and other expenses)	35,514.40
Employee Wages and Benefits	2,307.10
Interest Payment to Providers of Credit	1,791.50
Dividend/ Payout to Shareholders	424.50
Payments to Government (Taxes)	1,097.70
Community Investments	97.30
Retained Profits	4,306.10

Defined benefit plan obligations and other retirement plans

As a responsible employer, ALL provides several employee benefits such as medical insurance, life insurance, personal accident insurance, maternity leave, paternity leave, and provident fund. In FY 2018-19, we spent INR 2,307 million on defined

benefit plan obligations and other retirement plans which was 30.4% higher than the previous year. The details of contribution to defined benefit plans are provided below:

Details of contribution to defined benefit scheme	Expenditure in FY 2018-19 (INR million)
Contribution to Provided Fund	110.8
Contribution to Superannuation Fund	3.7
Contribution to Gratuity Fund	34.3
Total	148.8

Financial assistance received from the government

In FY 2018-19, we received financial assistance of INR 154 million from the government in the form of subsidies. Government of India has subsidized phosphate fertilizer in order to make its use

affordable. We have received above mentioned subsidy from the Government of India for the production of phosphate-based fertilizer.





Our responsible commitment to the environment

ENVIRONMENTAL COMPLIANCES

At AIL, we have a robust system to ensure regulatory and environmental compliances. We have adopted IT-based Compliance Management System (CMS) having a repository of all applicable environmental and legal compliances. New regulations are updated. The company secretary is entrusted with the responsibility to ensure legal compliances while the Corporate Head, Sustainability & SHE is entrusted with the responsibility to ensure environmental compliances. During the

reporting period, we meticulously complied with applicable rules and regulations and no significant monetary or non-monetary sanctions were imposed at AIL.

MANAGING ENERGY CONSUMPTION AND EMISSION

Energy plays a crucial role in sustaining global economic growth and development. Moreover, energy efficiency remains critical to satisfying the world's progressively increasing energy demand. Managing energy is of paramount importance



Being a chemical company, we are highly committed to conserving the environment through efficient energy and water management, emission reduction, and sustainable waste and effluents management. We endeavour to minimize adverse environmental and social impacts of our operations by directly monitoring and controlling them. We strive to do so through our R&D focussed on achieving process improvement and resource efficiency. The principle of 3R - 'Reduce', 'Reuse', and 'Recycle', acts as the guiding force in our journey to achieve sustainability”

to us due to its threefold benefits – natural resource conservation, emissions reduction, and cost-efficiency. We have invested in renewable energy and energy efficiency technologies as a part of our energy management initiatives. We have an Energy Management Cell (EMC) at Vapi, a model to be expanded to other locations, which identifies and implements different energy conservation measures.

Shyam Dhekekar
Head Process



Energy consumed within the organization

Parameters	Consumption (GJ) (FY 2018-19)
Diesel	50,826
Natural Gas	14,965
Coal	6,542,472
Furnace Oil	12,696
Grid electricity	298,992
Total energy consumption	6,849,951

AIL's total energy consumption for chemical business segment was 6,849,951 GJ during the reporting period. Gross revenue earned by speciality chemical segment during the reporting year was INR 38,219.50 million. Our energy intensity ratio for speciality chemical segment during the reporting period was 179 GJ/INR million revenue. Our energy conservation measures by-and-large comprise conversion and retrofitting of equipment resulting in savings due to the reduction in electricity consumption. Realizing the potential of 'Waste Heat Recovery Systems' in bringing energy efficiency, we have installed it at our divisions.

Energy conservation measures

We have implemented several energy saving initiatives to reduce our energy consumption and carbon footprint. We invite ideas and suggestions from all employees for potential energy saving projects. All suggestions are screened for technical, operational, and financial feasibilities. After feasibility screening, energy conservation measures are implemented, and potential energy savings are estimated. Furthermore, actual energy

savings are monitored post implementation. During FY 2018-19, we implemented several energy saving initiatives that resulted in actual savings of 9,454 GJ of energy.

Emissions

At our manufacturing divisions, GHG emissions are mainly from the usage of fossil fuels and consumption of grid electricity. Our direct emissions include emissions from diesel and coal consumption within the boundaries of AIL while indirect emissions include emissions from purchased electricity consumption. We consume coal at our captive power plants while diesel is used in diesel generator (DG) sets. We have installed a co-generation power plant and adopted several energy efficiency measures.

All emission factors for direct energy have been used as per the IPCC guidelines for GHG Inventories (2006), while the emission factor for indirect energy (i.e., purchased electricity) is taken from the Indian Central Electricity Authority (CEA)'s June 2018 Baseline Carbon Dioxide Emission Database Version 13.

Parameters	Emissions (tCO ₂ e)
Direct emissions	634,320
Indirect emissions	52,159
Total Emissions	686,479

³Total energy (GJ) per unit revenue earned

For speciality chemical business segment, our carbon intensity was 18 tCO₂e per million INR revenue generated during the reporting period.

We are formulating plans to reduce the carbon footprint at all our operations by:

- Improving thermal efficiencies through steam re-engineering
- Improving process efficiencies through process improvement initiatives
- Installed waste heat recovery system

Air emissions at all sites are monitored closely with help of stack monitoring system and ambient air quality monitoring system. Parameters tracked for air emissions include sulphur oxides (SO_x), nitrogen oxides (NO_x), and particulate matter (PM). We do online monitoring of our emissions and are within emission limits. However, we will be disclosing our performance on stack emissions in the subsequent years. We don't use any ozone depleting substances (ODS) in our operations.

OUR WATER FOOTPRINT

Water is a material topic of 'very high' priority. It is crucial for our operations for its usage in processing, dilution, washing, cooling, etc. Furthermore, our manufacturing divisions are in medium to high water stress zones. Unmindful and indiscriminate exploitation of water resources puts local communities and biodiversity at the risk. In addition, depleting water resources is a major business risk. Cognizant of this fact, we invested substantially into water-efficient technologies and stressed on use of recycled water.

During the reporting period, we consumed 1,684,201 m³ of water. All the consumed water was supplied by the municipality. Since we do not harvest water directly from any source, we don't have any direct impact on any water body.

Furthermore, to conserve water and reduce our environmental impact we have planned to make all our divisions zero-liquid discharge (ZLD) facility. Currently, 8 of our divisions are ZLD plants.

We discharge wastewater in compliance with regulatory requirements to Common Effluent Treatment Plant (CETP) authorized by Pollution Control Board. Since we do not directly discharge our liquid waste into any water body, we do not impact them directly. During the reporting period, there were no major spills and accidents.

Case Study: 50 KLD Sewage Recycling Plant at Kutch, Gujarat

Soil Bio-Technology (SBT) is a terrestrial system for wastewater treatment based on the principle of 'Trickling Filter'. The system comprises combination of physical processes like sedimentation and infiltration, and biochemical processes that are carried out to remove the suspended solids and organic and inorganic contents from wastewater. The key components of the system are suitable material constitution, culture containing native micro-flora, and bio-indicator plants. The process of SBT helps in treating water, wastewater, air-scrubber water, and solid and municipal waste. SBT does not require pre-treatment, equalization, and expensive aerators or membrane systems. The special features of SBT are:

- Low maintenance
- High aesthetics
- Low depreciation
- Low operating cost
- Improves water quality to a superior level
- Low sludge
- No odour

The capacity of the SBT at Kutch, Gujarat is 50 KLD with a recovery rate of more than 97%. The energy input required for the system is 0.1 kwh/KL. Output water is of superior quality and is used for cooling water, gardening, and flushing purposes. All the solid wastes are converted to manure in the process of treatment. The process also does not need mechanical aeration which helps in the reduction of emissions.

