

SUSTAINABLE GROWTH THROUGH RESILIENCE

SUSTAINABILITY REPORT 2020-21





About the Report

This is our third Sustainability Report. It details our sustainability performance for the FY 2020-21. This report is prepared in accordance with GRI Standards 2016 (2018 Updates): Core Option, for the reporting period from 1st April 2020 to 31st March 2021. We follow the annual reporting cycle of Financial Year, i.e., April-March. Our previous report was published for the FY 2019-20.

The scope and boundary of the report includes all the activities and operations of AIL's speciality chemicals business segment in India which comprises manufacturing plants spread across five locations- Dahej (Division - Neo), Jhagadia (Divisions - Pearl, Ruby & Jade), Kutch (Division - Anushakti), Tarapur (Division - Topaz), and Vapi (Divisions - Acid, Amine, Alchemie, Organic and Nascent; Pilot Plant - Apple). Boundary of this report has been expanded to include our newly established Aarti Research and Technology Centre (ARTC).

Through this sustainability report, we intend to apprise our stakeholders of our efforts to achieve sustainable growth and inclusive development. The report covers

sustainability data and information for the material topics identified through stakeholder engagement process considering the reporting boundary as per the operations in India. We have also included other relevant disclosures to aid in enhanced comprehension of our sustainability initiatives and performance. This report reflects our commitment to the United Nations Sustainable Development Goals (SDGs) and the ten principles of the United Nations Global Compact. 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 2020-21 has been externally assured by Thinkthrough Consulting Private Limited (TTC), New Delhi, in accordance with the AA1000AS v3. Assurance provided is 'Type-2, Moderate Level'.

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

Sustainable Growth through Resilience

Being mindful of today's dynamic, volatile, and unpredictable external environment, we have strived to inculcate attributes of prudence, adaptability and agility to thrive and sustain. These characteristics have enabled us to foresee inherent challenges and impending transitions in the socio-economic landscape, minimizing impacts of adverse events and leveraging opportunities, and demonstrating robust risk response and rapid recovery. Such resilience not only imparts us with a competitive advantage but also helps in being sustainable in the long-run.

The 2020-21 time period – pandemic years have been testing times for all. The COVID-19 pandemic has not only impacted health systems but also it had a cascading impact on the socio-economics. We have persevered through the environment of uncertainties, economic depression, and chaos by demonstrating our core values of Care, Integrity, and Excellence.

Safety and well-being of our people is our utmost priority. During the COVID-19 pandemic, we took proactive initiatives towards COVID prevention in addition to our ongoing endeavours to achieve 'zero-harm' at the workplace. We extended our support in the form of adequate medical and financial assistance to COVID-19 infected employees, their family members and contract workers to facilitate rapid recovery. Furthermore, aligning with our

social commitments, we have undertaken CSR initiatives with an objective to achieve inclusive growth and development. Extending our CSR efforts during COVID-19 pandemic, we distributed food grains to daily wage workers in the nearby communities and conducted COVID awareness & Health monitoring programs. These efforts have helped us in strengthening goodwill among our people and society. We had organized vaccination drives for our employees, their family members and contract workers.

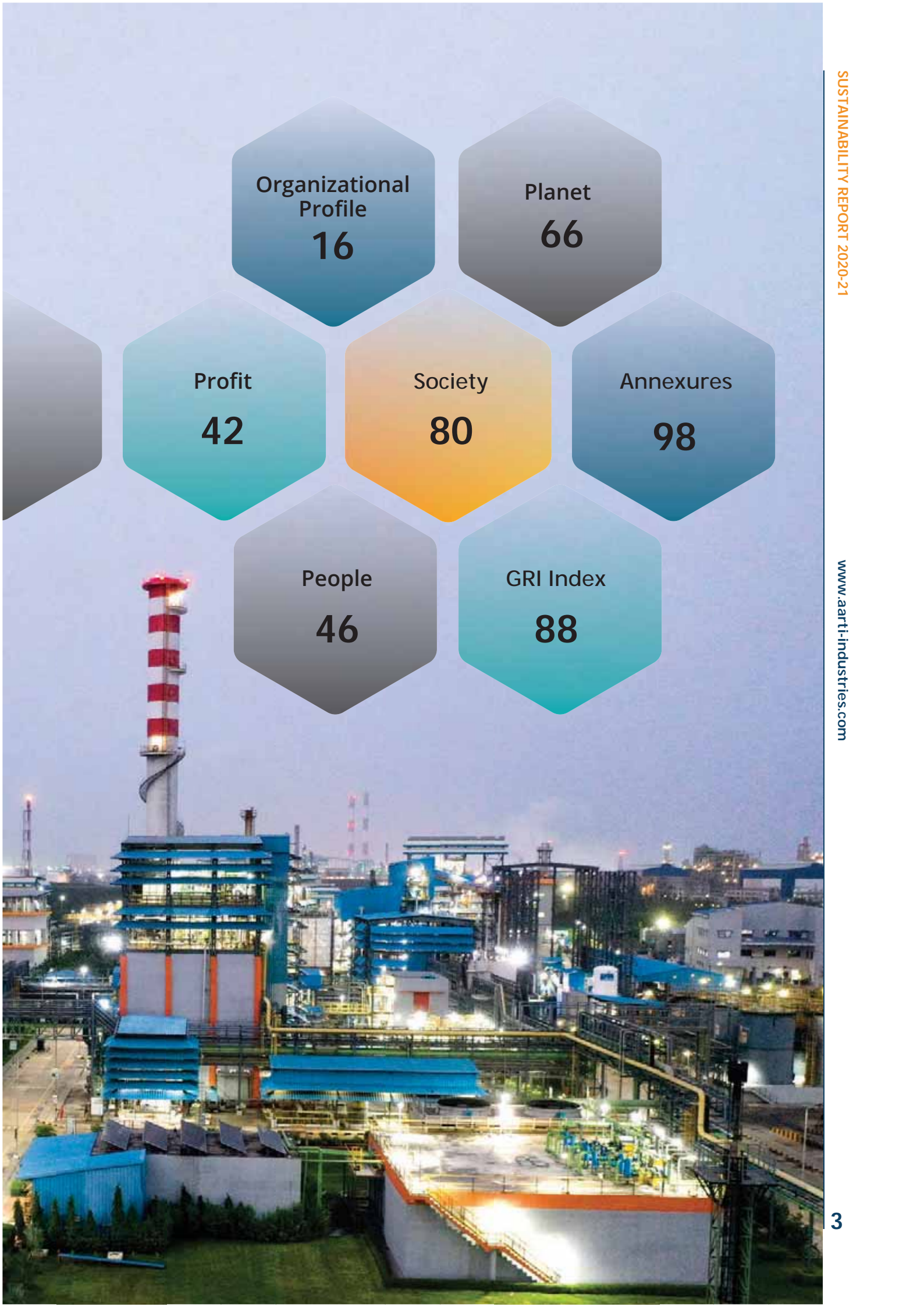
We adhere to the principles of good corporate governance, transparency, authentic communication, and ethical business conduct. These principles have helped us in developing strong fundamentals and building long-term strategic relationships with our stakeholders. Demonstrating our core value of Integrity, we have been able to prevent our business from the risks arising from external environments.

We have achieved Excellence in all spheres of business conduct due to our robust business model, impeccable commitment of our people, and trust of our stakeholders. Such business excellence helped us not only in ensuring business continuity but also achieving growth despite challenges and volatile situations during COVID-19 times.



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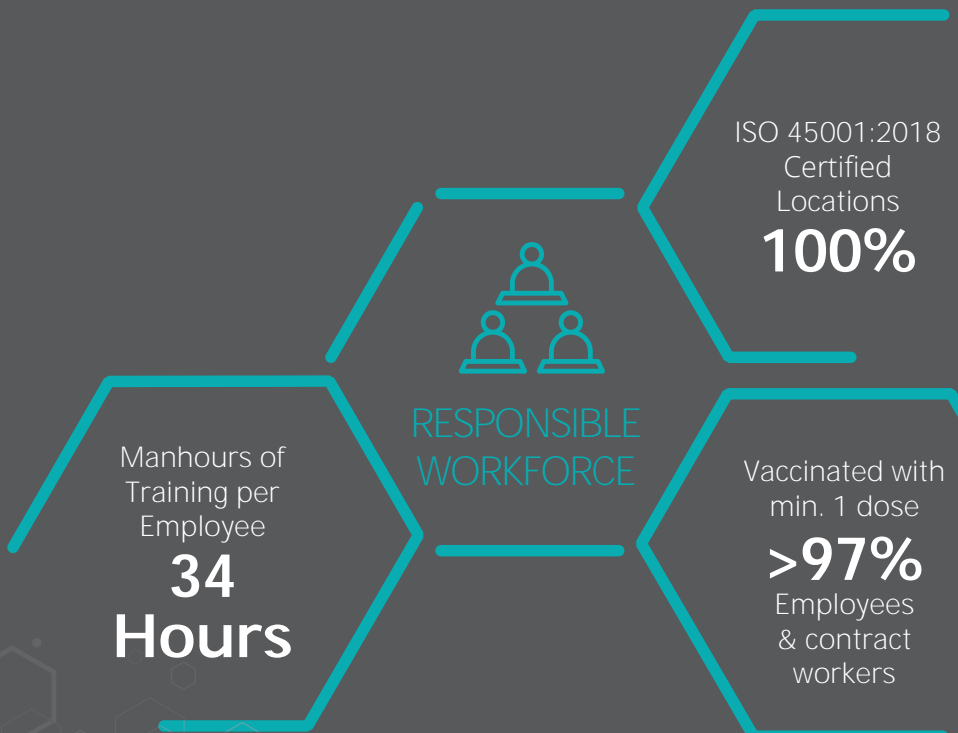
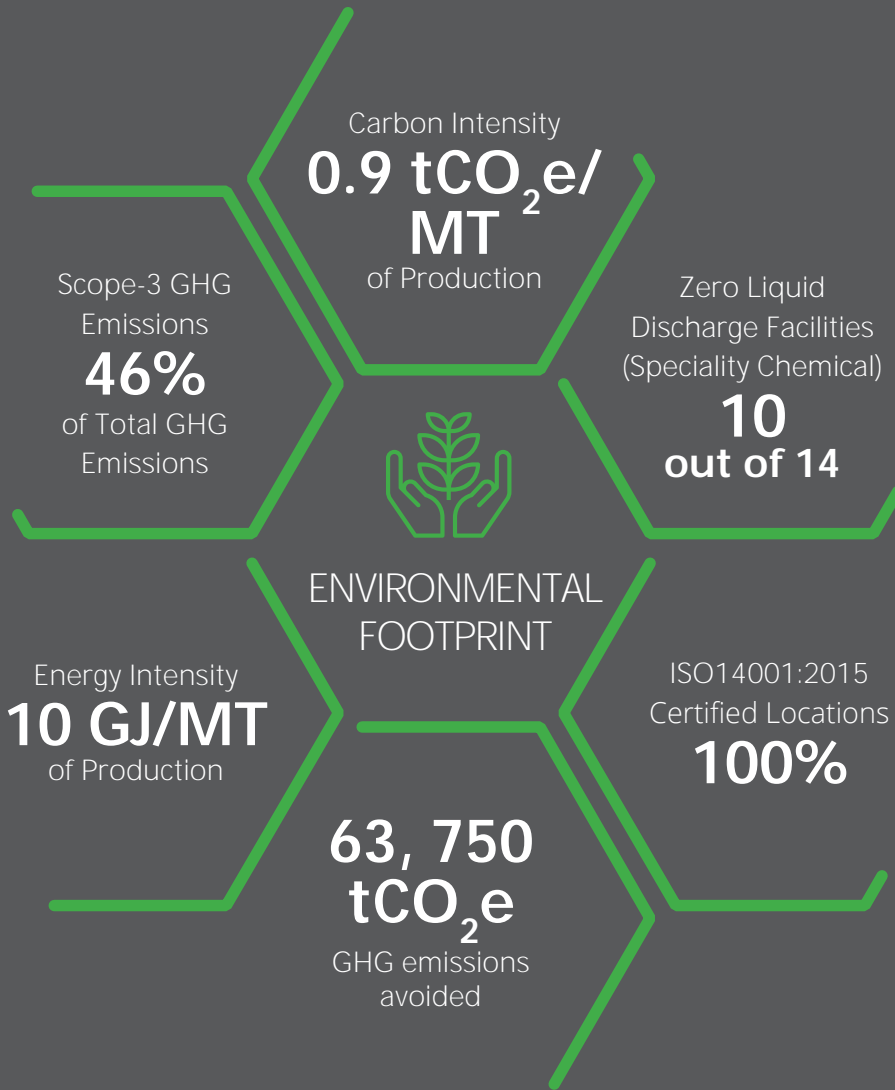
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FY 2020-21 PERFORMANCE DASHBOARD





Our COVID-19 Response and Resilience

Immediately after declaration of the COVID-19 outbreak as a public health emergency by the World Health Organization, anticipating its potential impact on Indian healthcare infrastructure and socio-economic landscape, we had started developing our response plan with the goal to ensure safety of our people and other stakeholders. Due to early identification of the threat of COVID-19 pandemic and prompt action, we were able to develop a

robust pandemic response plan to take care of the health and well-being of our employees, contribute towards national efforts on pandemic management, and protect and support local communities. Our core values of Care, Integrity, and Excellence enabled us in overcoming these times of fear, uncertainty, and chaos.

Objectives of our COVID Response Plan

Awareness

To spread awareness on COVID-19 by disseminating correct information



Safety

Protecting our people and their families from COVID-19 infection



Preparedness

To enhance preparedness of our people on workplace safety by empowering them through appropriate knowledge, tools, and measures

Severity mitigation

Medical assistance for covid infected person & their family member



Governance

Covid governance by company Sr. leadership & Medical Board

Medical board

Aarti Industries has displayed exemplary COVID governance by institutionalizing a 12 member Medical Board which comprises highly qualified doctors including specialists in diverse fields such as toxicology, cardiology etc.

Health and Wellbeing of our People

'Health and wellbeing of our people' is our first and foremost priority. Focusing on safety and social distancing, we mandated 'Work from Home (WfH)' for our employees as per their operational feasibility. An additional caution was exercised in cases of people more than 50 years of age, and those having children less than 5 years or old aged parents. We issued COVID-19 advisory to disseminate correct information, tackle misconceptions, and manage fear and apprehensions.

We identified appropriate healthcare facilities for COVID care for our employees and designated points of contact to facilitate timely and hassle-free medical care. COVID infected employees were provided with special COVID leaves enabling them to recuperate from the illness and after effects of the disease.

We have done our Performance appraisals and Annual increments on time to ensure timely recognition of employees' efforts and contributions. All the resources were mobilized with full safety precautions. We provided minimum daily wages/ sustenance wages to contract workers, even during the lockdown time, when contract workers were not able to come for work.

We assured all our employees of job security despite the global economic crisis and uncertainty. Furthermore, we honoured all our commitments with respect to new hirings and no offers were revoked during the COVID-19 pandemic. We facilitated e-joining and induction for all new joiners and ensured a seamless socialization process. In unfortunate cases of our employees succumbing to the COVID-19 disease, appropriate financial support has been provided to the family.



Special Arrangements for Drivers

We ensured the safety and well-being of all the drivers by creating an arrangement for staying in the Central Parking Area, Vapi. This arrangement included beds, washrooms, and 3-time meals. The facility is sanitized periodically, safeguarding all employee's health.

1

Contributing towards National Response and Supporting Local Communities

At AIL, we ensured that our response to COVID-19 pandemic encompassed the interests of all our stakeholders. Cumulatively, a total of over 10.9 Cr INR has been donated to PM Cares Fund, CM Relief Fund, and NGOs by our group companies, promoters, directors, and employees.

We undertook several initiatives to support local communities in combating COVID-19 pandemic. During the nation-wide lockdowns, daily wage workers were the worst affected. Understanding their situations, our corporate affairs team undertook an initiative of distributing 'kits' comprising rice, pulses, oil and other essential goods in nearby villages. We supported local villages in building quarantine centers with help of local NGOs for people coming from outside to the respective villages. Furthermore, we supported healthcare facilities and frontline workers by providing sanitizers, PPE kits, and oxygen cylinders.

We distributed ration kits in Bharuch, Kutch, and Valsad districts of Gujarat. In association with the Rotary Club of Vapi, we set up a dedicated COVID Care Centers with 75 beds, and continuous oxygen support. Neev Shikshan Sanstha, our CSR implementation partner, provided support to the schools that cater to the lower income groups. Neev Shiksan Sanstha created the online learning modules for the children to substitute the classroom learning. It ensured continuity of education despite lockdowns.

2

Workplace Safety

Ensuring workplace safety is crucial to break the chain of transmission. We mandated thermal screening and SpO2 monitoring at the entry gate for all the employees entering factory premises. Mandatory home isolation was advised for people who had travelled from high-risk zones. Work scheduling, shift planning was staggered to minimize person-to-person contact. Use of telephonic and virtual interactions were promoted in place of physical meetings. To sensitize people, public announcements regarding wearing masks, use of hand sanitizer and social distancing were made at regular intervals. In common areas and canteen, social distancing of 6 feet was ensured to minimize chances of transmission. Further, we modified our safety pledge to incorporate COVID related precautionary promises.



3

Vaccination Drive

Understanding the importance of vaccines in boosting immunity and ending the pandemic we have taken steps to sensitize people and provide correct information in this regard. These efforts have contributed significantly in combating vaccine hesitancy. We have conducted a mass vaccine drive to vaccinate our employees and their family members along with contract workers associated with us. We have been able to vaccinate (at least 1 dose) 6410 employees and their family members along with 7377 contract workers, amounting to more than 97% of our employees and contract workers.



4

Business Continuity

Since our products are used in downstream production of pharmaceuticals and agrochemicals, it was essential for us to continue to operate effectively and reliably for the resilience of the nation under tough Covid situations. To achieve this objective, we developed our business continuity plan encompassing various factors holistically and comprehensively. To achieve the objective of continued production, a robust safe startup plan was developed under the guidance of the Senior Leadership team. The start-up plan after lockdown consisted of pre-startup safety reviews and complete PPR (Plan, Prepare and Response). Tiding over the challenges of lockdown such as social distancing, travel restrictions, etc., our people stepped-up and successfully executed the safe startup plan, and we continued our manufacturing operations across all sites with no untoward incident reported in the current year.



Message from Chairman and Managing Director

Rajendra V. Gogri
Chairman and Managing Director

BE SAFE Stakeholders!

We are pleased to present to you our third Sustainability Report outlining our approach, strategy, and performance on the triple bottom line of People, Planet & Profit for the financial year 2020-21. We all are living one of the most extraordinary testing times of our life. COVID-19 is disrupting varying spheres of our social, economic, and political lives as it is affecting almost all countries, societies, organizations, and health systems. Although there was an enormous and unimaginable loss for humankind, we all rose to the occasion and put up a magnificent show of determination, dedication, and courage.

I wish to express my sincerest gratitude to all our stakeholders who have worked tirelessly and demonstrated our value of "Care" to support one and all during the pandemic. At the end of the pandemic tunnel, now there is a renewed hope as the vaccine distribution kicks into high gear. This report describes our story of 'Sustainable Growth through Resilience'.

As it is rightly said, "in the midst of every crisis, lies great opportunity", we must realize that challenges in life are inevitable; but it is we who have the power to transform them into opportunities. At AIL, we relentlessly strive to create sustainable growth avenues. Over the years, we have evolved from a local player in manufacturing intermediates to an organisation marching tenaciously towards our goal of being a global partner of choice for our customers in the

chemical industry. We are confident about our future all-around growth trajectory. Throughout our journey, we have always been mindful of our purpose of 'Right Chemistry for Brighter Tomorrow'. Behind our business resilience and sustainable growth, is the foundation of strong cultural attributes and shared values "Care, Integrity & Excellence".

Today's socio-economic landscape is dynamic and uncertain. Under these circumstances, it is imperative to identify the risks and opportunities, prioritize them, and develop appropriate strategies to mitigate risks and leverage opportunities. We continuously monitor external factors, track industry megatrends, and work collaboratively with our business partners and peers to manage uncertainties in our business environment.

We all are aware of the challenges posed by climate change and events associated with it. We have witnessed an increased frequency of extreme weather events in the past few years. As a responsible organization we support global efforts to mitigate human induced climate change and achieve global goals i.e. Sustainable Development Goals (SDGs) and Water Sanitation & Hygiene (WASH). We are committed to minimize our environmental footprint by improving resource efficiency, practicing water reuse and recycling, diversifying energy-mix, reducing waste generation, and handling materials responsibly, etc.



Currently, both the Indian Chemical and Pharmaceutical industries are in a sweet spot regarding demand and future outlook. Current imports and exports both are more than 40 billion USD and with growing domestic demand, the industry has triple growth drivers of 'Domestic demand growth', 'Export potential' & 'Import substitution'. About 40% of our revenues is contributed from products having application into discretionary spend such as Polymer additives, pigments, fuel additives, etc. which were significantly impacted due to the pandemic. Despite this significant impact on the business, our resilient and diversified model helped us steer through these challenges and enabled us to report a growth in EBITDA.

Resilience of our business operations, determination and commitment of our people and our business partners have contributed to our success. During the reporting period, we achieved a reduction of 11.2% in specific energy consumption and 9.4% reduction in specific GHG emissions on a year-on-year basis. More than 350 Cr INR of Investment was made in the area of sustainability to create ZLD sites, Process automation, Process Safety, and Zero Exposure etc over the last five years.

To achieve business sustainability, we have integrated our sustainability practices in our supply chain. We initiated our engagement with our suppliers and worked collaboratively with them to ensure adoption of practices and standards recommended for achieving business sustainability.

'Value-chain-based integration' is at the core of our business strategy. This approach not only provides us with an opportunity to specialize and build our own niche, but also helps us in achieving sustainability by enhancing our eco-efficiency.

