

RESPONSIBLE WORKFORCE RESPONSIBLE CHEMISTRY

SUSTAINABILITY
REPORT 2019-20



ABOUT THE REPORT

GRI 102-1, 102-46, 102-49, 102-50 | This is the second sustainability report of Aarti Industries Limited (AIL) which provides information and sustainability performance data of its operations for FY 2019-20. It is prepared in accordance with GRI Standards, 2016: 'Core Option' for the reporting period 1st April 2019 to 31st March 2020. The scope and boundary of the report includes all activities of **AIL's speciality chemical business segment** in India which comprises manufacturing facilities located across 5 operational sites – Vapi, Tarapur, Jhagadia, Kutch and Dahej. Boundary of this year's report has been expanded to include two divisions (Apple and Nascent) as compared to that of the previous year. Through this report, we intend to inform our stakeholders of our approach, performance, and aspirations towards sustainable growth and inclusive development. The content of this report is focused on material topics that have been identified through a 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 2019-20 has been externally assured by Thinkthrough Consulting Pvt. Ltd. (TTC), New Delhi, in accordance with the 'Type-2 Moderate Level' of the AA1000 Assurance Standard (2008).

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

OUR RECIPE OF SUCCESS: RESPONSIBLE WORKFORCE, RESPONSIBLE CHEMISTRY

Starting as a start-up venture, we have scaled several milestones to become one of the leading players in the Benzene and Toluene based specialty chemical sector. Today, we are one of the most trusted and reliable suppliers of chemical intermediaries to the leading manufacturers of pharma, agrochemical, pigment, polymers, and other specialty chemicals.

We owe our success to a committed and Responsible Workforce, and adoption of Responsible Chemistry as a strategy. Our approach of process safety, environmental stewardship, employee welfare, and customer centricity has helped us in developing differentiated business strategies to attain sustained competitive advantage. We have state-of-art R&D facilities which are engaged in development of newer and niche value-added products through process innovative chemistries. Additionally, we focus on improving product quality and process yields of existing product lines that enables forward integration to manufacture downstream products.

Our passion towards responsible chemistry, safe and sustainable operations, and quality deliverables have not only enabled us in attaining business success but also creating our brand value and goodwill. These factors have helped us in developing and consolidating reliable markets for our products.

Finally, our value-based approach within the framework of core values of **'CARE'**, **'INTEGRITY'**, and **'EXCELLENCE'** have guided us in our endeavour to achieve our vision of 'to become global partner of choice to leading specialty chemical manufacturers' and live up to our purpose of **'Right Chemistry For Brighter Tomorrow'**. We care for and value our committed workforce which is one of the most important differentiating factors providing us a competitive advantage. We invest in our workforce through a structured capacity building programme directed at professional, psychological, and social developments which enhances productivity by inculcating motivation and organizational citizenships. We shall continue to conduct our business ethically, responsibly, and reliably to ensure a safe and sustainable future.

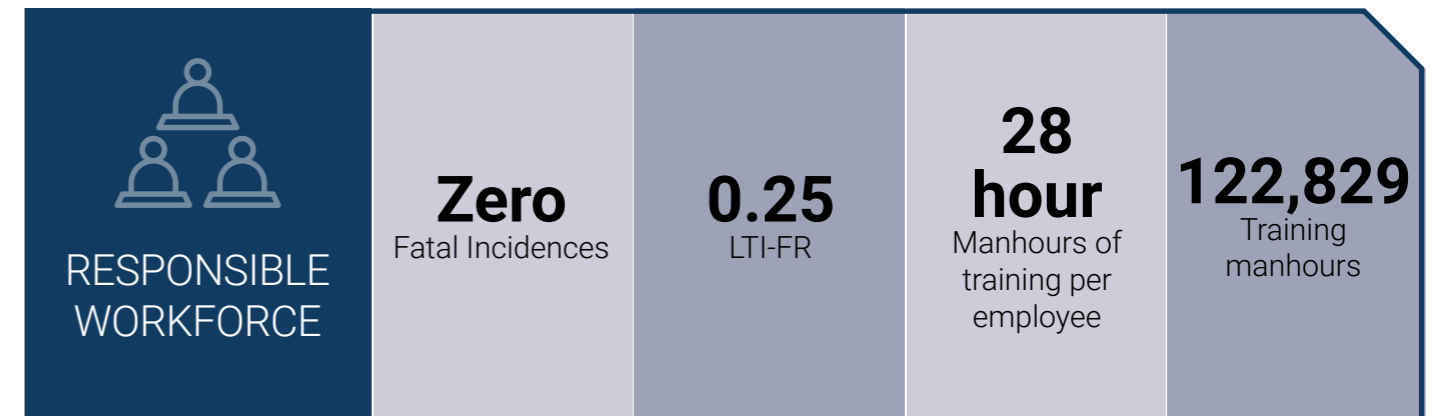
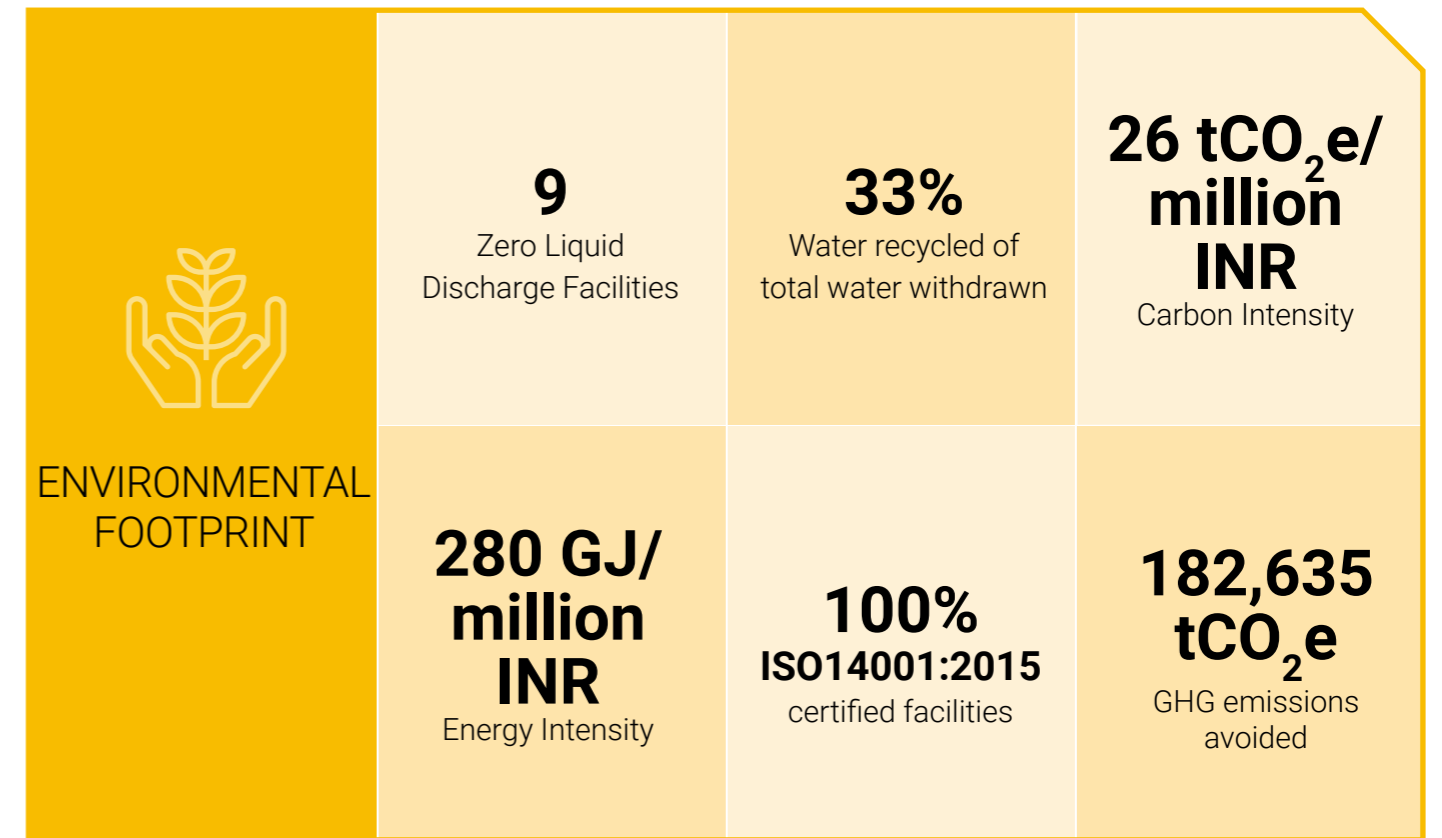
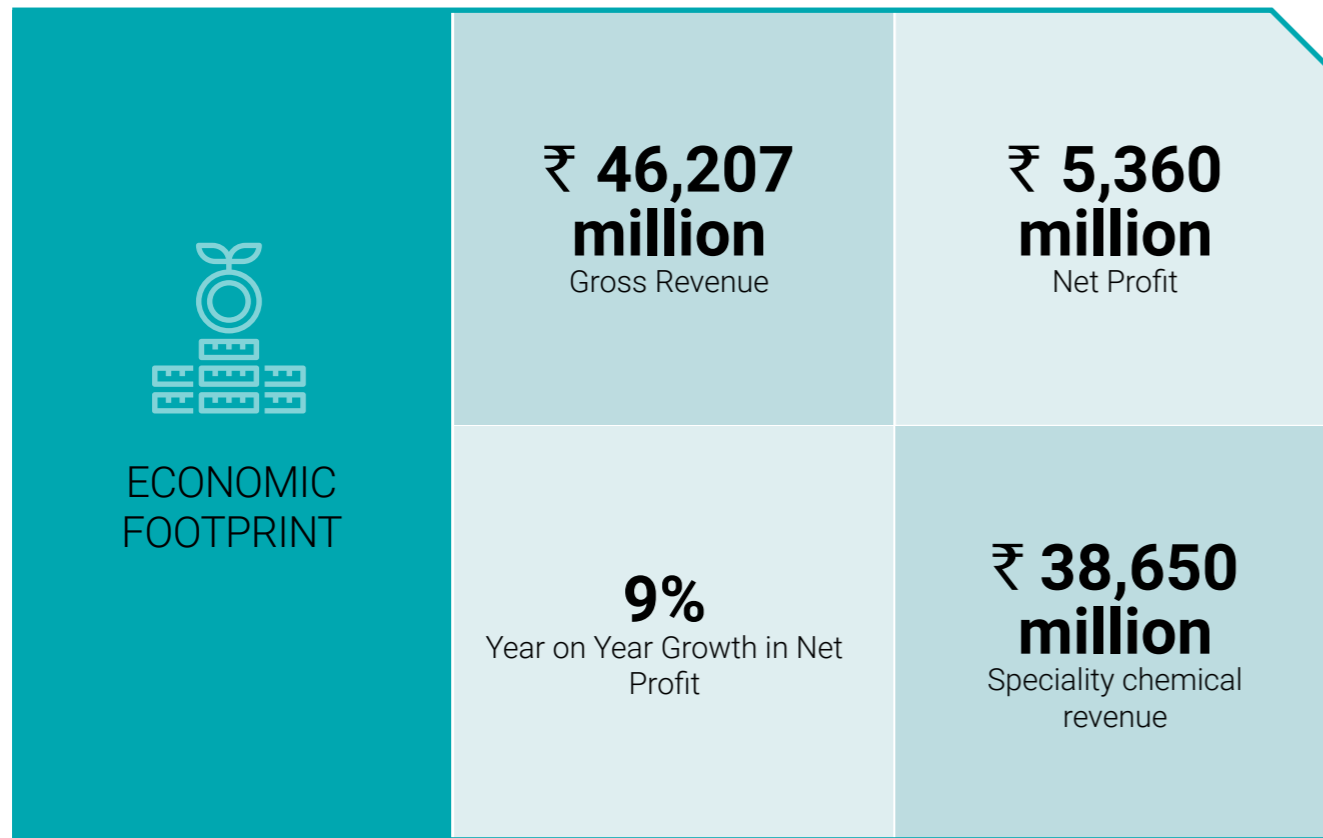


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AIL AT A GLANCE

PERFORMANCE HIGHLIGHTS OF FY 2019-20



FOREWORD FROM CHAIRMAN AND MANAGING DIRECTOR

'BE SAFE' Stakeholders

GRI 102-14 | Last few months have been testing times for everyone due to a public health emergency caused by the novel COVID-19 pandemic. The global community is trying to tackle this issue through a multi-pronged strategy comprising health care, governance, economic, and diplomatic interventions. On behalf of the AIL family, I extend my sincerest gratitude to all professionals who are engaged at the front lines in the fight against this pandemic. We, at Aarti industries, are committed to 'Care' for our People, Environment, Society, and Country. We have resolved to contribute to the best of our abilities towards unified fight against this pandemic with greater vigour and intensity and emerge-out stronger exhibiting our resilience and persistence. Despite challenges due to nation-wide lockdown, logistics disruptions, restrictions on people movement, we continued to supply our materials, which are the key ingredients for end user applications such as Agrochemicals, Pharmaceuticals, FMCG, and other essential items. We shall overcome this crisis very soon and rebound with even greater vigour in post-COVID new era with continual focus on sustainable development.

I take this opportunity to present the 2nd sustainability report of AIL developed on the theme of Responsible Workforce, Responsible Chemistry outlining our core values, describing our purpose and establishing strategic priorities. This report highlights our performance within the framework of People,

Planet and Profit and outlines our initiatives towards responsible conduct of business for a safe and sustainable future. The strategies and interventions mentioned in this report are a reflection of few of the driving forces to reiterate continued focus on sustainability and responsibility in our organisation.

At AIL, we strive to create value for all our stakeholders. In this endeavour, our workforce drives the responsible value creation. Our actions are guided by our purpose of 'Right Chemistry for Brighter Tomorrow' under the ethical framework of our core values of 'Care, Integrity and Excellence'. During the FY 2019-20, we launched BE SAFE (By Employees Sustainability Assurance for Employees) a mega initiative with an objective of 'Assurance on Complete Health Check of all Plants'. Also, we conceptualized and designed improvement initiatives across organisations by adopting problem solving approaches to improve environmental and safety performance. As an impact of these initiatives, I am happy to share that we achieved an LTIFR of 0.25 during FY 2019-20 which is step closer with our aspirations to become a world class company.

During FY 2019-20, we expanded our workforce by adding more than 1,590 talented and competent professionals. We are a listening organisation, with focus to develop people from within, and aspire to be a net exporter of talent to the chemical industry. To help our employees update their knowledge and

skills, we have provided approximately 122,829 man-hours of training which translates into an average of 28 hours of training per person. We are committed towards the overall well-being of our workforce. In this pursuit, we have launched Nirvana, our flagship employee well-being programme which focuses not only on physical well-being but also caters to emotional and psychological wellbeing through an employee assistance program named as Anahata. During the pandemic we took the Organization Development initiative to harness the extraordinary potential of our people, where we conducted 12 Organization Development interventions covering more than 400 employees.

As a responsible organization, we are committed to protect and prevent the environment. Our R&D team has strived to increase efficiency of our manufacturing operations through process re-engineering. We have specially focused on health and safety assessments to improve the effectiveness of health and safety systems. Our value-chain based strategic approach has helped us in reducing waste and improving material efficiency by converting byproducts into marketable products. During FY 2019-20, we commissioned two manufacturing units at Dahej, Gujarat, both are zero-liquid discharge (ZLD) facilities. Now, 14 out of 17 manufacturing units have ZLD facilities.

The global economy is passing through a difficult phase. During FY 2019-20, global GDP grew at less than 3% and is expected to fall into recession during 2020-21 due to disruptions caused by COVID-19 pandemic. Based on our business resilience, we have weathered the crisis strongly. During FY 2019-20 our gross revenue from operations dipped by 3% on a Y-o-Y basis largely owing to decreased demand globally. However, due to our operational efficiency and stewardship our net profits increased by around 9%. We are expecting a rapid recovery in demand and robust economic performance, which will help us to achieve 15-20% CAGR in our profits over the next 4 yrs.

As a responsible organization, we have always been committed to shoulder our social responsibilities. Major focus areas of our CSR activities are community empowerment, education, healthcare, environment management, and disaster relief. Our NGO partners have adopted innovative approaches to maximize impacts of our CSR activities and create positive value for the local communities. I am proud to share that all of us, employees, directors and promoters, have come together to support the fight against COVID-19, and we contributed INR 176 million to the PM Cares fund, State relief funds and various NGOs. Also we worked with an NGO to create covid care centre with 50 beds in Vapi, Gujarat (India).

The year 2019-20 is a strong reminder that the health of individuals is of utmost importance for organizations and nations. This has strengthened our commitment to operate responsibly. We shall continue to keep health of our people and planet at core of our decision making, to bring sustainable growth for organization and nation.

Sincerely
Rajendra V Gogri



CHAPTER 1

ORGANIZATIONAL PROFILE



We are a value-based organization. Since our inception, we have enjoyed a rapid growth trajectory and have become 'Global Partner of Choice' for the globally leading manufacturers of specialty chemicals. Such a high and consistent growth has been made possible because of our core values of 'Care', 'Integrity', and 'Excellence'. Our purpose of 'Right Chemistry for Brighter Tomorrow' has acted as the guiding force for our strategic initiatives and business conduct. Our success story has been scripted by our committed and responsible workforce which has relentlessly and untiringly endeavored to realize the vision and mission of the organization.

Value-chain based vertical integration is our core business strategy. We have specialized in Benzene and Toluene based products. We manufacture over 200 products which are sold to over 1000 customers in India and globally. We have registered our presence in Asia, the Far East, Europe, and North America. Today we are a trusted supplier to the leading chemical industry clients. We shall endeavor to further our global footprint to consolidate our position as the leading player in the specialty chemical segment.



RASHESH GOGRI
VICE CHAIRMAN AND MANAGING DIRECTOR



Aarti Industries Limited (AIL) is a highly integrated and leading specialty chemical and pharmaceutical intermediary manufacturer. We are headquartered in Mumbai and have manufacturing units in Gujarat and Maharashtra. Chemicals and Pharmaceuticals

are our two business segments. This report contains information and disclosures pertaining to the Chemical business segment except for the economic data.

Our Philosophy



Keep your values positive because your values become your destiny.