Case Study: Zero Liquid Discharge (ZLD)

At AIL, we are committed to achieve ZLD status at all our manufacturing divisions. This will help us in reducing our ecological footprint. Due to reuse of treated wastewater, our dependence on freshwater sources will be substantially reduced. It will not only help in saving costs but also will be beneficial to the environment. Recently, we have succeeded in achieving ZLD status for Amine and Acid divisions that makes 8 manufacturing divisions ZLD.



For achievement of ZLD status at Amine division following initiatives have been taken:

- Installation and commissioning of a RO plant of 80 kilo litre per day (klpd) capacity. The reject water from boiler is treated in RO of which 75% is recycled in cooling tower water make up.
- Installation and commissioning of STP of 30 klpd capacity and the treated water from this is used for gardening activities.
- Use of CaCl_2 concentration PHE condensate for Di-chloro Ortho Nitric Acid (DCONA) product washing and cooling tower water make up, reusing of autoclave condensate and ARP condensate for boiler feed.

For achievement of ZLD status at Alchemie division following initiatives have been taken:

- Installation of RO plant which is successfully running at full capacity
- Provision of MEE-2 stand by first effect calandria to avoid plant stoppages for 7 days due to jet cleaning of calandria tubes.
- Installation of ATFD for MEE-2 concentrate as feed.

Installation of flash evaporated vessel 12KL for evaporating MEE-2 concentrate as feed.

SUSTAINABLE WASTE MANAGEMENT

Due to the nature of our business, a substantial amount of hazardous waste is generated as a result of our operations. Sludge from effluent treatment plant (ETP) constitutes the majority of our hazardous waste. We comply with existing statutory requirements for the disposal of hazardous waste. We handover hazardous waste to Treatment, Storage, Disposal Facility (TSDF) authorized by the State Pollution Control Board, where waste is disposed of through appropriate methods. Non-hazardous waste is constituted by boiler coal ash and incineration ash. We further

handover boiler coal ash to authorized recyclers due to its usability in the cement and brick manufacturer industry.

During reporting period, we disposed 3,818 MT of hazardous waste through incineration and 14,519 MT through secured landfilling. In addition, we handed over 482 litres of used oil to authorised recyclers. Furthermore, 15,656 MT of boiler coal ash was produced as a result of our operations. Our waste production was under the permissible limits prescribed by regulatory authorities.

OUR MATERIAL CONSUMPTION

We use variety of raw and associate process materials in our value-chain based chemistry. Benzene and toluene are the most significant raw materials used by us. Other major raw materials include ammonia, ethylene, methanol, hydrogen, sulphur, quinalphos, nitric acid, etc. During the reporting period, consumption of major raw materials (benzene, toluene, ammonia, ethylene, methanol, sulphur, quinalphos, chlorine, and concentrated nitric acid) was 612,795 MT. Most of the raw materials used in our operations are hazardous in nature. Manufacturing, storage, and import of these materials are governed by the Manufacturing, Storage, and Import of Hazardous Chemicals Act 1989. Furthermore, we engage many raw material suppliers to ensure steady and timely supply. Moreover, these materials have potentially adverse impact on local communities

and environment in the event of any inadvertent event. These considerations make 'materials' a material topic of moderate priority to us.

Material management is one of the important functions identified under 'Operations' pillar in Aarti Management System. Purchase and consumption of materials is recorded and monitored through SAP ERP. Material management is taken care by the Business Excellence team headed by personnel from the senior leadership team. Our R&D focuses on process improvements to achieve efficiency in material consumption. Achieving material efficiency helps in reducing cost of operations and reduces environmental footprint. Therefore, we strive to optimize our processes to achieve efficiency in material consumption.



Our responsible workforce

BUILDING A CULTURE OF SUSTAINABILITY

Driven by our core values of Care, Integrity, and Excellence, we are committed to our people. We believe that the strength of our company depends upon the capabilities of our people. In order to be an employer of choice, attract top talent, and help the business deliver lasting results, we constantly engage with our employees. We create a motivating work environment for them by keeping them challenged, empowered, and rewarded. Our HR policies and processes are developed keeping in mind the best interests of our employees.

At AIL, we adhere to merit-based recruitment norms. We induct bright minds and committed personnel through 2 routes - campus

recruitments and lateral hires. Our talent acquisition team develops meticulous plans for campus recruitments based on projected vacancies arising out of promotions, turnover, and expansion. We visit prestigious institutes and induct the top talents. We believe in equal opportunity for all. Merit is the only criteria for induction into AIL. For the positions created at higher levels due to turnover and expansion, we take help of lateral hire.

After hiring, new recruits undergo rigorous training and appropriate socialization process. It helps the new workforce to learn the hard and soft skills necessary for professional excellence. We have well defined HR policies that guide recruitment, retention, turnover, employee





“Hiring and development of employees is one of the most important things we do. At the end of the day, we bet on employees not on strategies. In order to build a rewarding employee experience, we need to understand what matters most to our employees. It’s important to create a culture of innovation – one that recognises both values and hard work. A big part of our company culture is treating people with respect and transparency.

We are committed to “ become a preferred employer of choice, bringing a culture of co-creation, excellence and care” and to attract and retain the best talent..”

Manoj Sharma
CHRO



well-being, and training and education. To govern conduct of employees, we have developed comprehensive code of conduct, prevention of sexual harassment at workplace policy, anti-corruption policy, and policy on promoting and respecting human rights.

In our endeavour to become the employer of choice, we promote employee friendly culture. There is a well-defined grievance redressal mechanism and escalation matrix. Grievances

of employees are resolved through established procedures and in a just and fair manner. During the reporting period, there were no forced resignations and downsizing. We have a structured exit interview process to understand the reasons of resignation take steps to improve shortcomings identified through exit interviews. As a responsible employer, we undertake several initiatives for well-being of our employees. Some of such initiatives are mentioned below.