We focus on sustainable pathways and processes to develop products that are needed to fulfil customer demands. We provide utmost importance to the customer's health and safety. Although our operations are largely market driven, we are working closely with our customers and partners to ensure that downstream use and consumption is in a responsible and sustainable manner.

FY 2020-21 has been a year of success for us. Our performance has been endorsed by various global benchmarks. We achieved Gold Ratings on EcoVadis CSR assessment for the year 2020. Furthermore, we successfully pursued our Responsible Care journey. The Responsible Care logo is an endorsement of our responsible production and resilient operations. Furthermore, all manufacturing facilities under the reporting boundary are ISO 14001:2015 and ISO 45001:2018 certified; More than 80% of manufacturing facilities have achieved ZLD status.

Well-being of our employees is of paramount importance to us. Our employee welfare and engagement programmes have helped us in attracting and retaining the best talents. Despite the challenges posed by the COVID-19 pandemic, we upheld our commitment for job offers extended to the selected candidates. During the reporting period, we onboarded 1,158 new employees. We adopted digital interventions such as e-joining and e-induction to facilitate seamless onboarding and socialization. We have also focussed on continuous learning and development which has enabled our people to be updated on the latest technological developments and industry trends.

Acknowledging our social responsibility, we undertook varied CSR initiatives targeted at ensuring health and well-being of local communities, upskilling and educational development, disaster management, and environmental protection. During the reporting period, we spent 14.1 Cr INR in CSR initiatives. Our CSR efforts have contributed towards inclusive growth and development of the community and established us as a responsible corporate citizen.

The year 20-21 was the year of resilience wherein we demonstrated our values of Care, Integrity and Excellence to stand firmly against adversities. Further as we expand, we plan to invest 4500-5000 Cr INR in the next 3 years with a target bottom line growth of 3-4 times by FY 27. We intend to enhance the integration of sustainability into business strategy and contribute towards sustainable growth of organization and nation.

External Initiatives

We believe in a collaborative approach towards business sustainability. We subscribe to several globally accepted standards and norms. We strive to provide exemplary leadership to the industry. Adherence to these norms helps us in ensuring resilience of our operations, quality of our products, and sustainability of our business. Norms and standards followed by us are described below:

1 EMS – ISO 14001:2015



It is one of the most widely recognized 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.

2 OHSMS - 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.

3 ISMS – ISO 27001:2013



It provides requirements for an Information Security Management System (ISMS) and enable companies to manage the security of assets such as financial information, intellectual property, employee details, and information entrusted by third parties. In March 2021 , Aarti Research & Technology Centre (ARTC) acquired ISO 27001:2013 Certification. Furthermore, we have planned to cover all of our manufacturing facilities certified for ISO 27001 in coming years.

4 EcoVadis CSR Ratings



EcoVadis CSR Ratings are one of the most widely accepted corporate responsibility assessments. It covers over 75,000 companies spread across more than 160 countries and 200 industries. It assesses an organization's performances on indicators concerning Environment, Labour and Human Rights, Ethics, and Sustainable Procurement. We have achieved Gold Rating in EcoVadis CSR assessment in 2020, placing us among the top 5 percent of companies assessed by EcoVadis.

5 Together for Sustainability (TfS)



It is a joint initiative and global network of 31 chemical companies that delivers the standard for environmental, social and governance performance of chemical supply chains. TfS framework allows companies to assess the environmental, labor and human rights, ethical and sustainable procurement performance of their suppliers. Our Organic, Acid, Amine, Pearl, Ruby, Jade and Anushakti divisions have been audited under TfS initiative. We have taken measures to strengthen our systems and processes in order to improve our performance in TfS audits.

6 Responsible Care (RC)



Responsible Care (RC) is a Chemical Industry Initiative, which asks companies to demonstrate their commitment to improve all aspects of performance, which relate to protection of health, safety, security and environment through its 7 codes (Product & Safety Stewardship, Process Safety, Employee Health & Safety, Emergency Response & Communication, Pollution Prevention, Distribution, and Security). Responsible Care companies work to make the industry safer for employees and communities. The RC Logo has been one of the strategic objectives of AIL 18-22. We have acquired RC Logo in the FY 2020-21.

7 Carbon Disclosure Project (CDP)



CDP is a not-for-profit organization that manages the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. It encourages transparency and accountability among companies that disclose and address dangerous climate change and environmental damage. Owing to our commitment for GHG emissions reduction, we have participated for the first time in CDP's Climate Change Disclosures for the reporting period 2020-21.

Memberships of Associations

We actively participate in the activities of the industry associations. We leverage such platforms for knowledge sharing, discussion and deliberations on the emergent issues having significant impact on socio-economics and industry, and develop collection plans for sustainable and inclusive growth and development. We believe in a multi-stakeholder approach towards sustainability; however, we do not contribute financially towards political movements and discourses.



Indian Chemical Council



CHEMEXCIL-Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council



Indian Institute of Chemical Engineering (IIChE)



Gujarat Chamber of Commerce and Industry



Confederation of Indian Industry



United Nations Global Compact Network of India



Federation of Indian Export Organization



Various Local Industrial Associations

Awards and Recognitions



FICCI Chemicals and Petrochemicals Awards 2021 Company of the Year



Platinum Award in Rotary Environment Excellence for JH-2 Division



Platinum Award in Rotary Environment Excellence for Neo Division



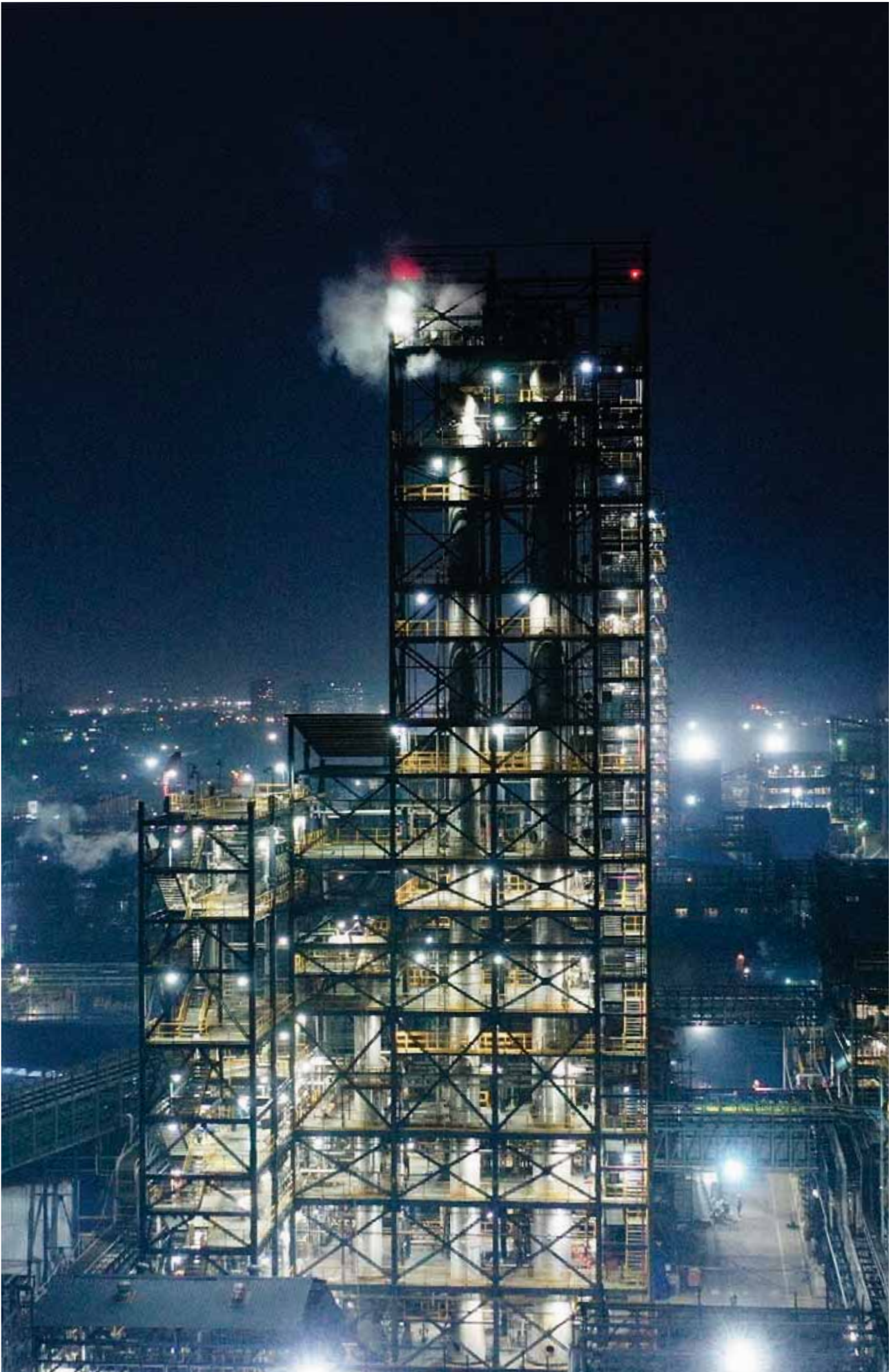
Silver award in Rotary safety excellence for Saffron Division



Employee Appreciation Programme NCQC & quality Improvement. Quality Circle Forum of India - 1 Distinguished and 4 Meritorious Awards by Zone II



Have received appreciations from peer companies for our contribution in managing fire in a nearby company



CHAPTER 1

Organizational Profile



At AIL, we have had an exciting journey of growth and sustainability since our inception. We have been on a fast-track growth trajectory since the past three decades. Our core values of 'Care', 'Integrity', and 'Excellence' have enabled us to successfully maintain our growth trajectory even in the current pandemic situation.

Values and ethics are at the base of our strategy and have been guiding us through our strategic initiatives and business conduct. Our core value of 'Care' has enabled us to build trust and forge confidence in our people, which has created a committed and responsible workforce that has relentlessly and untiringly endeavored to realize the vision and mission of the organization and contributed toward business excellence.

We have specialized in Benzene and Toluene based products. Today we serve the needs of over 1,000 customers operating in India and globally. We have market presence in Asia, the Far East, Europe, and North and South America with more than 200 products. Today we are a responsible supplier to the leading chemical manufacturers. We shall endeavor to consolidate our position as a 'Global Partner of Choice' to leading consumers of specialty chemicals and intermediates.



Rashesh C. Gogri

Vice Chairman and Managing Director

About Aarti Industries Limited

We are one of the leading companies manufacturing benzene and toluene-based specialty chemicals. We have headquarters in Mumbai and manufacturing facilities in the states of Gujarat and Maharashtra. Our journey to become a robust, resilient, and responsible organization commenced in 1984 with just two products and one manufacturing facility. Today, we have transformed into a leading Indian manufacturer of Specialty Chemicals and Pharmaceuticals with a global footprint. Chemicals manufactured by us are used in the downstream manufacturing of products having applications in agrochemicals, pharmaceuticals, polymer additives, fuel additives, FMCG, dyes, printing inks, pigments,

and other specialty chemical applications. We have achieved global leadership in the Benzene-based chemistry and have diversified our portfolio across other derivative chains as well. We export cost-effective and value-added products to organizations spread across over 60 nations.

We have strived to build relationships based upon deep and mutually beneficial knowledge-based strategic partnerships aimed at value creation for all stakeholders. This approach has enabled us to develop business resilience, ensure safe and responsible operations, and contribute towards sustainability.

Our Philosophy

“Keep your values positive because your values become your destiny.”

Mahatma Gandhi

Our journey has been driven by the profound philosophical virtues of our founders. We strive to adhere to the highest standards of ethical business conduct. Our Vision, Mission, and values are driven by our determination and strong motivation of “Right Chemistry for Brighter Tomorrow”. At ALL, we characterize Right Chemistry as an endeavor

to achieve excellence in process chemistry competence (recipe focus) and scale-up engineering competence (asset utilization). The focus on ‘Right Chemistry’ enables us to identify risks and opportunities, develop mitigation strategies, and grow resiliently and sustainably.



Our Purpose, Mission, Vision and Core Values



Right Chemistry for brighter tomorrow



To emerge as a global partner of choice for leading consumers of speciality chemicals and intermediaries.



Delight stakeholders



Core values of



Care

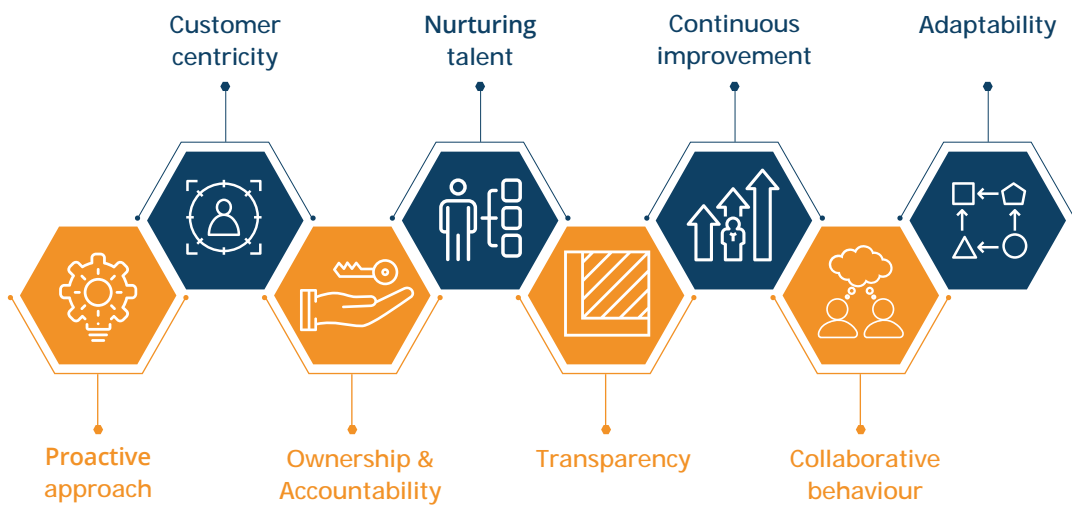


Integrity



Excellence

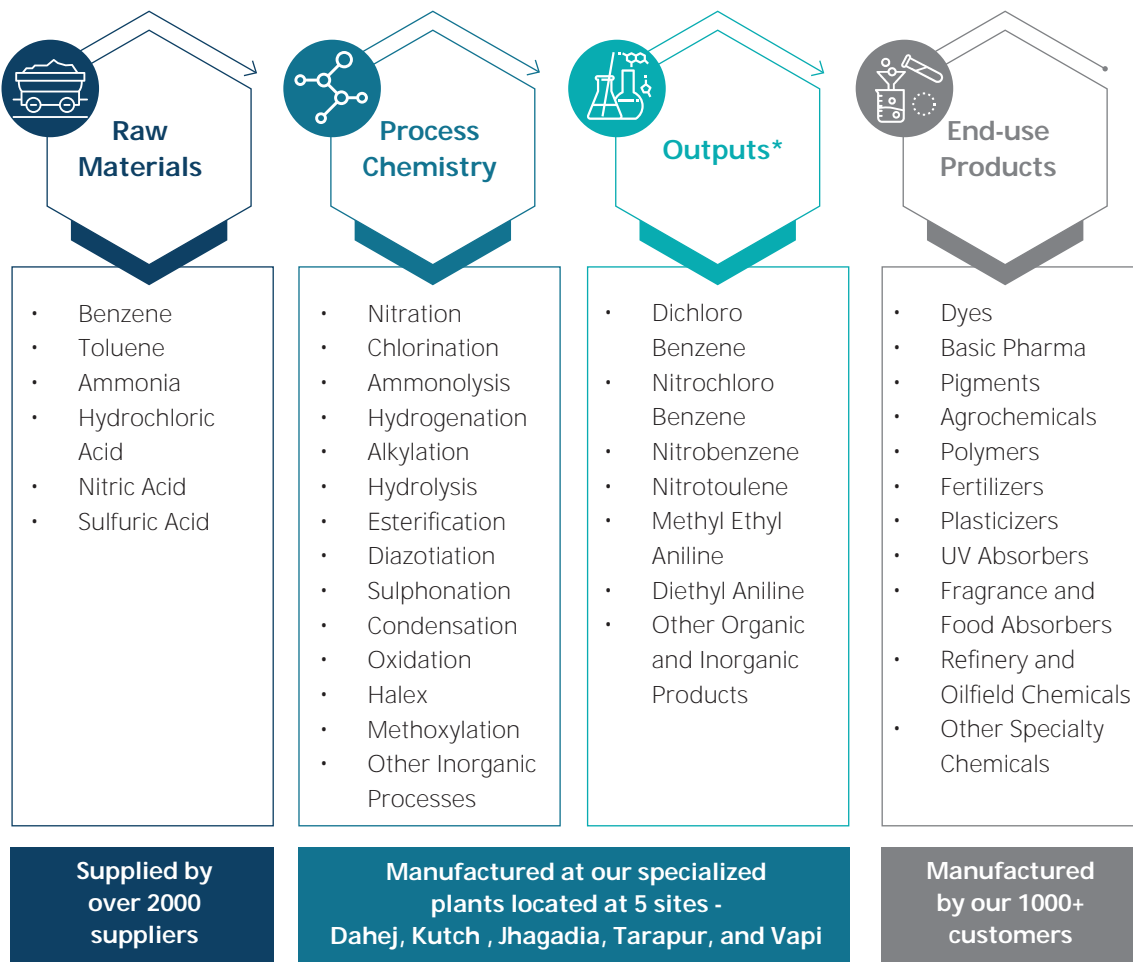
Leading to the inculcation of cultural attributes



Product Portfolio and Value Chain

At ALL, we have adopted a value-chain based strategic approach. Our core competence is in generating value-added products from commodity raw materials. We specialize in derivatives of benzene and toluene which are the major raw materials used in our operations. These chemicals undergo processes such as nitration, chlorination, hydrogenation, alkylation, ammonolysis 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. Such a diverse product portfolio helps us in hedging risks arising out of shifting market preference. It also demonstrates our agility and market resilience.



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

Our Shareholding Pattern

Founded by Chandrakant V. Gogri, Rajendra V. Gogri, Late Shree Shantilal T. Shah, and Parimal H. Desai, we are primarily a promoter driven company. Legally, we are a public limited company, listed at National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) since 1992, under Group A category. As on 31st March 2021, our market capitalization

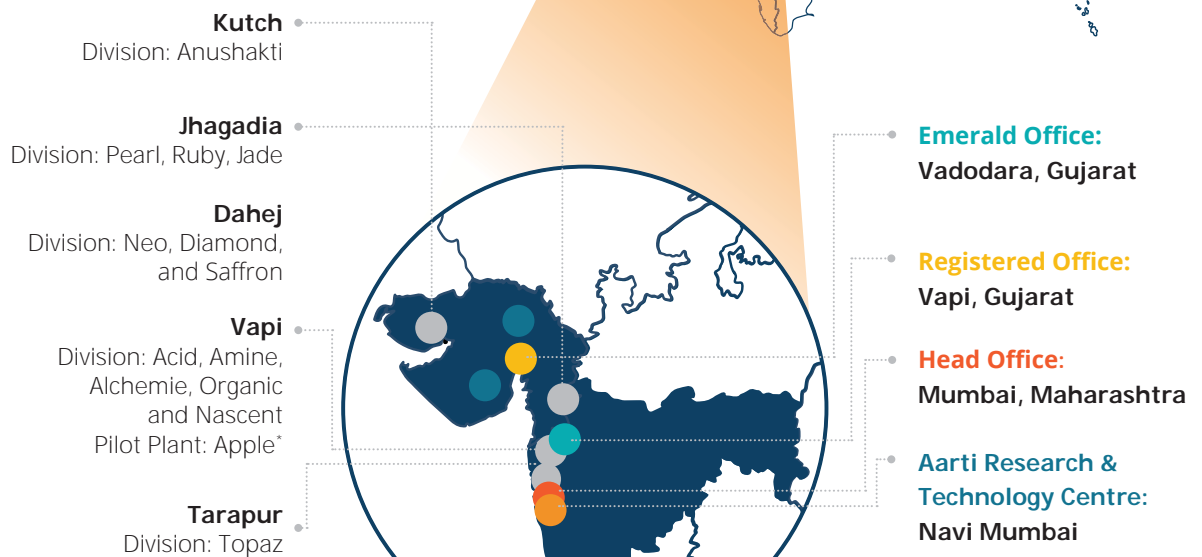
was 23,948 Cr INR. Our promoters hold a controlling stake with 46.2% shareholding.