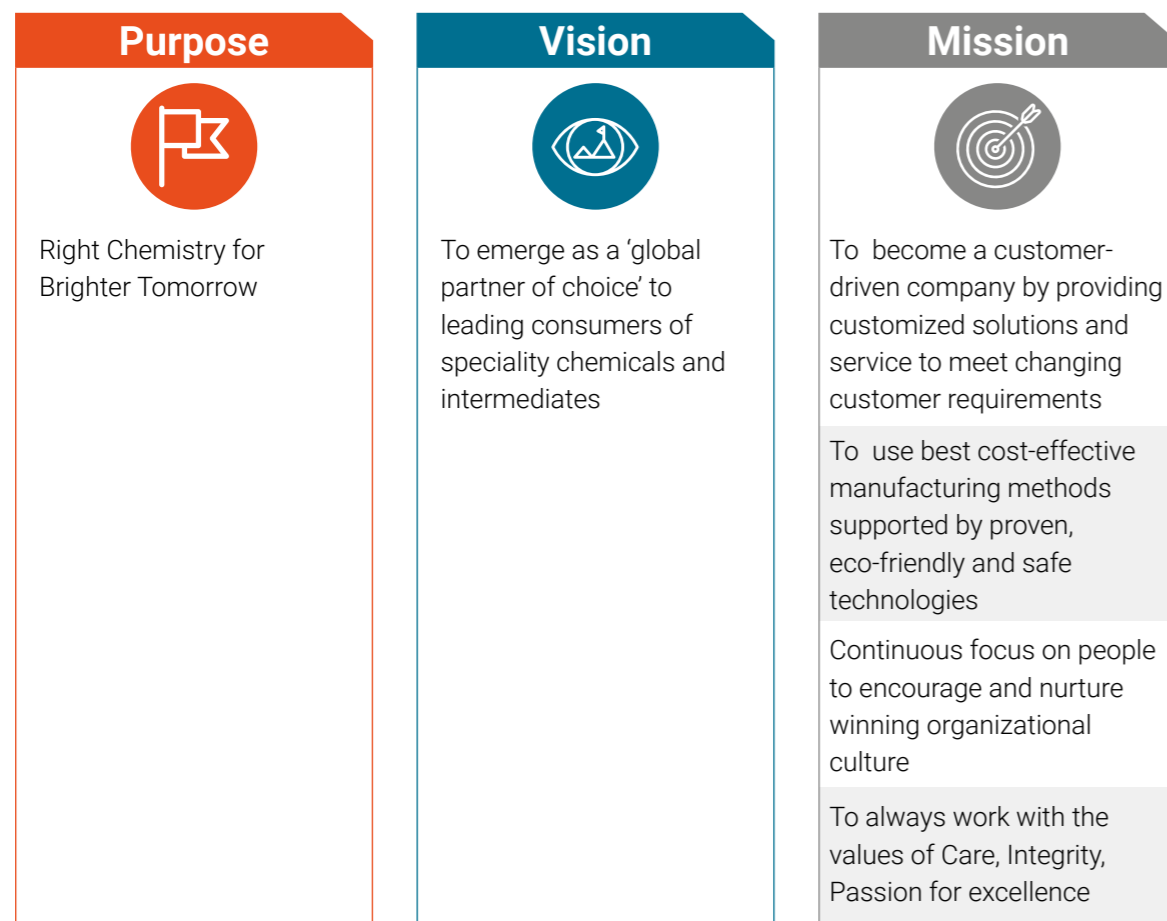
MAHATMA GANDHI



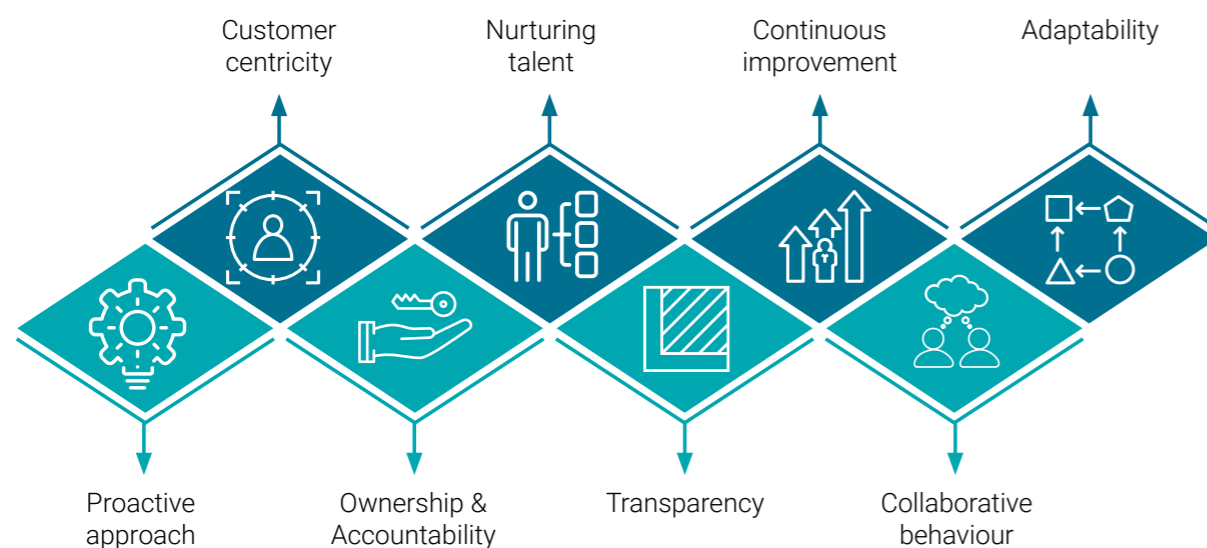
GRI 102-16 | Guided by the deep philosophical virtues of our founders, we have nurtured right values in our organization to enable ourselves to adhere to the highest standards of ethical business conduct. Our vision, mission, and values are driven by our purpose of 'Right Chemistry for Brighter Tomorrow'. We define 'Right Chemistry'

as an endeavor to achieve excellence in process chemistry competence (recipe focus) and scale-up engineering competence (asset utilization) that ensures safety, sustainability, and security, and enables us to fulfill clients expectations by delivering quality products.





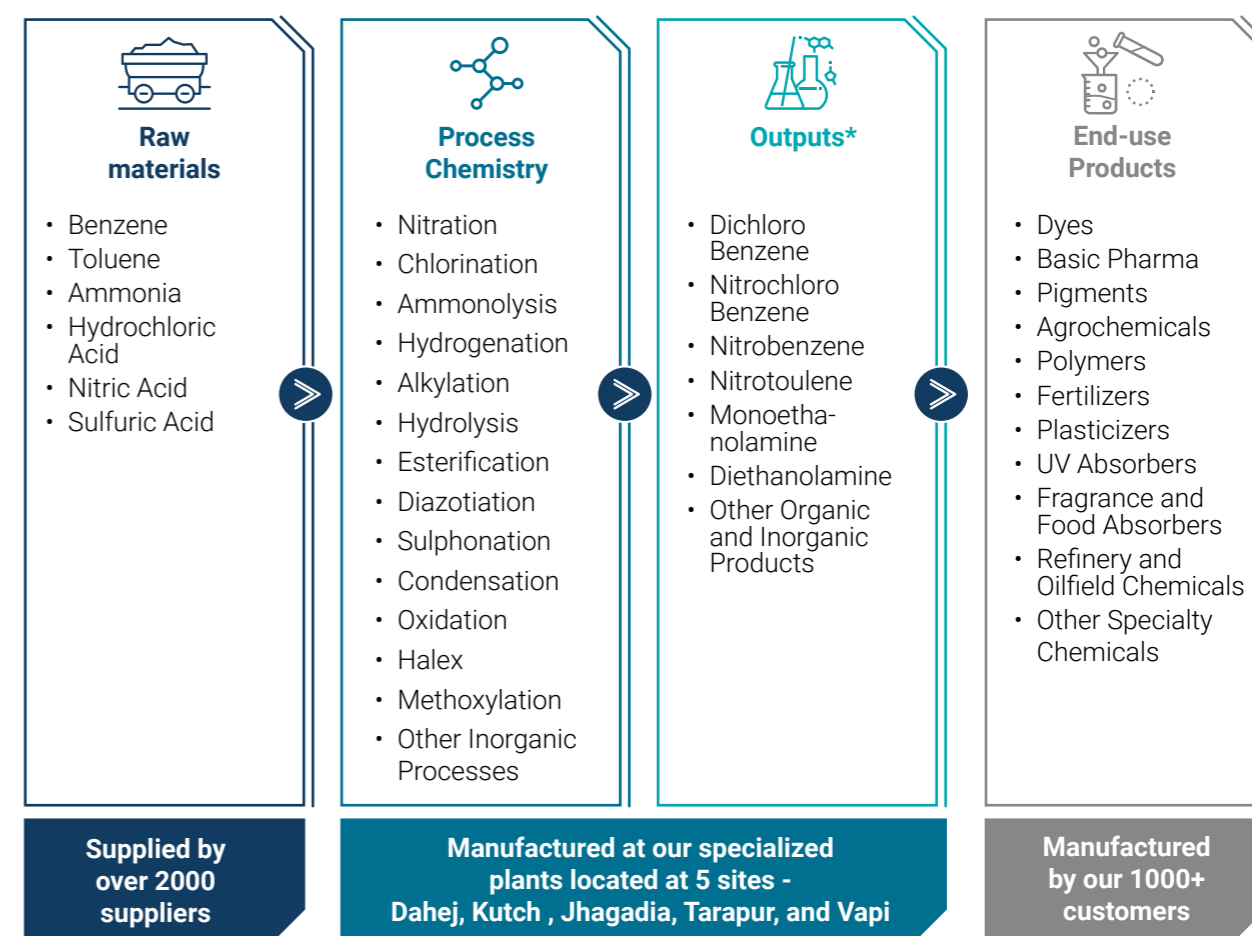
Leading to inculcation of cultural attributes



Our Value Chain

GRI 102-2 | The value-chain based strategic focus is one of our key success factors. We specialize in derivatives of benzene and toluene. Benzene and toluene are major raw materials used in our operations. These chemicals undergo processes such as nitration, chlorination, hydrogenation, alkylation, etc., for production of specialty chemical intermediaries for manufacturing of dyes, pigments,

pharmaceuticals, polymers, agro-chemicals, etc. We strive to innovate for transforming by-products into marketable products which not only helps us in becoming more sustainable by reducing hazardous waste production but also provides us a competitive advantage through strategic downstream integration. Currently, our product portfolio comprises over 200 products.



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



Scale of the Organization

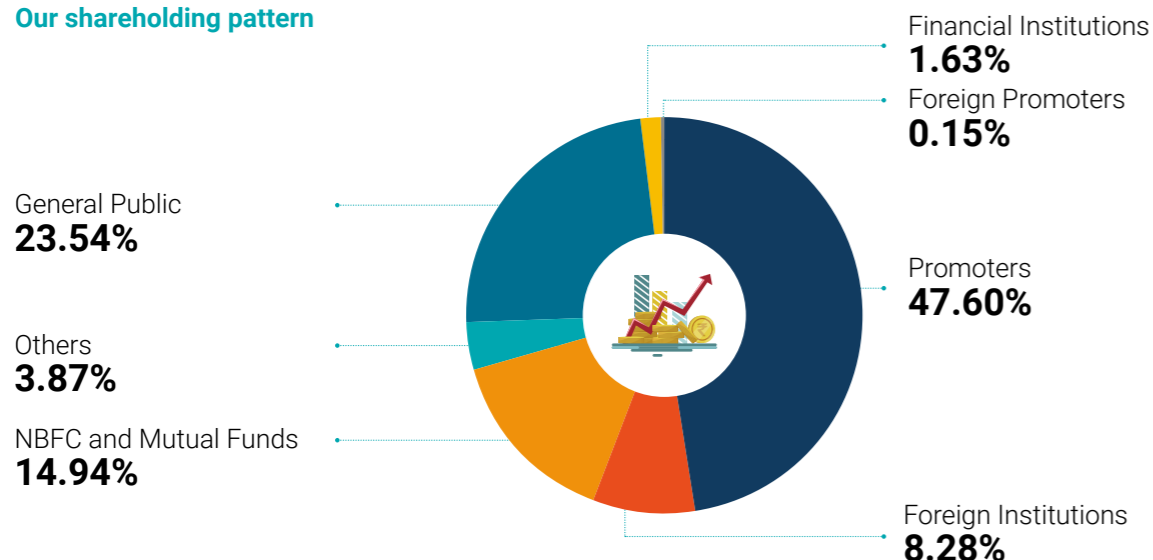
GRI 102-3, 102-4, 102-5, 102-6, 102-7, 102-10 |

We started our journey in 1984 when our founders Chandrakant V. Gogri, Rajendra V. Gogri, Late Shree Shantilal T. Shah, and Parimal H. Desai ventured into the chemical industry with an objective to manufacture organic and inorganic chemicals and allied products. Ever since then, we haven't looked back. Riding on our technical excellence, environmental stewardship, prudent R&D, and impeccable customer service, we have become the leading Indian manufacturer of specialty chemicals.

LEGAL AND FINANCIAL STATUS

We are a public limited company, listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) Limited since 1992, under Group A category. Despite the economic crisis precipitated by COVID-19 pandemic we continue to enjoy the confidence of investors. As on 31st March 2020, our market capitalization was INR 133,960 million. Our promoters hold a controlling stake with 47.60% of shares

Our shareholding pattern



CASE STUDY:

AARTI RESEARCH & TECHNOLOGY CENTRE (ARTC) - MAHAPE

During FY 2019-20, AIL announced the launch of its latest state-of-art research centre – Aarti Research & Technology Centre (ARTC) at Navi Mumbai. This R&D centre will employ around 250 scientists at full capacity with full access to modern equipment and dedicated labs focussing on developing strategic technologies and pilot facilities for process scale-up. AIL is a knowledge-driven company and already has two R&D centres in Vapi and Dombivali. The new R&D facility will continue fuelling the growth opportunities for AIL and play a pivotal role in cementing the Company's presence in the global chemical industry.

The project team and the R&D team has worked tirelessly over the past couple of years for the completion of the ARTC.



Continual process and design development are crucial to improve productivity and sustainability throughout the life cycle of a product. Our R&D efforts focus on improving the performance of our processes throughout the life cycle of the product on the key parameters such as Safety, Quality, Resource Efficiency and overall environmental impact. Considering this importance of R&D for achieving productivity and sustainability, we have commissioned a state-of-art R&D centre in Navi Mumbai while augmenting our existing capabilities for Innovative, competitive and sustainable chemistry.



PRASHANT POTNIS, CHIEF SCIENTIFIC OFFICER (CSO)



ORGANIZATIONAL RESTRUCTURING

During the financial year 2019-20, Nascent Chemical Industries Limited which was a subsidiary of ALL, was merged to become an integral part of our organization. Environmental, social, and economic performance of the Nascent division has been incorporated in this report.

OUR ADMINISTRATIVE DIVISIONS

We have 14 administrative divisions situated in five locations- Dahej, Jhagadia, Kutch, Tarapur, and Vapi in the Indian States of Gujarat and Maharashtra.



Our chemical manufacturing facilities in India

- Kutch Division:** Anushakti
- Jhagadia Division:** Pearl, Ruby, Jade
- Dahej Division:** Neo, Diamond and Saffron
- Vapi Division:** Acid, Alchemie, Amine, Apple (Pilot Plant), Nascent, Organic
- Tarapur Division:** Topaz

Aarti Research & Technology Centre - Mahape.

- Vadodara Office:** Emerald Office, Vadodara, Gujarat
- Head Office:** Mumbai, Maharashtra
- Registered Office:** Vapi, Gujarat
- Manufacturing Facility
- Head Office
- Registered Office
- Vadodara Office
- New project sites: Jhagadia and Dahej

* Apple division (Vapi) is a pilot plant for new molecules development & existing molecules performance improvements.

* During FY 2019-20, two plants have been commissioned at Dahej, Gujarat

OUR GLOBAL FOOTPRINT

Our products are intermediaries for pharmaceuticals, agro-chemicals, pigments, and polymers. A majority of our products is exported. Our approach of customer centricity and product stewardship have helped us in expanding and consolidating our customer base. Our customers are located in

over 60 countries across Asia, Europe, and North America. Our customers are globally renowned and leading players in the specialty chemical industry. Our product portfolio and customer base are strategically diversified that provides us a sustained competitive advantage.



200+
Products



700+
Domestic Customers

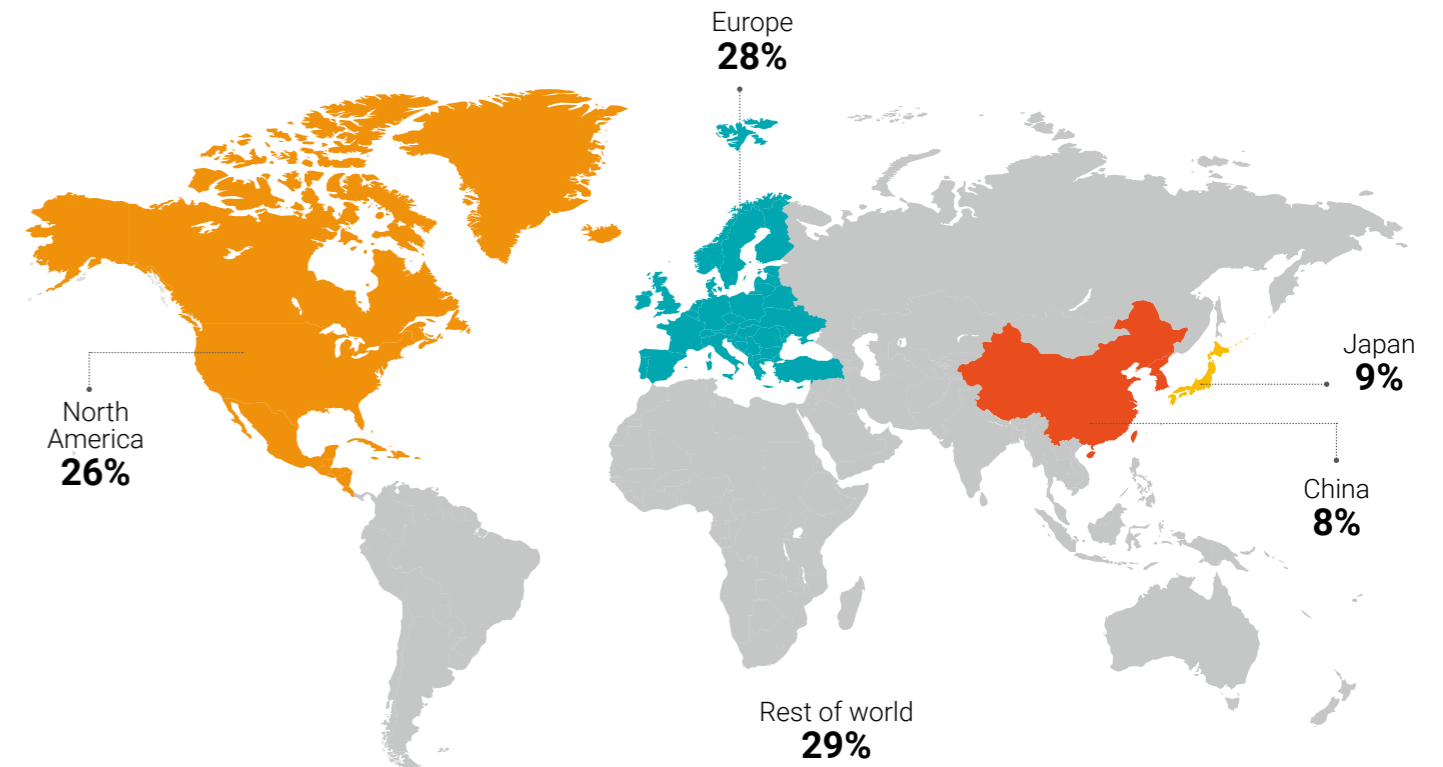


400+
International Customers



INR 19,650
Million Of Export Revenue

Our global market



External Initiatives

GRI 102-12 | Sustainable and inclusive growth needs collaboration among business organizations, industry associations, regulatory bodies, and other relevant stakeholders. Adoption of globally accepted voluntary standards helps in achieving world class excellence. Certifications by external agencies provide us credence to substantiate our quality affirmations and consolidate our brand value. In addition to adoption of voluntary

certifications, we have active memberships of various regional, national, and international associations. These forums provide us an opportunity to deliberate and discuss the prevalent issues in the industry and resolve to tackle these collectively. Furthermore, these help in collective learnings, take collaborative efforts, and grow inclusively and sustainably.