- Aaghaz –
Campus to
Corporate
2018**

'Aaghaz' is a 3-day outbound program organized for onboarding the young and budding professionals from top-reputed institutes. The aim of 'Aaghaz' is to familiarize them with AIL's vision, mission, way of life, beliefs, values, and cultural attributes during the transition from campus to corporate. This platform also helps the young talent to interact with senior professionals at AIL and learn from their experiences.
- Campus Hiring
of Leadership
Trainees/
Management
Trainees/ Officer
Trainees**

Hired 110 Leadership/Management/ Officer trainees from top institutes of India. The aim is to absorb the best talent available in the market and develop them further and make them capable to handle the reigns of Aarti Industries in future, driven to achieve its vision of becoming a 'Global Partner of Choice' and fulfilling the mission of Delighted Stakeholders.
- Effective
Executive
Development
(EED)
Program**

EED is a 9-month development program conducted by renowned external trainer. This program is based in Peter Drucker's book titled 'The Effective Executive'. The program is focused on building competencies like time-management, ability to focus on contribution, focused thinking and effective decision making.
- HR Conclave**

HR conclave is an outbound meeting of HR team with the objective of designing 3-year road map for HR function. It is focused on understanding the voice of the customers and building efficient and robust HR practices that will deliver Brilliant Basics. It is also focussed on developing HR plan in line with people's vision.
- HR
Information
System
(Digital
Platform)**

HR information system is an integrated digital HR platform to cater to the end-to-end employee life cycle and offer HR experience to employees. It accommodates diverse information like attendance, leaves, compensation, HR documents, rewards and recognition, employee vibes and pulse.

Employee Wellness Initiatives

AIL's employee wellness programmes are aimed at enhancing the work-life balance of employees. Some of our initiatives under employee wellness are 21-days yoga sessions, nutrition sessions for healthy lifestyle.

Workforce details for FY 2018-19

Numbers reported are as on 31st March 2019 and include all employees on our payroll comprising permanent and probationary employees.

Particulars	<30 years	Between 30-50 years	>50 years	Male	Female	Total
Senior Leader	0	4	8	12	0	12
Leader	1	32	7	39	1	40
Manager	12	124	14	150	0	150
Officer	519	340	43	885	17	902
Associate	998	915	104	2,011	6	2,017
Total	1,530	1,415	176	3,097	24	3,221

Employee hired during the reporting period for FY 2018-19

Particulars	<30 years	Between 30-50 years	>50 years	Male	Female	Total
Senior Leader	0	2	1	3	0	4
Leader	0	9	2	10	1	11
Manager	6	46	0	52	0	52
Officer	438	105	1	494	50	544
Associate	471	146	0	616	1	617
Total	915	308	4	1175	52	1227



New employee hiring rate

$$\frac{\text{Total new hires during FY 2018-19}}{\text{Total number of employees as on 31st March 2019}} \times 100 = \mathbf{38\%}$$

Employee turnover for FY 2018-19

For the purpose of reporting data on the turnover rate, we have considered date of resignation or initiation of separation as the date of attrition.

Particulars	<30 years	Between 30-50 years	>50 years	Male	Female	Total
Senior Leader	0	0	0	0	0	0
Leader	0	2	1	3	0	3
Manager	2	13	1	16	0	16
Officer	114	43	2	158	1	159
Associate	269	70	10	348	1	349
Total	385	128	14	525	2	527



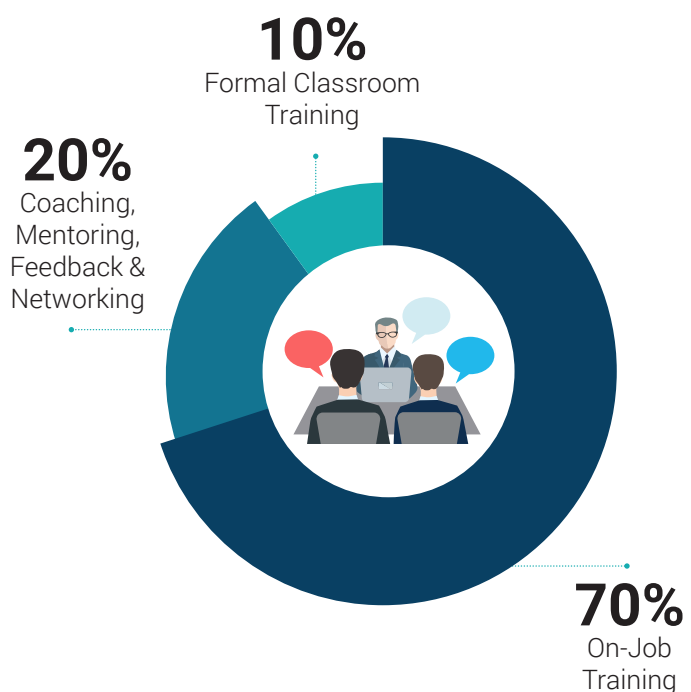
Employee turnover rate

$$\frac{\text{Total turnover during FY 2018-19}}{\text{Total number of employees as on 31st March 2019}} \times 100 = \mathbf{16\%}$$

Learning and Development

Employee training is a crucial factor for retention and motivation. Furthermore, periodic trainings help employees in gaining new knowledge, acquiring new skills, and reinforcing past learnings. A structured employee learning and development programme enables individuals and organizations to fulfil their personal and collective goals and ambitions. ‘Coaching and Developing People’ is one of our cultural pillars and it intends to strengthen talent within the organization by imparting our employees the skills and competencies necessary to tackle emerging challenges of the dynamic industrial landscape and to assist them in long-term career planning.

Learning & Development Framework Model



Our Learning and Development (L&D) framework model comprises 70% on-job learning; 20% coaching, mentoring, feedback, and networking; and 10% formal classroom formal training. We classify developmental activities into Trainings, Courses, and Talks. Trainings are the planned knowledge sharing initiatives conducted by a subject matter expert to impart competencies, clarify concepts, and modify behaviours in order to enhance performance. Courses consist of two or more trainings clubbed together. Talks are knowledge sharing sessions by any employee not necessarily a subject matter expert.

Furthermore, we have classified our trainings under L&D model into the following:

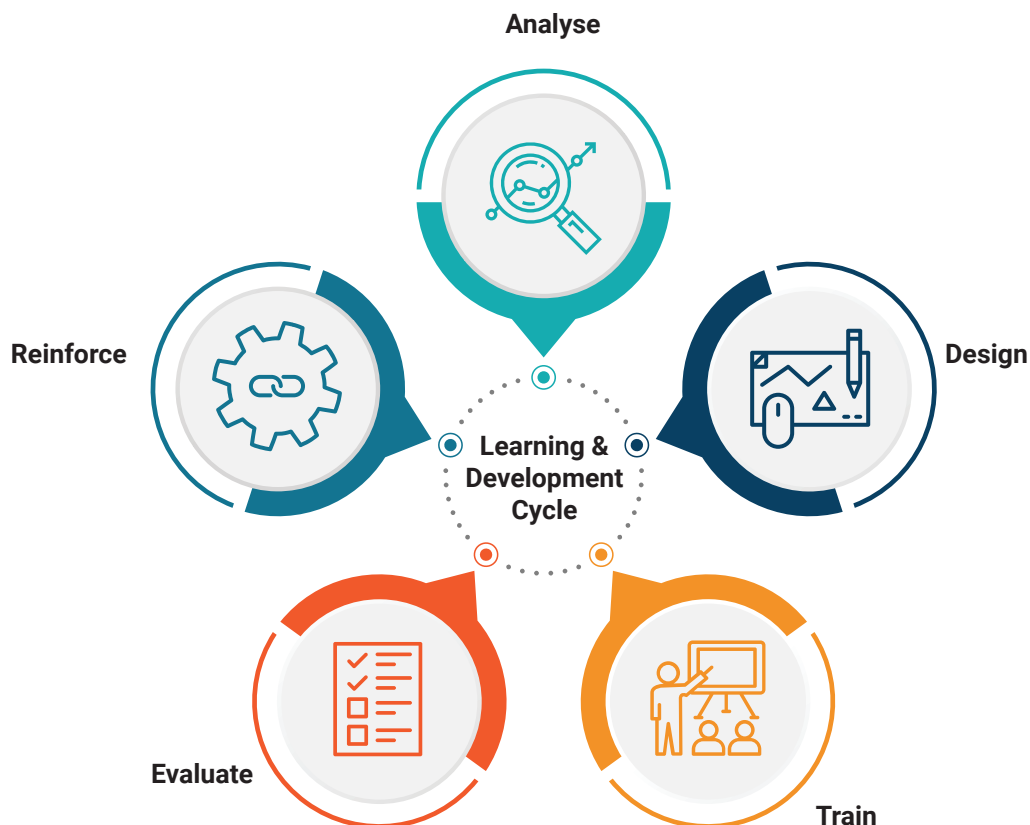
- 1. Functional Training** – These trainings intend to enhance technical knowledge and skill of an employee
- 2. Behavioral Training** – These trainings aim to improve soft skills such as communication, inter-personal skills, etc.