For complete shareholding pattern please refer to <https://www.moneycontrol.com/india/stockpricequote/chemicals/aartiindustries/AI45>

Our Manufacturing Facilities in India

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

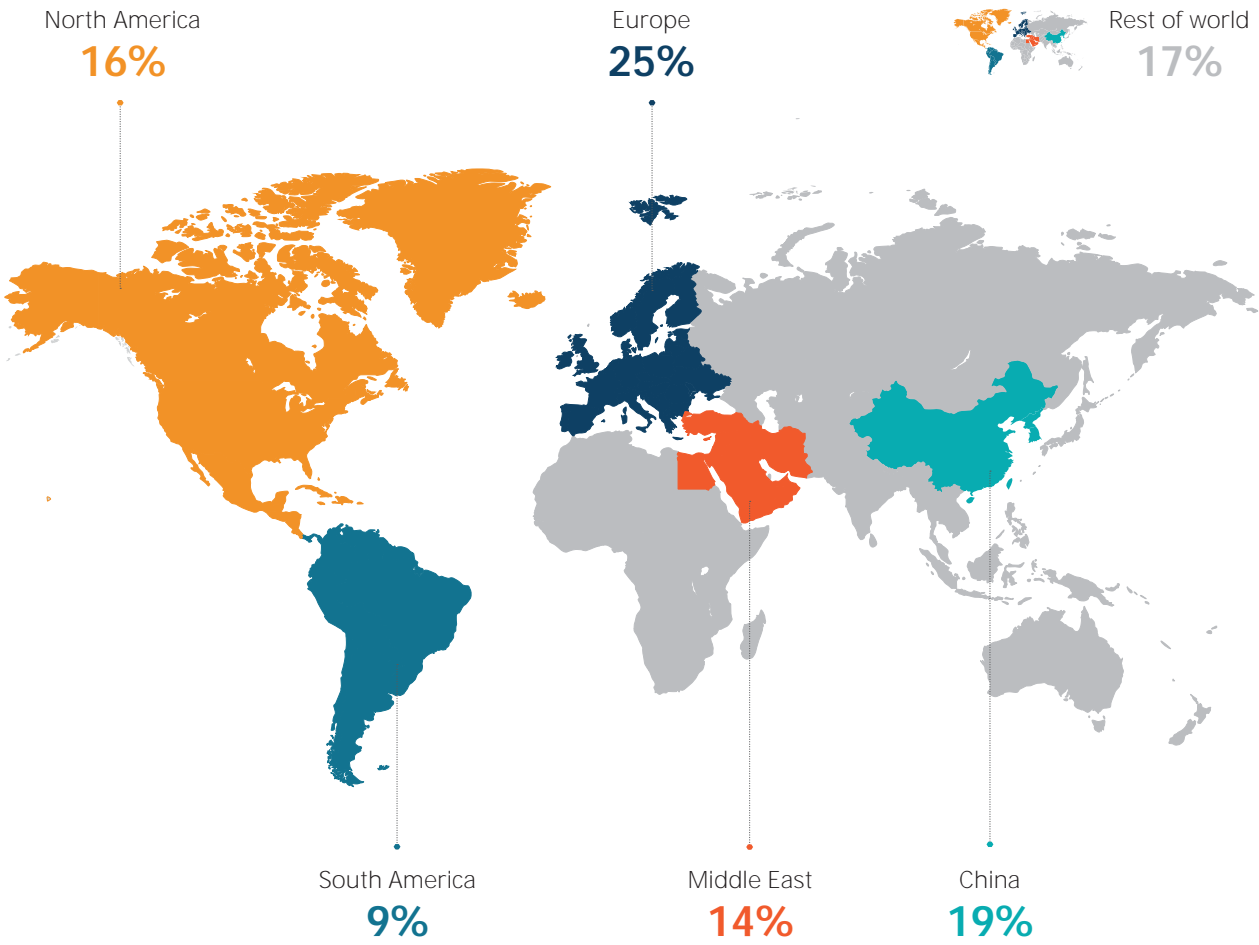
Our chemical manufacturing facilities in India



- 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.

Aarti's Global Market Footprint



200+
Products



700+
Domestic
Customers



400+
International
Customers



1288.7 Cr INR
of Export Revenue

CHAPTER 2

Strategy and Governance



Our efforts align with the following SDG:



Sustainable development is intrinsic to our purpose of "Right chemistry for a brighter tomorrow". At AIL, We have embedded the principles of sustainability in our business strategy and operations. It has helped us in gaining competitive advantage in the industry and earned goodwill of stakeholders. Our endeavour is to adopt the best practices in the ESG and ensure its robust execution.



Renil Gogri
Executive Director

About Aarti Industries Limited

“Strategy is about making choices, trade-offs; it’s about deliberately choosing to be different.”

Michael Porter

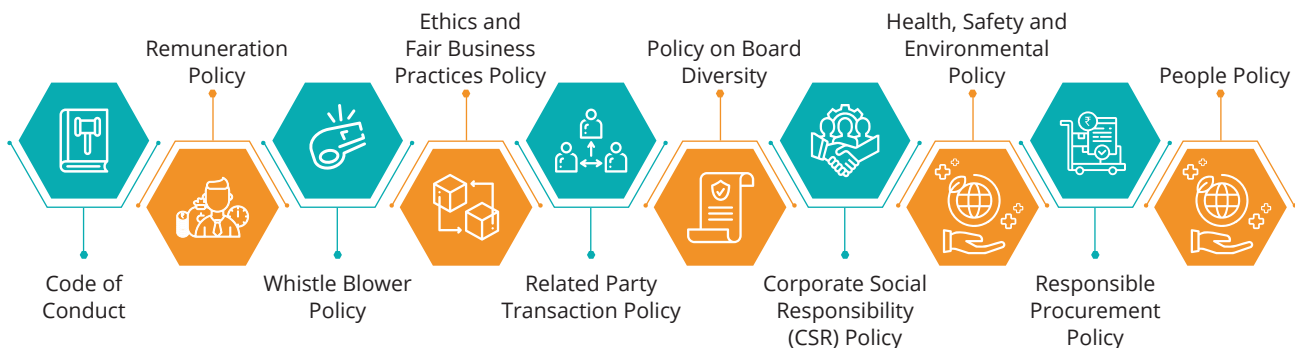
Our business strategy is guided by the Core values of ‘Care’, ‘Integrity’, and ‘Excellence’ and driven by the ethical acumen, moral conduct, and business competence of the founders and leaders. As a responsible organization fostering good governance practices, we are conscious of the needs, wants and expectations 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. Our corporate governance culture is supported by five strategic dimensions- Sustainability, Reliability, Productivity, People Growth, and Company Growth.

Each dimension has strategic objectives which are developed and adopted through an internally developed system known as Aarti Management System (AMS). We seek to foster a corporate culture in which responsible and morally irreproachable actions and endeavour towards performance excellence do not contradict but complement each other. At AIL, good corporate governance is embodied by a value-based and safety-conscious corporate culture, effective management systems, and a commitment to internationally accepted principles of responsible management.

Our Policies

To achieve our long-term goals and continuous growth resulting in increased profitability, compliance with applicable rules and regulations; codes, guidelines, and policies are highlights of our corporate culture. Our policies and codes act as guiding forces and drive our business conduct and norms of behaviour. It enables continued implementation of the Company’s values by

establishing certain non-negotiable minimum standards of behavior. It guides us on proactive compliance with labor practices and standards, environmental health and safety, board diversity and independent directors, reporting and contact persons, disciplinary action, and compliance with the code.



Details on our policies and codes are available at our website: <https://www.aarti-industries.com>

Governance Structure

GRI 102-17, 102-18, GRI 102-22, GRI 102-31

AIL is committed to the highest standards of corporate governance in all its activities and processes. It regards corporate governance as the cornerstone for sustained management performance and as a responsibility towards all the stakeholders and society. At the heart of our Corporate Governance policy is the ideology of transparency and integrity of the Management and

Board. We at AIL believe in working with good faith with all our stakeholders. This helps in enhancing stakeholder value and accomplishing long-term goals. As 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 all of our stakeholders.

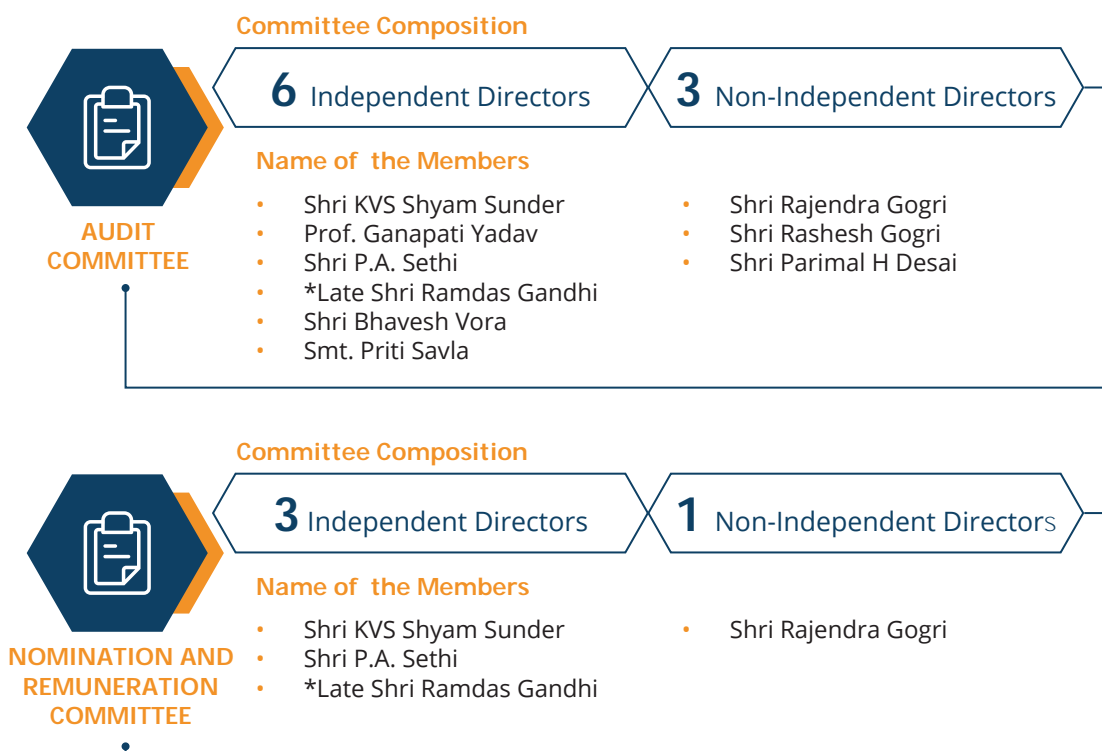
Our Board of Directors

AIL's composition of Board of Directors ('the Board') conforms with the Listing Regulations, 2015 and the Companies Act, 2013. Our Board comprises 15 (fifteen) members consisting of seven Executive Directors, one Non-Executive Director, and seven Independent Directors. Tenure of our independent directors and that of Chairman & Managing Director is five years. There are two women directors in our Board. To facilitate functioning the board in an effective and efficient manner, various committees and subcommittees have been constituted. Efforts are made to be mindful of the specialization,

expertise, and competence of various board members while assigning membership to the committees.

Our Chairman of the Board is also the chief executive of the organization. We are a promoter driven organization. Our board chairman is one of the founding members of the organization; his experience and expertise are of invaluable importance for our growth and development. Therefore, we have integrated board and executive leadership for effective governance mechanisms.

Our Board Committees





STAKEHOLDER RELATIONSHIP COMMITTEE

Committee Composition

1 Independent Directors

4 Non-Independent Directors

Name of the Members

- Shri KVS Shyam Sunder
- Shri Rajendra Gogri
- Shri Rashesh Gogri
- Shri Manoj Chheda
- Smt. Hetal Gogri Gala



CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Committee Composition

2 Independent Directors

2 Non-Independent Directors

Name of the Members

- Shri KVS Shyam Sunder
- Shri Kirit R.Mehta
- *Late Shri Ramdas Gandhi
- Smt. Hetal Gogri Gala



RISK MANAGEMENT

Committee Composition

5 Non-Independent Directors

2 Senior Executives

Name of the Members

- Shri Rajendra Gogri
- Shri Chetan Gandhi
- Shri Rashesh Gogri
- Shri Ajay Kumar Gupta
- Smt. Hetal Gogri Gala
- Shri Renil Gogri
- Shri Narendra Salvi



FINANCE AND INVESTMENT COMMITTEE

Committee Composition

6 Non-Independent Directors

Name of the Members

- Shri Rajendra Gogri
- Smt. Hetal Gogri Gala
- Shri Rajesh Gogri
- Shri Renil Gogri
- Shri Parimal H Desai
- Shri Manoj Chheda

* Late Shri Ramdas Gandhi functioned as independent director during the reporting period. His position has been vacated due to his unfortunate demise in July 2021. His guidance on various matters contributed significantly to our successful journey.

Sustainability Council

The sustainability council is a cross-functional team and has been established to assist the Board in meeting sustainability related objectives. It is the highest decision-making body entrusted with the responsibility to define strategic action plans needed to achieve desired goals. It is led by the Chairman and has representatives from the Board, executive and senior leadership family from all the zones.

Responsibilities of the council are:



Meetings of the council take place on a periodical basis to review sustainability performance and discuss challenges and opportunities. During the reporting period, 10 sustainability council meetings were held.

The Environmental Council has been constituted as a subcommittee of the Sustainability Council. It is mandated to deliberate on issues concerning environmental management, compliances with environmental laws and regulations, and minimizing our environmental footprint.

Members of Sustainability Council



Mr. Rajendra V Gogri
Chairman & MD



Mr. Rashesh C. Gogri
Vice Chairman & MD



Mr. Renil R. Gogri
Executive Director



Mr. Mirik R Gogri
Head Corporate
Strategy



Mr. Bhavesh Mehta
Technical Advisor



Mr. Ajay Kumar Gupta
Chief Manufacturing
Officer



Mr. Harendra Pandya
Chief Projects &
Procurement Officer



Mr. Pankaj Mehta
Head Corporate
Relations & Strategy



Mr. Manoj Sharma
Chief Human
Resource Officer



Dr. Prashant Potnis
Chief Scientific
Officer



Mr. Bhavesh Gandhi
Chief Information
Officer



Mr. Chetan Gandhi
Chief Financial
Officer



Mr. Shyam Dhekekar
Head Corporate
Process & Technical



Mr. Dhananjay Ranade
Head Zone I



Mr. Subhat Jindal
Head Zone II



**Mr. Vinod Kumar
Mishra**
Head Zone III



**Mr. Sandeep
Chakaraborty**
Head Manufacturing
Excellence



Mr. Adwait Thakre
Head Projects



Dr. Kirit Desai
Head Quality & Product
Development



**Mr. Bhaskaran
Rajagopalan**
Head Corporate
Technology



Mr. Raj Saraf
Company Secretary



Mr. Prasanta Gupta
Head Corporate
Procurement



Mr. Mangal Gadhvi
Head Corporate Affairs



Mr. Surendra Dhingra
Head R & D



Mr. G T Rajan
Head Engineering



Mr. Bhautik Mehta
Head Corporate Planning



**Mr. Himanshu
Bhavsar**
Head Transformation



Mr. Pratik Sharma
Head Corporate Safety
& Compliance



Ms. Sandhya Tolat
General Counsel



Mr. Shankar Karhale
Head Corporate
Environment

Board Performance Management

Pursuant to the provisions of the Companies Act, 2013 and the SEBI Listing Regulations, the Board and its committees are evaluated every year. The evaluation takes place using a questionnaire that needs to be filled up by the Directors who provide feedback on the overall functioning of the Board, its committees and contribution of individual directors. The questionnaire encompasses critical criteria such as structure of the Board/Committees, board meeting practices, overall board effectiveness, attendance/participation of directors in the meetings etc. The Directors also provide their suggestions for areas of improvement to increase management and operational performance.

We believe in the philosophy of continuous learning and improvement. We organize capacity building workshops for our board members. Focus areas of discussions during such workshops are corporate governance, business ethics, responsible and sustainable development, and corporate social responsibility. During the reporting period a total of 4 workshops were conducted. Going forward we plan to develop a structured performance management system for the board members. It shall enable our board members to be updated on the developments in the industry and in the socio-economic landscape.

Nomination and Remuneration Process

GRI 102-38 GRI 102-27 GRI 102-35 GRI 102-36 GRI 102-37

We have a remuneration policy developed and adopted by the Nomination and Remuneration Committee for selection and appointment of Directors and senior leadership team and their remuneration. The remuneration is based on individual performance and annual targets, the company's performance, and recent compensation trends in the industry. The median employee compensation increased by 12.9% in 2020-21 compared from 2019-20. It resulted in the ratio between the total annual compensation of the Chairman and Managing Director and the mean or median employee compensation to reduce from 185 during 2019-20 to 158 during 2020-21.

Appointment and remuneration of directors and chief executives are determined by the respective committees which are subject to approval from our shareholders. The service agreement provides for a notice period of executive directors of six months on either side. We follow a transparent system of voting for ratification of critical issues including appointment and remuneration. Furthermore, details pertaining towards corporate governance- board performance, nomination and remuneration, committees, etc., can be found in our Annual Report 2020-21.

Business Ethics and Accountability

We have an unwavering focus towards ethical business conduct. We adhere to the best industry practices, global and national guidelines, and statutory mandates on ethical business conduct. We have designated the Chief Human Resource Officer (CHRO) as the nodal person for seeking advice and report unlawful and unethical behaviour. We have developed and adopted whistle-blower protection

policy to promote reporting on unethical and unlawful behaviour even on an anonymous basis. The Human Resources group has been entrusted with responsibility to investigate all complaints and recommend actions. We transparently disclose any such violations in our sustainability report so as to communicate to all stakeholders.

Our Risk Management Framework



Today we are faced with several uncertainties in our external environment due to rapidly evolving technology, changing socio-economic landscape, and transforming consumption patterns. These uncertainties not only expose business to various risks but also provide significant opportunities. It is prerequisite to identify such risks and opportunities and develop plans for building a robust and resilient business model.

At AIL, we have an institutionalized risk management framework. We map relevant and significant events in the external environment and identify its impact on our business. In this process, we have developed a comprehensive risk register comprising physical and transitional climate risks and opportunities. This risk register helps us in developing a scientific and systemic approach towards risk management.

Chetan Gandhi
Chief Finance Officer



Conflict of Interest

The Company has an Ethics and Fair Business Practices Policy which mandates prohibition of trading of securities of the Company by Directors and designated persons while in possession of the unpublished price sensitive information in relation to the Company or its securities. In terms of the code of conduct for the Directors and senior management, the Directors and senior management must promptly disclose if their personal interests are in conflict with the interests of the Company. Furthermore, in terms of Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Directors and foundation leaders, executive leaders and senior leaders are also required to disclose on an annual basis, that they have not entered into material financial or commercial transactions, which could have potential conflict with the interests of the Company at large. No cases of any Conflict of Interest were reported in the current reporting period.

Anti-Competitive Behavior

We are staunch believers of a free market economy. We understand that a free and fair marketplace

enables maximization of value creation for all stakeholders. We adhere to the provisions of the Competition Act 2002 in letter and spirit. We perform requisite due diligence for all our transaction and structural reorganizations to ensure compliance with the Competition Act 2002. During the reporting period, there were no violations of the provisions of the Act. Training on anti-competition behaviour is an integral part of our induction modules. All of our board members and employees have been trained on this aspect. During the reporting period no case of anti-competitive behaviour were reported

Anti-Corruption

Aarti Industries Limited is committed to avoiding any form of corruption in any of its business dealings. All of our board members and employees have received anti-corruption training. In order to prevent and detect frauds and errors, internal audits are carried-out for all business processes regularly. Action points and recommendations made by them are discussed and presented to the audit committee. During the reporting period, no cases of corruption or bribery were reported.

GRI 102-11

We operate in a dynamic environment that is subject to constant change which brings new risks and opportunities. A judicious risk management framework is essential to achieve our strategic objectives while remaining cautious of uncertain circumstances. Risks that threaten our sustainable operations are constantly identified, assessed, and addressed in accordance with our risk management plan.

Our Risk Management Approach is based on the six pillars described under Aarti Management System (AMS), which are Manufacturing, Expansion, People, Strategy, Development, and Governance. The objective of our risk management plan is to create a sustained value for all our stakeholders by understanding the potential upside and downside of all factors that affect our business.

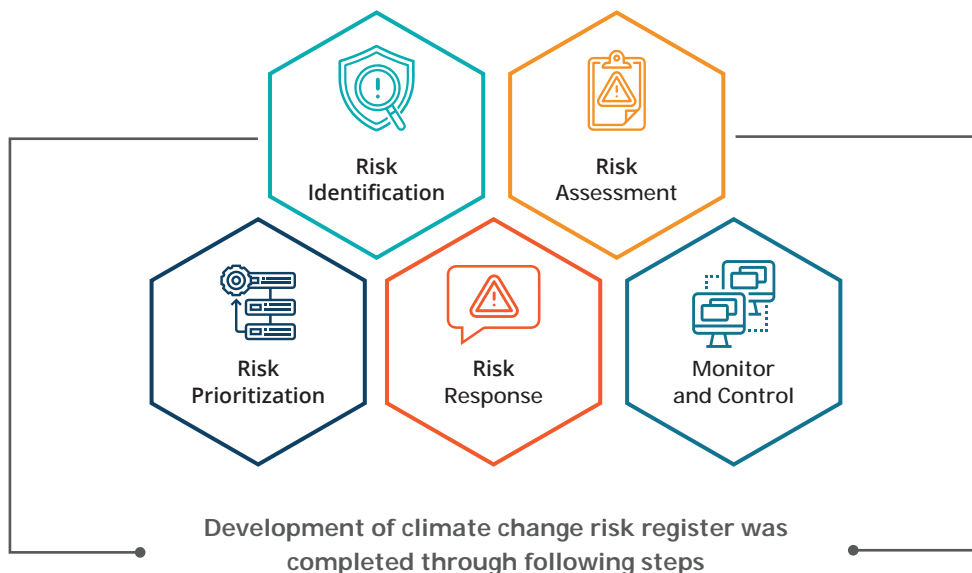
Our risk management approach is in compliance with the legal requirements as provided by Regulation 21 of SEBI (LODR) Regulation 2015. Our risk management committee is responsible for identification, prioritization, and development of mitigation strategies for various risks that affect our business. The Board assigns the roles and responsibilities of the committee that include

monitoring and reviewing of the risk management plan.

The committee has been entrusted with framing, implementing and reviewing of Risk Management Policy. Once the risks have been identified, they are grouped into clusters of operations, business, non-business financial, human resources, regulatory, legal and governance. Additionally, we use a logical framework of probability of occurrence and impact to segment the identified risks into high, medium and low priority. We have an established risk management plan to mitigate high priority risks.