EMS – 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 14001:2015 certification has intended outcomes of enhancement of environmental performance, fulfilment of compliance obligations, and achievement of environmental objectives. Currently, all our operational sites under reporting boundaries have been certified with ISO 14001:2015.

ISO 45001:2018:

ISO 45001:2018 standard specifies the requirements for Occupational, Health, and Safety (OH&S) management systems. 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 45001:2018 certification are continual improvement of OH&S performance, fulfilment of legal and other requirements, and achievement of OH&S objectives. It is a globally accepted standard. Currently, all our operational sites under reporting boundaries are certified with ISO 45001:2018.

EcoVadis CSR Ratings:

EcoVadis provides reliable CSR ratings and scorecards covering 21 CSR Indicators, 190 commodities, and 150 countries. Assessments are based on 3 Pillars: Policy, Actions, and Results. It assesses an organization's performances on 21 indicators concerning Environment, Labour and Human Rights, Ethics, and Sustainable Procurement. We have achieved Silver Rating in EcoVadis CSR assessment in 2019. EcoVadis ratings are widely accepted by our customers.

Together for Sustainability (TfS):

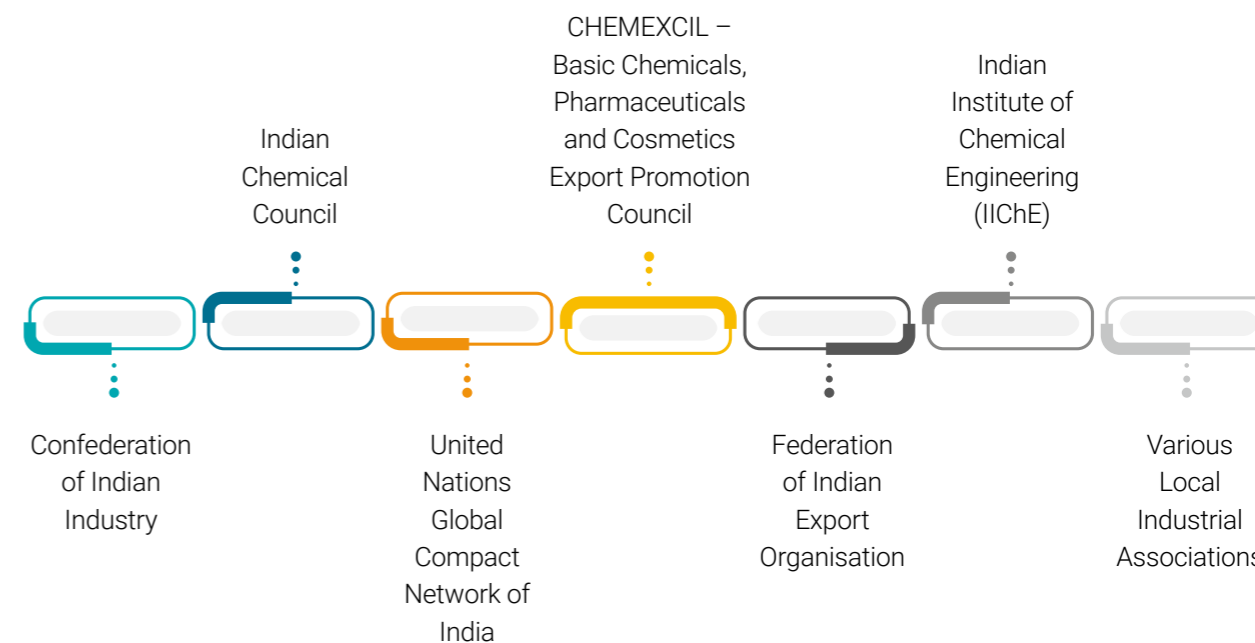
Together for Sustainability (TfS) is a joint initiative of chemical companies to implement a global program to assess, audit, and improve sustainability practices within the supply chains of the chemical industry. It intends to build the industry's standard for sustainable supply chains and has established 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 predefined set of criteria and then shared across TfS members, improving efficiency of all involved. During FY 2019-20, Amine, Jhagadia and Organic divisions were audited under TfS initiative. We have taken measures to strengthen our systems and processes in order to improve our performance in TfS audits.

Wash Pledge at the workplace:

In 2019, we became a signatory to the World Business Council for Sustainable Development (WBCSD) Pledge for Access to safe Water, Sanitation and Hygiene (WASH) at the Workplace as one of our sustainable development initiatives. With this we at AIL have committed to providing access to safe water, sanitation, and hygiene in accordance with appropriate standards, to all employees across all our sites.

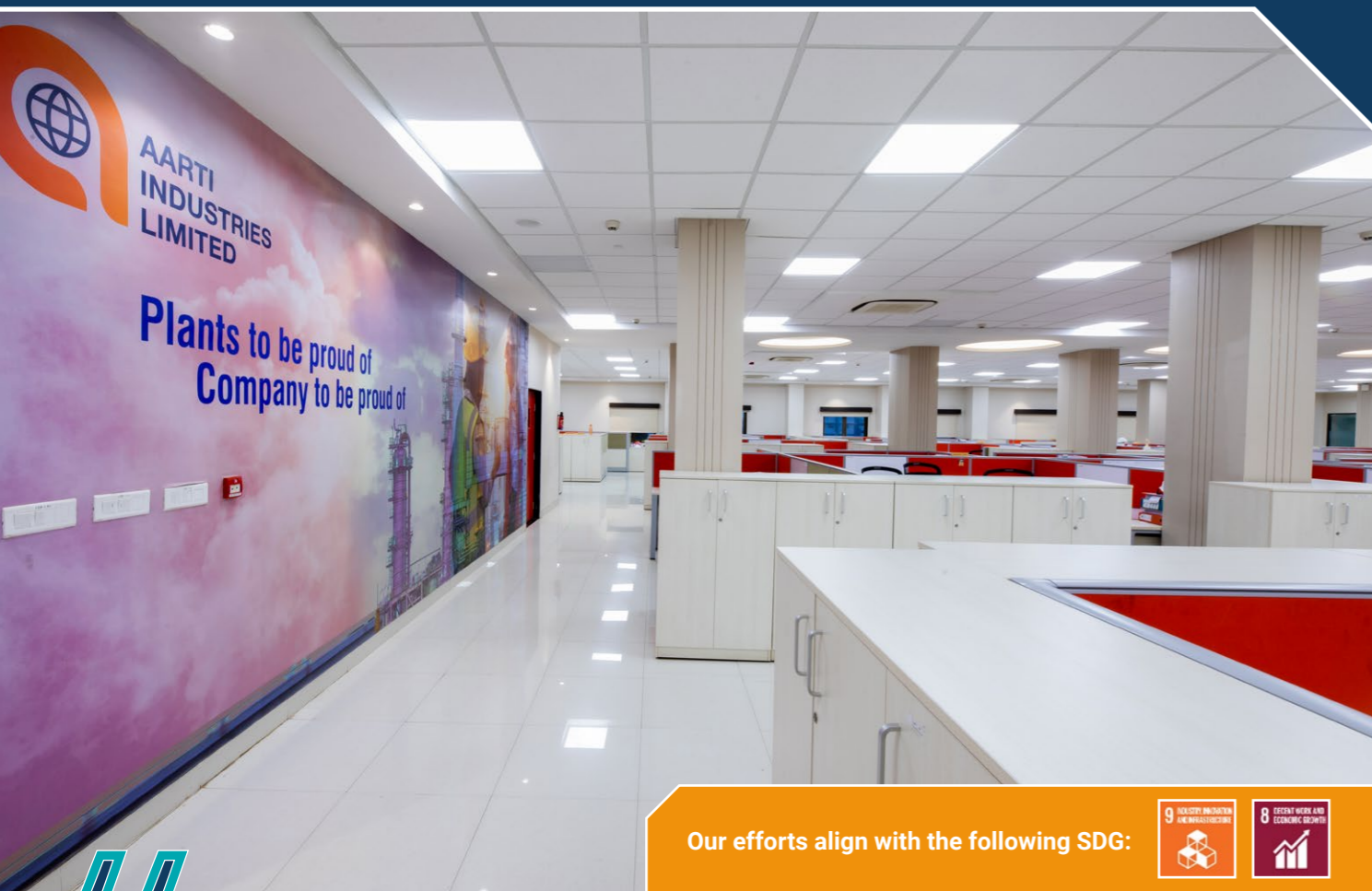
MEMBERSHIPS OF ASSOCIATIONS



GRI 102-13



CHAPTER 2

OUR BUSINESS STRATEGY AND SUSTAINABILITY



Our efforts align with the following SDG:  



Sustainability is an integral part of our business strategy. We have always considered sustainability as the core of our business. It has helped us in differentiating ourselves from our peers and attain competitive advantage. Our policies and codes enable us in standardizing the best practices in day-to-day operations that eliminates errors that occur due to judgment and discretion.

Ethical business conduct flows from our leadership. Our board guides the management in deriving the business based on ethics and values. Our board functions not only to fulfill compliance mandated by regulatory authorities but also takes a proactive role in defining a value-based strategy.



RENIL GOGRI
WHOLE TIME DIRECTOR



Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of values

MICHAEL PORTER



Since our inception, we have endeavored to create values for stakeholders rather than just profit maximization. Ethical acumen, moral conduct, and business competence of our founders and leaders have driven the business strategy of our organization. Our business strategy is guided by our core values of 'Care', 'Integrity', and 'Excellence'. In planning and execution of our business strategy, we are mindful of the needs and wants of our customers, employees, and local communities.

We have adopted policies and codes of ethical business to steer our business conduct with integrity and transparency. We endeavor to provide exemplary leadership to the industry by striving to achieve excellence in all the spheres of business. These efforts help us in integrating environmental, social, and economic sustainability into our core business strategy.

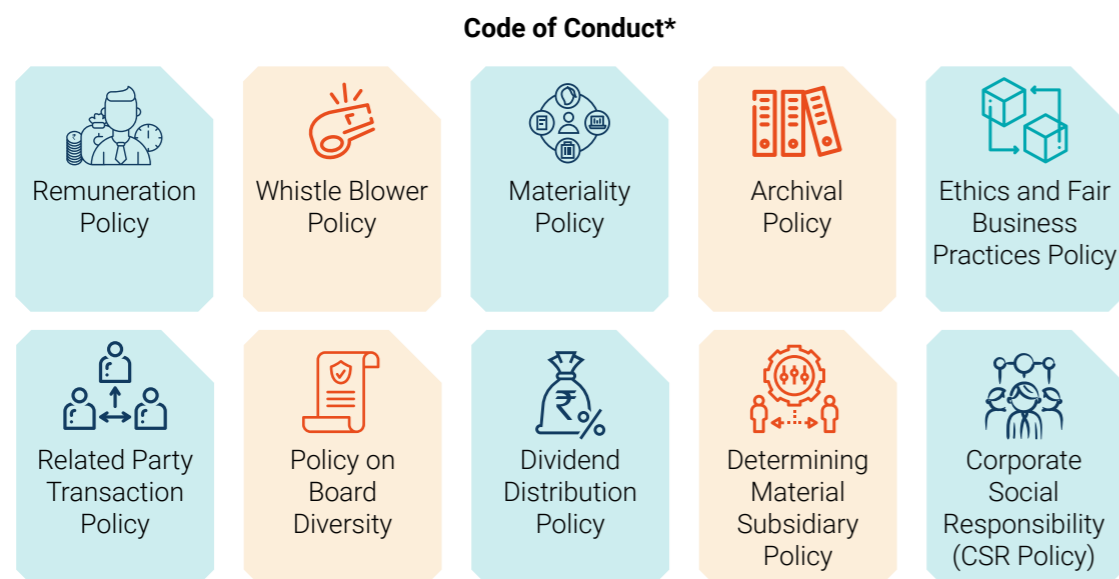


Our Policies

Policies and Codes act as a guiding force in day-to-day conduct of the business and decision making. These help in adhering to the ethics, applicable regulations, and voluntary standards, bring transparency, and empower stakeholders by ensuring certainty and predictability. These factors collectively help an organization to achieve competitive business advantage and grow sustainably and profitably. At AIL, we have adopted a comprehensive set of codes and policies establishing certain non-negotiable minimum

standards of behavior. These cover themes of compliance, labor practices and standards, environmental health and safety, board structure and functions, reporting and contact persons, disciplinary actions, etc., in a comprehensive manner. We strive to engrain it in our daily conduct, our business partners and public accordingly. Details on our policies and codes are available at our website: <https://www.aarti-industries.com/>

List of Our Policies



* Details of our Code of Conduct can be accessed at our website

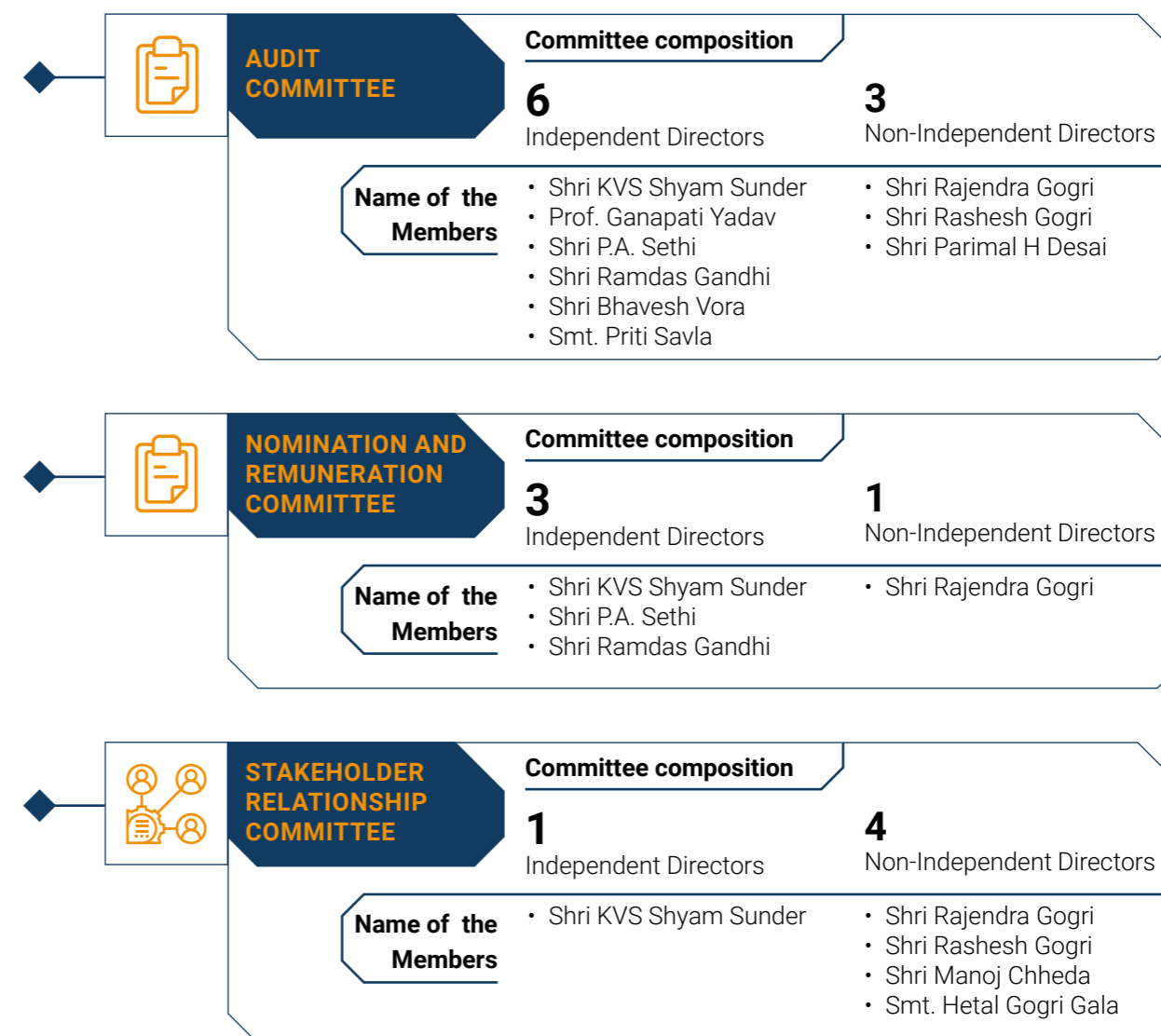
Our Governance Structure for Responsible Business

GRI 102-18, 102-22 | Good corporate governance aims to allocate corporate resources to maximize value for all its delighted stakeholders including financial institutions, bankers and lenders, shareholders, employees, suppliers and contractors, regulatory bodies, local communities, and customers. We at AIL believe in working with good faith with all our stakeholders. This helps in enhancing stakeholder value and accomplishing long-term goals. Being a

responsible business organization, our corporate governance is guided by AIL's core value system: Care, Integrity, and Excellence, that ensures transparency and enables us to take informed decisions. This aids in being a reliable and responsible partner for our customers, suppliers, employees. The formula of our successful journey of 35 years of responsible chemistry is attributed to our core value system, which runs throughout our organization.

The Board of Directors ('the Board') operates in accordance with the Company's vision, mission, value statement, plans, strategies, key policies, and budgets to effectively and efficiently guide our workforce to generate maximum stakeholders' value. Moreover, the Board closely monitors the management team and implementation of business plans to achieve the corporate targets, and sets internal controls and audit procedures, including risk management.

Functioning of the Board is in compliance with the mandatory corporate governance requirements stipulated under Regulation 34(3) of the Listing Regulations. 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. Our Board comprises 2 (two) female members. The Board has constituted various committees¹ which aids in the smooth functioning of all its activities and operations.



¹ Committees of Board of Directors of Aarti Industries Limited have been upgraded with 2 new committees, i.e., Risk Management Committee and Finance and Investment Committee, w.e.f. 9 May, 2019

	CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	Committee composition	
		2 Independent Directors	2 Non-Independent Directors
Name of the Members		<ul style="list-style-type: none"> Shri KVS Shyam Sunder Shri Ramdas Gandhi 	<ul style="list-style-type: none"> Shri Kirit R.Mehta Smt. Hetal Gogri Gala

	RISK MANAGEMENT COMMITTEE	Committee composition	
		3 Company Executives	4 Non-Independent Directors
Name of the Members		<ul style="list-style-type: none"> Shri Chetan Gandhi Shri Ajay Kumar Gupta Shri Raj Sarraf 	<ul style="list-style-type: none"> Shri Rajendra Gogri Shri Rashesh Gogri Smt. Hetal Gogri Gala Shri Renil Gogri Shri Narendra Salvi

	FINANCE AND INVESTMENT COMMITTEE	Committee composition	
		6 Non-Independent Directors	
Name of the Members		<ul style="list-style-type: none"> Shri Rajendra Gogri Shri Rashesh Gogri Shri Parimal H Desai 	<ul style="list-style-type: none"> Smt. Hetal Gogri Gala Shri Renil Gogri Shri Manoj Chheda

During FY 2019-20, a series of familiarization programmes regarding business overview, trend and sustainability were conducted for all our Directors. Details on our Board of Directors and functioning of Board Committees is available in our Annual Report FY 2019-20.

Our Risk Management Framework and Precautionary Approach Towards Responsible Business

GRI 102-11 | The Board of Directors of ALL has overall responsibility for the establishment and oversight of the Group's risk management framework. Sustainability risks are being continuously identified, assessed, and addressed within ALL's risk management framework.