3. System Training – These trainings aim to communicate the process, procedures, documentations, and reports which the employees are expected to follow in order to be effective and efficient.

We have developed L&D policy that mandates a minimum of 1 man-day (8 hours) training for all employees across all job families. We follow L&D cycle comprising stages of 'Analyse', 'Design', 'Train', 'Evaluate', and 'Reinforce'.

This structured approach helps us in conducting training need assessment effectively and design and impart appropriate trainings.

We maintain 'Employee Training History Card' that is updated and maintained of reporting managers. Also, we have a well-defined RACI Matrix (Responsible, Accountable, Consulted, Informed), in which all training related activities are mapped against personnel identified to undertake respective activities.



We have defined L&D performance indicators such as 'planned vs. actual trainings', number of manhours, 'results of training effectiveness', and 'feedback and evaluation'. These performance indicators help us in evaluating our L&D efforts,

identify gaps, and take corrective actions. During the reporting period we conducted 689 training sessions and achieved 26.4 average manhours of training per employee.

Total no. of training	689
Total man-hours	69,339 hr
Average man-hours per employee	26.4 hr

Performance Management

Through performance management, we provide opportunities for the employees to improve their performance and effectiveness and plan their career development and growth. It aims to align people throughout the company by:

- Goal setting
- Performance dialogue
- Performance review



100%
of our
employees
receive performance
management reviews

The performance management system is formalized for all categories of employees. It is done at all our manufacturing of and non-manufacturing divisions including corporate office.

ENSURING TEAM SAFETY

Maintaining adequate standards of occupational health, safety, and well-being adds value to our company as it minimizes the risk of harm to both people and the environment and diminishes potential liabilities for the company. Processes regarding occupational safety are top priorities for us to ensure seamless manufacturing operations,

protect the health and safety of our employees, and meet legal requirements without jeopardizing the market reputation.

We have formulated a comprehensive Safety, Health and Environment Policy in accordance with our core values of Care, Integrity and Excellence. Our safety systems are part of our Operation pillar under AMS.

Our safety system



Process Management (PM)

- Conduct process safety risk studies for process units such as HAZID, HAZOP, HIRA, TSU, QRA
- Conduct process safety trainings for process design engineers to incorporate safety at the initial design concept



Process Initiatives Common (PIC)

- Complete electrical safety, complete fire protection, civil structure audit, internal transport safety, eliminate overflow, spillage through storage tank automation
- Eliminate chemical exposure, completion of HIRA, HAZOP, 100% compliance



Job Management (JM)

- Work Permit System: All our non-routine hazardous and non-hazardous activities are controlled and monitored by effective 'work permit system'. Work permits for various works is provided like hot work, work at height, confined space entry, digging and excavation, hazardous work, electrical isolation. Provision of work permit matrix and job safety analysis (JSA) system linked to work permit system
- Lockout/Tagout (LOTO): LOTO system is conducted for all types of maintenance activities ensuring electrical and mechanical isolation for any type of job



Management of change (MOC)

- Practice of MOC according to MOC guideline is followed for all types of changes including minor, major or any material change. All changes passes through a proper process of recording, reviewed and approval at different levels



Behaviour based safety (BBS)

- At AIL, we have implemented a Behaviour-Based Safety – Aarti Observation Programme (BBS-ASOP). Under BBS-ASOP, we have adopted the procedure of identifying and correcting unsafe behaviour while working in field.
- Safety pledge, safety contact and tool box talk: Safety pledge is taken at all our plants and offices every day by all employees during every shift. Safety contact or toolbox talk includes the process of sharing of learning of any past incidents by an employee after taking safety pledge everyday



Emergency response and control plan (ERCP)

- ERCP is specific to individual sites defining emergency scenarios and detailed mitigation plan
- Periodic mock drills and trainings is provided, and a well-defined manual call point system is in place for whole plant
- Fire Safety: Provision of fire protection systems such as fire hydrant system, fire suppression system, sprinkler system, fire detection systems and passive fire protection systems such as fire prevention through minimizing ignition sources, dyke walls, etc. Periodic training is provided to the team by well-trained firefighting team



Sustainability governance

- Well-defined apex level sustainability council is in place chaired by CMD which meets on monthly basis at site
- Monitored by well-structured governing system as per 'Umbrella Model' cascading from sustainability council to division sustainability meeting to plant level sustainability meeting
- For contractors, structured contractor safety meeting is in place



Asset Management (AM)

- Asset management includes asset design, selection, installation, maintenance and upkeep to ensure asset function as per intent, design and respond on demand. Mechanical integrity of asset is ensured by right design, right installation, right operations, and right maintenance including predictive, preventive maintenance



Operations management (OM)

- Operations management is highly focussed for people working at manufacturing facilities. A well-defined 'Shift Hand Over Take Over (HOTO)' system is in place, ensuring seamless communication among the departments
- Daily review and monitoring system for process deviation and advance job planning is in place to make AIL Best Place to Work



Factory Compliance

- At AIL, we believe in proactive compliance of all statutory and regulatory compliances. We have established compliance governing system, where compliance are being monitored at different levels and reviewed every month with company directors. In addition, we have a Compliance Management System (CMS) in place



Pre-startup safety review (PSSR)

- To ensure that plant, project or MOC is ready for safe startup, PSSR is conducted across AIL. It includes review of technical installations, environment conditions, fire-fighting preparedness, statutory compliance, procedures, training, etc.