Climate Change Risk

We are mindful of the fact that our understanding of climate change is still evolving and there may be certain phenomena that are still not clearly and completely understood. Cognizant of such limitations, we have adopted a precautionary approach towards identification and management of climate change risks. We have developed a comprehensive risk register to systematically identify risks and opportunities posed by climate change that impact our organization.



We have classified the identified risks into physical and transitional risks. Each risk has been assigned a risk score based on probability of occurrence and the scale of the impact on our business.

After assigning the risk score, a risk matrix has been developed. We are planning to develop an Enterprise Risk Management (ERM) framework covering ESG risks comprehensively.

Stakeholder Engagement

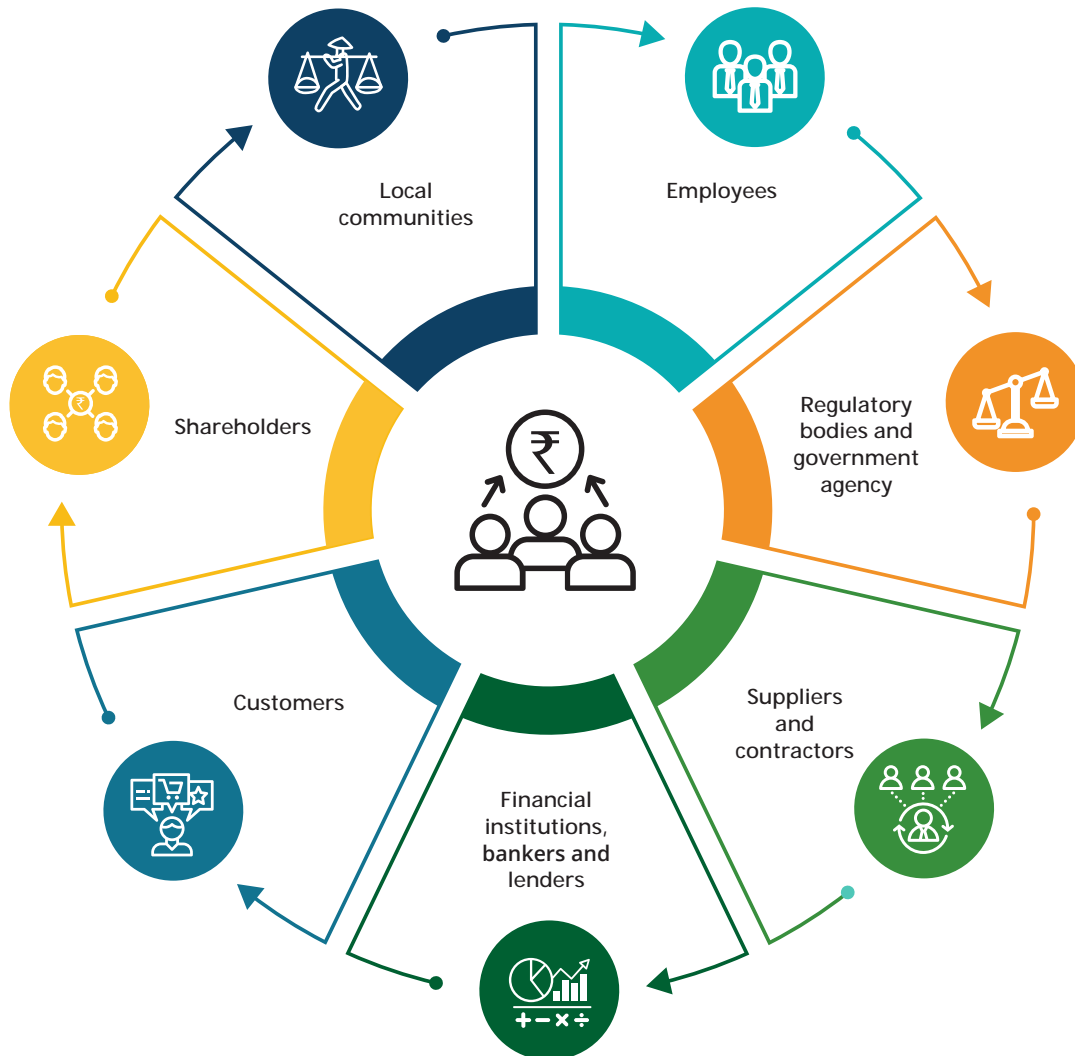
GRI 102-40, 102-42, 102-43, 102-44

We are continually working towards strengthening our stakeholder engagement framework by making it more focused and structured year on year to identify challenges material for our long-term business goals. The stakeholder engagement framework is based on established long-term relationships with key stakeholders such as employees, customers, shareholders, local communities, regulatory bodies, suppliers and contractors, and financial institutions. Stakeholder

inclusiveness emanates from our core values of 'Care', 'Integrity', and 'Excellence'. A robust stakeholder engagement strategy helps us in early identification of ESG and other business-related challenges and adopting appropriate mitigation strategies. It helps us in conducting our business resiliently and sustainably.

The material challenges are identified, prioritized, and integrated within the overall business strategy to make the business sustainable in the longer run.

AIL's stakeholder groups



Customer

Frequency of Engagement - Continuous



- Video Conferencing
- Emails
- Customer Satisfaction Survey



- Quality and Timely Delivery
- Competitive Cost
- Responsible Production
- Transparency in disclosure especially on health and safety aspects
- Awareness on hazards associated with product handling



- Manufacturing and End use of products in responsible manner.
- Feedback on product quality and collaboration for continuous improvement.
- Customer Health & Safety
- Timely Payment

Employees

Frequency of Engagement - Continuous



- Leadership development interventions
- Performance dialogue
- Continuous feedback
- Anahata - Employee Assistance Program
- Nirvana - Employee Wellness Program
- Employee Induction
- Employee Experience
- Town Hall Briefing
- Listening Tour
- Employee Engagement Survey
- Emails
- Quarterly/Publications Newsletter



- Diversity
- Quality of Work & Life
- Fair Wages and Remuneration
- Benefits
- Training & Development
- Career Growth
- Health & Safety



- Responsible care
- Innovation
- Operational Efficiencies
- Integrity
- Excellence
- Brilliant Basics
- Productivity
- Sustainable Growth
- Health and safety
- Quality Circles
- Ethical Behavior



Shareholders & Investors

Frequency of Engagement - Periodical



- Annual Report and Sustainability Report to Shareholders
- Investor Meets
- Quarterly Results
- Company website
- Reports to stock Exchange



- Economic Value Generated and Distributed
- Long Term Value Creation
- Transparency
- Good Governance
- High Reputation and Brand Image.
- Socially and Environmentally Responsible



- Long Term Investment
- Sustainable Growth
- Increase in Capital
- Transparency and Accountability

Suppliers and Contractors

Frequency of Engagement - Continuous



- Supplier Meets
- Supplier Assessment
- Workshops on Sustainable Supply Chain Management
- MoU Agreements
- Contract Discussion Meetings
- Daily Tool box
- Talks, Weekly Discussion Meetings
- Performance Review



- Product Quality
- Cost
- Timely delivery
- On Time Payment Ethical Behavior
- Upcoming Technologies or equipment
- Health & Safety



- Timely-Payment
- Sustainability Performance
- Safety Checks
- Ethical Behavior
- Compliance with applicable laws & regulations
- Compliance with AIL requirements pertaining to labour and human rights
- Information Security

Regulatory Bodies and Government Agencies

Frequency of Engagement - Need basis



- Open Invitations
- Specialized Programmes
- Seminars
- Media Releases
- Conferences
- Membership and Associations



- Proactive Compliance
- Implementation of Compliance Management System
- Governance at different levels including Council to Contractor Safety Committee
- Health & Safety



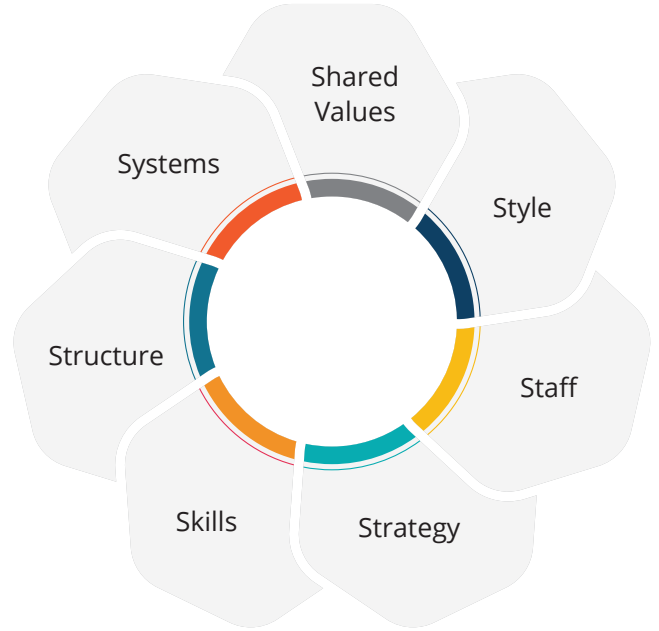
- Developing business friendly landscape
- Developing enabling policy frameworks
- Protection from undue harassment
- Protection from anti-social elements
- Participatory governance

Our Sustainability Journey and Aarti Management System

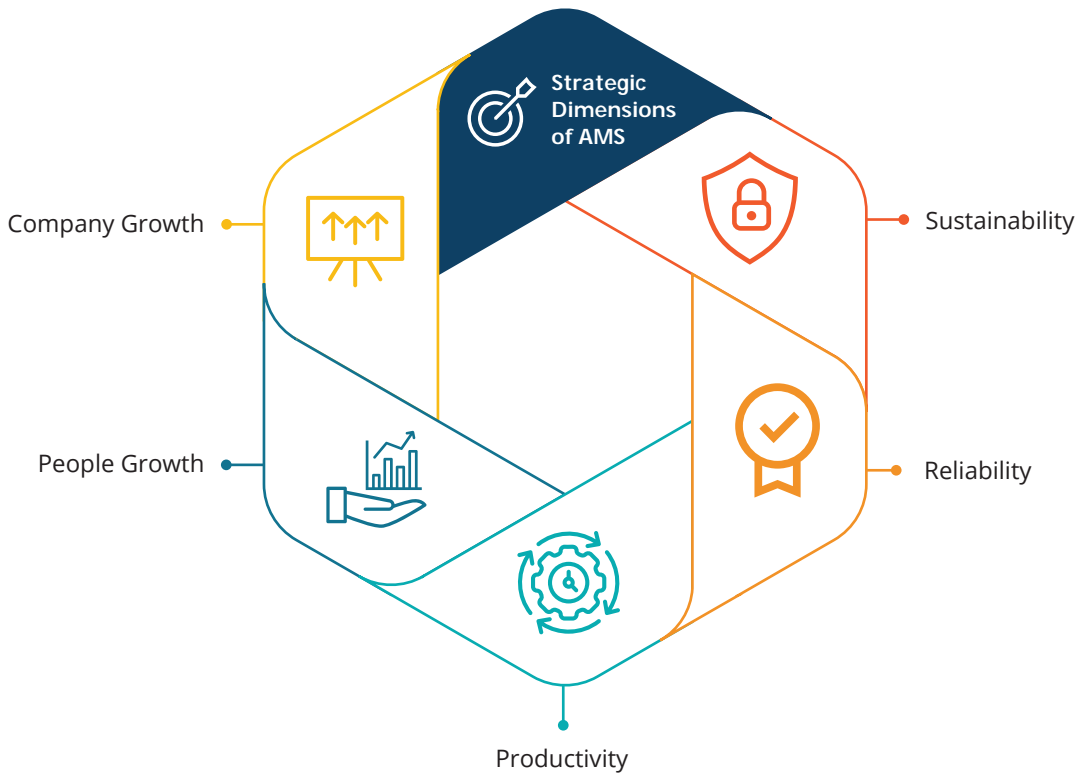
Aarti Management System

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 value 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.

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.



The Strategic Dimensions of Aarti Management System



Our Commitments towards Information Security

Due to the nature of our business, we deal with confidential information related to trade and business strategy and intellectual property of our customers. We strive to observe strict confidentiality and discretion while handling such information and data.

Our research centre - Aarti Research & Technology Center (ARTC) has been awarded with ISO 27001:2013 certification by the British Standards Institute for implementation of information security based on Global Standards and Frameworks. Such endorsements further validate the robustness of the Data and Information Management System developed by us. We are now planning to extend this Data and Information Management System throughout our organization to further our commitments towards

data privacy. During the reporting period no case of information security breach were reported.

With the objective to integrate Sustainability into the business strategy Aarti Management System (AMS) was developed under able guidance of our leadership team and it was enhanced in the FY 2018-19. It is an integrated management system that attends to the needs of all stakeholders effectively. AMS enables us to identify risks associated with our products and processes and take precautionary approach in mitigating these risks. AMS acts as a comprehensive guide for our organization. Under AMS, we have identified 6 pillars in order to provide a requisite guidance and agility to our leadership, managerial staff, and other employees to manage our complex and integrated business effectively and efficiently and achieve sustainable growth.



6 pillars of Aarti Management System



Our Sustainability Journey

Sustainability has been at the core of our business strategy since our inception. We have always endeavoured to minimize negative and maximizing positive environmental and social impacts. Our R&D, design, and operations teams work tirelessly to achieve objectives of safe and sustainable manufacturing. We had conducted our sustainability maturity assessment in 2019 and had identified improvement areas for each business functions such as human resource management, supply chain

management, operations, product development, marketing and communications, corporate governance, etc., and had developed plans to strengthen ongoing efforts to achieve business sustainability.

Based on our efforts, we have managed to achieve Gold Award in the EcoVadis CSR assessment and Responsible Care (RC) logo. In the reporting period we expanded ambit of our sustainability efforts to develop comprehensive GHG inventory and disclosed on the CDP platform.



CDP

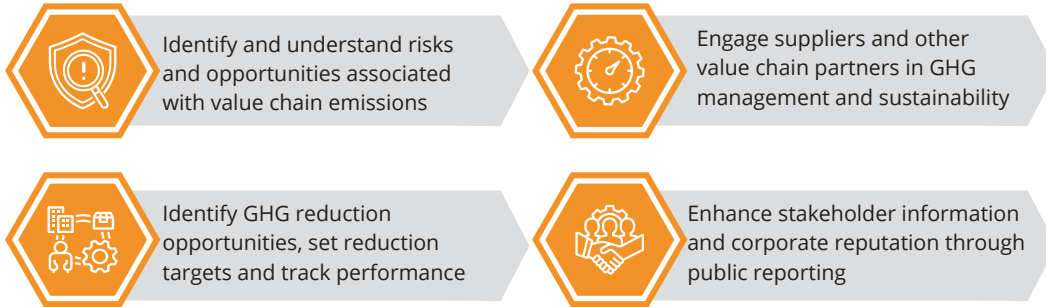
In order to strengthen our non-financial disclosure capabilities, we have responded to the CDP questionnaire for the Climate Change category for the reporting period 2020-21. CDP disclosure shall help us in identifying and managing sustainability risks and leveraging new opportunities. It shall also inform our investors and customers regarding our sustainability performance. Furthermore, it will assist us in benchmarking our performance against those of our industry peers.



Scope 3 GHG Framework

In order to identify the GHG reduction opportunities across our entire corporate value chain, and in turn take sustainable business decisions regarding our activities and the products we buy, sell, and produce, we have estimated the Scope 3 GHG emissions along with Scope 1 and Scope 2 GHG emissions. We have adopted the approach described in the GHG Protocol for estimation of our GHG inventory.

The comprehensive GHG inventory has enabled us to:



Objectives and Targets

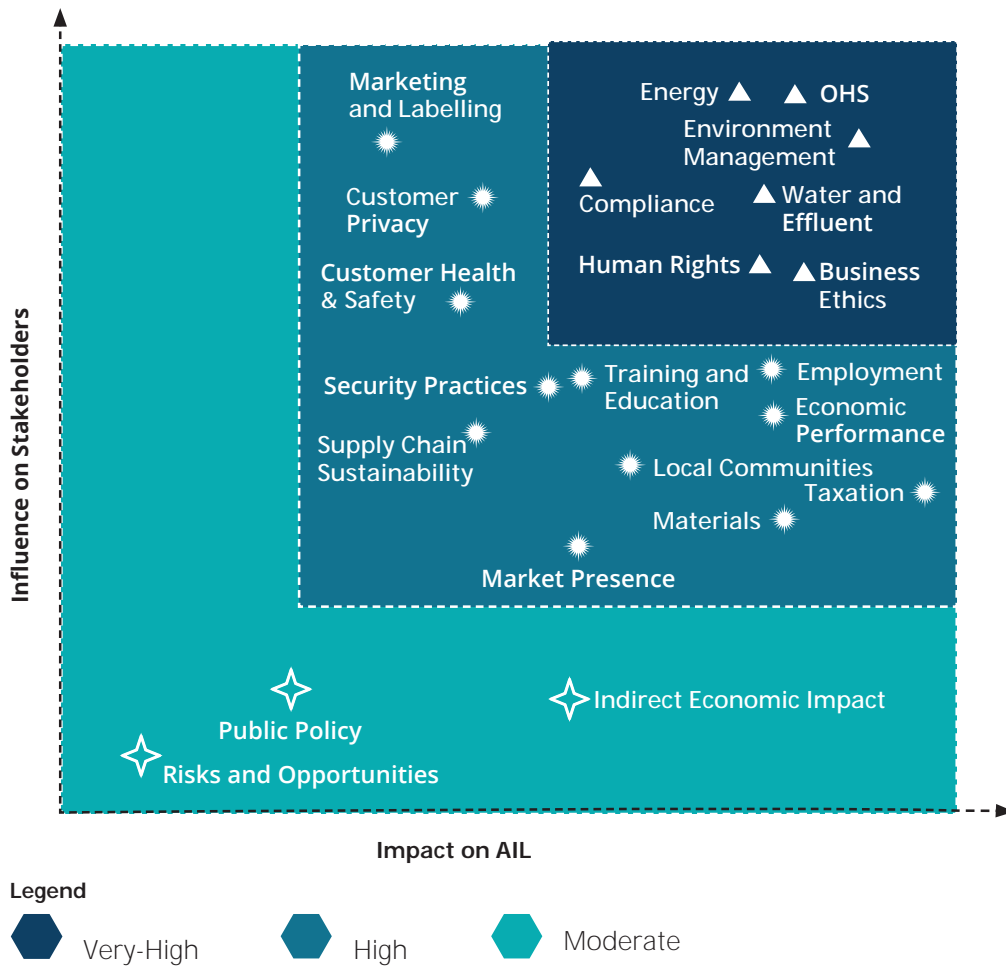
Strategic Dimension	Indicator	Strategic Objectives for 2022	Metrics of Targets
Environment	GHG Emissions	Reduce specific GHG emission by 10% from 2019-20 level	tCO ₂ e per MT of production
	Energy	Reduce specific Energy Consumption by 10% from 2019-20 level	GJ per MT of production
	Water Consumption	Reduce specific water consumption by 20% from 2019-20 level	kl of water withdrawal per MT of production
Safety	LTIFR	Less than 0.2 per million manhours	Incidences per million manhours
	LTISR	Less than 2.0 per million manhours	Incidences per million manhours
	TRIFR	Less than 1 per million manhours	Incidences per million manhours

Materiality Assessment

GRI 102-47

The cornerstone of our sustainability management is identifying the significant impacts of our actions and incorporating our stakeholder's concerns into the strategy. Our materiality analysis, in line with the requirements of the Global Reporting Initiative (GRI), is a key tool for systematically prioritizing the wide range of action areas and using resources as effectively as possible. Our Materiality Analysis is based on the four guiding principles: Sustainability Context, Materiality, Completeness, and inclusion of Stakeholders.

For FY 2020-21, we conducted materiality assessment by interacting with internal and external stakeholders. Our leaders, employees, investors, customers, suppliers, and trade associations participated in this exercise. This helped us in developing deeper insights into the issues that are material to our business. Based on these discussions and validations, the key material topics on the basis of the priority to business and stakeholders are depicted below.



To strengthen our contribution towards achievement of the Sustainable Development Goals, we have mapped topics material to us with the relevant SDGs.

This mapping would help us in synergizing our efforts with global and national policies and programmes.

Material Topics & Relevant SDGs

Material Topics & Relevant SDGs

Human Rights



Local Communities



Customer Privacy



Materials



Occupational Health & Safety



Economic Performance



Business Ethics



Environmental Management



Compliance



Market Presence



Marketing and Labelling



Supply Chain Sustainability



Customer Health & Safety



Security Practices



Water and Effluents



Indirect Economic Impact



Employment



Public Policy



Taxation



Risks and opportunities





At AIL, We are experiencing exponential growth in partnership with all our stakeholders in our value chain. In order to ensure sustainability of our ecosystem, we have adopted the philosophy of ingraining sustainability at the very beginning stage of project planning. We assess and estimate social and environmental impacts of our new projects and are committed to maintain the balance of their ESG aspects.

We have also initiated ESG performance evaluation of our suppliers and developed supplier engagement plans. We look forward to strengthening sustainability practices into our supply chain in order to achieve sustainable growth.

Harendra Pandya
Chief Project and Procurement Officer

Project Management

We believe in establishing 'right management systems' at the outset of any project. We have a dedicated team for planning and execution of new projects. This team works collaboratively with the leadership team and other functions to ensure successful planning and commissioning of the projects.

Critical Chain Project Management (CCPM) and Earned Value Management (EVM) are the core approaches we adopt for our Project Management. We identify the best available practices and strive to customize and adopt it for our organization. The new project management consists of four phases - concept phase, design phase, execution phase, and closure phase. Sustainability team along with technology team,

operations team, and project team play a crucial role in project management.

Project costing is done at stage gates for the project 'go-no go' decisions at Concept and Preliminary Basic Engineering completion stages. To control the costs, effective structures are formed. The project control focuses on time and cost to de-risk our projects and maximize benefits. To curtail cost overrun risks on our projects, we have adopted best in class estimation and cost controlling methods. We strive to integrate sustainability in each phase at each management component. This approach enables us in achieving successful and timely commissioning of our projects.