Risk management at ALL is in compliance with the legal requirements as provided by Regulation

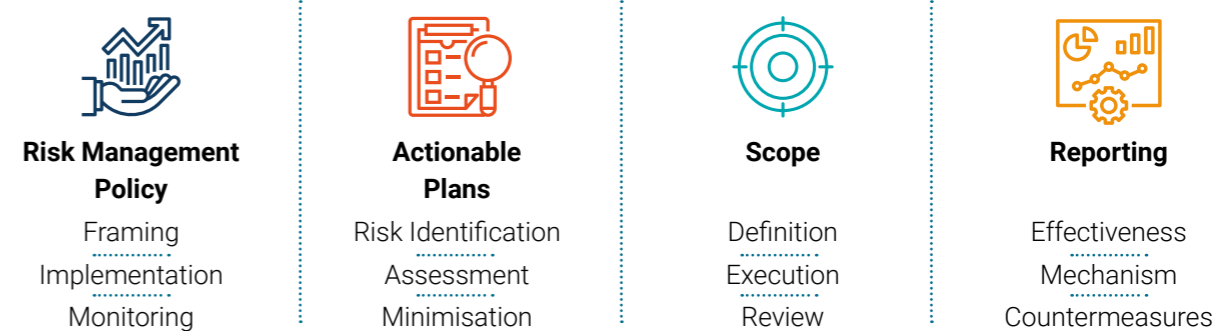
21 of SEBI (LODR) Regulation 2015. Our risk management committee has been entrusted with the key responsibility of identification, prioritization, and development of mitigation plans for various risks our businesses are exposed to. This committee is headed by a board member and has representatives from the senior executives and meets at least once a year. 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.

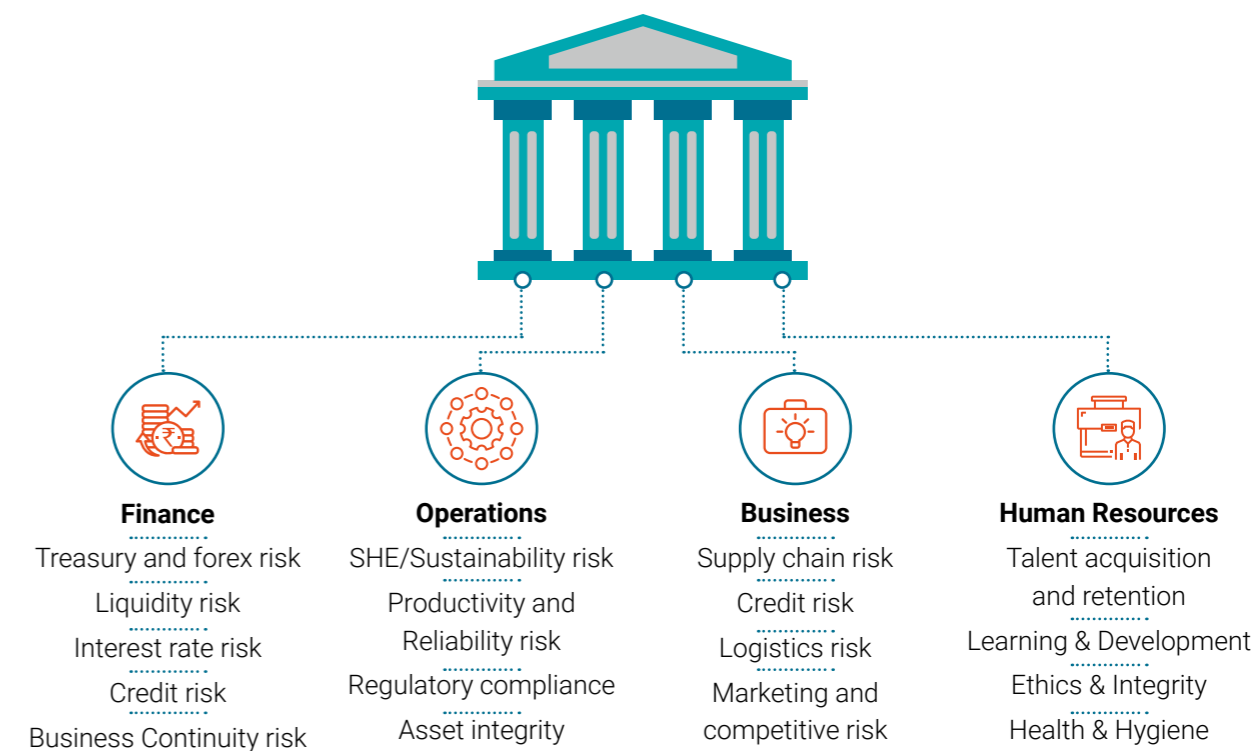
This committee has been tasked with framing, implementation, and monitoring of Risk Management Policy; development of actionable

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 a 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.

Terms of Reference of Risk Management Committee



The 'House of Risk Management' is based on the foundation of our core values, i.e., Care, Integrity and Excellence. The four main pillars are Finance, Operations, Business and Human Resource which is further categorized into various risk clusters.



Sustainability Council

GRI 102-32 | The sustainability council is a cross-functional team 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,

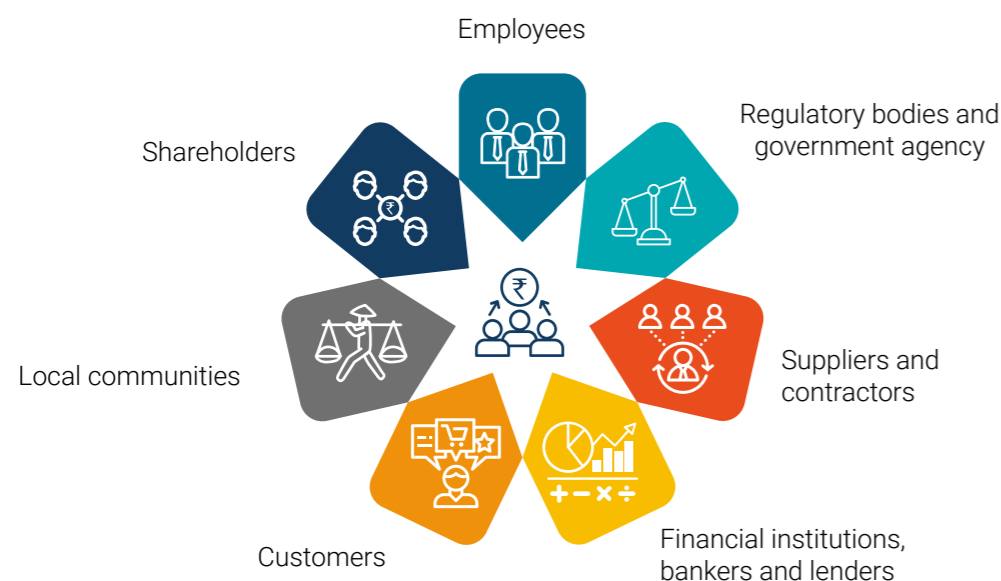
and senior management family from all the zones. Meetings of the council take place on a monthly basis to review sustainability performance and discuss challenges and opportunities. During the reporting period, 7 meetings of sustainability council were held.

Our Stakeholders

GRI 102-40, 102-42, 102-43, 102-44 | Our business success is created by people from our employees, customers, shareholders to local communities, regulatory bodies, suppliers and contractors, and financial institutions. Our stakeholders expect right chemistry and

responsible business conduct from us in addition to showcasing the highest level of environmental and social responsibility. Stakeholder inclusiveness emanates from our core values of 'Care', 'Integrity', and 'Excellence'.

AIL's stakeholder groups



We have strongly resolved to be a leader when it comes to meeting these expectations for our people. We strive to maintain a reasonable level of dialogue with our stakeholder groups. A strong dialogue exchange with our stakeholders, we are

better able to understand the causes and possible responses to their wants and needs. We encourage and actively engage with our stakeholder groups on a regular basis to understand their key interests and concerns.

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 employees go through a 1-day safety induction programme • AIL's training and development activities are managed through Aarti Training Online Management System (ATOMS). Continuous employee engagement initiatives are conducted focusing on people growth like Aarti's Got Talent, Ayam, Nirvana, Anahata, Arjan, Gratitude Journal (Details of these programs provided in Employee Engagement Section)
Regulatory bodies	<ul style="list-style-type: none"> • We engage with various regulatory authorities, municipal corporations, and government departments, to discuss matters like proactive compliance, implementation of Compliance Management System (CMS), governance at different levels including Council to Contractor safety committee, audits, etc. 	<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 focuses on sharing information on upcoming technologies or equipment, sustainability, their performance and recognitions, and concerns 	<ul style="list-style-type: none"> • Suppliers are engaged during contract discussion meetings as and when required • Supplier engagement is a continuous process at AIL. It starts with contractor selection till the contractor is on-boarded. Daily tool box talks, weekly discussion meetings, performance review, job engagement are other platforms to engage with our supplier and contractors
Financial analyst and bankers (FAB)	<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"> • Investors are engaged once in a year during the annual general meeting • Bankers are engaged on the need basis during financial discussion meetings and consortium meetings • Regular feedback is encouraged through emails

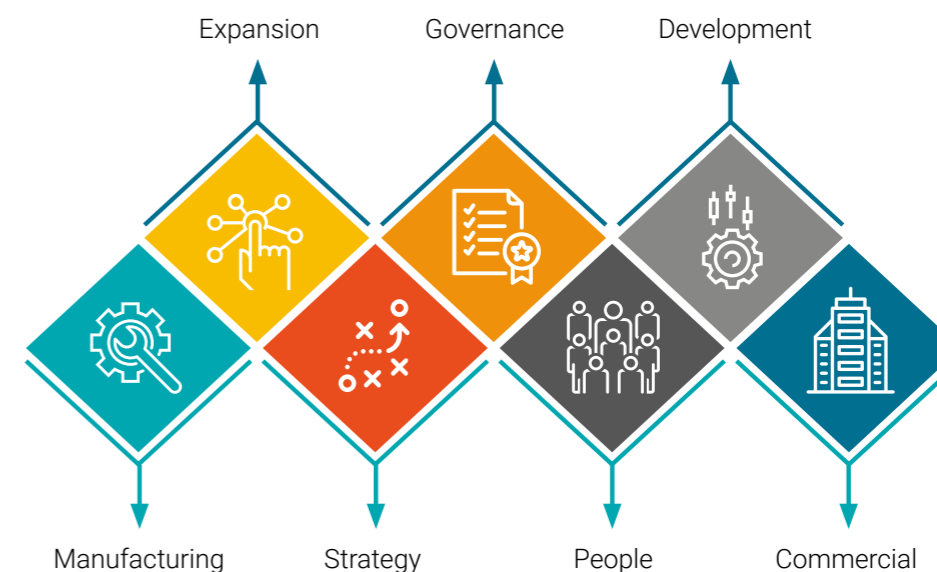
Stakeholder group	Significance of engagement	Frequency of engagement
Customers	<ul style="list-style-type: none"> Our business model is market driven and customers' requirement guides our business strategy. Their needs are assessed, and areas of focus are identified during engagement. The initiatives 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 in a year Regular feedbacks are encouraged through emails
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"> Cluster and rural development Education and skill development Childcare and healthcare facilities Women empowerment 	<ul style="list-style-type: none"> Regular engagement with local communities to understand their requirements and concerns Engaged with communities during various initiatives like blood donation camp, skill development training to local women, senior citizen homes, interacting and helping the nomadic and denotified tribes (Details of the initiatives is provided in Social Commitment)
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

We have integrated sustainability into our business strategy. Our strategic statement "Growth with Sustainability for Sustainable Growth" outlines the fact that sustainability has been deeply integrated with business strategy. To execute our strategy effectively, we have adopted Aarti Management

System (AMS), an integrated management system that attends to the needs of all stakeholders effectively. We have defined strategic objectives of Sustainability, Reliability, Productivity, People Growth, and Company Growth under AMS.

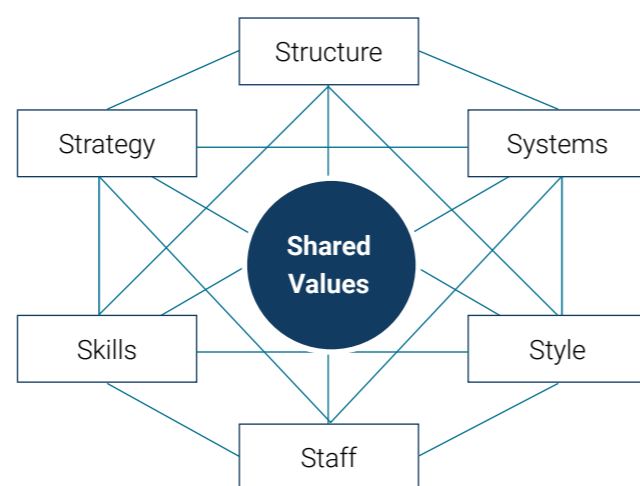


Objective of AMS is to inculcate excellence in each dimension of business to achieve above-mentioned strategic objectives. Furthermore, 7 pillars have been identified under AMS and standards, systems, and processes have been developed under each pillar. 7 pillars of AMS are:



Our Sustainability Journey and Aarti Management System

Our purpose, vision, mission, and values outline our commitments towards our stakeholders clearly and effectively. Cognizant of our position as one of the leading manufacturers of the specialty chemicals, we fulfill our responsibility of creating values for our stakeholders. To guide our actions in a responsible manner, we have adopted a '7 S' framework which comprises Structure, Systems, Style, Staff, Skills, Strategy, and Shared Values.



PROJECT MANAGEMENT

A project initiative is a step towards organizational growth through greenfield and brownfield expansion. Under such expansions, a new plant is engineered, planned, constructed and commissioned to manufacture the desired product. Decisions regarding such initiatives are taken by the senior leadership under guidance of CMD. Such decisions are taken on the basis of the Business Plan developed collaboratively with Business Development and Business Planning functions. Critical Chain Project Management (CCPM) and Earned Value Management (EVM) are the core philosophies driving our Project Management. An amalgamation of best practices followed across these philosophies has been envisaged as suitable for AIL.

Project management is performed within 4 project phases through 8 sub-elements:



The project phases are as follows:



There lies an integration of sustainability aspects in each decision gate, including risk assessment. If an identified sustainability risk is regarded potentially significant to the success of the project, a further analysis is undertaken, as we believe in equally prioritizing sustainability-matters in business decisions.

The AIL leadership team recognizes the importance of establishing the right management systems at right at the outset of the project.

OUR SUSTAINABILITY JOURNEY

Since our inception, we have been mindful of our social and environmental impacts. We have always adopted strategies to mitigate such impacts and create a positive value for society. To achieve

strategic objectives under AMS, we formalized our sustainability efforts by adopting Aarti Way 2018-21. Under Aarti Way 2018-21, we have defined strategic objectives under each strategic dimension to be achieved by 2021.

Strategic Dimensions	Indicator	Strategic Objectives for 2021
Environment	GHG Emissions	Reduce specific GHG emission by 10% from 2018-19 level
	Energy	Reduce specific energy consumption by 10% from 2018-19 level
	Water Consumptions	Reduce specific water consumption by 20% from 2018-19 level
Safety	LTIFR (Lost Time Injury Frequency Rate)	Less than 0.2 per million manhour
	LTISR (Lost Time Injury Severity Rate)	Less than 2 per million manhour
	TRIFR (Total Reportable Incidence Frequency Rate)	Less than 1 per million manhour
CSR	Positively impacted beneficiaries	50,000

As a part of this journey, we undertook stakeholder analysis, materiality assessment, and sustainability maturity assessment in 2018-2019. We published our first sustainability report for the FY 2018-19 during our AGM held in September 2019. Sustainability maturity assessment focused on several business dimensions such as governance, supply chain, and procurement, product development, human resources, risk management,

strategy, marketing and communication, regulatory compliance, finance, and operations. During this assessment, we benchmarked current state, identified gaps, and developed a roadmap to achieve desired objectives. During 2019-20 we have focused on developing systems and processes to implement the interventions mentioned in the sustainability roadmap.

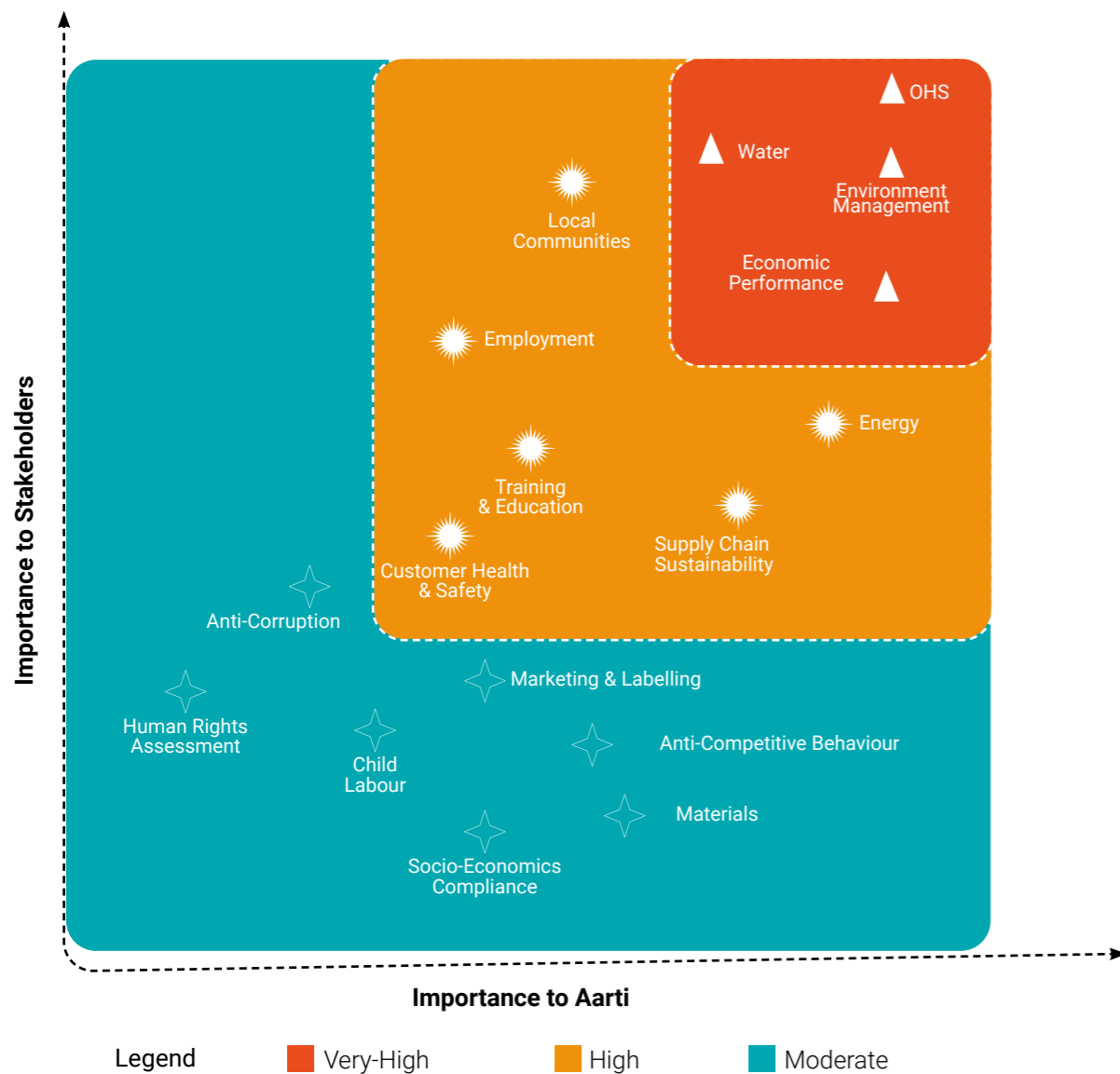
Our Materiality Assessment

GRI 102-47, 102-48, 102-51, 102-52, 102-53, 102-54, 102-56 | 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.