Occupational Health

- All our employees are covered under pre-employment and periodic medical examinations
- Our occupational health center (OHC) at all divisions are operational round the clock and are capable of handling emergencies. These centres are managed by FMO's



General plant condition(GPC)

- Our plant and facilities undergoes regular monitoring with the help of checklist system through involvement of our shop floor employees



Internal Transport Safety

- Ensure safe transport system across all plants by ensuring safe speed limits, proper maintenance of vehicles, strictly following road traffic rules
- Safe movement of human traffic is ensured by dedicated pathways inside the plant



Operations Training (OT)

- All new employees are given mandatory safety induction training for 2 days and trade tests are being conducted for specific skill set. Also, classroom trainings and on-the-job training are provided to all employees
- We also conduct structured monthly discussions on 'Learning from Incidents' and its horizontal deployment
- BE SAFE Huddle: We conduct 15 minutes of daily knowledge sharing/ learning system which is attended by around 500 employees through video-conferencing facility
- Contractor's Safety Training: Mandatory SHE induction training, classroom training, on-job training, fire-fighting system training, usage of PPEs training for all contract workers

Safety training

At the plant level, we conduct various safety assessments such as HAZOP, HIRA, PSSR, MOC, general plant conditions assessment and job safety analysis. We impart mandatory safety trainings on behaviour-based safety, first aid application, safety inspections procedures, and defensive driving. In addition to this, we also conduct periodic mock drills to sensitize our employees and strengthen emergency preparedness. All our safe operating procedures, material safety data sheets, and local emergency plans are available in local language at the operating site.

Behaviour-Based Safety - Aarti Safety Observation Programme (BBS-ASOP)

We believe 90% of the incidents happen due to human behaviour. At Aarti, we have implemented a Behaviour-Based Safety - Aarti Safety Observation Programme (BBS-ASOP) program to enhance the safety in the company. Under the BBS-ASOP, we have adopted the procedure of identifying and correcting unsafe behaviour.

BBS program at ALL aims to:

- Identify (or target) behaviors that impact safety
- Define these behaviors precisely enough in order to measure them reliably
- Develop and implement mechanisms for measuring the behaviors to determine their current status and subsequently set reasonable goals
- Provide feedback
- Reinforce progress

Health and safety performance

During the reporting period, the man-hours worked across speciality chemical business segment amounted to 17,511,167 man-hours. Furthermore, we had lost time injury frequency rate (LTI-FR) of 1.10.

Our value-chain based approach to sustainability

SUPPLY CHAIN SUSTAINABILITY

Supply chain is one of the crucial determinants of the success of a business. A robust supply chain helps in reducing the cost of operations, ensures sustained supply of raw materials and consumables, and brings certainty in the business environment. Sustainable development needs collaborative efforts from all stakeholders. Any effort to achieve sustainability by an organization can does not

achieve the desirable results unless sustainability is incorporated in the operations of the suppliers of raw materials, other consumables, and equipment. A sustainable supply chain has potential to provide us a sustained competitive advantage. Recognizing this fact, we have resolved to inculcate principles of sustainability in our supply chain.

Our major raw materials are toluene, benzene, sulphate, nitric acid, methanol, etc. Majority of our raw materials fall in the category of commodities.





Effective supply chain management provides sustained competitive advantage. Due to nature of our business we engage with many suppliers of raw materials and equipment. Environmental, social, and governance risk free supply chain is prerequisite to make any supply chain robust and sustainable. Understanding the utmost importance of supply chain sustainability, we have resolved to engage with our suppliers and take value-chain based approach towards sustainability.”

Our major suppliers include reputed big corporates. Other consumables are procured from local traders. Majority of our supplies are sourced from India. Some of the supplies are sourced from China based manufacturers. Our supply-chain strategy focuses on import substitution through backward integration and increasing local suppliers. Our total cost of raw materials consumed during the reporting period was INR 25,385.20 million.

Chetan Gandhi
Chief Finance Officer



We have developed a sustainable procurement policy and are in process to incorporate requisite improvements in it in order to make it a strategic procurement policy covering environmental, social, and governance related issues. We have taken steps to give weightage to 'sustainability' performance in addition to cost, quality, and delivery in supplier selection criteria. Though, we did not conduct environmental and social assessment of any of our suppliers, we have designed a roadmap to conduct ESG assessment of our tier-1 suppliers of raw materials, consumables, and equipment in this financial year. Our Business Excellence team headed by personnel from senior leadership family, in coordination with sustainability team is responsible for bringing sustainability in supply chain.

CUSTOMER HEALTH AND SAFETY

Focus on customer health and safety is crucial for achieving sustainability throughout our value chain. To consolidate our position as the 'Global Partner of Choice to World's Leading Chemical Companies', we are committed to the highest level of health and safety standards for our customers. We subscribe to the best practices prescribed by European Union's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulations. Importance of customer health and safety from business and regulatory point of view makes it a material topic of high priority.

We strive to support our customers achieve sustainability through our innovative solutions in effective and efficient manner. We follow global standards of labelling practices and maintain Material Safety Data Sheet (MSDS) as per prevailing norms. During the reporting period, there were no cases of non-compliance concerning product and service information and labelling. Furthermore, we did not attract any complaint and monetary or non-monetary penalties during the reporting period.





Our responsibility towards society

**CSR Philosophy:
Together for Prosperity**

'Nearly 260 million people who are below the poverty line have to join mainstream of a good life.'

Late Dr. A.P.J. Abdul Kalam

EMPOWERING LOCAL COMMUNITIES THROUGH WELFARE INITIATIVES

Our CSR initiatives are based on the principle of inclusive economic growth and resonate with India's national development goals as well as the Sustainable Development Goals (SDGs) outlined in the United Nations 2030 Agenda for Sustainable Development. We engage in CSR activities through Aarti Foundation and the Dhanvallah Charitable Trust and





constantly interact with various NGOs to understand the most trivial issues faced by local communities. Through our CSR policy, we not only make monetary contributions towards CSR activities but also monitor the implementation at the grass-root level. Our detailed CSR policy is available at https://www.aartiindustries.com/media/investors/corporate_governance/1494923336_Corporate_Social_Responsibility_CSR_Policy.pdf.



AIL is committed to the principles of sustainable and harmonious development by ensuring the well-being of society and adding value to it. At AIL, we predominantly believe in cluster development through education, women empowerment, skill development, environmental care and healthcare of the society. We believe that community upliftment is not a matter of mandatory compliance but that of ethical and moral responsibility towards the society. We closely engage with partner NGOs to bring maximum impact to beneficiaries."