CASE STUDY**Enclosed Belt Flaker and Bagging Machine Installation for Chemical Exposure Reduction**

Enclosed Belt flaker is installed and successfully commissioned in May 2020 in one of our manufacturing unit with a semi-automatic bagging machine to eliminate the chemical exposure during flaking and bagging of flakes. Earlier we were producing flakes from a manual drum flaker and doing manual bagging which involved the chemical exposure during flaking and bagging. This belt flaker is completely automated with process safety interlock to avoid any abnormalities in the process.

After installation of the belt flaker the flakes temperature has been reduced approximately 20 degrees Celsius bringing it to atmospheric temperature. Due to this reduction of temperature, the chemical exposure has reduced. After the belt flaker, in downstream we have a semi-automatic bagging machine where we do automatic bag filling of flakes in bags. After filling, we do the automatic hot sealing of the bag to completely close the bag and avoid any chemical exposure to the person. Subsequent to that we do bag stitching with automatic stitching machine and bag conveying to ground floor thorough belt conveyor via bag pusher, bag flattener, metal detector and check weigher to completely eliminate manual intervention of person.



CHAPTER 3

Profit



Our efforts align with the following SDG:



At ALL we have always strived to build resilience to protect ourselves from any disruption in the external environment. These efforts have helped us in minimizing the impacts of ongoing social and economic crisis on our business and bounce back with vigour and agility.

We are mindful of the fact that the environmental performance of our products and processes is a crucial differentiating factor and can provide us sustainable competitive advantage. To minimize negative impacts of our business operations, we assess various environmental and safety parameters of products at the product development stage only. We have substantially invested in R&D to identify opportunities for product redesign and reduce its carbon footprint.

We have adopted a scientific and systemic approach of inculcating sustainability into our financial decision making. This has helped us in rationalizing our business choices and optimize our performance.



Mirik Gogri

Head, Corporate Strategy

Economic Performance

GRI 102-7, 102-45, 103-2, 103-3, 201-1, 201-3, 201-4

A steady and resilient economic growth is of pivotal significance to both the company and its key stakeholders. A robust economic performance aids in the asset capitalization and expansion, value creation and achievement of sustained competitive advantage. The information on the creation and distribution of economic value provides a holistic indication of how an organization has created wealth for stakeholders. It also gives an overall output metric for all business excellence, innovation, manufacturing, and marketing initiatives of the company. At ALL, we believe in achieving financial robustness and economic resilience through our responsible conduct of business.

Despite the challenges posed by the COVID-19 pandemic in the FY 2020-21, we were able to achieve an outstanding economic performance. Our consolidated net revenue from operations increased by 7.6% year-on-year basis.

Although our net profit for the FY 2020-21 contracted by 2% year-on-year basis. However, In the context of the prevailing operating circumstances during one of the most challenging phases we have witnessed so far, we believe this is an outstanding performance. After the initial impact of the pandemic in the first quarter, resulting in the curtailment of industrial activity across the country, we have recouped back on the business in subsequent quarters. We have improved utilization of existing facilities while also completing and operationalizing new project facilities. Hence the impact of curtailment of operations in the first half and also the commissioning of the new capacities in the 2nd half of the year (resulting into higher fixed overheads, depreciation and manpower costs) impacted the profit marginally.

Economic value generated	Amount (Cr INR)	
	2019-20	2020-21
Gross revenue from operations	4620.7	5023.2
Net revenue from operations (Excluding GST)	4186.3	4506.1
Economic value generated from investment and other sources	8.8	0.7
Net profit	546.7	535.2
Economic value distributed		
Operating cost (includes cost of raw materials, depreciation, and other expenses)	3088.9	3384.5
Employee wages and benefits	305.2	371.4
Interest payment to providers of credit	124.7	86.3
Dividend/Payout to shareholders	106.3	45.1
Payment to government (taxes)	129.4	129.3
Community investments	10.6	14.1
Retained earnings	429.8	476.0

In our consolidated financial statement, performance of all our subsidiaries in which we have a controlling stake are included. Following table provides the list of our subsidiaries included in the consolidated financial statement.

1	Aarti Corporate Service Limited	7	Aarti Bharuch Limited
2	Nascent Chemical Industries Limited	8	Aarti Pharmachem Limited
3	Shanti Intermediates Private Limited	9	Aarti Spechem Limited
4	Innovative Envirocare Jhagadia Limited	10	Aarti USA Inc
5	Aarti Polychem Private Limited	11	Alchemie Europe Limited
6	Aarti Organics Limited		

Defined Benefit Plan Obligation and Other Retirement Plans

By providing a well schemed retirement plan and benefits for its employees, company ensures that these benefits can become a commitment that members of the schemes plan on for their long-term economic well-being. As a responsible employer, AIL provides several employee benefits such as medical insurance, life insurance, personal accident insurance, maternity leave, paternity leave, study leave as a part of aarti sponsored higher education and provident fund. During this pandemic, we provided COVID leave to the infected employees.

In FY 2020-21, we spent INR 254.79 million on defined benefit plan obligations and other retirement plans which was 43% higher than the previous year. The details of contribution to defined benefit plans are provided below:

Year	Expenditure (Cr INR)	Increase from Previous Year
2020-21	25.47	43%
2019-20	17.81	19.7%

Details of contribution to defined benefit schemes	2019-20	2020-21
Contribution to Provident Fund (Cr INR)	13.02	19.96
Contribution to Superannuation Fund (Cr INR)	0.42	0.44
Contribution to Gratuity Fund (Cr INR)	4.37	5.07

Financial Assistance received from the Government

In the FY 2020-21, Aarti Industries received financial assistance from the government in the form of subsidies, tax reliefs, and investment grants.

Particulars	Amount (Cr INR)
Tax relief and tax credits received in 2020-21	8.03
Subsidies received in 2020-21	1.76
Investment grants, research and development grants, and other relevant types of grants received in 2020-21	4.51

Tax

GRI 207-1, 207-2, 207-3

To forge economic growth, operate executive governance, and sustain social sector schemes, governments need a reliable and sustainable source of funding. Taxes are a significant source of income for the government. We as a responsible organization believe in timely payment of applicable taxes in a fair and transparent manner.

Tax administration at AIL is undertaken by the dedicated team functioning under the guidance of Chief Financial Officer (CFO). Furthermore, in

compliance with the Income Tax Act 1961, we deduct applicable income taxes at the source from our employees and vendors and deposit the same to the treasury within a stipulated time period. We also comply with the Goods and Services Tax Act and collect GST from our customers and deposit it to the government. We operate in India, Europe, and USA tax jurisdictions. Our tax disclosures correspond to the financial year 2020-21, i.e., from 1st April 2020 to 31st March 2021.



CHAPTER 4

People



Our efforts align with the following SDG:



Employees are the backbone of an organization. Satisfied employees form positive reference to the employer and thus increase its attractiveness for potential job seekers and strengthen its competitive position in the market. Attractiveness of an employer ensures a skilled and knowledgeable workforce, which in turn brings excellence in all business dimensions through enhanced productivity, efficiency, and effectiveness.

We treat our employees as before an asset for the organization. Highly motivated and loyal employees represent the basis of competitive strategy. In alignment with our strategic objective of 'people growth' we are committed to ensure personal and professional growth and development of each and every constituent of our workforce. We are also dedicated to ensuring physical, mental, and social wellbeing of all our employees.



Kirit Mehta
Executive Director

“To win in the marketplace you must first win in the workplace.”

Doug Conant

Responsible Workforce

Driven by our core values of Care, Integrity, and Excellence, we are committed to our people. We believe that the strength of our company depends upon the capabilities of our people. In order to be an employer of choice, attract top talent, and help the business deliver lasting results, we constantly

engage with our employees. We create a motivating work environment for them by keeping them challenged, empowered, and rewarded. Our HR policies and processes are developed keeping in mind the best interests of our employees.



AARTI CAANN- Creating Awareness about New Normal

Despite the numerous challenges brought by the pandemic, we at AIL recognized the opportunity to stand up for each other, for our people, for our business, and for our society at large. Within the organization, employees elevated themselves to become Aarti Engaging Leaders and exhibited the leadership to help the people by taking precautionary measures or by creating awareness. The HR team conceptualized and launched 'Aarti CAANN'-Creating Awareness About New Normal in order to create awareness about the COVID-19 and extend support to our employees/contract workers and their family members in understanding the 'New Normal'.



Aarti Industries is committed to uphold Diversity, Integrity, and Equal Opportunity when it comes to providing employment. We do 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. At ALL, we adhere to merit-based recruitment norms. We provide opportunities for the overall growth and development of our in house talent through Navodaya: Internal Job Posting. It enables the employees in taking up higher roles and responsibilities, to meet their career aspirations and thereby nurturing talent.

Our talent acquisition team develops meticulous plans for campus recruitments based on projected vacancies arising out of promotions, turnover, and expansion. We visit prestigious institutes and induct the top talents from prestigious Business & Engineering schools. For certain niche positions, we induct the best talent from the industry laterally. After the selection, new recruits undergo rigorous onboarding & induction for 1 year. The induction process comprises familiarization with the Aarti Way of working, the work Ethos & Culture, detailed understanding of prerogatives of different functions, functional and soft skills training. We have well defined HR policies that guide recruitment, retention, turnover, employee well-being, and training and education.



Aarti Remote Induction Program

Leadership Induction:

At ALL it is imperative to ensure a seamless onboarding experience for the leader joining the system for facilitating an in-depth understanding of the Organization's functioning, operations, culture, ethos & working norms. With this as the premise, In FY 21, we have inducted 25 leaders through an integrated 4-weeks long Induction Program, covering the following Job Families. We also have ensured capturing their experience through the 555 Feedback, which is sent on 5th Day, 5th Week and 5th Month from the day of their joining.

Executive Leader

Senior Leader

Leader

Lateral Induction:

A series of multidimensional interactions is given to new employees in order to help them integrate into the organization. It facilitates smooth transition, makes the employees feel respected and valued, provides necessary information, establishes communication channels and job role expectations, and enables them to do their work efficiently, safely and in line with organizational procedure. The 4-days induction is designed to ensure that the New Joinee is familiarised with the Organisational processes and procedures. Buddy is assigned to the new joinee for a period of 1 month to help him/her assimilate in the system. 555 Feedback is administered to capture their experiences.

Progressio Induction:

Progressio is specifically designed for our campus graduates to nurture, assimilate & support their transition from campus to corporate. In the year 2020, we have successfully onboarded 147 campus professionals from premier colleges and facilitated their virtual induction spread across four-weeks. Functional projects were also assigned with an objective of building a strong foundation for all the new joinees and guide them in the initial months of their professional journey. The one year long journey also included elements of Functional, System, Sustainability, Behavioural and Compliance training clubbed with Plant visit, Mentorship support & Book reviews.

As of 31st March 2021, we have a total of 5,156 permanent employees in our organization which is 18% higher than the number of employees as on 31st March 2020. Participation of women in our workforce increased to over 2% in the current reporting year. Women constituted 4% of our newly hired employees. During FY 2020-21 our

employee turnover rate reduced from 14% to 9%. We understand that regional and local economic development needs employment generation. Currently, 100% of our workforce including the senior leadership team are hired from the local community. For this purpose, we define the local community as the territorial boundary of India.

New Employee Hiring Rate = (Total number of employees hired during 2020-21/average number of employees during 2020-21) * 100 = 24.3%

Employee Turnover Rate = (Total employee turnover during 2019-20/average number of employees during 2020-21) * 100 = 9.2%



Operation Training

OT aims to enhance the functional skills of employees from associate job families so that Employees understand the abnormalities in equipment and process conditions which leads to prevention of incidents or quality defects or breakdown of equipment. Essentially, "Operation Training (OT)" provides a framework for the growth and development of Associate Job Family (Supervisors & Workmen).

OT is aimed at achieving sustainable excellence on the shop floor in the long term. It consists of 3 phases,

Skill Matrix Evaluation

Classroom Training

On Job Training

The first phase-Skill matrix evaluation of operations training has been completed which has covered **2700+ employees across the location**



Employee Benefits and Privilege

We adhere to global standards for protection and promotion of human rights. Our employees are entitled to various benefits such as health insurance, term life insurance, group personal accident insurance, Employee Pension Scheme, Employee Provident Fund Scheme, Employee State Insurance Corporation Scheme (as applicable), etc.

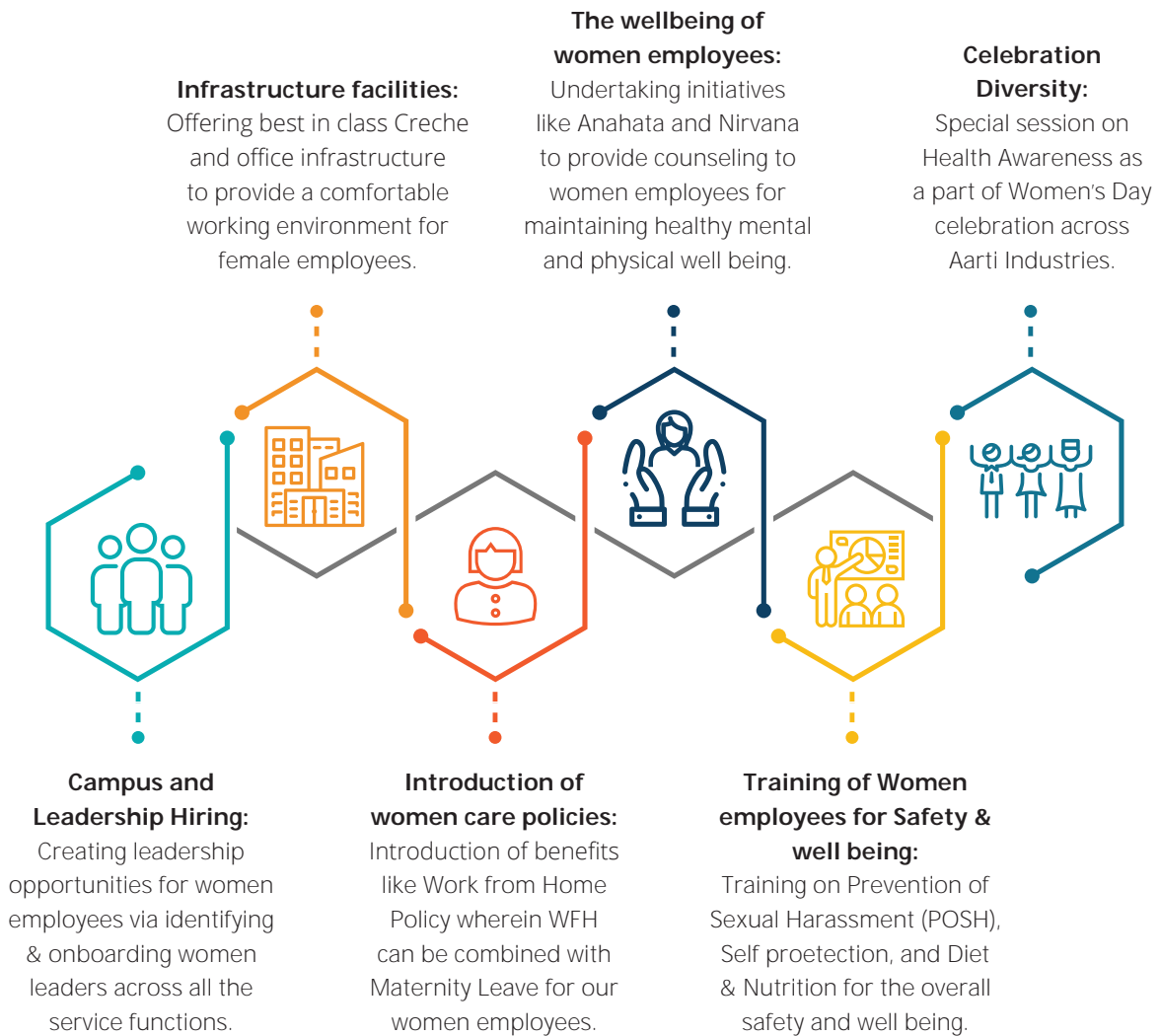
All our employees are eligible for paid parental leaves up to the second child in accordance with prevailing national regulations. Parental leaves

include 5 days of paternity and 180 days of maternity leaves. During the reporting year, a total of 164 employees had availed paternity leaves.

We are an equal opportunity employer. Male and female employees are treated equally on the matters of employment, career growth, compensation, and other privileges. We are committed to increasing participation of women in the workforce.

Gender Diversity

We have undertaken the following initiatives to sensitize and spread awareness regarding gender-based parity at the workplace:





"Care", as one of our core values, has always been a north pole and a source for all our decisions. Employee's health, safety and wellbeing continues to remain our utmost priority. In the current pandemic situation, our business continuity plan had employees (direct & indirect) including family members health, safety & their wellbeing at the core of it. We extended our support and care to all.

Amidst all the chaos during this unprecedented reality, we took many proactive measures to strengthen the skills and competency of our employees through various leadership development initiatives. With an ambition to be "Preferred employer of choice", we launched a "VOICE" survey to hear our employees to understand their vibes and take Aarti towards a "Great Place to Work" recognition by initiating and committing various actions.



Manoj Sharma

Chief Human Resource Officer

POSH

At ALL, we believe in creating and strengthening the importance of a safe work culture for all our employees and have hence designed an e-learning module covering the aspects of prevention of sexual harassment at workplace (POSH). The 60 mins mandatory module is designed to familiarise the employees on the aspects of gender sensitization, internal complaints committee, complaint procedures, redressal mechanism and do's/don'ts. We have successfully trained all our existing employees and we ensure every new joiner is also covered in the same. We have also trained the Internal Complaints (IC) Committee members on handling the POSH complaints, legal aspects, their roles & responsibilities, sensitivity and confidentiality pertaining to this aspect.

We have a well-defined and structured performance management system. Line managers continuously engage with the reportees to provide constructive feedback and guide them to grow professionally and personally. Each employee is provided with well-defined goals and key performance indicators at the start of the appraisal cycle. An attempt is made to keep goals Specific, Measurable, Achievable, Relevant, and Time-bound (SMART). Sustainability related parameters are also a part of set KPIs for each level of employee. During the reporting period, all eligible employees were covered under the performance appraisal process. Due to challenges posed by the COVID-19 pandemic, we adopted virtual discussions for performance appraisals.



Human Rights and Labour Practices

A commitment to respect and adhere to the global standards on fundamental human rights is an expected conduct from all business responsible organizations irrespective of their respective operational boundaries. Our commitment to protect and promote basic human rights is over and above compliance with national laws and regulations. We subscribe to the Universal Declaration of Human Rights (UDHR) in letter and spirit; our commitment to UDHR is Code of conduct and other relevant policies. Furthermore, we adhere to the UNGC Principles on Human Rights. We have signed our commitments towards ten principles of UNGC that includes protection and promotion of human rights.

Adhering with the Section 3 of the Industrial Dispute act, 1947, which provides for the constitution of Works Committees, Aarti has in place a Works Committee consisting of representatives from both the parties (workers and management). The committee has a 50% representation from both the parties. The main purpose of creating the Works Committee is to develop a sense of partnership between Aarti and its workmen. The Committee's responsibility is promoting measures for securing and preserving amity and good relations between the employer and workmen end, and to that end, to comment upon matters of their common interest or concern and endeavor to compose any material difference of opinion in respect of such matters.

We are committed to eliminate all forms of child labour and forced labour. During the reporting period, no incidences of child labour and forced labour were reported within our boundary. Furthermore, we have not come across any such instances in our supply chain.

Our Code of Conduct acts as a guiding force to ensure the display of behavior that focuses on achieving the above objective for all the stakeholders internal or external. This Code is applicable to all employees, contractors, suppliers, service providers, and business partners of AIL's specialty chemical segment. The company has a dedicated HR team that monitors any violation of company policies and code of conduct. During the reporting period, there were no reported cases of violations of human rights.

We adhere to the principles described by 'Voluntary Principle Initiative' - a multi-stakeholder initiative that guides companies on protection of human rights while ensuring security of their operations. These principles are categorized into three components – Risk Assessment, Companies and Public Security, and Companies and Private Security.

We are committed to the protection and promotion of rights of employees and workers to form associations and trade unions. At our manufacturing site, a trade union has been formed at Tarapur location in Maharashtra; where 100% of the eligible employees are covered under the Collective Bargaining Agreement (CBA).



Security Vulnerability Assessment (SVA)



Chemical substances of hazardous nature can be misused in the value chain for malicious purposes. This makes chemical security extremely critical within the global business environment. The objective of the Security Vulnerability Assessment (SVA) is to observe and analyze areas of potential and/or actual vulnerability, to define causes, and to recommend means to reduce or eliminate exposure.

During the FY 2020-21, the Corporate Security Team, along with active involvement of the zonal teams, conducted SVA at Vapi, Dahej, Kutch, and Tarapur during August and September 2020. The security vulnerability and threat assessment at Aarti Industries Limited was performed by the employees trained by Sandia National Laboratories (SNL), USA.