Last year, for the publication of our maiden sustainability report based on GRI Standards, 2016, we had conducted a comprehensive materiality assessment to gain a clear understanding of the topics most pertinent for our business and

stakeholders. Since we believe that persistence is the key to business sustainability, we continuously monitor and evaluate our progress on relevant material topics to future proof our business.

For FY 2019-20, we refreshed our progress on material topics in discussions with respective relevant officials and personnel across business. This helped us understand the status and monitoring system of the topics. The final assessment was done in discussions with the senior management of AIL to identify the key material topics for the current reporting year. Based on these discussions and validations, the key material topics on the basis of the priority to business and stakeholders are depicted below.



CHAPTER 3

PEOPLE



Our efforts align with the following SDG:



We are an organization that is engaged in the manufacturing of chemical products. Due to the nature of our operations, occupational health and safety hazards are inherent in our manufacturing processes. Employee safety is of the highest priority for us. Therefore, we are committed to observing strict adherence to the global best practices for achieving the best standards in occupational health and safety.

To ingrain safety as a cultural attribute, we launched BE SAFE as a flagship initiative. The innovative implementation strategies adopted under this initiative have helped in bringing the behavioral change towards safety among our workforce. We have adopted robust data recording and reporting systems comprising several leading (process) and lagging (outcome) indicators that help us in supportive supervision of our safety initiatives.

Going forward we have determined to eliminate spills, leakages, and human exposure to hazardous chemicals by adopting automation and the best protective standards. We aspire to provide exemplary leadership to the industry through our mega initiatives targeted at safety.

KIRIT R. MEHTA
WHOLE TIME DIRECTOR



Happy employees ensure happy customers, and happy customers ensure happy shareholders

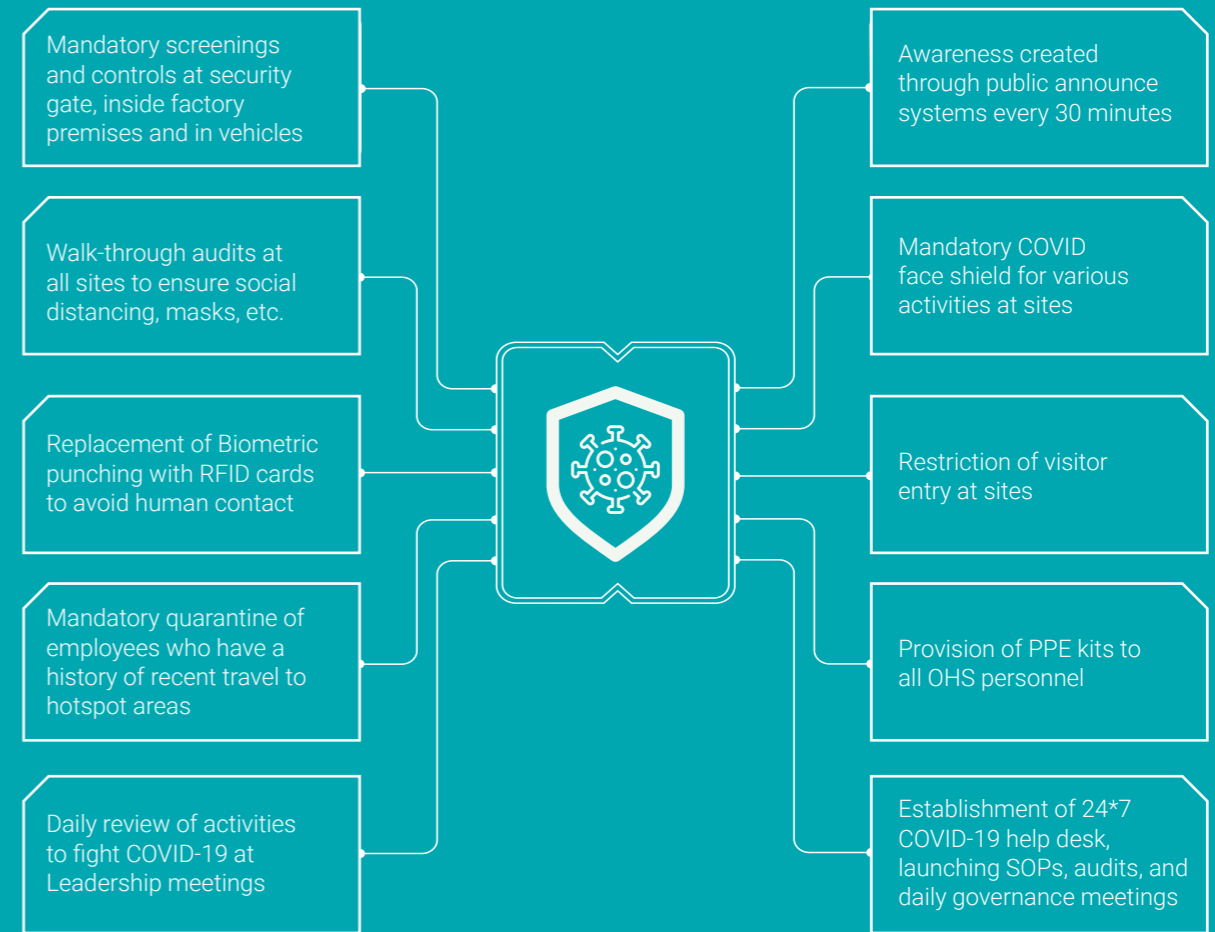
SIMON SINEK



AARTI FIGHTS BACK COVID-19

As the world battles with the current global health crisis, the central and state government have announced several relief measures to support the citizens in the current crucial time. We along with the Nation have joined the relief drive against COVID-19 pandemic. In social interest, during this period of heightened public health concern, Aarti Group of Companies has contributed towards the uninterrupted supply of APIs to drug manufacturers, medicines, and chemical intermediaries across the country.

To respond to the impact created by the pandemic, we at ALL have kept safety of our employees the top priority and devised necessary safety measures at our premises.

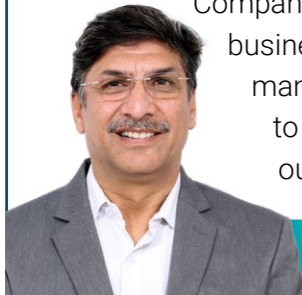


In addition to ensuring safety of our workers, we utilized IT to maintain business continuity through work-from-home, e-joining, online induction and online performance appraisals.

BE SAFE: Inculcating a culture of responsibility



Manufacturing at AIL is very well integrated with the five strategic dimensions of the company i.e. Sustainability, Reliability, Productivity, People Growth, and Company Growth which in turn is delivered through the well-established business processes laid down through the seventeen elements under manufacturing pillar of Aarti Management Systems. We are committed to the cause of sustainability and strive for operational excellence in our manufacturing through sustainability initiatives.



AJAYKUMAR GUPTA, CHIEF MANUFACTURING OFFICER



As a responsible organization, we are committed to ensure complete safety and wellbeing of our workforce. We subscribe to the best industry practices and global standards related to safe, secure, and sustainable workplace. As part of the Aarti Way 2018-21, safety was the focus during FY 2019-20. To achieve the desired objectives, we launched By Employees Sustainability Assurance for Employees (BE SAFE), a mega initiative in April 2019 with an objective of 'Assurance on Complete

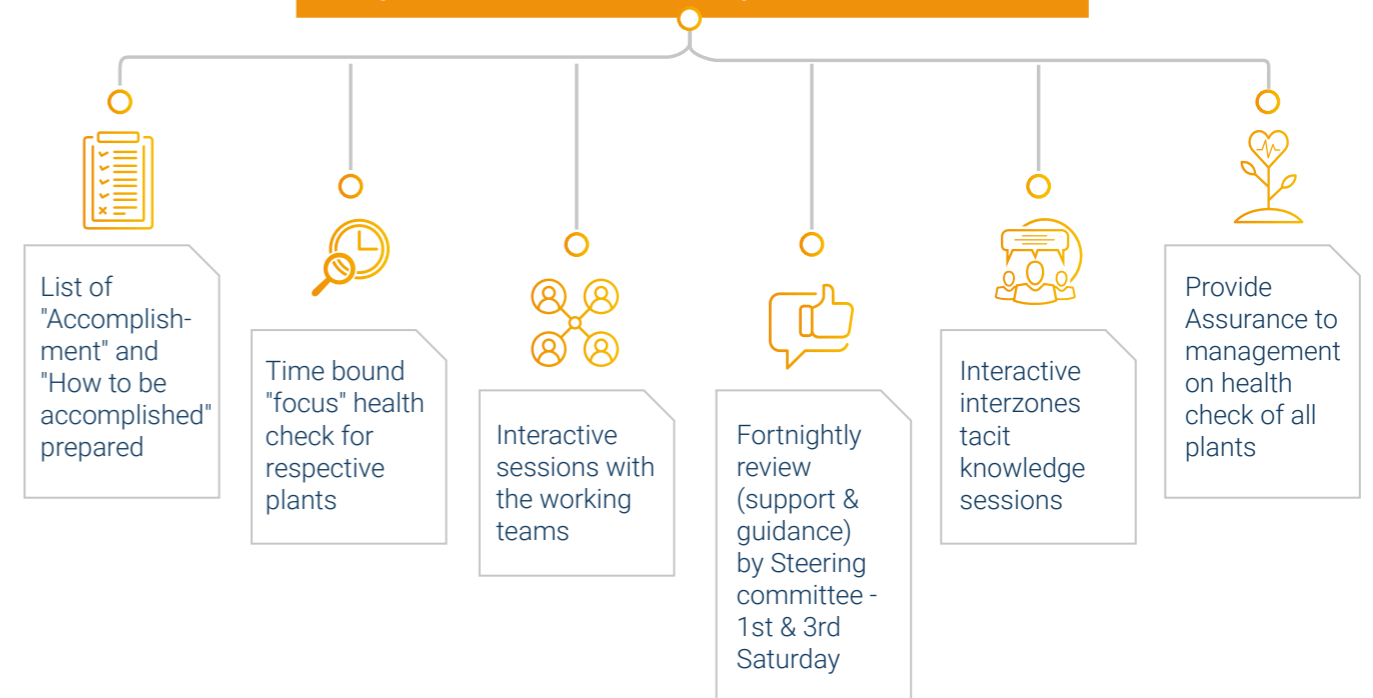
Health Check of the Plants'. The intended goal of the BE SAFE programme is 'Assurance to Management on Health Check of all Facilities - Zero Harm'. We intend to ingrain safety as a cultural attribute in our organization. In this endeavour, we have adopted 'BE SAFE' as a standard greeting message. Our leadership and all our employees religiously adhere to this greeting in their day-to-day interactions.



The focus elements under BE SAFE initiative are:



We have adopted a consultative and engaging approach for implementation of interventions planned under BE SAFE:



BE SAFE Accomplishments

Development, adoption, and review of guidelines, Standard Operating Procedures (SOPs), and Process Initiative Common (PICs) are major tools used for achievement of intended safety objectives under BE SAFE Initiative.

Furthermore, we have designed and adopted PICs with specific objectives such as to eliminate exposure to hazardous chemicals, to reduce electrical incidents to zero, to achieve zero leakage status, etc.

Breakthroughs Achieved through BE SAFE:

Learning from Incidents	Engagement of employees at all levels	Daily Huddles	Shift Hand Over Take Over (HOTO) - Big cultural shift
P&ID matching with as-built conditions	Liquidation of PSSR A Category open points	Work Permit system strengthening	Teamwork & Collaborative engagement
Knowledge & proficiency Enhancement	Employee Motivation	Harmonization of working through systems	

Monitoring and Evaluation

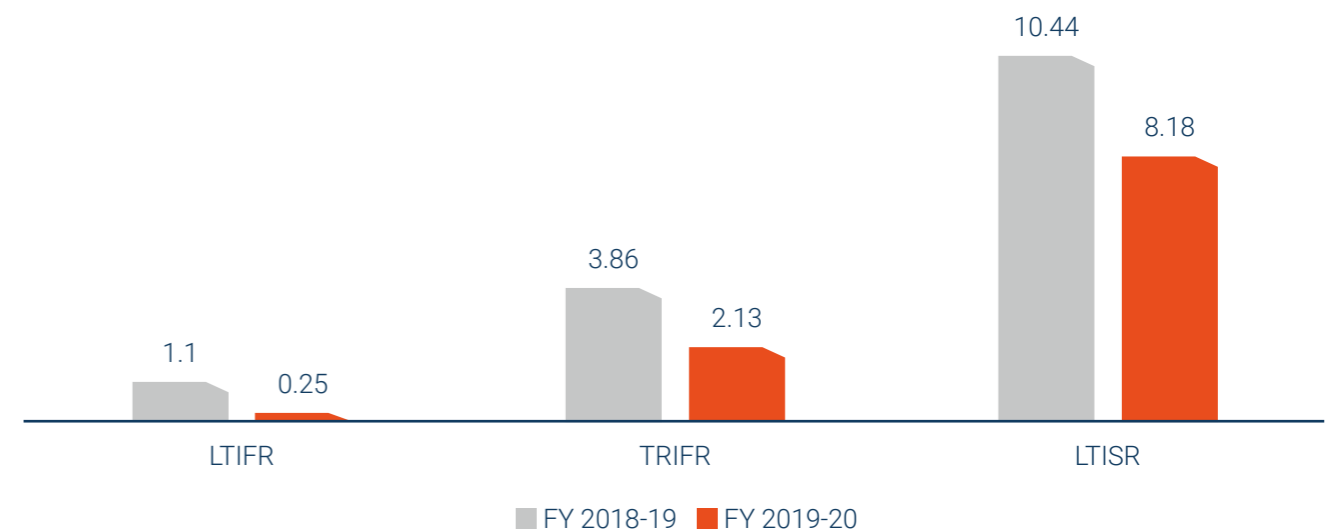
For monitoring and evaluation of safety performance we have adopted standardized 'Sustainability Deviation' guidelines which defines and classifies incidence, provides SOP for conducting root cause analysis, and describes reporting framework. We define sustainability deviation as "any sort of deviation that has impact or has the potential to have an impact on Occupational Safety, Process Safety and health of personnel in the vicinity of factory or environment". It is a broad-based definition covering all safety related incidences comprehensively.

We use standard process (leading) and outcome (lagging) indicators for measuring our safety

performance. Among all metrics being used to monitor the three outcome indicators – LTIFR, LTISR, and IHCFR are the mainstay of our safety management. We are one of the first organizations to adopt the metric of IHCFR for monitoring safety performance. Incidents of high consequence (IHC) are defined as the incidents which have high consequence/severity or could have had high potential consequence/severity. These types of incidents have potential consequences on human health, environment, legal implications, company reputation (news in media), business interruption/loss, affecting nearby communities etc. We have started monitoring IHCs from FY 2020-21.

Safety Performance Data

GRI 403-2 | Focus on safety has yielded significant results. Interventions under BE SAFE helped us in reducing safety related incidences significantly. We have endeavoured to integrate safety behaviour as a part of culture of the organization.



Responsible Workforce



At ALL, people are our most important assets, they are integral to the success of the organization and in leading challenges powerfully. Our people practices are the best in the industry. "Care" forms the basis and foundation of most of our people-related decisions. Our unique leadership model of being an "Aarti Engaging Leader" guides our people to live Aarti values of Integrity, Care & Excellence, demands them to operate in a 'Natural state of Action; Work in Alignment; Listen and Speak powerfully; Be a Cause in the Matter and Co-create a World-Class Company'. These values have been amply displayed during the ongoing pandemic crisis wherein our people have provided leadership to their teams and society at large.



MANOJ SHARMA, CHIEF HUMAN RESOURCE OFFICER



GRI 102-8, 401-1, 401-2, 401-3 | We are a responsible employer committed to the well-being of our people. We adhere to the national and global guidelines and standards applicable for human resource management. We do not enforce any restrictions on our people to form associations and participate in trade unions. We are committed to protect human rights. We explicitly prohibit all forms of verbal and corporeal forms of abuses. We strictly comply with the provisions of Prevention of Sexual Harassment at Workplace (POSH) Act.

We are committed to eliminate all forms of bonded and forced labour. We prohibit child labour in all forms. Our human rights protection and ethical labour policies are applicable to our contractors and sub-contractors working within our premises.

ALL is an equal opportunity employer and does not discriminate on the grounds of religion, caste, gender, ethnicity, race, etc. We have adopted a merit-based transparent recruitment process

comprising campus mode and lateral hiring. Our talent acquisition team develops advanced recruitment plans factoring-in promotions, retirements, attrition, and organizational growth. To induct the best talents, we visit the most prestigious institutions for recruitment. To manage a large pool of workforce, we have a Human Resource Management Team comprising competent and qualified professionals.

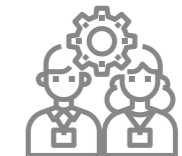
During COVID-19 pandemic, where most of the organizations deferred or delayed the joining of new recruits, we used innovative methods of e-joining and web-based induction to honour our commitment and offer.

We classify our permanent employees based on the function, responsibility, and authority into five job families. 'Associate' is the entry level and 'Senior Leader' is the top-most category. Other intermediate job families are Officer, Manager, and Leader. As of 31st March 2020, we have a total of 4,366 permanent employees in our organization which was 35% higher than the number of

employees in the previous year. Participation of women in our workforce increased from less than 1% in FY 2018-19 to approximately 2% during 2019-20. Women constituted 4% of our newly hired employees. During FY 2019-20 our new employee hiring rate increased from 38% to 42% while turnover rate reduced from 16% to 14%.



148 entry level employees E-joined us from campus on 01-Aug-2020 in the capacity of Officer Trainee, Management Trainee and Leadership Trainee in Operations, Projects, HR, Business Excellence, Process, Technology, Safety, Corporate Planning and Procurement groups. The campus recruitment drive covered 36 Top Management and Technical colleges of India.



42%

New Employee Hiring Rate

14%

Employee Turnover Rate

Employee Benefits and Privileges

As a responsible employer, we offer all benefits and privileges to our people in accordance with the best industry standards. We adhere to global standards for protection and promotion of human rights. Our permanent employees are entitled to various benefits such as health insurance, dependent insurance, group personal accident insurance, Employee Pension Scheme, Employee Provident Fund Scheme, Employee State Insurance Corporation Scheme (as applicable), etc. Depending upon seniority, our employees are

entitled for care leave services. These benefits are available for all employees without any discrimination on grounds of gender.

All our employees are entitled to paid parental leaves up to the second child in accordance with prevailing national regulations. Parental leaves include 5 days of paternity and 180 days of maternity leaves. During the reporting year, a total of 197 employees had availed paternity leaves

Talent Management

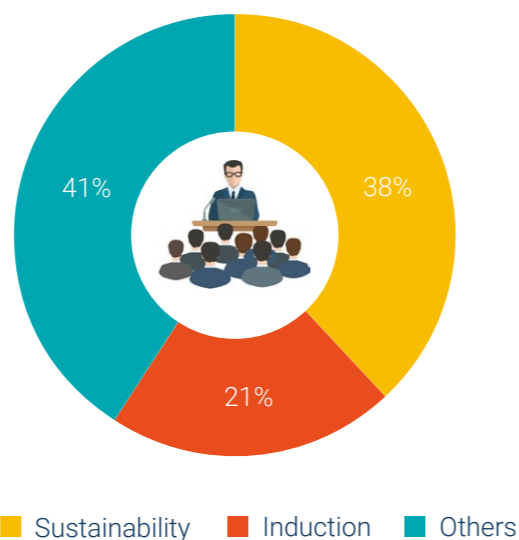
GRI 404-1, 404-2, 404-3 | Training offers an opportunity for employees to enhance their knowledge, refine their skills, and brighten their prospects. Training and skill development activities help in improving motivation, performance, and job satisfaction among employees. It also helps in adhering to various standards and compliances, bringing-in innovations, and reducing employee turnover. At ALL we have a structured meticulously designed training programme. Our talent management team develops an annual training calendar, organizes training sessions, and facilitates knowledge sharing and peer learning. Our training and development activities are managed through Aarti's Training Online Management System.