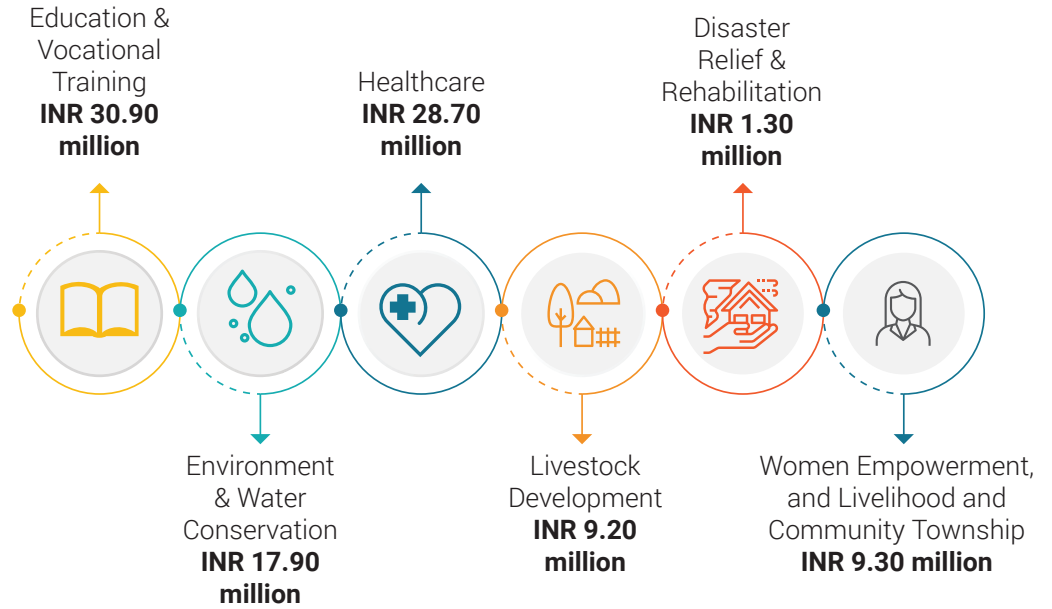
Hetal Gogri Gala
Whole-Time Director



Aarti Foundation CSR thematic areas



Total CSR Expenditure for FY 2018-19
INR 97.30 million



26,398
Beneficiaries



- Building schools for blind girls, Pune
- Ratanpur school
- Sneh constructions
- KVO Seva Samaj and Pragati foundation

Education

366,825
Beneficiaries



- Monetary contribution to Subh Aarogyam, home healthcare segment company
- Donation to Haria Rotary Hospital, Vapi
- Shrimant Fatehsinhrao Gaekwad Hospital, Vatrak
- JITO Hospital

Healthcare

62,750
Beneficiaries



- Vapi Horticulture - At forefront of developing and maintaining green spaces in Vapi
- Shivgganga Samagra Gramvikas Parishad

Environment

4,215
Beneficiaries



- Vichitra Samuday Samarthan Manch (VSSM)

Rural Development

5,720
Beneficiaries



- Women empowerment
- Livelihood opportunities

Skill Development

180,000
Beneficiaries



- Flood relief
- Akhil Bharat Ktishi Goseva Sangh

Disaster Relief

All's CSR initiatives for FY 2018-19

Cluster & Rural Development

Our organization has been actively contributing to rural development by adopting villages in Gujarat, Madhya Pradesh and Maharashtra in partnership with local NGOs. Furthermore, we have supported various projects on housing, sanitation, and educational infrastructure.

Rehabilitating nomadic tribes

In association with Vicharta Samuday Samarthan Manch (VSSM), we are helping the nomadic and de-notified tribes attain identity

and live a dignified life. We are building hostels across various districts in Gujarat for the children of these communities to strengthen the culture of education, health, hygiene, nutrition, and self-discipline.

We are providing rehabilitation and interest-free loans to the nomadic community named Saraniya belonging to Vadia village. Several houses have been built to provide shelter to the families of nomadic communities.



Education & Skill Development

Quality education helps in boosting economic growth through skill enhancement and improves people's lives by opening opportunities for better livelihoods. We have supported various organizations in providing quality education to children from underprivileged communities. Moreover, our initiatives are aimed at developing and strengthening education infrastructure.

Providing free education at Ratanpar School

This school is located in the desert village of Ratanpar, Gujarat, which is solely run by Aarti Foundation. It is a Gujarati medium school providing free primary and secondary education to students from bordering villages. 212 students from more than 11 villages are provided with multiple free facilities like education, stationery, uniforms, and boarding.

Developing education infrastructure

Over the years, AIL has remarkably contributed to various schools in the states of Gujarat and Maharashtra for infrastructural development. Aarti foundation have recently funded the construction of Salwad Zila Parishad school, Kosbad Girl school, Seva Ashram school in Boisar and new school in Avadhani village of Palghar district of Maharashtra.

Providing scholarships for higher education

Education is one of the utmost important activity we focus upon from all our CSR thematic areas. We believe that for a strong foundation of an individual, right education is plays a vital role. Under this initiative, students of economically backward background are provided scholarships to help them pursue their higher education. We also help these students in choosing correct career path by providing counselling sessions. These scholarships are provided for various vocational courses and higher education studies.



Child and Healthcare Facilities

AIL supports multiple projects and programs to provide adequate healthcare facilities in Gujarat, Bihar and Madhya Pradesh. These services extend from small dispensaries to specialty hospitals. We are in the process of establishing more centers in rural and urban areas of India and provide medicines free of cost or at nominal charges. Also, we set up health camps health check-ups, blood donation, and guidance on regular basis.

Shrimant Fatehsinhrao Gaekwad Hospital, Vatrak

Since 2007, AIL is interconnected with Shrimant Fatehsinhrao Gaekwad Hospital, Vatrak. Over the years, Aarti Foundation has aided in providing assistance to hospitals making it operational with 312 beds and a fully equipped ICU center. Additionally, the operation theatre of the hospital has also been upgraded. The hospital also has installed various CCTV cameras for constant surveillance across the

hospital. The hospital hosts a nursing school which trains the local tribal girls. It is amongst the top three nursing schools in the region.

Developing of health infrastructure

Shree Mahavir Jain Hospital or JITO Educational and Medical Trust are being currently set up in Thane aided by AIL. The facility aims to develop a full-fledged diagnostic center, blood bank, dental department, nephrology center, ENT department, and physiotherapy.

Subh Aarogyam (Matruvandana)

Subh Aarogyam, a company in the home healthcare sector, was formed with a vision to provide end-to-end medical service at patients' doorstep. AIL has contributed extensively towards achieving the goal of Subh Aarogyam in establishing an old-age care center as well as initiating a paramedical training at Matruvandana Trust.

CASE STUDY: THE CHANGING FACE OF EDUCATION IN RURAL KUTCH

HISTORY:

Tulsi Vidya Mandir was set up in interior village named Nana Bhadia of the Kutch district. Considering the fact that there were no schools and educational facilities in the village and nearby areas, AIL Foundation decided to set up infrastructure for secondary and higher secondary schools starting with 57 students and a single class, it now educates 496 students studying in classes 9th to 12th.

CHALLENGES:

AIL dealt with major challenges such as lack of existing infrastructure, well qualified staff and acceptability by adopting systematic approach comprising hiring of well qualified teachers, building school infrastructure, and conducting awareness programs within community.

ACHIEVEMENTS:

Since its inception Tulsi Vidya Mandir has provided a platform to groom their personalities and explore various career options including sports, armed forces and professional services. We consistently achieved excellent pass percentage in secondary and higher secondary board examinations.

Disaster Relief & Rehabilitation

Over the years, we have significantly contributed to various disaster management activities.

Flood Relief in Kerala

AIL has helped in rehabilitating the disrupted areas by providing shelter, food and other amenities. The destructive floods in Kerala created havoc in the state. We provided immediate assistance by teaming up with

local NGOs Vanvasi Seva Rural and Kutch Nav Nirman Abhiyan and provided food, clothing, and utensils to the affected people. Contributions were made for reconstruction of houses that were damaged during the floods.

Akhil Bharat Ktishi Goseva Sangh

AIL has donated an amount of INR 4.77 million for cattle feeding centers at various locations in the drought-hit regions of Malegaon and Kutch.