Major Outcomes of Security Vulnerability Assessment: -

- Identification of security vulnerabilities and threats
- A set of prioritized recommendations to reduce risk to an acceptable level

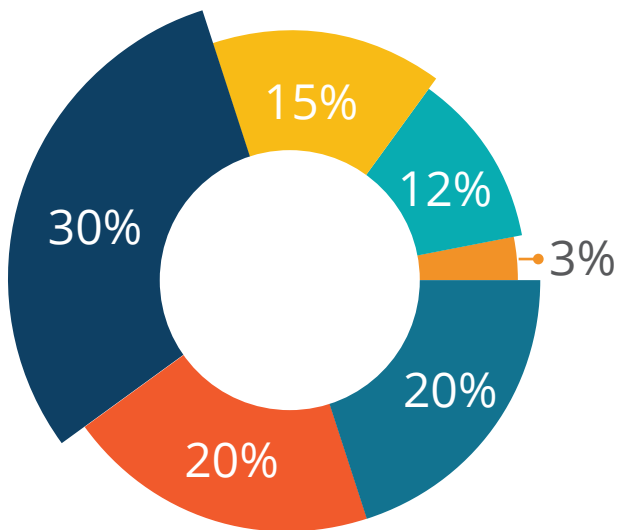
Learning and Development

Capability building is imperative for the success of businesses and therefore having the right people with the right will, skill, and knowledge is essential. AIL is committed towards developing talent and building a high-performance learning culture where our employees feel empowered, challenged, and rewarded, and have adequate opportunities to demonstrate their skills and abilities.

We understand the importance of imparting training on Human Rights, Ethical Business Conduct (including anti-competitive behaviour and anti-corruption), and POSH. We have incorporated these themes elaborately in our business Code of Conduct. This Business Code of Conduct is available to all employees. All employees are mandatorily obliged to undergo training on these themes as part

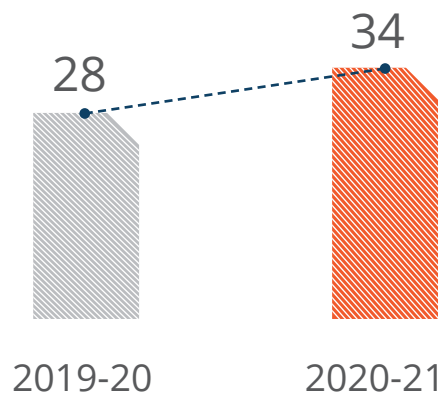
of their induction programme. As of 31st March 2021, 100% of our employees were trained on above-mentioned themes.

Our objective continues to be to support the business in achieving sustainable and responsible growth by building the right capabilities in the organisation. At AIL, we have a well-structured Learning and Development (L&D) system. Training needs of the employees are assessed by their line managers and appropriate capacity building sessions are organized. Our training programmes fall under categories of Behavioural, Compliances and Code of Conduct, Functional, Sustainability, Systems, and Other Courses. During the reporting period we imparted 145,815 manhours of training which was 19% higher than that of 2019-20.



- Sustainability
- System
- Behavioural
- Code of conduct / Compliance
- Courses
- Functional

Training Man hours per Employee



AAYAM- Expanding Horizons

Aayam, is a unique organizational transformation and leadership development initiative. It has helped us in creating unprecedented breakthroughs, elevating leadership and strengthening organisational values. The journey of Aayam is about imbibing the elements of Aarti Engaging Leader (AEL) in our daily lives and enabling us to operate in a natural state of action.

We have also created new robust processes, resolved issues, and built an environment for high performance. The initiative is in sync with our values of Care, Integrity, and Excellence and has led us to accelerate our pace towards the Aarti 2018-22 mission.

Effective Executive Course

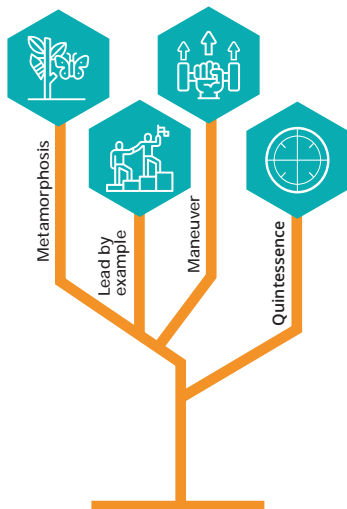
The Effective Executive Course is an experiential learning journey which focused on enhancing the leadership capabilities of identified participants from Officer and Manager job families. It is based on the book "The Effective Executive" by "Peter Drucker". With the combination of classroom room

based interactive sessions followed by individual one on one coaching, the extensive nine months program encourages self introspection and review for bringing efficiency in the working capabilities, ability to manage one's self and work in teams.



GURUKUL- Leaders Create Leaders

At AIL, developing talent being one of its cultural attributes, Guru Shishya tradition has always been encouraged. Gurukul is an initiative to further develop this practice through a developmental partnership between two professionals. Gurukul is a 12-month long program that is conceptualized and designed to provide holistic development to Group Leaders & Senior Leaders in a culture of mutual respect and ownership. Leadership is the driving fuel for the organization, this journey is designed to create the future leaders for the organization.



The 12-month long journey of Gurukul has been designed in the following 4 phases:

- **Metamorphosis:** An inception of a transformation journey where Shishya in alignment with the Guru will create a development charter for themselves
- **Lead By Example:** In this phase Gurus sets examples and is a true representation of how he wants his/her Shishyas to be
- **Maneuver:** In this phase where Shishyas have veiled the required leadership skills, a series of steps are taken to polish their strengths.
- **Quintessence:** As the Shishyas have developed and demonstrated the next level leadership competencies, they are now ready to take up the role of a Guru and will train Managers and officers.

The objective of this initiative is to develop competent Leaders to identify and meet the short term and long-term needs and expectations of the organization. This program shall also drive the Group Leaders to escalate their competencies and prepare to take up higher level responsibilities.

Swayam Ka Vikas

The Swayam Ka Vikas training program is a in-house training program specifically designed for the Associate job family of AIL. The program focuses on the behavioural and soft skills development of associate job family employees with an intent to create a sense of belonging to them and also encouraging them to be more productive and efficient in their role.



Training of Security Personnel

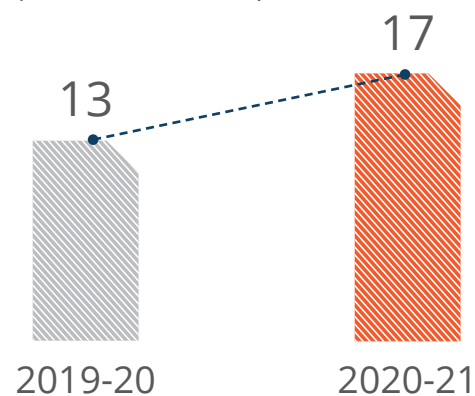
All security personnel are briefed about relevant policies of the Company which lay the foundation for them to function effectively. They are also trained in first responder and fire security at all manufacturing facilities. The security personnel (including third party organizations) are given basic training on citizen rights and Human Rights which is included in our company's Code of Conduct. The basic continuous Training/ drill is provided by Vendor

based on the weekly schedule. Special training based on the different roles and responsibilities is provided by AIL. During the reporting period, we provided a total of 5,760 man hours of training to security guards against 7,898 man hours of training provided during 2019-20. Average training hours per security guard was 13.91 hours during the reporting period.

Training of Contract Workers

Contract workers constitute a significant portion of our workforce. Their effectiveness and productivity are crucial determinants of our business performance. We maintain an annual training calendar for all contract workers. During the reporting period, we provided over 146,787 man hours of training to contract workers which was 55% higher than that of 2019-20. Average training man hours increased from 12.82 in 2019-20 to 17.09 in 2020-21.

Average Training Manhours (Contract Workers)



Employee Experience

A structured and continuous interaction between employer-employee and employee-employee is a critical success factor for an organization. Such interactions not only boost morale of employees but also ingrain organizational citizenship. It develops a strong bond and a culture of 'care'. Cognizant of

the importance of employee engagement, we have undertaken several initiatives to engage with our employees and foster a special bonding. Some of such initiatives are described in this section.

• All Employee Engagement Initiatives •



VOICE- Co-Create and Drive Change

One of the dimensions of Aarti Engaging Leader Framework is 'Listening & Speaking Powerfully'.

'Voice - Co-create, Drive Change' is yet another endeavour to enable this by providing a mechanism through which the voice of all employees can be heard. It is our first engagement study which provides insights into employee engagement levels across the organisation.

In December 2020, we conducted employee survey with help of Gallup - an independent and globally renowned survey company. The survey covered various topics which can impact an employee's engagement level. It also included Gallup Q12 questions which covered important aspects for an employees' experience. All responses were completely confidential to encourage honest opinions with frank and fair feedback. Over 98% of the employees participated in this exercise. Outcomes of Voice were very positive encouraging and has helped to gain insights to strengthen HR practices



Nirvana

Nirvana is our Annual Employee Wellness Program which focuses on activities which ensure that the workplace we provide helps our employees to maintain and improve their overall wellbeing. As one of our organisation's values is CARE, Nirvana is yet another initiative for our invincible determination to provide our employees with adequate CARE and support.

Every year, the Annual Nirvana calendar is conceptualised by the Corporate Employee Experience team in alignment with the local HR team. This calendar is based on the 5 dimensions of Nirvana. In this calendar, we identify a theme for every month of the year and our initiatives throughout the year are based on these themes. The Nirvana calendar acts as a guide for us in conducting different activities throughout the year.

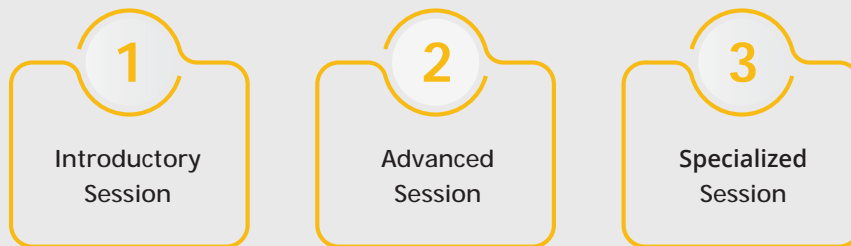




ARC - Aarti Regenerating Climate Workshop on Climate Change

Aarti Industries recognizes Climate Change as an emerging challenge worldwide. We believe in empowering individuals through education so that everyone can play their part in shaping a more sustainable future. Also, our strategic direction 'Growth with sustainability for sustainable growth' drives us in adapting world-class manufacturing processes and practices.

To achieve this, we launched Aarti Regenerating Climate (ARC) Workshops to create a workforce which is ready for all the future needs of organization and climate challenges, develop a workforce which is equipped with the knowledge for creating sustainable processes, projects, and sustainable ecosystems for all of us. Aarti has partnered with ClimateScience, one of the highly reputed UK-based charity organizations to increase climate awareness to understand the fragility of our climate and the importance of its protection. The structure of these workshops has been designed in three sessions:



600+
participants

2300+
man-hours
of training

3.11 to 3.95
Improvement in average rating of
Climate awareness knowledge pre
and post ARC workshop.



Occupational Health and Safety



As a responsible organization, it is imperative for us to ensure the safety and security of our people. At ALL, We are creating a culture of World Class Safety which provides us a social license to operate. Our Aim is to focus on creating a Felt Leadership in the organization that enhances operational excellence.

We have conceptualized, designed and implemented Sustainability and Reliability initiatives through the well established business process laid down under Aarti Management System (AMS). Sustainability initiatives like BE SAFE huddles, Listening Tours have become a cultural uniqueness and an indispensable part of the routine of our organization.

Our culture of safety has enabled us to ensure business continuity during COVID-19 pandemic times. Our efforts in sustainability are also endorsed by the accomplishment of EcoVadis Gold rating and Responsible Care Logo.



Ajay Kumar Gupta
Chief Manufacturing Officer

Aarti considers its workforce to be an asset contributing to the company's success. The company ensures that it has adhered to the recent updates to the Occupational Health & safety in the Global Reporting Initiative (GRI) Principles. The Company is responsible for the OH & Safety for the following subset of workers:

- All workers who are employees (i.e., those workers who are in an employment relationship with the organization according to national law or its application);
- All workers who are not employees but whose work and/or workplace is controlled by the organization.
- All workers who are not employees and whose work and workplace are not controlled

by the organization, but the organization's operations, products or services are directly linked to significant occupational health and safety impacts on those workers by its business relationships.

We have deployed a knowledgeable and experienced occupational health and safety management team across all our locations to continuously monitor, manage and respond to emergencies. BE SAFE (By Employees Sustainability Assurance For Employees) is our ongoing mega initiative targeted at achieving the goals of 'assurance to management on health check of all facilities and Zero Harm'. We have consolidated on the gains of the past two years. Starting from April 2019, we have completed more than 500 BE SAFE Huddles.





Job Safety Analysis (JSA) Transformation Journey

A job safety analysis is a procedure which helps integrate accepted safety and health principles and practices into a particular task or job operation. It is an analysis of the hazards associated with any job which needs to be carried out and is followed by taking counter measures to minimize the risks.

At AIL, pre-defined job-specific templates are used for JSA. Under each JSA template, a job is further sub-divided into sub-activities and all the possible hazards are identified under these sub-activities along with their countermeasures.

To strengthen our JSA process, the "JSA Enrichment Programme" was launched in October 2020. The scope of this programme was to enrich JSA templates by capturing the insight of infield employees and also to train them. All the employees under the 'Officer and Manager' family participated in it. It also covers 25% of employees under the 'Associate' family who are involved in the daily operational activities.

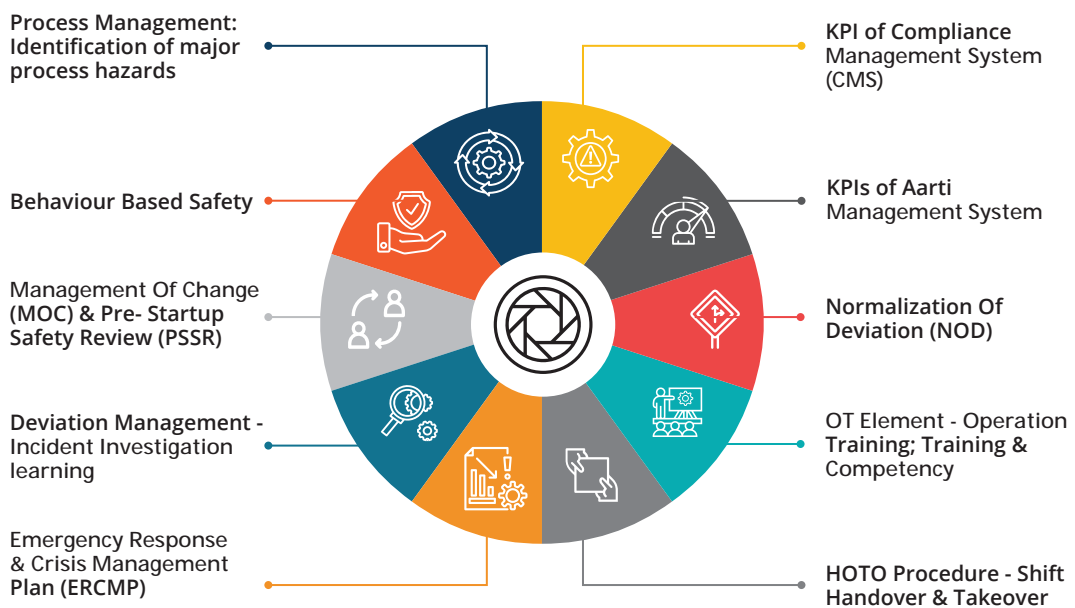


Fire Safety Drill



Listening Tour

We firmly believe that sensitization and encouragement of shop-floor workers is crucial for adopting required cultural and behavioural approach towards occupational safety and sustainability. We have implemented an employee engagement programme – Listening Tour to achieve this objective. Under this initiative, senior leaders interact directly with plant employees and shop-floor workers and discuss risks associated with operations, assess their understanding of high-level initiatives, and acknowledge the importance of their role in achieving safety and sustainability objectives. Focus areas of such interactions are:



CASE STUDY

Reduction in Chemical Exposure

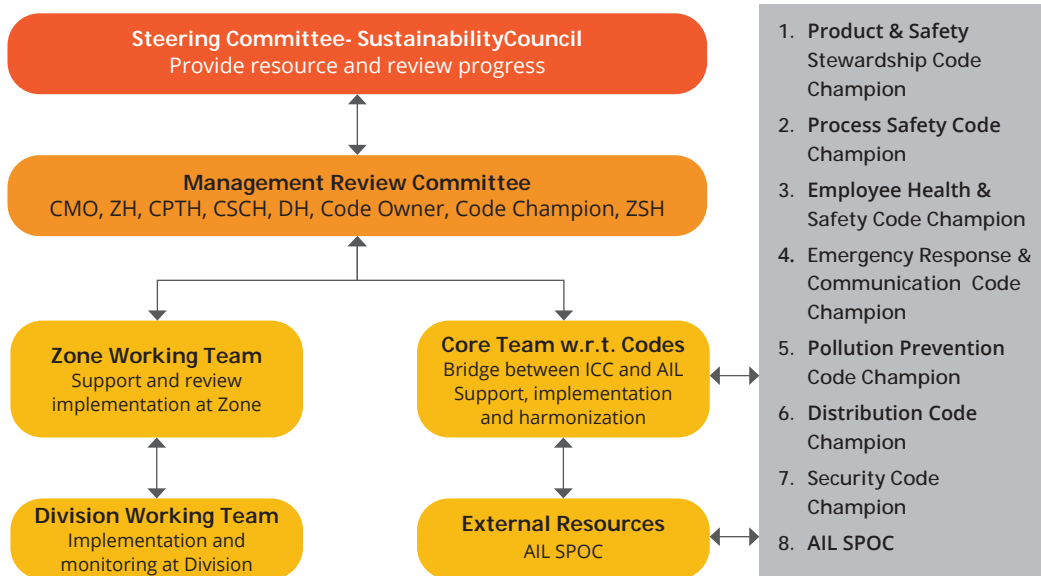
For products involving manufacturing activities like filtration and drying of the powder, previously filtration was done in Agitated Nutsche Filter (ANF). After filtration, the wet cake was discharged manually and charged in basket centrifuge for further filtration. The cake from basket centrifuge was unloaded manually and shifted to spin flash dryer location using forklift. The manual operation had the potential of causing chemical exposure in working even after using PPEs.

The filtration process has been modified by replacing ANF and basket centrifuge with the new technology of peeler centrifuge. This eliminated the manual operations during ANF discharging and Basket centrifuge loading and unloading. The technology advancement significantly reduced the hazards of chemical exposure related to the filtration process.



Our Journey towards Responsible Care

Achievement of Responsible Care Logo was one of the objectives defined under the 2018-22 plan. To achieve this objective, we undertook several initiatives under all the 7 codes of Responsible Care and demonstrated our commitment towards the ten guiding principles of RC.



One of the key success factors in achieving RC logo was the robust team design that was entrusted with this responsibility. Sustainability Council functioned as the steering committee. It was responsible for allocating resources and reviewing progress. Management Review Committee comprising Chief Manufacturing Officer, Zonal Heads, Divisional Heads, and other key members from the senior leadership team was established for coordination and guidance. At zonal and divisional levels, Zonal Working Teams and Divisional Working Teams were formed respectively for implementation of the initiatives. SPOCs were designated cross functions to facilitate the implementation of the initiatives and play a role of subject matter experts. The periodical reviews and committed and continuous efforts enabled us in obtaining the RC logo successfully.



Occupational Health and Safety Management System

Care is one of the core values at AIL, we are passionately committed to creating a healthy workforce and ensure safety of them. We have implemented Occupation health guidelines through Aarti Management System (AMS) which incorporates best in class practices with respect to occupation health. We have also implemented various codes and procedures to strengthen the safety system in AIL. Our Occupational Health and Safety Management System covers 100% of employees including contractor workers.

All the incidents are addressed using Deviation Management guidelines of AMS. It defines and classifies incidence, provides SOP for conducting root cause analysis, and describes reporting framework. We have adopted a stringent definition of Sustainability Deviation. It is defined as any 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.

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 – Lost Time Injury Frequency Rate (LTIFR), Lost Time Injury Severity Rate (LTISR), and Total recordable incident frequency rate (TRIFR) are the mainstay of our safety management.

Work-related Injuries and Ill Health

For monitoring work-related injuries and ill health, we follow the guidelines provided by the International Labour Organization (ILO). Most of the reported cases of work-related injuries are physical in nature and caused by accidents and deviations; while those of ill health are mainly due to exposure to hazardous chemical materials. We continuously monitor for the adverse impacts of chemical exposure. This practice helps us in identifying the cases of ill health at the earliest and taking remedial measures.

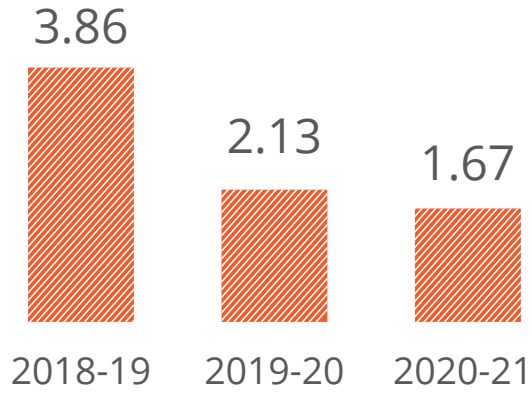


Fire Tender

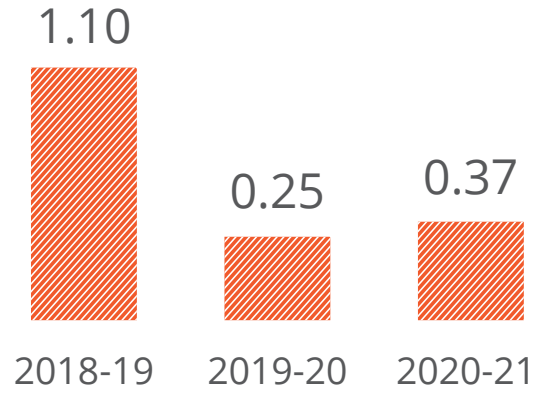
In 2020-21 we had an unfortunate incident resulting in two fatalities – one of our employee and one of our contract worker which occurred in Ash silo during maintenance activity. We

conducted a thorough root cause analysis and strengthened our internal checks and balances so as to avoid repetition of such incidents in future.