As per our L&D policy, it is mandatory to have a minimum of 1 man-day (8 hours) training for all employees across all job families. We follow the L & D cycle comprising stages of 'Analyse', 'Design', 'Train', 'Evaluate', and 'Reinforce'. The framework model adopted for L&D 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.

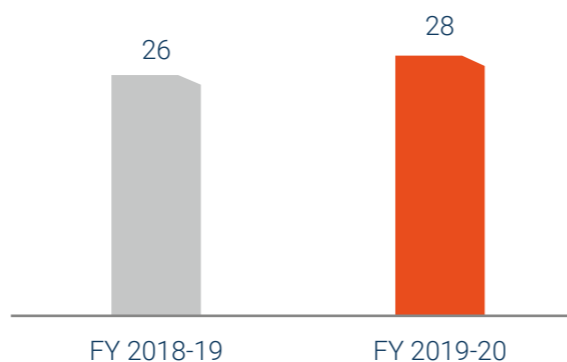
During the reporting period, we conducted 122,829 man-hours of training which was 77% higher than that of the previous year. During FY 2019-20, 100% of our employees were trained on POSH and Code of Conduct.

During COVID-19 pandemic, we have used virtual platforms and self-administered training modules to maintain the L&D cycle.

Thematic Distribution of Training



Average training hours per employee



Performance Management

A structured performance management system helps to boost employee engagement, identify performance gaps, and improve performance. We have developed and adopted a performance management system as per prevailing industry standards. Smart and measurable goals are provided to all employees at the start of appraisal cycle or at the time of joining. Reporting managers keep a track of performance and provide

regular inputs and feedback. From FY 2019-20, sustainability related KPIs have been made integral part of our performance management system. Furthermore, during 2019-20 we adopted a web-based performance management system that not only expedites the process but also saves paper usage. All our eligible employees received annual performance appraisal during FY 2019-20

HUMAN RIGHTS AND LABOUR PRACTICES

We ensure that the human rights and labour practices are adhered to at all the manufacturing and non-manufacturing units. We have developed a human rights policy and have communicated to all our employees and contractors. It has been displayed prominently to ensure adequate visibility. Periodic training programs are organized for capacity building of our employees, contractors, and sub-contractors.

We have established systems and processed to ensure strict prohibition of forced labour and child labour practices within our premises at our workplace. We undergo periodic audits conducted by appropriate authorities for adherence to the requirements of labour practices covering forced and child labour, safe work practices, work conditions, wages and salary, discrimination, and other system strengthening practices. During the reporting period, we did not receive any complaint pertaining to violation of human rights and child labour and forced labour prohibition norms.

Furthermore, we conduct periodic audits at all our operational sites to ensure strict adherence to the provisions of the human right and labour policies.

EMPLOYEE ENGAGEMENT

Aarti's Got Talent

Aarti's Got Talent is an employee engagement initiative to keep our employees engaged, motivated and connected with the organization during the COVID-19 lockdown period. The purpose of this initiative was to put a smile on employees' faces by sharing hobbies with the entire Aarti family. The initiative was led by the Central Employee Experience Team. The themes planned under this initiative are published in our internal magazine, Aarti Insights and are as follows:

- Share a picture of Workplace at Home
- Mobile Photography
- Best Mimicry/Dancing/Singing
- Poetry or Blog
- Painting
- Personal Breakthroughs
- An Act of Kindness - Aarti Heroes



Aayam – Expanding Horizons

Aayam is a very unique Organization Development intervention which focuses on human behaviours and harness the extraordinary potential of our people. The Aayam journey empowers individuals to drop relevant “threats” in any relationship, personal or professional, and engage in meaningful conversation by operating from facts, rather than opinions and adopting a proactive approach to listen and give timely feedback. Under this initiative external coaches are assigned who work closely with employees and Senior Leadership to achieve the desired purpose.

The intention of this unique initiative is to transform Aarti into an organisation with a culture of ownership, listening, high performance and leadership This initiative led by the Senior Leadership Team of the organisation has as the Other key objectives as:

- Design and implement our own Leadership Approach

- Create a space of openness, listening and powerful communication that enables people to communicate without any threats and constraints and in that space people can operate with complete alignment.
- Inspire and enable the whole organisation to live the Aarti Values; Integrity, Care and Excellence

As an outcome we live the Strategic Intent – ‘A high performing team co-creating world class company’ and realise the strategic dimensions/objectives of Aarti 18-21.

Since its launch, 12 foundation batches have been conducted and 400+ employees have been covered across Sr. Leadership, Group Leaders, Human Resources, Central Procurement, Zone 1 and Zone 2 Operations. Subsequent development sessions for Senior Leaders and HR team have also begun.

Nirvana – Employee Wellness Program

We value our employees as much of our company’s strength and success depends upon them and their well-being. We want to make sure that the workplace we provide helps them maintain and improve their overall well-being. Initiatives under Nirvana depicts CARE for our employees.

Nirvana is a state of perfect peace, harmony, and happiness with the world. We have designed our annual Employee Wellness Program - Nirvana with the theme – “A Better World at Work for Employees’ Overall Wellbeing”. Our wellness program not only focuses on physical fitness but on overall wellbeing. It has five dimensions, physical wellness, financial wellness, emotional & mental wellness (Anahata), social wellness

and occupational wellness. Working on these dimensions will help our employees in holistic development and to lead a healthy lifestyle. To create awareness and to keep the enthusiasm alive regarding the program Nirvana Champions have been nominated from each division across the functions. They are the torchbearers of Nirvana activities in their respective divisions and functions. They play a pivotal role in making these initiatives a big success at their respective divisions and provide the required support and guidance to all the employees.

Month wise themes have been designed and planned in alignment with Zonal HR teams. Each month has a theme and onsite activities are planned and getting implemented accordingly.

Anahata – Employee Assistance Program

We strongly believe that healthy employees are the core foundation of any organization. We have launched Anahata for Emotional and Mental Well-Being of our employees and it’s a part of our Employee Wellness Program Nirvana. As one of our company’s values i.e. CARE, Anahata is yet another endeavour to demonstrate its invincible determination to provide complete CARE to our employees and their family members. The services are completely free for Aarti’s employees and their 3 dependent family members. Range of services under Anahata are Counselling, Wellness Coaching, Legal & Financial Information and various Online Resources & health assessments.

We are associated with India’s leading Employee Assistance Programme (EAP) service provider. The service provider has a team of qualified professionals and counselling psychologists.

Anahata was launched on 2nd January 2020. The launch workshop session was conducted to create awareness for the program. A certified senior counsellor from the vendor partner along with Aarti’s Employee Experience team travelled across the locations to conduct the workshop sessions. Vadodara, Dahej, Jhagadia, Kutch, Mumbai, Tarapur, and Vapi were covered in the launch drive. For each location, two workshops were conducted, one workshop was for Managers and above to make them understand the process of employee referral. Another workshop was for all the employees, to make them aware of the services available under this program. The team also covered shop floor employees to create awareness.

As of July 2020, approximately 2200 employees were registered with the EAP agency as beneficiaries.

ARJAN – Rewards and Recognition Program

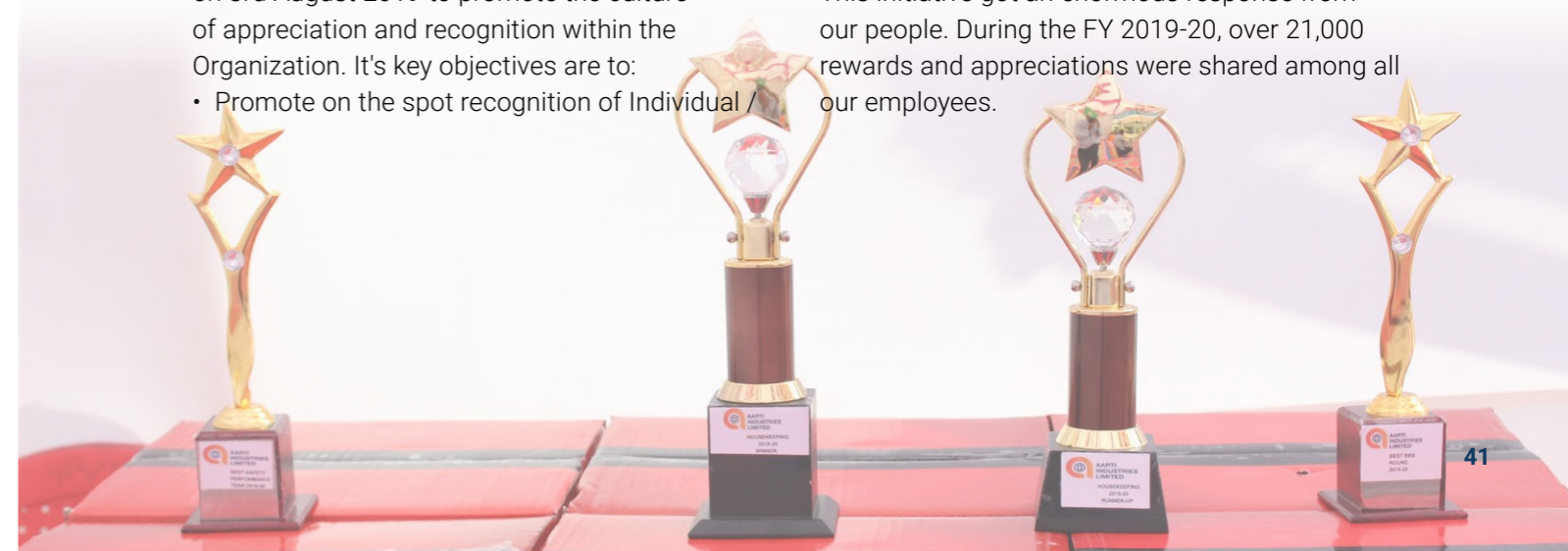
Our 18-21 theme is “A High performing team co-creating a world-class company”. In order to create a culture of high performance for our employees, it’s important to reward and recognize excellent performance and desirable behavior. On that note, Rewards & Recognition framework of Aarti has been developed on three pillars viz. Reward, Recognition, and Awards as below.

In order to achieve the maximum benefit and reach to the larger audience, we launched our online Rewards and Recognition platform Arjan on 3rd August 2019 to promote the culture of appreciation and recognition within the Organization. It’s key objectives are to:

- Promote on the spot recognition of Individual /

- Teams through appreciation & token rewards
- Provide an online recognition framework in the form of rewards that may be applied spontaneously to reinforce success
- Enable recognition of individuals & teams for business achievements & contribution during the year & outside the performance review process
- Positively reinforce & acknowledge desired values, behaviours & results in the workplace
- Act as a mechanism for employee engagement and appreciates their exceptional contributions

This initiative got an enormous response from our people. During the FY 2019-20, over 21,000 rewards and appreciations were shared among all our employees.



Reward Themes



Catalyst (Significant Contribution)

This reward shall be given to recognize an employee's outstanding contribution over and above the normal expectations of the role. The outstanding contribution can be cost reduction, optimum utilization of time and resources and improvement of current processes and practices.



Think Tank (Innovation)

This reward shall be given to recognize an employee's innovative idea(s) that has been implemented and resulted in significant business impact such as breakthroughs in existing business processes.



Sustainability Champ (Sustainability)

This reward shall be given to employees for promoting health, safety and environment practices at workplace. It shall include the employee's contributions in terms of BE SAFE initiatives, creation of safety culture, contribution towards the environment.



Team Player (Team Development)

This reward shall be given to employees for developing the skills and capabilities of teams and peers. This shall include various developmental interventions such as trainings, mentoring, coaching or shadowing etc.



Value Torchbearer (Value & Culture)

This reward shall be given to employees for exhibiting behavior that depicts Aarti's Values and Cultural Attributes.

GRATITUDE JOURNAL

It is the habit of recording and reflecting on things a person is grateful for on a regular basis. It helps the individual in rewiring the brain to focus more on the positive aspects of his/her life and creating resilience to deal with difficult situations. The concept is based on positive psychology. Mindful of these facts, we released Gratitude Journal for our employees in February 2020. This journal has 4 dimensions:

- Daily Gratitude - Noticing and documenting at least one good thing that has happened to you that day.
- People I'm grateful for the good things that happened to me in the last 7 days - Being

thankful to the people who make you Happy or have done something good for you. It can be as small as showing gratitude to your colleagues/ family members for something good they have done.

- What did I learn today? - Learning new things gives a sense of accomplishment. It can be as simple as learning to create a graph in a spreadsheet. Getting to know a new person.
- An act of kindness - By helping someone in need, we create a positive environment, for the person in need and for ourselves as well.



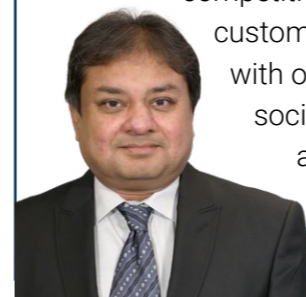
Customer Health and Safety

Customers are one of the most important stakeholders for any business. Continuing customer demand is the reason behind the existence of businesses. Customer satisfaction helps in building loyal customer base, goodwill, market reputation, and positive word of mouth publicity. Customer centricity is one of our cultural attributes and key success factors. Based on our quality of customer service, we have developed long-term strategic relationships with our customers and have become 'Global Partner of Choice' for leading manufacturers of specialty chemicals.

Our chemical and pharma business segment together manufactures over 200 products. Being chemical products, these are hazardous in nature. We have undertaken studies to assess customer health and safety implications for all our products. Based on the results we use standard Material Safety Data Sheets in compliance with applicable norms and regulations and EU REACH compliance. During the reporting period we did not receive any major complaints for health and safety issues from our customers, however, there were 3 complaints concerning labeling and packaging. During the reporting period no penalties or sanctions were imposed on us for violation of customer health and safety norms.



Consumers and customers are increasingly becoming eco-conscious. Sustainability has become one of the points of differentiation that imparts competitive advantage. Due to our focus on responsible chemistry and customer centricity, we have developed long-term strategic partnerships with our customers. Based on our robust performances on environmental, social, and governance fronts we have consolidated these partnerships and expanded our customer base to enhance our market share.



MANOJ CHHEDA, WHOLE TIME DIRECTOR



**PRODUCT AND PACKAGING STUDY:
AN INITIATIVE OF QUALITY ASSURANCE**

Packaging of materials is an integral part of any chemical industry, since its primary packing means directly in contact with the product. Packaging affects the quality, stability and identification of product. It provides an adequate degree of protection, minimizes the loss of constituents and should not interact physically or chemically with the contents in a way that will alter their quality to an extent beyond the limits, or present a risk of toxicity.

Packaging plays a vital role in ensuring the safety of customers especially when they are filled with hazardous material. Based on our observations on storage, existing packing of some of the products have tendency to change the color from white to brown and pink to light brown respectively at the upper surface of the bags. During dispatches, 100% bags required repacking subjecting to the risk of product contamination issues, health and safety exposure of employees, higher carbon footprint, & overall cost of Secured Land Fill (SLF) including labor cost and transportation cost as miscellaneous costs.

To address this issue, we felt a need to re validate the bag specification to ensure no repacking activity is carried out. Developing right quality bag also needed to address the following:

- Control on the volatile organic content
- Reduction in carbon footprint, leading to sustainable business and brand image
- Reduce the repackaging and labor costs
- Reduction of exposure of hazard for sustainable business
- Discoloration of the bags to enhance the aesthetic aspects resulting in enhanced brand image, leading to sustainable business.

After conducting the study, we replaced the existing PP Bag with Black Liners and introduced Dark Blue BOPP Bag with transparent LDPE Liners. It resulted in maintaining acceptable quality of packaged product up to 60 days after initial packaging.



CHAPTER 4

PLANET



Our efforts align with the following SDG:



Climate Change is a global emergency. It has threatened to impact water supply, energy availability, and infrastructure stability adversely. COVID-19 pandemic is one of the examples of systemic disruptions that can seriously affect the economy and businesses. We need to continue to grow at a rapid pace to satisfy the needs of a growing population. Such continuous growth is not possible without understanding the risks posed by climate change and mitigation thereof.

As a responsible organization, we strive to minimize our negative impacts on the environment and society and maximize positive impacts. Our R&D efforts are directed at process and design re-engineering to enhance resource efficiency and eliminate health and safety risks to our people and customers. We are planning to diversify our energy mix to replace conventional polluting sources of energy with renewables.

Value-chain based approach to sustainability is an important determinant of business continuity. In post-covid era, supply chain sustainability is expected to be more relevant than ever. Being a responsible organization, we have developed a supply-chain sustainability roadmap that comprises components of supplier mapping, assessment, and engagement. We are committed to adopt collaborative and collective efforts that enable in co-creating values reliably, safely, and sustainably.

PARIMAL H.DESAI
WHOLE TIME DIRECTOR



ADHERENCE TO PREVAILING REGULATORY AND VOLUNTARILY ADOPTED STANDARDS

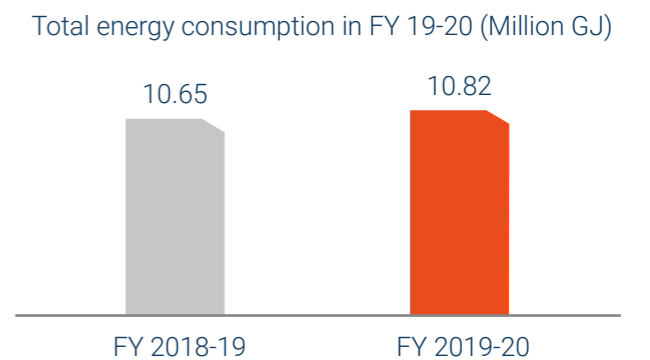
GRI 307-1 | Adherence to the norms and standards prescribed by the prevailing laws and regulations is mandatory for continuance of business. In addition to regulations, compliance with provisions of global voluntary standards helps in achieving excellence in the day-to-day operations. A lapse in compliance can harm an organization's reputation, business license, goodwill, and attract monetary and non-monetary penalties and sanctions. On the other hand, a good compliance programme helps in improving productivity, efficiency, and minimizing accidents.

At AIL we are committed to have 100% compliance level. For this purpose, we have adopted a third-party managed IT-based Compliance Management System. It has a repository of all applicable

regulations and requisite compliances. It has an in-built alert system that intimates concerned personnel about upcoming compliances. Additionally, we have adopted proactive approach to ensure adherence to the best practices regarding compliance management. Special trainings are provided to inform our employees about applicable regulations. Furthermore, we have established compliance governing system where compliances are being monitored at different levels through internal audit protocols and reviewed by Company Directors. These interventions have helped us in achieving 100% compliance with applicable regulations. During the reporting period no significant monetary or non-monetary penalties were imposed on us in terms of environmental norms.