Water Conservation & Environment

Shivganga Samagra Gramvikas Parishad

Shivganga inspires people to volunteer for the conservation of the environment, especially of water. Mutual efforts and work by AIL and Shivganga Parishad have resulted in the creation of 10 ponds and other water bodies in 2017. This helped alter the lives many people. We have tied up with various volunteers in building dams and in conducting afforestation drives.

Vapi horticulture

We have always been considerate and sensitive towards environment and our surroundings. We are spearheaded towards developing and maintaining green spaces at Vapi. It also has specific jogging tracks, benches for senior citizens, water fountains and other related amenities. In addition, it encompasses a dedicated garden in memory of Capt. Prem Kumar Patil of 36 Rashtriya Rifles







Appendices

GRI CONTENT INDEX

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
GRI 102: General Disclosures 2016				
GRI 102: Organizational Profile	102-1	Name of the organization	Back cover	
	102-2	Activities, brands, products, and services	09	
	102-3	Location of headquarters	01	
	102-4	Location of operations	08	
	102-5	Ownership and legal form	07	
	102-6	Markets served	07	
	102-7	Scale of the organization	07, 09, 10, 29, 40	No significant changes in our organization during reporting period
	102-8	Information on employees and other workers	40, 41	
	102-9	Supply chain	47, 48	
	102-10	Significant changes to the organization and its supply chain	NA	
	102-11	Precautionary principle or approach	26	
	102-12	External initiatives	10,11	
	102-13	Membership of associations	12	
GRI 102: Strategy	102-14	Statement from senior decision-maker	iv, v	
GRI 102: Ethics & Integrity	102-16	Values, principles, standards, and norms of behaviour	05, 06	
GRI 102: Governance	102-18	Governance structure	24,25	
	102-22	Composition of the highest governance body and its committees	24	
	102-32	Highest governance body's role in sustainability reporting	25	
GRI 102: Stakeholder Engagement	102-40	List of stakeholder groups	16, 17	

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
GRI 102: Reporting Practice	102-41	Collective bargaining agreements	NA	At our operational locations employees have not constituted unions
	102-42	Identifying and selecting stakeholders	15	
	102-43	Approach to stakeholder engagement	17,18	
	102-44	Key topics and concerns raised	17, 18	
	102-45	Entities included in the consolidated financial statements	28	
	102-46	Defining report content and topic Boundaries	About the report, 18	
	102-47	List of material topics	19, 20	
	102-48	Restatements of information	NA	This is our first sustainability report
	102-49	Changes in reporting	NA	This is our first sustainability report
	102-50	Reporting period	About the report	
	102-51	Date of most recent report	NA	This is our first sustainability report
	102-52	Reporting cycle	About the report	
	102-53	Contact point for questions regarding the report	About the report	
	102-54	Claims of reporting in accordance with the GRI Standards	About the report	
	102-55	GRI content index	59 to 63	
	102-56	External assurance	65, 66	
Topic Specific Standard: Economic				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	27	
	103-2	The management approach and its components	27	
	103-3	Evaluation of the management approach	27	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	29	
	201-3	Defined benefit plan obligations and other retirement plans	30	
	201-4	Financial assistance received from government	30	

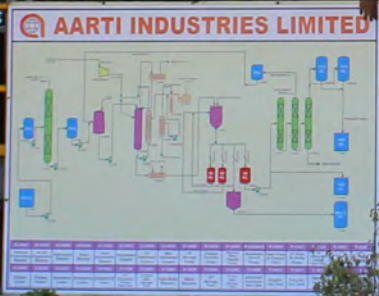
GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
Topic Specific Standard: Environment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	36	
	103-2	The management approach and its components	36	
	103-3	Evaluation of the management approach	36	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	36	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	31, 32	
	103-2	The management approach and its components	31, 32	
	103-3	Evaluation of the management approach	31, 32	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	33	
	302-3	Energy intensity	33	
	302-4	Reduction of energy consumption	33	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	34	
	103-2	The management approach and its components	34	
	103-3	Evaluation of the management approach	34	
GRI 303: Water and Effluents 2016	303-1	Water withdrawal by source	34	
	303-2	Water sources significantly affected by withdrawal of water	34	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	33	
	103-2	The management approach and its components	33	
	103-3	Evaluation of the management approach	33	
GRI 305: GHG Emissions 2016	305-1	Direct (Scope 1) GHG emissions	33	
	305-2	Energy indirect (Scope 2) GHG emissions	33	
	305-4	GHG emissions intensity	34	
	305-5	Reduction of GHG emissions	34	
	305-6	Emissions of ozone-depleting substances (ODS)	34	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	34, 35	
	103-2	The management approach and its components	34, 35	
	103-3	Evaluation of the management approach	34, 35	

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
GRI 306: Effluents & Waste 2016	306-2	Waste by type and disposal method	35	
	306-3	Significant spills	34	
	306-5	Water bodies affected by water discharges and/or run-off	34	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	25, 31	
	103-2	The management approach and its components	25, 31	
	103-3	Evaluation of the management approach	25, 31	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	31	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	47 to 49	
	103-2	The management approach and its components	47 to 49	
	103-3	Evaluation of the management approach	47 to 49	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	NA	We have developed a sustainable procurement policy and suppliers will be screened for environmental impacts
Topic Specific Standard: Social				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	37, 39	
	103-2	The management approach and its components	37, 39	
	103-3	Evaluation of the management approach	37, 39	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	40, 41	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	43 to 46	
	103-2	The management approach and its components	43 to 46	
	103-3	Evaluation of the management approach	43 to 46	
GRI 403: Occupational Health & Safety 2016	403-2	Types of injury, and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	46	

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	41, 42	
	103-2	The management approach and its components	41, 42	
	103-3	Evaluation of the management approach	41, 42	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	43	
	404-2	Programs for upgrading employee skills and transition assistance programs	42	
	404-3	Percentage of employees receiving regular performance and career development reviews	43	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	51, 52	
	103-2	The management approach and its components	51, 52	
	103-3	Evaluation of the management approach	51, 52	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	53 to 56	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	47 to 49	
	103-2	The management approach and its components	47 to 49	
	103-3	Evaluation of the management approach	47 to 49	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	49	
	103-2	The management approach and its components	49	
	103-3	Evaluation of the management approach	49	
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	49	

MEA PLANT

IT'S MY PLANT
I WILL KEEP IT CLEAN



RESTRICTED AREA
CELL PHONE USAGE IS PROHIBITED

P-1008
CATALYST REACTOR TRANSFER



ASSURANCE STATEMENT

The Board of Directors and Management

Aarti Industries Limited

71, Udyog Kshetra, 2nd Floor

Mulund, Goregaon Link Road, Mulund (W)

Mumbai – 400080

Introduction and objective of engagement

Thinkthrough Consulting Pvt. Ltd. (TTC) was engaged by Aarti Industries Limited ('AIL' or the 'Company') to provide an independent assurance to its Sustainability Report (the 'Report') for the financial year 2018-19. The Report has been developed by AIL based on Global Reporting Initiative (GRI) Standards (2016) as per 'in accordance – core' requirements of the GRI Standards.