TRIFR
(per million manhours)



LTIFR
(per million manhours)



Product Stewardship



Being a specialty chemicals manufacturer, it is our responsibility to create awareness on safe handling, storage, transport, and disposal of materials through transparent disclosures about their physical and chemical properties while taking a proactive approach in terms of occupational health, safety, and environmental sustainability and compliance.



Being a partner of choice for our stakeholders, we are duty-bound to develop inherently sustainable processes through continuous improvement while providing exemplary leadership in product stewardship.

Dr. Prashant Potnis

Chief Scientific Officer

Product Stewardship implies minimizing the health, safety, environmental, and social impacts of a product throughout its lifecycle. Being a manufacturer of chemical products, it is our responsibility to assess and manage adverse such impacts of our products. Our R&D team continuously strives to identify hazardous impacts

of various materials used by us and products manufactured and to devise safer methods for manufacturing and handling. We ensure health, safety and environmental protection as an integral part of designing, manufacturing, marketing, distributing etc.



Process Safety

Our process safety framework covers various stages of product development extending from the molecule development to commercialization of the product, i.e., product is received by the customer. To accomplish the objective of achieving process safety benchmarking at each stages of product development, a highly advanced process safety lab has been established at Aarti Research & Training Centre (ARTC), Navi Mumbai, which is equipped with advanced testing equipment such as Thermal Screening Unit, Reaction Calorimetry, Vent Sizing Package-2, Accelerated Reaction calorimetry, etc., to generate the adequate insights into process safety.

A team of experienced professionals are involved at each and every stage of product development to ensure the process safety studies are conducted diligently and hazards are eliminated through preventive and mitigative controls. We strive to achieve excellence in process safety and our efforts have been endorsed by external standards such as EcoVadis and Responsible Care.

We endeavour to adhere to the norms described by the Global Product Stewardship (GPS). We strive to ensure that our products satisfy the highest quality standards. We have established systems and processes to ensure compliance with applicable regulatory and voluntary standards. As the majority

of our products are exported, we take utmost care to ensure that these comply with the EU REACH compliance. During the reporting period, we did not receive any complaints regarding health and safety hazards of our products.

Customer Health & Safety



Customer Centricity is one of our essential cultural attributes. We are in the B2B industry and our operations are market driven. Our efforts on product safety have differentiated us and have provided us with a competitive advantage. Continuous engagement with our customers helps us in identifying improvement opportunities in these areas and gauge industry trends. These factors not only help us in improving continuously but also achieve business resilience.

We assess health and safety concerns of all our products and disclose them to our customers in a transparent manner. We adhere to the global guidelines on labelling and communications. These practices have helped us in earning trust with our customers and building long-term strategic relationships.

Manoj Chheda
Full Time Director

Focus on customer health and safety is crucial for achieving sustainability throughout our value chain. To consolidate our position as the 'Global Partner of Choice to World's Leading Chemical Companies', we are committed to the highest level of health and safety standards for our customers. We subscribe to the best practices prescribed by European Union's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulations. Importance of customer health and safety from business and regulatory point of view makes it a material topic of high priority. We strive to support our customers to achieve sustainability through our innovative solutions in an effective and efficient manner. We follow global standards of labelling practices and maintain Material Safety Data Sheet (MSDS) as per prevailing norms.

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 a Customer Satisfaction Questionnaire based on the Product and Packaging Quality. 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 complaint for health and safety issues from our customers, however, there were 5 complaints of minor issues concerning labeling and packaging such as torn packaging and leakage from drums. During the reporting period no significant penalties or sanctions were imposed on us for violation of customer health and safety norms.

We regularly conduct customer satisfaction survey to understand our quality of delivery and identify areas of improvement which also includes customers' health and safety. The survey comprised three Key areas; a) Packaging Quality b) Product Quality c) MSDS Information. As per the survey results, 73% of our customers found our Packaging Quality, Product Quality and MSDS Information to be either excellent or Good, better than most other sources. 38% of our customers responded to Packaging Quality as Excellent whereas, Product Quality and MSDS information responded as 41% and 47% respectively as Excellent.

CHAPTER 5

Planet



Our efforts align with the following SDG:



Environmental protection and restoration are fundamental to the triple bottom line approach (People, Planet & Profit). Our approach to environmental protection consists of efforts to achieve energy efficiency, diversifying energy mix, water reuse and recycling, responsible handling of materials and waste, and achieving resource efficiency. These efforts not only help us in achieving operational excellence but also help us in minimizing our environmental footprint.

We believe in philosophies of collaborative approach, peer learning, and continuous improvement. Thus, we engage with our business partners regularly to ensure that the best environmental practices and standards are adopted throughout our value chain. We have also planned for capacity building of our suppliers in order to enhance their business sustainability. We strive to leverage various global platforms to convey our sustainability performance to all our stakeholders in a responsible and transparent manner.



Parimal H. Desai
Executive Director

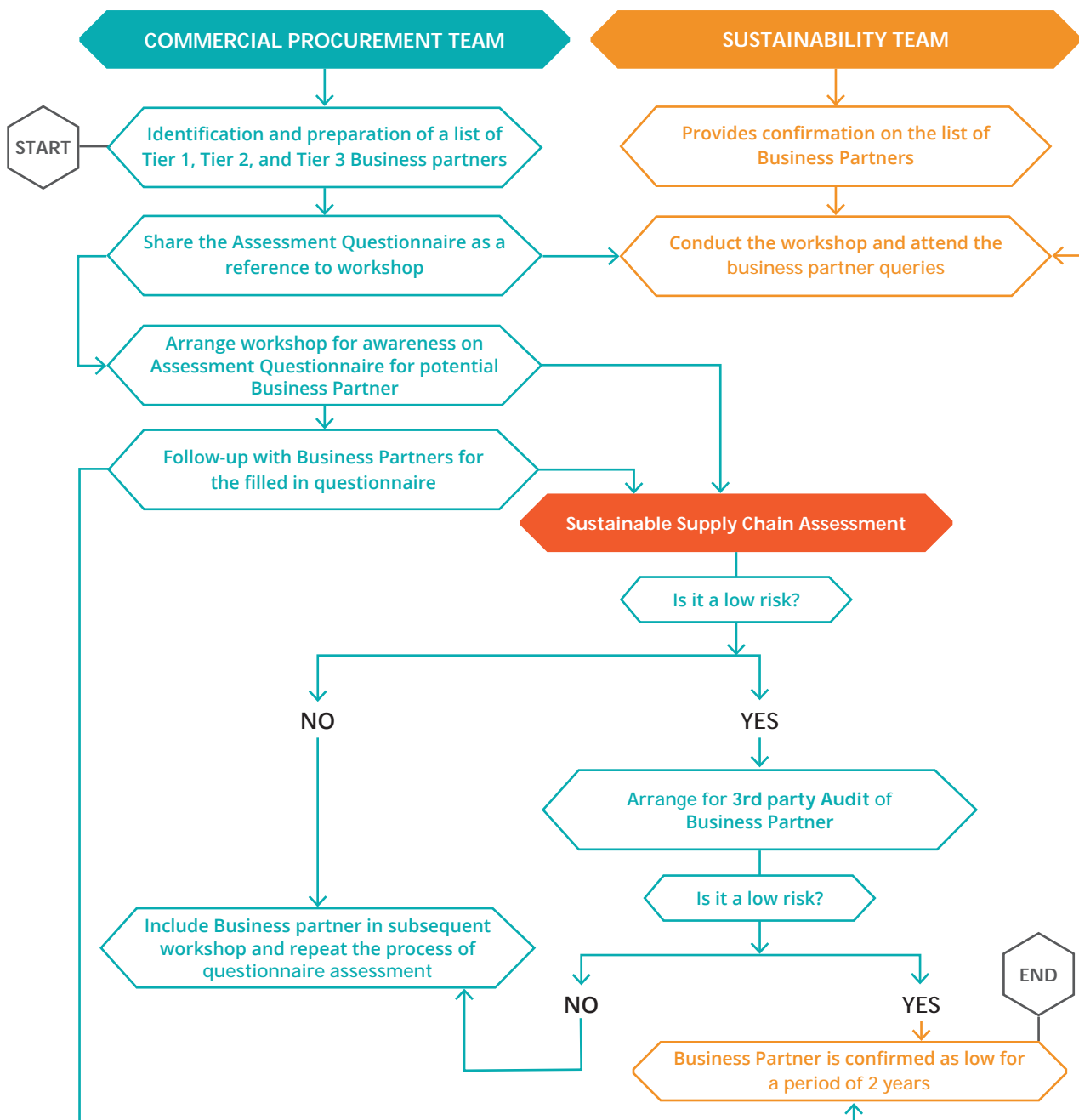
Supply Chain Sustainability

Supply chain sustainability is crucial to achieve business sustainability for any manufacturing organisation relying heavily on conventional raw materials. In order to build business resilience and achieve business sustainability, we, at AIL, have initiated implementation of the supplier sustainability programme. The main agenda is to help build a sustainable nation by improving sustainability performance of AIL suppliers and further to encourage AIL suppliers to reciprocate in their supply chain.

In the first phase of our supply-chain sustainability programme, critical business partners have been

assessed for sustainability based on pre-defined criteria. The assessment was followed by virtual workshops to provide the business partners with more clarity about the initiative and enlighten them about AIL sustainability practices. Evaluation was done and the partners were assigned into different categories. Subsequently, feedbacks were given for performance improvement.

Third-party audits are also scheduled in future to verify the response provided by the partners. In next phase, this drive aims to evaluate all our business partners on sustainability parameters to build and ensure a sustainable supply chain.



During the reporting period, we had identified 657 potential new suppliers, out of which 51 were assessed on social and environmental criteria; 18 were 100% compliant and 2 were not fully compliant, hence got rejected. Our assessment plan comprises a self-assessment form and onsite audit. Due to COVID-19 pandemic and restrictions therefore, we could not conduct an onsite EHS audit. In future, we plan to cover 100% of new suppliers under EHS assessment.

During the reporting period, among our existing suppliers, a total of 127 were assessed for potential environmental and social impact contributing to over 30% of our total spent. Of these, 7 suppliers (5.5%) were observed to have significant environmental and social risks. We have initiated an engagement plan with these identified suppliers for improvement on sustainability practices.

Responsible Procurement

Procurement constitutes an important step of the supply chain. We are committed to ensure that we procure raw materials and other supplies in a safe,

secure, and sustainable manner. Our procurement policy clearly defines a fair and transparent process of onboarding and managing suppliers. Our evaluation criteria include performance on Quality, Environmental, Health, and Safety (EHS) parameters. Furthermore, at the time of onboarding all our suppliers are provided with the General Conditions of the Contract (GCC), General Conditions of Purchase (GCP), Supplier Code of Conduct, Responsible Procurement Policy and POSH policy which comprehensively cover ESG issues.

During the reporting period we spent a total of 1301.4 Cr INR on procurement of raw materials, 379.1 Cr INR on purchase of engineering goods and 501.1 Cr INR on engineering services. We are committed to procure from the local supplier. We define local suppliers as those having operating locations within the territorial boundary of India. During the reporting period 71.25% of our raw material by value supplies were sourced from the local suppliers while 97.25% of engineering goods by value were sourced from local suppliers.

Materials

Responsible production and consumption are fundamental to achieving environmental sustainability. We being a specialty chemical sector company are material-intensive. Efficient use of materials not only helps us in reducing our cost of production but also reduces our environmental footprint. We emphasize on assessing potential value addition and marketability of various co-products and by-products produced in our operations. It not only helps us in developing a business proposition but also augments our material efficiency.

Major raw materials used by us are Benzene, Toluene, Ammonia, Ethylene, Methanol, Sulphur, Chlorine, and Concentrated Nitric Acid. Other raw materials include Hydrogen, Hydrochloric Acid, Sulphuric Acid, Aniline, etc. Up to the previous year, we had disclosed quantities of major raw materials only. During the FY 2020-21 we strengthened our data management systems and tracked usage of all raw materials, associate process materials, and packaging materials.

Material Types	Quantity (MT)
Raw Materials	579,270
Directly Sourced Raw Material	493,911
Recycled Material	85,359
Associate Process Materials (APM)	8,351
Packaging materials	2,563

We reuse spent acid generated from our plants. Total quantity of waste material reused during the reporting period was 85,359 MT which was 14.7% of the total raw material consumption.

Production

During the reporting period, our total production increased by 13.6% on a year-on-year basis from

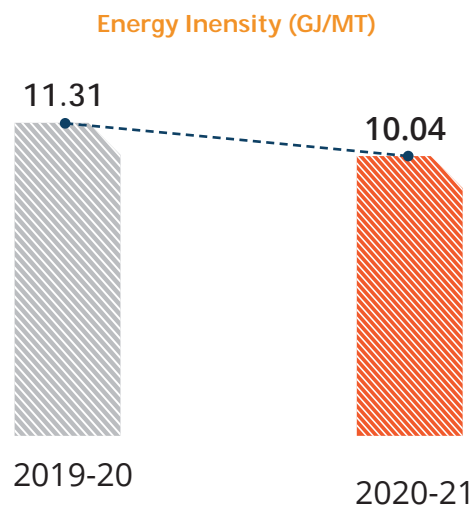
614,207 Metric Tonne in 2019-20 to 698,331 Metric Tonne in 2020-21.

Energy Management

A high level of energy efficiency improves not just our emissions footprint but also profitability, thereby making an organization more competitive. The robust and systematic energy management promotes projects to increase energy efficiency at our facilities. We focus on identifying opportunities to invest in renewable energy and energy efficient technologies and process transformations to energy efficient processes. Our major energy sources include coal, diesel, natural gas, purchased electricity, and purchased steam. In addition to these, we use energy generated from waste heat and process steam.

In the Reporting period, we consumed 7.01 million GJ of Energy as against 6.94 million GJ consumed in 2019-20. Of the total energy consumption, 14.5% was drawn from non-conventional sources such as solar power, waste heat recovery, and steam recovery.

During the reporting period our specific energy consumption was 10.04 GJ/MT of production which was 11.2% less than that of 2019-20.



¹Restatement of Information from SR 2019-20: Energy and GHG emission data for 2019-20 has been corrected in SR 2020-21. These were overestimated due to inadvertent errors caused by double counting.

Energy Conservation

We have implemented several energy saving initiatives to reduce our energy consumption and carbon footprint. We invite ideas and suggestions from all employees for potential energy saving projects. Our strategy towards energy conservation includes:



Our energy efficiency efforts include retrofitting with modern and energy efficient devices and equipment, installing waste heat recovery systems, and identifying and managing operational bottlenecks. Since 2019, we have purchased and installed IE-3 motors only as per International Efficiency Standards. Furthermore, we have established a Motor Efficiency Test Bench at Vapi, Gujarat. We have phased out all motors that lose energy efficiency by more than 6%. Based on our energy efficiency initiatives, we have saved approximately 38 million kWh of energy in 2020-21.

Furthermore, we have installed cogeneration power plants at our various locations to optimize

usage of coal as a source of energy. We plan to purchase excess surplus steam available at neighbouring industries for process requirement and heating purposes; thereby saving the consumption of natural resources. In addition to these efforts, we have installed roof-top solar panels to diversify our energy mix.

We have successfully commissioned the project of generating chilled water by utilizing energy required to vaporize liquid chlorine. We are also utilizing energy corresponding to Low Pressure steam in the process reboilers, which was earlier not utilized and being vented. Further we are striving to update our existing process with energy efficient technology. We have upgraded our moisture removal operations (gravity separation and distillation) by Agitated Thin Film Evaporator (ATFE) for utilizing Low Pressure steam generated by waste heat recovery from the plant. In addition to these we have planned to undertake following initiatives for energy saving:

- Technology Upgradation
- Enhancing Steam Economy
- Installation of co-incineration of waste gases & Energy recovery
- Replacement of steam-ejector with process ejector
- Adoption of an IT-based Energy Management System (EMS)
- Increasing Solar Energy Contribution



Emissions



We are dependent on the environment for various ecosystem services such as energy, water, and raw materials. At AIL, we believe in the philosophy of 'responsible production and responsible consumption.

To achieve the objectives of responsible production and responsible consumption, we conduct a thorough assessment of resource requirements, waste and wastewater generation, health and safety concerns, and air emissions associated with our products and processes. We endeavour to develop right chemistry through design and process interventions.

We adhere to the stringent norms on resource usage, material handling, waste disposal, and air emissions so as to minimize negative environmental impacts of our operations. Our efforts have been endorsed by our exemplary performance on external benchmarks.

Shyam Dhekekar

Process and Technical Head

At AIL, we emphasize on reducing our environmental footprint thereby contributing towards efforts directed at achieving 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, steam consumption.

During the reporting period, our scope-1 and scope-2 emissions were 547,729 tCO₂e and 79,871

tCO₂e respectively. Reported scope-1 emission includes process emissions associated with our operations.

Emissions Factors

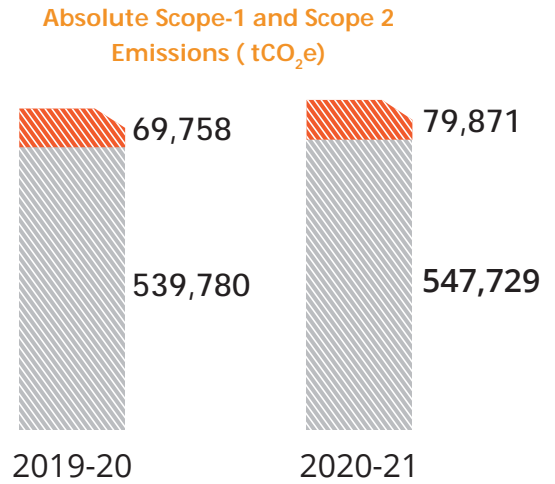
All emission factors for direct energy have been used as per the IPCC guidelines for GHG Inventories (2006), while the emission factor for indirect energy (i.e., purchased electricity) is taken from the Indian Central Electricity Authority (CEA)'s Baseline Carbon Dioxide Emission Database Version 16.0.



Scope 1 and Scope 2 Emissions (tCO₂e)

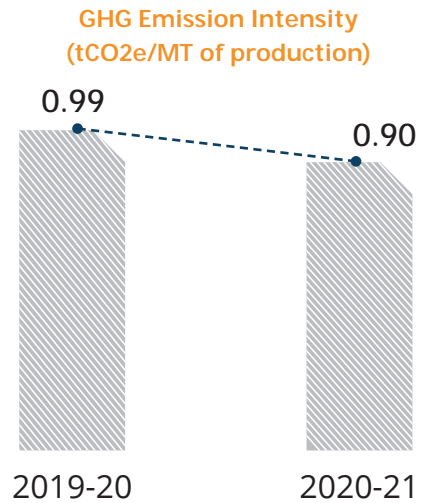
Though our absolute scope-1 and scope-2 emissions increased by 3% during the reporting period due to increase in production (13%), our GHG emission intensity (scope-1 and scope-2) reduced by 9.4% year-on-year from 0.99 CO₂e/MT to 0.90 tCO₂e/MT of production. Our process optimization and other energy saving efforts resulted in avoiding emissions of approximately 63,750 tCO₂e.

■ Scope 1 ■ Scope 2



Scope-3 GHG Emission Estimation

We understand that achievement of sustainability needs emission reduction along the value chain. To assess our carbon footprint outside our manufacturing sites, we estimated scope-3 emissions for the reporting period under the following categories: Purchased goods & Services, Capital goods, Fuel and energy related activities, Upstream Transportation and distribution, Waste generated in operations, Business Travel, Employee Commuting, Upstream leased assets, Downstream transportation and distribution, and Investments. This year we used secondary data for average emission factors for scope-3 activities. We have planned to use primary data for scope 3 emission estimation in future. Our total scope-3 emissions for the reporting period were 540,187.6 tCO₂e.



Air Emissions

We comply with the Rules & Regulations related to The Air (Prevention and control of pollution) Act, 1981 (and amended from time to time) and Environment Protection Act 1986. These acts mandate stringent emission norms for NO_x, SO_x, Particulate Matter, and VOCs. To achieve the defined emission norms, we have installed Air Pollution control measures for flue gas emissions, process emissions and fugitive emissions. We track our environmental performance through internal laboratories and hiring external agencies. Furthermore, we have an online continuous monitoring system for stacks and online sensors for hazardous chemicals and gases. All plants have installed ambient air monitoring stations as per guidelines of the Central Pollution Control Board (CPCB). During the reporting period, our emissions of SO_x, NO_x, Particulate Matter, and VOCs were

well within the prescribed limits. We have provided ESP to control particulate matters and installed online sensors to measure fugitive emissions.

We do not use any Ozone Depleting Substance (ODS) in our operations; therefore, there are no emissions of ODS from our manufacturing facilities. We adhere to the emission norms prescribed by the Central and State Pollution Control Boards. Our air emissions for the reporting period are provided in following table:

Emissions	2020-21 (MT)
NO _x	276
SO _x	755
PM	458

CASE STUDY**SOx emission control through use of lime as dry scrubber**

Oxides of Sulphur are released due to combustion of coal. The Central Pollution Control Board has put a statutory limitation on SOx emissions. Furthermore, reduction of emissions of toxic gases is one of the crucial impact areas. To achieve this objective, we have developed a system to use lime to control emission of SOx from coal-fired boilers and other utilities.

We have installed the Lime Addition along with a coal feeding System for our coal-fired boilers and other utilities to control SO₂ emission . It uses a specified dose of lime per ton of coal used. Use of this system resulted in significant reduction in emissions of SOx. This technology is suitable for low-sulphur Indian and imported coal. Other operational advantages are:



No effluent generation



Cost-effective intervention for controlling SOx emissions



Low energy consumption



No issues of corrosion of the assets



Easy to retrofit

CASE STUDY**Manufacturing Nitrosyl sulphuric acid (NSA) by scrubbing NOx**

Manufacturing of one of our products, NO_x is released as a process emission. This NO_x is scrubbed using 98% H₂SO₄ solution, which gives Nitrosyl Sulphuric acid (NSA). This Nitrosyl Sulphuric acid (NSA) is utilized as a raw material for inhouse manufacturing of two of other products. This results not only in the scrubbing of approximately 320 Tonnes of NO_x in a year, but also in reduction of virgin raw material consumption.