OPTIMIZING ENERGY CONSUMPTION AND REDUCING EMISSIONS

GRI 302-1, 302-3, 305-1, 305-2, 305-4, 305-5, 305-6 | **ENERGY:** Energy management is of paramount importance to us due to its 3-fold benefits, i.e., natural resource conservation, emission reduction, and cost-efficiency. At AIL, we continually strive to improve energy efficiency of our operations, thereby reducing energy impacts. We focus on identifying opportunities to invest in renewable energy and energy efficient technologies. Of the total energy consumption during 2019-20, 7.41% was constituted by the energy generated from solar power generation, and waste heat recovery and steam recovery systems which avoided approximately 182,635 tCO₂e of GHG emissions (assuming that this demand would have been fulfilled from grid electricity). During the reporting period, our specific energy consumption was 280 GJ per million INR of gross revenue generated.



During FY 2019-20, energy consumption has increased primarily because of expansion of reporting boundary to include Nascent and Apple divisions, and commissioning of new plants at Dahej, Gujarat.



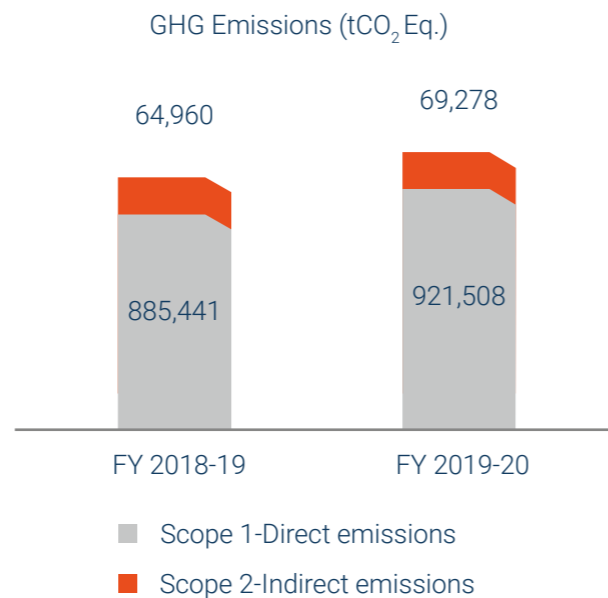
The modern stakeholder theories have identified environment as the silent stakeholder. Protection and conservation of environment is not only a moral obligation but also essential to ensure business continuity. The ecosystem services contribute substantially at every stage of business process. Being mindful of the value of these services, we strive to operate efficiently and effectively to enhance our eco-efficiency and eco-effectiveness that minimizes our environmental footprint.



SHYAM DHEKEKAR, CORPORATE PROCESS & TECHNICAL HEAD



EMISSIONS: At AIL, we continually focus on reducing our environmental footprint thereby doing our bit towards contributing towards the Nationally Determined Contributions (NDCs) under UNFCCC. 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. All our power plants are co-generation and adopted several energy efficiency measures. During the reporting period, our specific GHG emission was 26 tCO₂ eq. per million INR of gross revenue generated.



During FY 2019-20, GHG emissions has increased primarily because of expansion of reporting boundary to include Nascent and Apple divisions, and commissioning of new plants at Dahej, Gujarat.

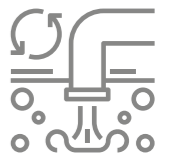
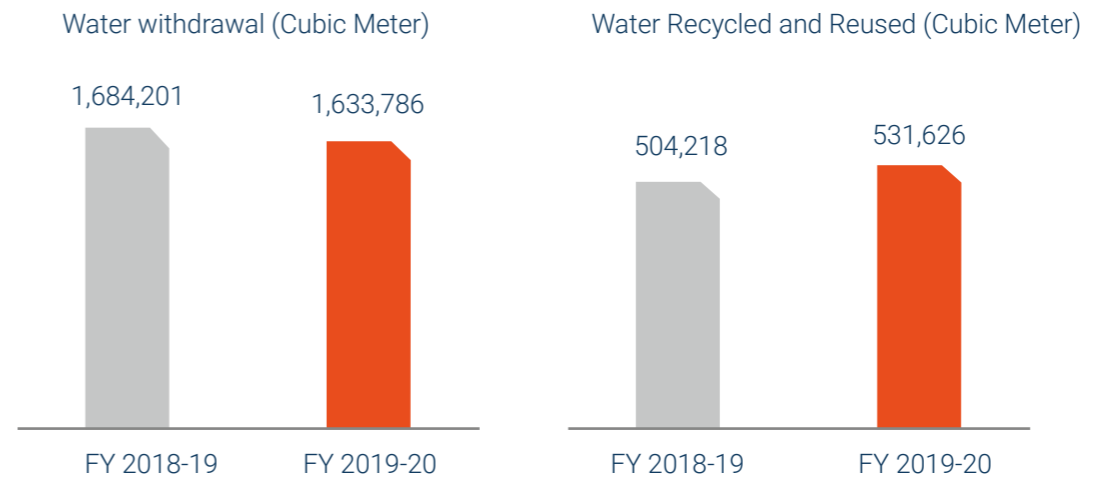
At AIL, we do not use any ozone-depleting substances (ODS) in our manufacturing processes. We comply with the air emission norms prescribed by the Pollution Control Board. During the reporting period total emissions of Particulate Matter (PM), SO_x, and NO_x was 345 MT, 427 MT, and 216 MT respectively.

WATER CONSUMPTION: REDUCING, RECYCLING AND REUSING

GRI 303-1, 303-3, 306-1 | As a responsible organization, efficient usage of water is of high priority to us, making it a high material topic for us and our delighted stakeholders.

operations do not cause any direct impact on any water body as we do not harvest water directly from any source. Towards reducing our water footprint, we are strategizing to achieve zero-liquid discharge (ZLD) for our facilities. Currently, 9 of our divisions in the specialty chemical business segment are ZLD facilities.

The water consumed at our facilities is supplied by the third-party, i.e., municipality water. Our



85% reduction in wastewater discharge from FY 2018-19

EFFICIENT USE OF MATERIALS

GRI 301-1 | Responsible consumption and efficient use of materials is crucial for achieving sustainability. The industrial focus is now shifting from 'cradle to grave' approach to 'cradle to cradle' approach. Finite and scarce resources and increasing global population are driving the imperative of eco efficiency. The management of natural resources and reducing the environmental impact of materials and manufacturing technologies is a key area of importance.

also makes our materials use efficient. Our R&D is focused on process and design engineering to achieve higher levels of material efficiency.

Being a responsible organization, we are committed to efficient use of raw materials and minimization of waste production. Our strategic focus on transforming byproducts into marketable products not only helps us in reducing waste but

The major raw materials used in our operations are Benzene, Toluene, Ammonia, Ethylene, Methanol, Sulphur, Quinalphos, Chlorine, and Concentrated Nitric Acid. Other raw materials include Hydrogen, Hydrochloric Acid, Sulphuric Acid, Aniline, etc. Previous year we had disclosed the quantity of only major raw materials consumed. This year we have decided to disclose the total quantity of all raw materials purchased from outside. During the reporting period we consumed 875,449 MT of raw materials in our operations.

CASE STUDY: DATA DRIVEN QUALITY ASSURANCE

Process capability is an expression of the performance of products vis-à-vis customers' needs and expectation. A capable process results in the production of products with all specification and monitoring parameters being within pre-defined limits. We conducted a study to assess quality assurance in response to observations of large number in one of our critical products.

It was observed that during manufacturing of this product, some Out of Specification (OOS) batches were produced. These products were reprocessed by melting. During melting, process operators were at the high risk of exposure and subsequent health hazards. 100% sampling was performed to mitigate the homogeneity risk. To overcome these issues, we have undertaken an initiative to reduce the generation of OOS batches on a daily basis.

Outcomes of initiative:

- Reduction in generation of OOS batches
- Reduction in environment issues
- Reduction in chemical exposure during reprocessing/melting
- Reduction of 100% sampling and saving on quality control efforts
- Customer satisfaction in line to fulfil their need and expectations in authentic way
- Sustainable business and reduction of impurity profiles

Benefits from OOS reduction has resulted in monetary benefits and reduced waste generation in addition to above mentioned outcomes. Cost benefits and increase in yields

MANAGING WASTE SUSTAINABLY

GRI 306-2 | As a result of our business operations, hazardous waste is generated at our plant sites. The sludge from the effluent treatment plant (ETP) constitutes a large part of our hazardous waste. We comply with existing statutory requirements for the disposal of hazardous waste. We handover our hazardous waste to Treatment, Storage, Disposal Facility (TSDF) authorized by the State Pollution Control Board, where waste is disposed of through appropriate methods. Our non-hazardous waste is constituted by boiler coal ash. We further handover boiler coal ash to authorized recyclers due to its

usability in the cement and brick manufacturer industry. The waste disposal method is listed on the generated manifest. Our waste production was under the permissible limits prescribed by regulatory authorities.

During FY 2019-20, we have adopted GPS-based tracking system to prevent diversion and pilferages of waste in an unauthorised manner. Furthermore, we have undertaken audits of recyclers to ensure responsible disposal of hazardous waste.

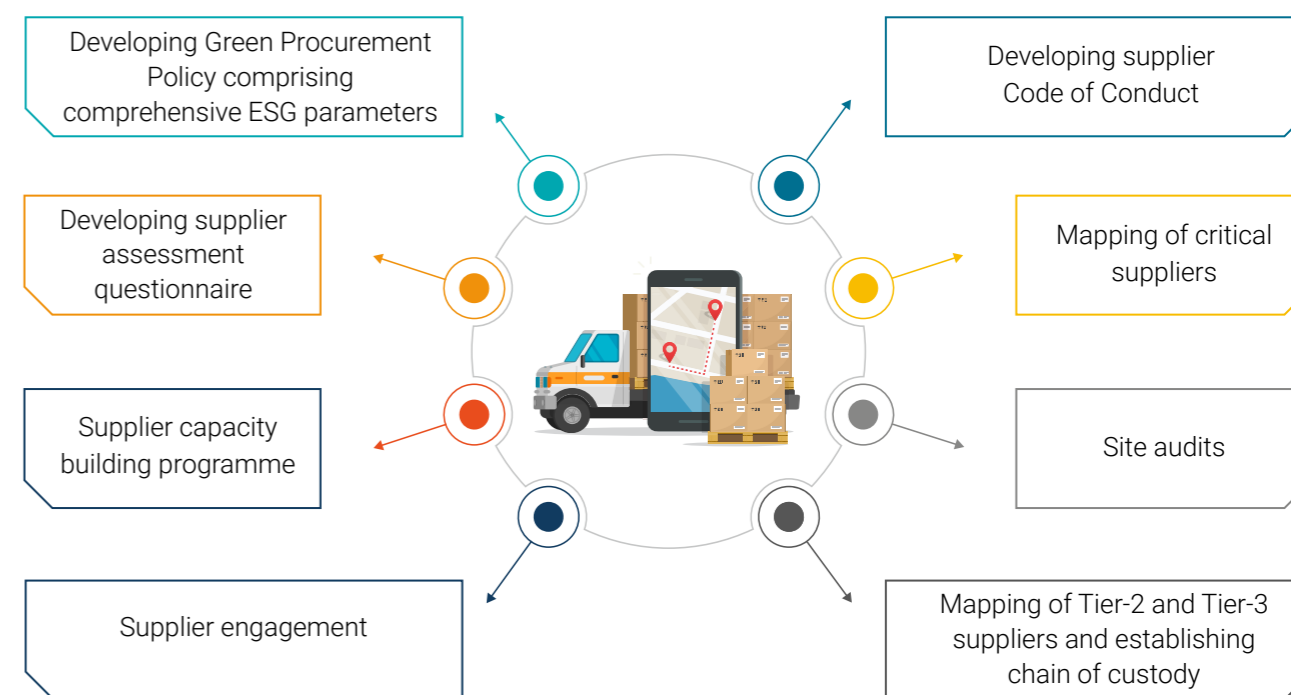
Hazardous waste sent for landfilling	Hazardous waste incinerated	Hazardous waste sent for recycling	Residue waste sent to Cement industry as a fuel
16,155 MT	2,943 MT	21,858 MT	1,080 MT

COLLABORATIVE APPROACH ACROSS VALUE-CHAIN

GRI 102-9, 308-1, 308-2, 414-1, 414-2 | Being a manufacturing organization, the supply chain is one of the most important determinants of our business success. A well-managed supply chain helps in ensuring certainty of supplies, minimizing risks, and reducing cost of operations. The disruptions caused by COVID-19 pandemic has reinforced the importance of supply chain sustainability.

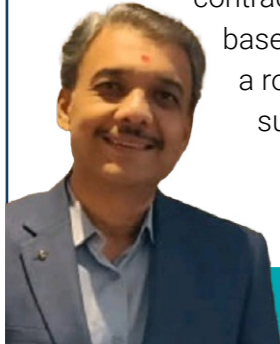
We have adopted a value-chain based approach towards supply chain. During FY 2019-20, we have adopted a supply chain sustainability programme and have developed a roadmap to achieve the desired objectives in a phased manner. Our supply chain sustainability programme has the following components.

Components of supply chain sustainability





Responsibility of organization is to transcend sustainability across its boundaries. In the interconnected and interdependent global era, performance of an organization is a function of performances of its people, suppliers, contractors, customers, etc. Apropos, we have adopted a value-chain based approach towards business sustainability. We have developed a roadmap to engage and collaborate with our suppliers to ensure sustainability for our ecosystem. Going forward, we intend to integrate sustainability into our expansion projects to ensure responsible chemistry since inception.



HARENDRA PANDYA, CHIEF PROJECTS & PROCUREMENT OFFICER



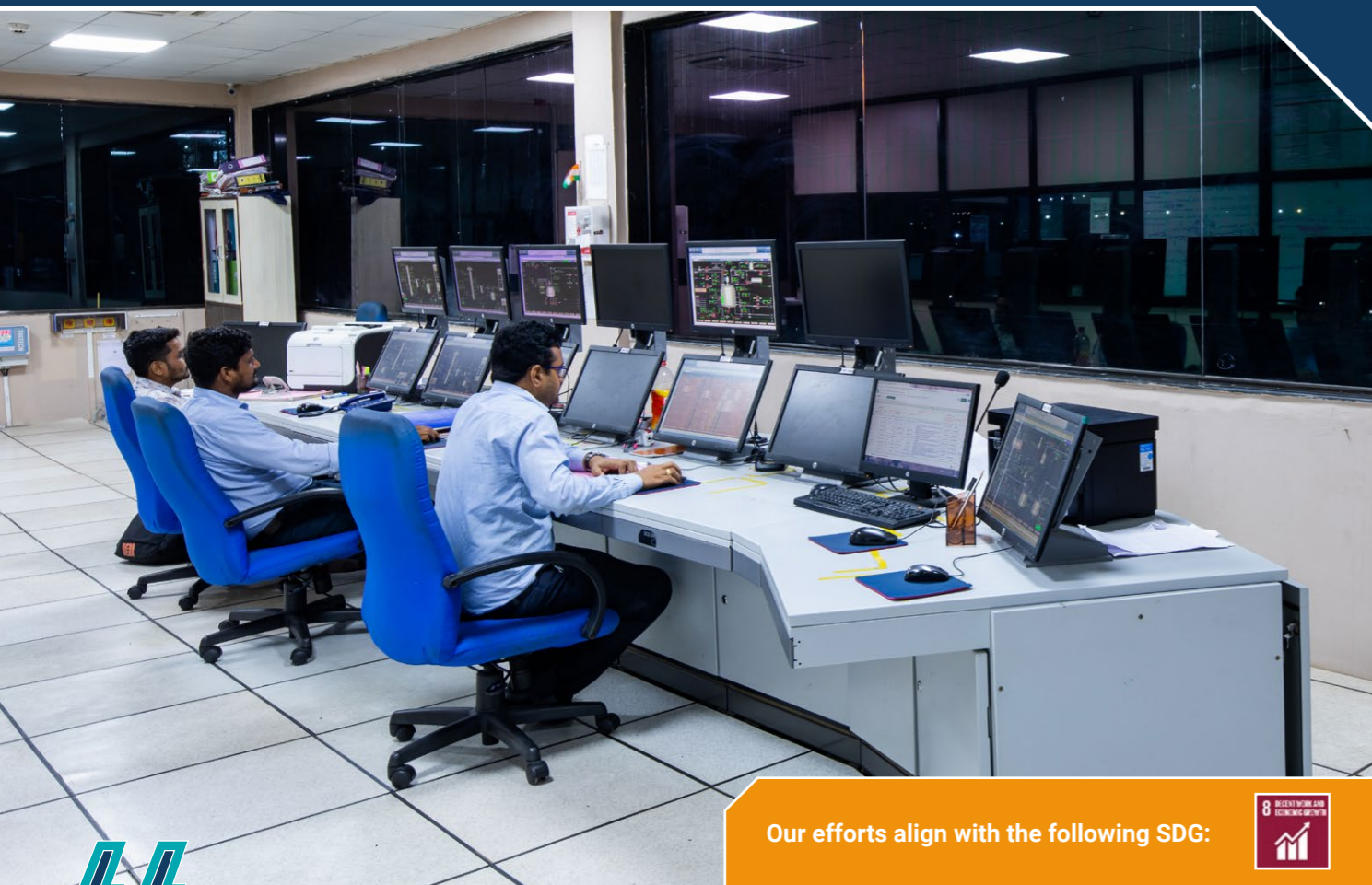
During the FY 2019-20, we conducted ESG due diligence on 52 potential new suppliers assessing their performances using a standardized tool. Of these 52 suppliers, 20 were finally onboarded. We have developed plans for engaging with suppliers to lower the ESG risks.

Number of potential new suppliers	Number of potential new suppliers assessed for environmental and social risk	Number of on-boarded suppliers	Number of on-boarded suppliers identified with environmental and social risk
52	52 (100%)	20	6



CHAPTER 5

PROFIT



Our efforts align with the following SDG:



FY 2019-20 was a volatile year from governance, economic, and business perspectives. COVID-19 pandemic added to the ongoing global economic slowdown. Supply chain disruptions and significantly reduced demand proved to bottleneck industrial growth and development. These factors outline the importance of business resilience and risk mitigation.

To strengthen our business resilience, we have made sustainability considerations as an integral part of our financial decision making. We not only assess the financial value creation for our investment decisions, but also factor-in non- financial impacts our business decisions. These efforts not only help us in furthering our 'responsibility' as industry leaders in specialty chemical segments but also future proof our business endeavors. We are committed to a sustainable future by adopting inclusive, reliable, and responsible business roadmaps.

MIRIK GOGRI
HEAD CORPORATE STRATEGY



Profit is not the purpose of business, but rather test of its validity

PETER DRUCKER



Sustenance of business depends upon economic value generation, social legitimacy, and market acceptance. A robust economic performance helps in expansion of assets, distribution of value among stakeholders, and achievement of sustained competitive advantage. Furthermore, financial health of a company is an indicator of relevance of its business model, effectiveness of its business strategy and efficiencies of its operations.

At AIL, we are committed to achieve financial robustness and economic resilience through our responsible conduct of business. All our workforce has accepted the responsibility towards economic value creation. 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.

FY 2019-20 saw volatile economic conditions within India and globally due to geo-political uncertainties and the novel COVID-19 pandemic that disrupted the global supply chain especially in Q4. Due to these factors, global economy expanded by less than 2.5% . Because of our resilient business operations, we succeeded in minimizing the impact of critical economic conditions on our finances and earned gross revenues of INR 46,207 million experiencing a dip of 3% year-on-year basis. Our detailed financial statement is available in our Annual Report FY 2019-20 that is accessible at our website.

DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

GRI 201-3, 201-4 | As a responsible employer, AIL provides several employee benefits such as medical insurance, life insurance, personal accident insurance, maternity leave, paternity leave, and provident fund. In FY 2019-20, we spent INR 2,923 million on defined benefit plan obligations and other retirement plans which was 26.70% higher than the previous year. The details of contribution to defined benefit plans are provided in Annex-1.

In FY 2019-20, we received financial assistance of INR 122.88 million from the government in the form of subsidies. The 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.



CHAPTER 6

SOCIAL COMMITMENT



Our efforts align with the following SDG:



Social license to operate is one of the prerequisites for the continuance of a successful business. Society is the ultimate consumer of all goods and services produced; therefore, society becomes the most important source of demand and value generation. Giving back to society is a way to impart social legitimacy to the business.

Social responsibility at AIL is driven by the deep philanthropic values of our founders and leaders. Our commitment to society goes beyond mere compliance with the legal mandate of the Company's Act 2013. We work closely with the local communities to identify their needs for holistic development and upliftment and take assistance from leading local NGOs in the implementation of initiatives. Our CSR initiatives are in alignment with the local, regional, and national priorities. We understand that a robust education system, a strong healthcare delivery system, and a clean environment are the key factors in community upliftment. Therefore, our efforts are directed at remedying these focus areas.

We are committed to further our social initiatives and community upliftment initiatives. Our service-oriented approach helps us to effectively execute our initiatives and achieve the desired results.

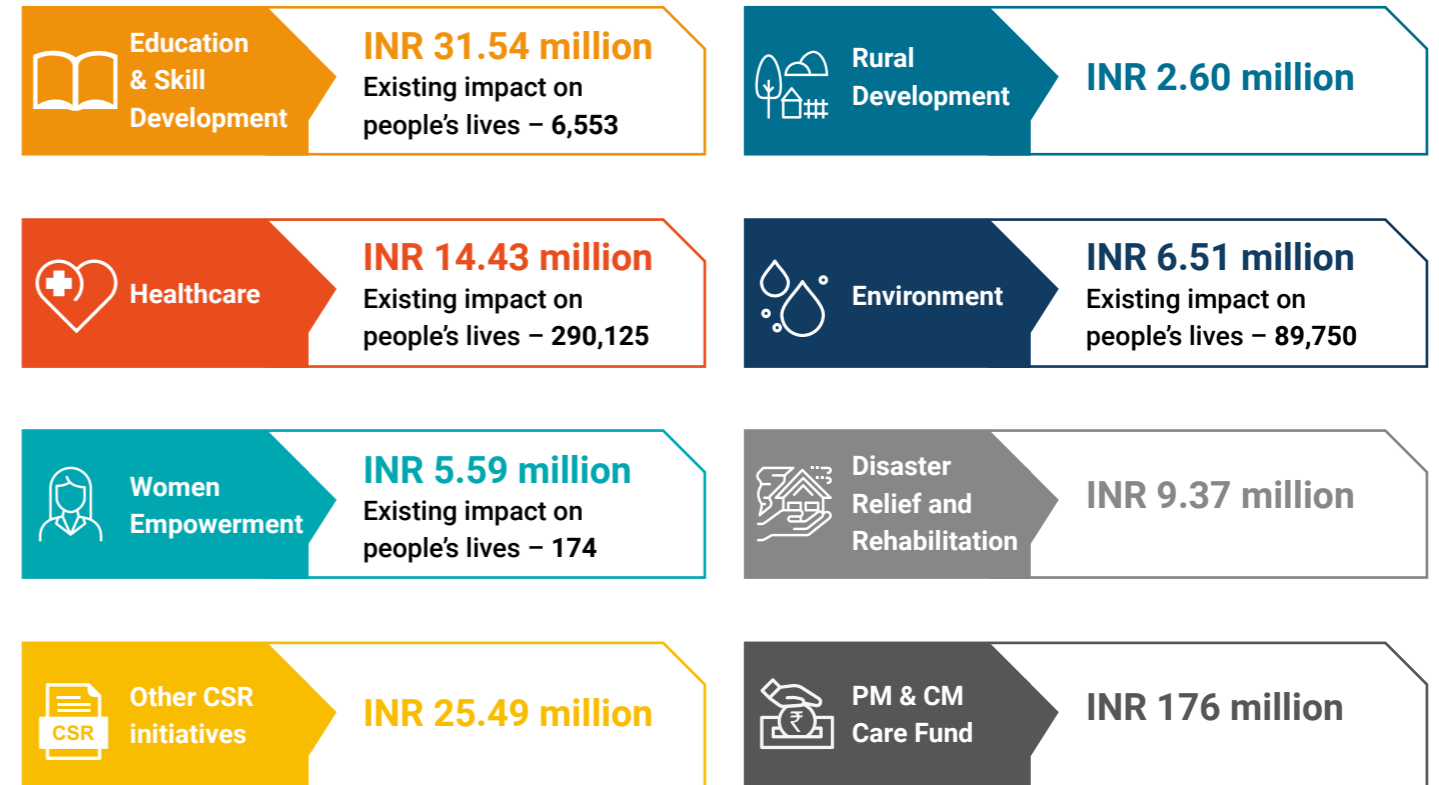
HETAL GOGRI GALA
WHOLE TIME DIRECTOR



GRI 413-1 | We continuously strive to inspire the community socially to create a lot positive change across our value chain. At AIL, we are committed to the principles of sustainable and harmonious development by ensuring the well-being of society and adding value to it. We strongly believe that community upliftment is not a matter of mandatory compliance but that of moral and ethical responsibility towards the society.

The CSR areas in which we venture resonate with India's national development goals as well as the

Sustainable Development Goals as highlighted in the United Nations 2030 Agenda for Sustainable Development. Our main CSR activities are being run through 'Aarti Foundation' which spearheads and supports initiatives on behalf of AIL and the 'Dhanvallabh Charitable Trust'. We also make sure to interact and network with various NGOs to understand other challenges being faced by the nearby communities. Our detailed CSR policy is available at our website.



EDUCATION AND SKILL DEVELOPMENT



- » Running more than 7 schools with nearly 2,565, students being benefitted
- » Scholarships and Grants provided to nearly 381 students
- » Provided soft skill training to students under Vidya Sarthi Project benefitting 2,835 students from 78 villages



HEALTHCARE



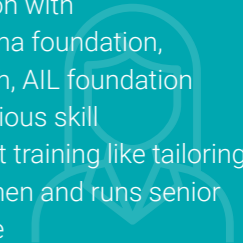
- » Counselling 62,000 mothers under Breastfeeding Promotion Network of India (BPNI)
- » Running 2 mobile dental vans one each in Dahej and Jhagadia clusters
- » Organized blood donation camp and witnessed a donation of 614 units of blood
- » Provided aid to JITO Hospital's infrastructural development



WOMEN EMPOWERMENT



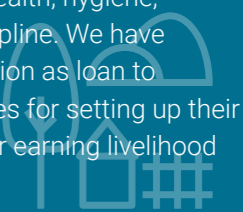
- » Provided funds of INR 25 lakhs to Adivasi Kanya Kelavni Trust for construction & related expenses and facilities for Girls hostel which can accommodate 108 girl students
- » Interest free loans provided to women for earning their livelihood in association with Karunah Society for development and empowerment
- » Shiksha Protshan Kendra for providing education to tribal children
- » In association with Matravadana foundation, Bidada Kutch, AIL foundation provided various skill development training like tailoring to local women and runs senior citizen home



RURAL DEVELOPMENT



- » Aarti in association with VICHARTA SAMUDAY SAMARTHAN MANCH (VSSM) is contributing to their vision of helping the Nomadic and Denotified tribes attain identity and live a dignified life. AIL has contributed in 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 have distributed INR 1.5 million as loan to people of Wadia Villages for setting up their business and shops for earning livelihood



ENVIRONMENT

- » We have donated INR 1.4 million to drought hit areas of Marathwada. 4 drought hit villages namely Babhalkunta, Ghatsawali, Gundewadi & Talegaon in Beed district of Maharashtra have been benefited from various activities like construction of checkdams, desilting of rivers and lakes and other activities like widening of canals, etc. This has helped save approx. 7.11 crore litres of water in these areas, benefitting 20,000 lives
- » Vikas Center for Development (VCD): The project involved rain water harvesting at village Tankari, Taluka Jambusar, Bharuch District; where VCD carried out work on 03 Ponds at Tankari Bandar site, wherein cleaning, deepening, and then creating inlets into the ponds for the rain water to come in. 15,000 people were benefited from this



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 page	
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	102-3	Location of headquarters	12	
	102-4	Location of operations	12	
	102-5	Ownership and legal form	10	
	102-6	Markets served	13	
	102-7	Scale of the organization	10, 12, 13	
	102-8	Information on employees and other workers	36, 73	
	102-9	Supply chain	52	
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	102-11	Precautionary principle or approach	20, 21	
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GRI 102: Stakeholder Engagement	102-40	List of stakeholder groups	22, 23, 24	
	102-41	Collective bargaining agreements	NA	At our major operational locations, employee unions have not been formed
	102-42	Identifying and selecting stakeholders	22	
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	102-44	Key topics and concerns raised	23, 24, 28	

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions	
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	102-46	Defining report content and topic Boundaries	Inside of front cover page		
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	102-48	Restatements of information	Explained wherever applicable throughout the report		
	102-49	Changes in reporting	Inside of front cover page		
	102-50	Reporting period	Inside of front cover page		
	102-51	Date of most recent report	Inside of front cover page		
	102-52	Reporting cycle	Inside of front cover page		
	102-53	Contact point for questions regarding the report	Inside of front cover page		
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	103-2	The management approach and its components	38	
	103-3	Evaluation of the management approach	38	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	38, 73	
	404-2	Programs for upgrading employee skills and transition assistance programs	38	
	404-3	Percentage of employees receiving regular performance and career development reviews	38	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	56, 57, 58, 59, 60	
	103-2	The management approach and its components	56, 57, 58, 59, 60	
	103-3	Evaluation of the management approach	56, 57, 58, 59, 60	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	57, 58, 59, 60	
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 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	52	
	414-2	Negative social impacts in the supply chain and actions taken	52	



INDEPENDENT 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 2019-20. 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.

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 2019 to 31st March 2020:

- Speciality Chemical Business Segment in India comprising 5 operational locations: Vapi (Acid, Alchemie, Amine, Apple, Nascent and Organic), Jhagadia (Pearl, Ruby and Jade), Kutch (Anushakti) and Dahej (Neo) in Gujarat and Tarapur (Topaz) in Maharashtra.

The scope of our assurance engagement was limited to review of sustainability data and information in the Report, pertaining to environmental, social and governance performance for the period 1st April 2019 to 31st March 2020.

Assurance standard

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (2008) Type 2, Moderate level of assurance.

Limitations and exclusions

Our review was limited to two sample sites (virtual assurance) as stated below, and further specified in 'Summary of our key assurance procedures'.

Due to the outbreak of the COVID-19 pandemic, and the resultant travel and meeting restrictions, data assurance was done remotely using appropriate web enabled tools. We did not conduct any physical verification at locations or offices of the Company. Audit trails and review were conducted through remote discussion with officials of the Company and gathering of evidences on sample basis.

The assurance scope excludes:

- Data and information outside the defined reporting period (1st April 2019 to 31st March 2020);
- Review of the financial performance parameters included in the Report, which, we have been informed by the Company, are derived from the Company's audited financial records;
- The Company's statements that describe expression of opinion, belief, inference, aspiration, expectation, aim or future intention.

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 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:

- Assessment of AILs 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 those are included in the Report;
- Reviewing 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, through virtual meeting using web-enabled tools, conducted for 2 out of 5 operational locations covered in the Report, namely: (i) Kutch (Anushakti), Gujarat; (ii) Dahej (Neo), Gujarat.

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 the '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 on sample basis. Nothing has come to our attention that causes us not to believe that the data has been presented fairly, 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:

- During our review, minor variances were observed, which were subsequently corrected in the final Report;
- AIL has aligned its data management systems and processes with the requisite requirements of sustainability disclosures and initiated adoption of standard operating procedures and formalisation of internal validation protocols. Going forward, these efforts may be consolidated to further strengthen the data management systems.

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.



Dipankar Ghosh, Partner

Thinkthrough Consulting Private Limited
New Delhi

18th September 2020



ANNEX- 1 SUSTAINABILITY PERFORMANCE DATA

This chapter provides our sustainability performance data for FY 2018-19 and FY 2019-20. Sustainability performance data of the FY 2018-19 has been revised in accordance with the expanded boundary of the report wherever applicable.

Profit*

Economic value generated	FY 2019-20 (INR million)	FY 2018-19 (INR million)
Gross revenue from operations	46,207	47,055
Economic value generated from investment and other sources	88	21
Net profit	5,360	5,041
Economic value distributed		
Operating cost (includes cost of raw materials, depreciation, and other expenses)	30,889	31,223
Employee wages and benefits	3,052	2,482
Interest payment to providers of credit	1,247	1,825
Dividend/Payout to shareholders	1,063	439
Payment to government (taxes)	1,294	1,178
Community investments	106	97
Retained profits	4,297	4,602

*Note - Financial performance mentioned above has been extracted from the audited consolidated financial statement provided in the annual report

Defined benefit plan obligations and other retirement plans	FY 2019-20 (INR million)	FY 2018-19 (INR million)
Contribution to PF	130.20*	110.80*
Contribution to Superannuation fund	4.20	3.70
Contribution to Gratuity fund	43.76	34.30

*Employer contribution only

Planet

Energy

Parameters	FY 2019-20 Consumption in GJ	FY 2018-19 Consumption in GJ
Diesel	29,901	51,975
Natural Gas	117,241	277,857
Coal	9,497,561	9,011,462
Grid electricity	234,977	201,067
Solar power generated	1,526	1,508
Furnace Oil	12,381	12,696
Waste Heat Recovery	60,821	88,558
Purchased Steam	127,302	154,826
Steam Recovered from Waste Heat Columns	739,467	698,770
Total energy consumption in FY 19-20	10,821,177	10,498,719
Specific Energy Consumption (GJ/million INR)	280	264

Emissions*

Parameters	FY 2019-20 tCO ₂ e	FY 2018-19 tCO ₂ e
Scope 1- Direct emissions	921,508	885,441
Scope 2 – Indirect emissions	69,278	64,960
Total GHG Emissions	990,786	950,401
Specific GHG Emission (tCO ₂ eq. per million INR)	26	24

*Note - 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	Absolute emissions (MT) (FY 2019-20)
Particulate Matter (PM)	345
SOx emissions	427
NOx emissions	216

Water

Parameters	FY 2019-20 (in cubic meter)	FY 2018-19 (in cubic meter)
Water withdrawal	1,633,786	1,684,201
Specific Water Consumption (kl/million INR)	42	42
Water discharge	13,336	84,856
Water Recycled and Reused	531,626	504,218
Water recycled (percentage of total water withdrawal)	33%	30%

Materials

Parameters	FY 2019-20 (MT)	FY 2018-19 (MT)*
Material Consumption	875,449	612,795

*In SR 2018-19 only major raw materials were disclosed while in this report, all raw materials are being disclosed.

Waste

Waste disposal	FY 2019-20 (Metric Tons)	FY 2018-19 (Metric Tons)
Hazardous waste sent for landfilling	16,155	14,519
Other hazardous waste incinerated	2,943	3,818
Hazardous Waste sent to recycler	21,858	-

People

Safety Statistics

Particulars	FY 2019-20	FY 2018-19
Total Man-Hours Worked	24,449,620	17,511,167
Lost Time Injury	6	19
Lost Man-days	185	181
Fatalities	0	0
LTIFR	0.25	1.10
LTISR	8.18	10.44
TRIFR	2.13	3.86

Total Number of Employees as on 31st March 2020

Job Family	<30 years		30-50 Years		>50 Years		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Senior Leader	0	0	3	0	11	0	14	0	14
Leader	0	0	39	1	13	1	52	2	54
Manager	8	1	157	2	18	0	183	3	186
Officer	666	53	567	14	65	0	1,298	67	1,365
Associate	1,340	6	1,245	2	154	0	2,739	8	2,747
Total	2,014	60	2,011	19	261	1	4,286	80	4,366

Number of Employees Hired During FY 2019-20

Job Family	<30 years		30-50 Years		>50 Years		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Senior Leader	0	0	1	0	3	0	4	0	4
Leader	0	0	11	0	2	2	13	2	15
Manager	5	0	50	2	0	0	55	2	57
Officer	365	50	179	9	0	0	544	59	603
Associate	657	3	248	0	2	0	907	3	910
Total	1,027	53	489	11	7	2	1,523	66	1,589

Employee Turnover During FY 2019-20

Job Family	<30 years		30-50 Years		>50 Years		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Senior Leader	0	0	0	0	2	0	2	-	2
Leader	0	0	3	0	2	1	5	1	6
Manager	0	1	16	0	0	2	16	3	19
Officer	160	11	63	1	8	0	231	12	243
Associate	184	1	78	1	11	0	273	2	275
Total	344	13	160	2	23	3	527	18	545

ANNEX- 2 UNGC PRINCIPLE

UNGC Principle	Category	Description	Page No.
Principle 1	Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights	39
Principle 2		Businesses should make sure that they are not complicit in human rights abuses	36, 37
Principle 3		Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	36
Principle 4	Labour	Business should uphold the elimination of all forms of forced and compulsory labour	36, 37
Principle 5		Business should uphold the effective abolition of child labour	36, 37
Principle 6		Business should uphold the elimination of discrimination in respect of employment and occupation	36, 37
Principle 7	Environment	Businesses should support a precautionary approach to environmental challenges	20, 21
Principle 8		Business should undertake initiatives to promote greater environmental responsibility	46, 47, 48, 49, 50, 51, 52
Principle 9		Businesses should encourage the development and diffusion of environmentally friendly technologies	11, 46, 47, 48, 49, 50, 51, 52
Principle 10	Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery	18, 21

MEMBERS OF SUSTAINABILITY COUNCIL



Mr. Rajendra V Gogri
Chairman and Managing Director



Mr. Rashes C. Gogri
Vice Chairman & MD



Mr. Renil R. Gogri
Whole Time Director



Mr. Mirik R Gogri
Head Corporate Strategy



Mr. Bhavesh Mehta
Technical Advisor



Mr. Ajay Kumar Gupta
Chief Manufacturing Officer



Mr. Manoj Sharma
Chief Human Resource Officer (CHRO)



Mr. Harendra Pandya
Chief Projects & Procurement Officer



Dr. Prashant Potnis
Chief Scientific Officer (CSO)



Mr. Shyam Dhekekar
Corporate Process & Technical Head



Mr. Satish Chavan
Operations Mentor



Mr. Chetan Gandhi
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Mr. Dhananjay Ranade
Operations Head - Zone I



Mr. Sandip Chakraborty
Operations Head - Zone II



Mr. Adwait Thakre
Project Head



Mr. Subhat Jindal
Operations Head - Zone III



Mr. KKS Babu
Project Head - Zone I



Dr. Kirit Desai
Quality & Product Development Head



Mr. Bhaskaran Rajagopalan
Corporate Technology Head



Mr. Pratik Sharma
Corporate Safety & Compliance Head



Mr. Himanshu Bhavsar
Head Business Excellence



Mr. Bhautik Mehta
Head Corporate Planning



Mr. Shankar Karhale
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