Respective responsibilities

The Report content and its presentation are the sole responsibility of the management of AIL. The Company management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement.

TTC's responsibility, as agreed upon with the management of AIL, is to provide assurance on the Report content as described in the 'Assurance Scope' below. We do not accept or assume any responsibility for any other purpose or to any other person or organisation; any reliance a third party may place on the Report for any decision making, will be entirely at its own responsibility.

Assurance scope

The Report of AIL covers sustainability performance disclosures as per the GRI Standards for their plant facilities listed below, for the period 1st April 2018 to 31st March 2019:

- Speciality Chemical Business Segment in India comprising 5 operational locations: Vapi (Acid, Alchemie, Amine and Organic), Tarapur-II, Jhagadia (Unit-1, Unit-2), Kutch, and Dahej

Our scope of assurance covers the sustainability performance data and information, based on Company's management approach of material issues as per GRI Standards.

Assurance criteria

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (2008) Type 2 assurance¹. We applied a moderate² level of assurance.

Limitations and exclusions

We conducted our review to express a moderate assurance conclusion. A moderate level assurance engagement relies on a risk based chosen sample of the selected information and the associated limitations that this entails. Our review was limited to two sample sites visited by us as stated in 'Summary of our key assurance procedures'.

Following are specifically excluded from our assurance scope:

- AIL's disclosures on financial performance and information restated from Company's FY 2018-19 Annual Report;
- Aspects of the Report and operational boundary other than those mentioned in 'Assurance Scope';
- The Company's statements those describe expression of opinion, belief, aspiration, expectation, aim or future intention;
- Data and information outside the defined reporting period, i.e., 1st April 2018 to 31st March 2019.

Summary of our key assurance procedures

Our assurance processes involved performing procedures to obtain evidence, on sample basis, about the reliability of specified performance information. The nature, timing and extent of procedures selected were based on our professional judgement, including the assessment of the risks of material misstatement of the performance indicators; the steps are outlined as follows:

¹ Type 2 Assurance: An engagement in which the assurance provider gives findings and conclusions on the principles of Inclusivity, Materiality, and Responsiveness; and verifies the reliability of specified sustainability performance information through explicit management assertions and review of completeness and accuracy as per AA1000AS (2008) Standard.

² A moderate level of assurance as per AA1000 (2008) Standard is commensurate with "limited" assurance as defined in the International Standard on Assurance Engagements 3000 (Revised) – Effective for assurance engagement dated on or after December 15, 2015.

- Assessment of AIL's reporting procedures for sustainability reporting regarding their consistency with the reporting criteria;
- Verification of systems and procedures used for quantification, collation, and analysis of sustainability performance data that are included in the Report;
- Understanding the appropriateness of various assumptions, estimations and thresholds used by AIL for data analysis;
- Discussions with the key personnel responsible for data compilation;
- Verification of sustainability performance data, on sample basis, at Mumbai Corporate Office, and through site visits undertaken at 2 operational locations (out of 5 covered in the Report), namely: (i) Vapi, Gujarat under Zone-1; (ii) Jhagadia, Gujarat under Zone-2.

Appropriate documentary evidences were obtained to support our conclusions on the information and data verified. Where such documentary evidence could not be retained by us on account of confidentiality or other reason, we recorded our observations appropriately after review of such evidence.

Our conclusions

Based on our 'Assurance Scope', our conclusions are outlined below:

- **Inclusiveness:** We are not aware of any matter that would lead us to conclude that the Company has not applied the principle of inclusivity in engaging with key stakeholder groups. The Company transparently disclosed its stakeholder engagement approach and activities in the Report. The Company's engagement with some key stakeholder groups, such as local communities, suppliers, etc., and efforts to address their concerns were evidenced during our review.
- **Materiality:** Nothing has come to our attention that causes us to believe that any material issue has been excluded from the Report. The Company has mapped its material issues in a materiality matrix, which is disclosed in the Report.
- **Responsiveness:** We are not aware of any matter that would lead us to believe that the Company has not applied the responsiveness principle for dealing with stakeholders (such as customers, suppliers, and local communities) on material aspects covering its sustainability performance.
- **Reliability of sustainability performance information:** We reviewed the accuracy and completeness of sustainability information in the Report. Nothing has come to our attention that causes us not to believe that the data has been presented fairly, in material respects, in keeping with the GRI Standards and the Company's reporting principles and criteria.

Our observations

Without qualifying our 'Conclusions' above, we draw attention to the following points:

- It is noteworthy that AIL has aligned and reported its sustainability performance as per the GRI Standards;
- During our review, we observed a few instances of data collection or compilation mismatch, which were subsequently corrected in the final Report. While we noted that the Company has a reasonably defined sustainability data management process, going forward, the Company may consider further strengthening the same, specifically related to adoption of uniform standard operating procedures, and formalisation of internal validation and authentication protocols.

Our assurance and independence

TTC is a professional services firm that specialises in accountability on sustainability issues. The assurance was performed by our multi-disciplinary competent team of experts in non-financial assurance, specifically AA1000 Assurance Standard, who have extensive experience in conducting independent assurances of environmental, GHG, health, safety, social, economic, and ethical data, systems, and processes. We have implemented measures to ensure that we follow the applicable independence procedures.

For Thinkthrough Consulting Pvt. Ltd.

Dipankar Ghosh,
Partner, New Delhi
11th September 2019



AA1000
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000-223

ACRONYMS

AIL	Aarti Industries Limited
AMS	Aarti Management System
API	Active Pharmaceutical Ingredient
BBS	Behaviour Based Safety
BBS-ASOP	Behaviour-Based Safety – Aarti Safety Observation Programme
BE SAFE	By Employees Sustainability Assurance for Employees
BSE	Bombay Stock Exchange
CAPA	Control Actions and Preventive Actions
CETP	Common Effluent Treatment Plant
CMS	Compliance Management System
CSR	Corporate Social Responsibility
DMS	Di-methylsulphate
EMS	Energy Management System
ERCPC	Emergency Response and Control Plan
ESG	Environmental, Social and Governance
ETP	Effluent Treatment
FAB	Financial Analyst and Bankers
GRI	Global Reporting Initiative
HOTO	Hand Over and Take Over
IChE	Indian Institute of Chemical Engineering
ILO-OSH	International Labour Organization – Occupational Safety and Health
IPO	Initial Public Offering
ISO	International Organization for Standardization
L&D	Learning and Development
LOTO	Lock Out Tag Out
LTI-FR	Lost Time Injury – Frequency Rate
MOC	Management of Change
NCB	Nitrochlorobenzene
NSE	National Stock Exchange
ODS	Ozone Depleting Substances
OHSAS	Occupational Health and Safety Assessment Series
R&D	Research and Development
RACI	Responsible, Accountable, Consulted, Informed
RO	Reverse Osmosis
SBT	Soil Bio-Technology
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
TfS	Together for Sustainability
TPA	Tons per annum
TSDf	Treatment, Storage, Disposal Facility
USFDA	United States Food and Drug Administration
VUCA	Volatile, Uncertain, Complex, and Ambiguous
Y-o-Y	Year-on-Year
ZLD	Zero Liquid Discharge



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