Water Management

Being in the speciality chemicals segment, many of our manufacturing processes are dependent on water. However, at the same time, we are highly conscious of the critical importance of this natural

resource to human life and ecosystem. All our operations are located in the states of Gujarat and Maharashtra in India.

CASE STUDY

Rainwater Harvesting

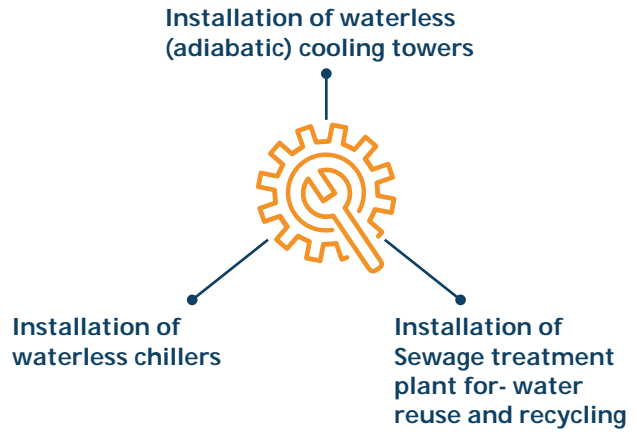
We have established rainwater harvesting systems at 2 of our manufacturing units in Vapi. Water collected through the harvesting system is stored in a raw tank and is used in cooling towers. The collected water is routed to the main GIDC water tank. Currently there are no meters installed to estimate the amount of water harvested through the system. As per estimations arrived at through dimensions of the catchment area, approximately 1,160 kl of rainwater was harvested



Most of our manufacturing units under the reporting boundary are ZLD (Zero Liquid Discharge) facilities. Wastewater generated is treated in-house and water is recycled for industrial purposes. Manufacturing units that do not have ZLD status, treat wastewater and send it to CETP for further

processing and discharge. We stringently monitor the quality of water discharge from our facilities. During the reporting period we sent a total of 113,371 kl of water to the CETP. Our water consumption for the FY 2020-21 was 1,734,395 kl.

To achieve resilience, it is crucial to ensure water availability. Mindful of it, we continuously monitor, review, and optimize water consumption through process modifications and the adoption of new technologies. We strive to recycle water from the effluents after primary, secondary, and tertiary treatment in order to reduce freshwater consumption. We also reuse STP treated water for cooling tower make-up and domestic purposes. The facilities in Gujarat and Maharashtra source all the water from the industrial development authority. We do not extract ground or surface water. Our water saving initiatives are:



CASE STUDY

Methanol Recovery from wastewater, to reduce consumption of virgin raw material and recycle treated wastewater.

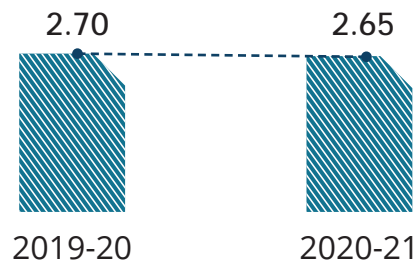
During manufacturing of one of our products, 20 KLD process wastewater containing 2% methanol was being generated. A new distillation column was designed and installed to recover methanol from wastewater.

Advantages of the new process are:

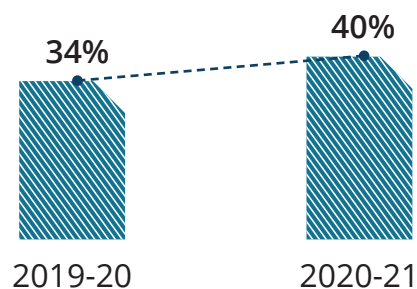
- Entire 20 KLD water is recycled directly in the cooling tower after methanol recovery.
- 130 MT/annum Methanol is recovered.

For water management we consider our operating locations to be in water stress regions based-on the WRI Aqueduct Water Risk Atlas which provided a graphical representation of level of water stress and groundwater depletion. During the reporting period, we received 1,847,766 kl of freshwater from the government bodies as against 1,656,255 kl in 2019-20. In addition to it, we used 739,106 kl of recycled water. Our ratio of recycled water used to water received was 40% for the FY 2020-21 which is a significant improvement from 34% of the FY 2019-20. During the reporting period we used water with an efficiency of 2.65 kl per MT of production which is 1.9% less than that of 2019-20.

Specific Water Withdrawal (kl/MT)



Ratio of Recycled Water used to Water received



CASE STUDY

Use of Stripper for reducing COD of process effluent in one of our plant at Dahej

One of our plants was generating around 12 KL/Day process effluent containing high COD due to solubility of product and raw material. The process effluent was sent to the ETP for treatment, which was hampering the performance of the biological system and lowering down the recovery of the RO system. A stripper column was installed to recover material from effluent and hence reduce the COD of the effluent. <5000 ppm.

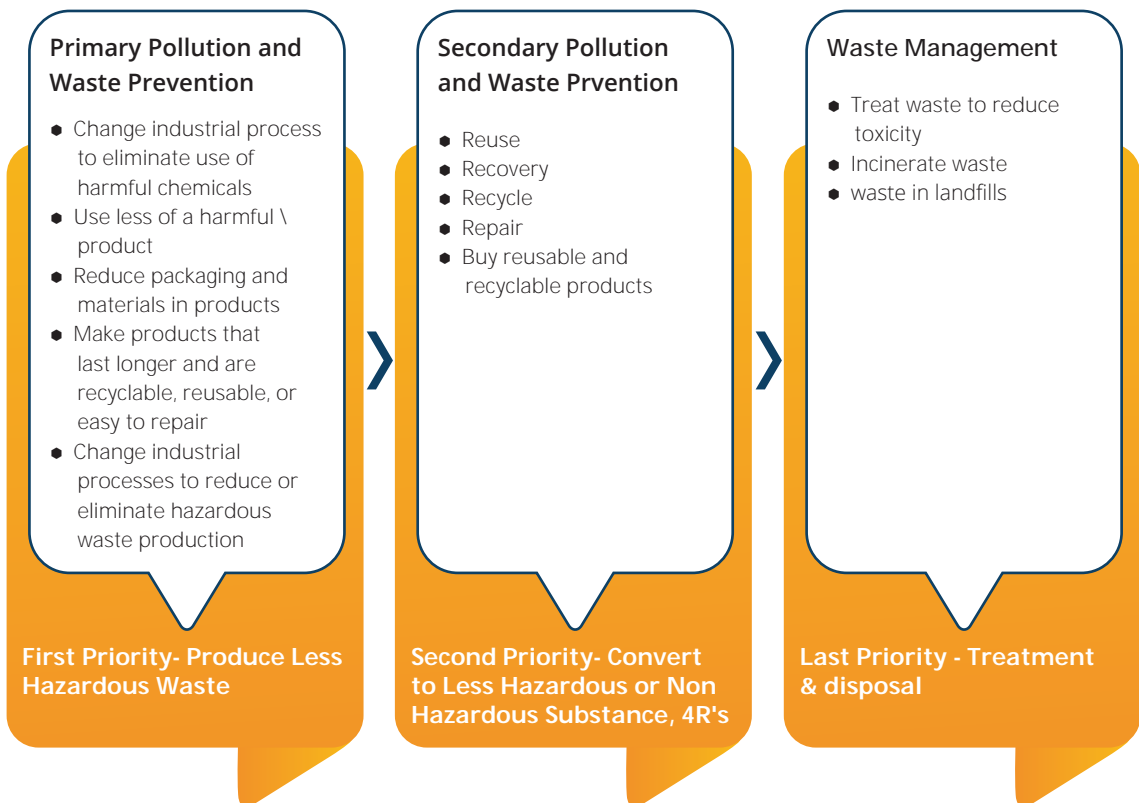
Advantages of new process are:

- Performance of biological treatment got improved leading to increase in % recovery of RO system
- Helped to improve yield of the product

Waste Management

Our operations are associated with the generation of hazardous waste due to the nature of our industry. We strive to minimize waste production by adopting several design and process improvements. We endeavor to

develop marketable value addition products from the co-products and by-products. Our waste management approach is systematically divided into three priorities depending upon the various operating conditions and type of waste generated.



Waste Generated by category and method of Disposal

Waste and Treatment Category	2019-20	2020-21
Hazardous waste sent to authorized recyclers (MT)	1,15,844	1,16,205
Hazardous waste sent to TSDF for landfilling (MT)	16,155	19,619
Hazardous waste sent to TSDF for incineration (MT)	2,934	4,836
Non-hazardous waste recycled (MT)	19,275	20,363

During the reporting period, we transported 24,485 MT of hazardous waste for landfilling and incineration to the Treatment, Storage, and Disposal Facility (TSDF) authorized by the State Pollution Control Board. Increase in hazardous waste generation is due to increase in production, further expired raw material and waste generated

from tank and other equipment cleaning were sent to TSDF for incineration. In the reporting period we started monitoring non-hazardous waste being recycled. We have started using eco-friendly building materials like flyash bricks, flyash paver blocks and PPC cement, lead free paints etc.

Significant Spills

Due to the hazardous nature of our materials, products, and waste products, spills of any kind can have serious consequences on the health of people and the ecosystem. Understanding the high risks associated with such spills, we adopt stringent processes and strictly follow SOPs to avoid spills in any form. We have developed and adopted

spill response and cleanup procedures with an objective to neutralize and recover free liquids to prevent them from contaminating surface water or groundwater. We have adopted advanced spill management practices that include use of state of art safety gears and vehicles.



Elimination of Overflow, Spillage and leakages

We have developed and adopted a Process Initiative for elimination of spills and leakages. To achieve this objective, we have adopted a multi-disciplinary approach comprising following action points:

- Formation of a cross-functional implementation team
- Analysis of spills and leakages that happened in past two years and identifying existing gaps
- Mapping of all storage tanks and assessment of their integrity and compliance with prescribed norms
- Gap analysis in secondary containment
- Assessment of feasibility of storage tank automation at all manufacturing locations
- Development of standardized asset management plan
- Capacity building of people responsible for handling materials
- Internal audits to ensure compliance with SOPs and norms

This approach will help in eliminating significant spills.

We use American Petroleum Institute (API 754) classification of spills for spill management. As per this system, events are classified into Tier-1, Tier-2, Tier-3, and Tier-4 categories with Tier-1 being the most serious event having significant consequences, while Tier-4 refers to deviation from

the prescribed SOPs. During the reporting period, there was 1 chemical spill of Tier-1 level at our Jhagadia site. We conduct root-cause analysis for all spills and deviations and take prompt corrective actions. We are committed to achieve 'zero-spill' status.

Compliance

It is a prerequisite for continuity of any business to adhere to the provisions of applicable laws and regulations. In addition to regulations, compliance with the global voluntary standards enables an organization to achieve operational excellence. 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 a proactive 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 a proactive approach to ensure adherence to the best practices regarding compliance management. Special training

is provided to inform our employees about applicable regulations. Furthermore, we have established a compliance governing system where compliances are being monitored at different levels through internal audit protocols and reviewed by Company Directors.

Recently we have added a license module into the compliance management system. Through this module we track all applicable licenses, their validity period, and application process. Respective personnel are intimated well in advance for renewal of licenses. We have set an internal quality control criteria of applying for renewals of licenses at least 90 days in advance to avoid any delays in the application process.

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 pertaining to regulatory compliances.

Ecosystem and Biodiversity Protection

Our operating sites are located within industrial zones. None of our operating locations are in the protected areas or areas of high biodiversity value. There are no significant impacts of our operations

on the ecosystem and biodiversity. We do not have any restored location or habitat under our management control.



CHAPTER 6

Society



Our efforts align with the following SDG:



Society is an important stakeholder for any business. Being the end consumer of all goods and services generated, society provides a market for businesses to operate. In addition to it, social legitimacy and social license to operate is a prerequisite for sustainability of any business.

Guided by the philanthropic values of our founders, We have always viewed societies and communities as an equal partner in our journey of growth. We, as responsible corporate citizens, believe that a strong education system, Robust and resilient healthcare system are essential to achieve national as well as global sustainability goals. This belief has been further strengthened during testing times of the current pandemic situation. We have partnered with various NGOs and other local bodies for our CSR efforts under the grand umbrella of Aarti Foundation.

Our current CSR initiatives are also focused on rural development under PURA philosophy, disaster relief and environmental protection. These are in alignment with national and global priorities to achieve Sustainable Development Goals.



Hetal Gogri Gala

Executive Director

Our Philosophy

“Together for Prosperity”

Aarti Industries Ltd.

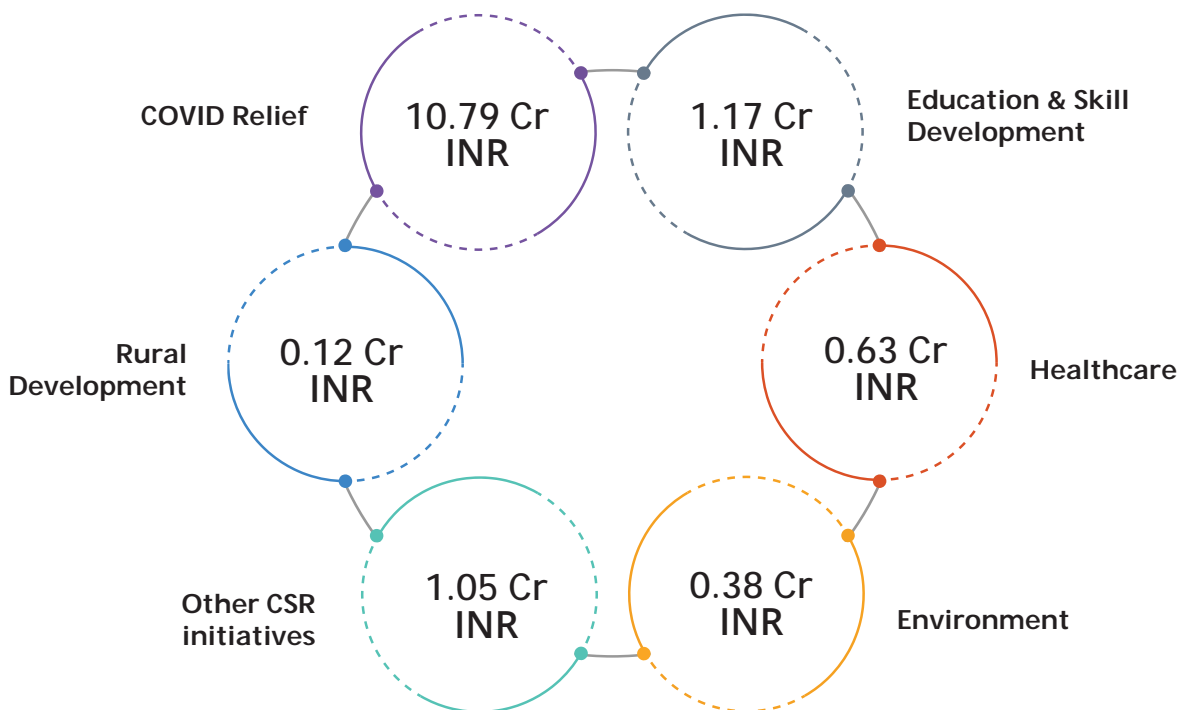
We strongly believe that Corporate Social Responsibility (CSR) is connected with the principles of sustainability. We are mindful of the fact that our business activities have several socio-economic impacts i.e., indirect economic impact in the local community. Driven by our philosophy of our founding fathers and our core value of Care, we strive to maximize our positive impacts and minimize our negative impacts. We are committed to protection of fundamental, legal, and cultural rights of local and indigenous communities. During the reporting period, we did not have any significant negative impact on the local and indigenous community.

In compliance with the provisions of Section 135 of the Companies Act, 2013, read with Companies

(Corporate Social Responsibility Policy) Rules, 2014, we have constituted a Corporate Social Responsibility (“CSR”) Committee and developed CSR Policy. Details of the CSR Committee and CSR policy are available in our Annual Report. Our CSR Policy guides us in designing and implementing CSR initiatives.

Our CSR initiatives are in alignment with the Sustainable Development Goals (SDGs), national priorities, and local needs. Our CSR activities are primarily executed by the Aarti Foundation, which is a not-for-profit entity. In addition, we engage with several NGOs working on grassroot level to leverage their outreach and expertise in developmental activities. During the reporting period, our total CSR expenditure was over 14.1 Cr INR.

CSR Activity and their Expenditure (Cr INR)



COVID Relief

We spent over INR 107.9 million on COVID response and relief. Of this approximately 8 million was contributed by our employees through voluntary donation towards PM's Care Fund. Our COVID response and relief comprised following activities:

- Donation to PM's Care Fund
- Donation to State and District Disaster Management Authority
- Support to local communities
- Cash donation to people who had lost their employment during pandemic, elderly people, and small businesses
- Distribution of ration kits in Bharuch, Kutch, and Valsad districts of Gujarat
- Establishing and upgrading COVID Care Centre





Our Support to Medical Facilities

- In association with the Rotary Club of Vapi, we set up a dedicated COVID Care Centers with 75 beds, and continuous oxygen support
- We supported by providing funds and arranging PPEs to the Shrimant Fatehsinhrao Gaekwad Hospital, located at Vatrak, Sabarkantha, for upgradation into a 312-bedded Covid Care Centre. After upgrading, we handed over it to the government authorities for utilizing it as a specialized COVID care centre.
- We donated 325 oxygen cylinders to South Mumbai's 1,000-bedded COVID-19 facility developed at Richardson & Cruddas
- We provided Oxygen Pipeline System to an Covid Isolation Centre in Boisar, Maharashtra
- Distribution of PPE kits and hand sanitizers
- Organized health camps and Covid awareness sessions to the community by our FMOs
- Dedicated medical board with specialist doctors
- Facilitated Oxygen tanker driver trainings at National level
- Conducted free vaccination drives

Education and Skill Development

Education and skill development constitute critical components of our efforts towards community development. On this theme, we have undertaken following initiatives:

- We have been running operations for more than 7 schools benefiting over 2,100 students
- We have provided financial support to various schools and institutions for setting up new infrastructure & improvement in existing infrastructure
- Provision of scholarships to needy students pursuing higher education

Healthcare Initiatives

In addition to the COVID relief, we have continued our ongoing healthcare initiatives.



JITO Hospital

We are supporting Shree Mahavir Jain Hospital run by JITO Educational and Medical Trust, which is a healthcare entity. It is situated in Thane, Maharashtra and has a full-fledged diagnostic centre, blood bank, dental department, nephrology centre, ENT department and physiotherapy centre. We have supported the hospital by providing medical equipment.

Mobile Dental Van

We operate two mobile dental vans in the Dahej and Jhagadia clusters with help of Asmita Vikas Kendra which is an NGO functioning locally.

Rural Development

ALL is supporting activities of Tribal Integrated Development and Education Trust, Assam. In Assam it has formed over 8,500 micro credit groups in over 1800 villages situated in 10 districts. These groups cover over 100,000 women (households). It has helped several families in becoming debt free. In addition, various income generation projects such as mushroom farming, agarbatti making, weaving, bamboo craft, tailoring classes, etc., are being undertaken. We also help farmers to get certified into organic farming.

We through Aarti Foundation have been working with Gram Swarajya Samiti in the rural areas of maharashtra for the upliftment of the society.



Environmental Protection

We have been associated with Aarti Horticulture Services Private Limited for the planting of trees, developing/maintaining gardens and green spaces in the GIDC (Gujarat Industrial Development Corporation) estate, Vapi, Gujarat. We also provide security services to several gardens in Vapi district of Gujarat.



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 Private Limited (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 2020-21 covering the sustainability performance of their Speciality Chemical Business Segment in India during the period 1st April 2020 to 31st March 2021. The Company has prepared the Report in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

Respective responsibilities

The Report content and its presentation are the sole responsibilities of the management of the Company. 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 with the management of the Company, is to provide assurance on the Report content as described in the 'Scope of assurance and methodology' section below. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance a third party may place on the Report is entirely at its own risk.

Assurance scope

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard v3 Type 2* assurance. We applied a moderate level^ of assurance.

Scope of assurance and methodology

The Report of AIL covers sustainability performance disclosures as per the GRI Standards for their following operations:

- Vapi (Acid, Alchemie, Amine, Apple, Nascent, and Organic);
- Tarapur (Topaz);
- Jhagadia (Pearl, Ruby, & Jade);
- Kutch (Anushakti);
- Dahej (Diamond, Neo, and Saffron);
- Aarti Research and Technology Centre (ARTC).

Our assurance scope covers selected sustainability performance disclosures presented by the Company in the Report as listed below, pertaining to performance for the period 1st April 2020 to 31st March 2021:

- Scope-1 and Scope-2 GHG Emissions

* Type 2 Assurance implies adherence to the AccountAbility Principles, and reliability and quality of performance information

^ Moderate level of assurance implies assurance provided based on the limited evidence which are compiled from internal sources and parties.

- Scope-3 GHG Emissions covering the following categories as per The GHG Protocol:
 - Category-1: Purchased goods and services
 - Category-2: Capital goods
 - Category-3: Fuel and energy related activities
 - Category-4: Upstream Transportation and Distribution
 - Category-5: Waste generated in operations
 - Category-6: Business Travel
 - Category-7: Employee Commuting
 - Category-8: Upstream leased assets
 - Category-9: Downstream Transportation and distribution
 - Category-15: Investments
- Energy consumption (direct and indirect energy consumption);
- Water withdrawal;
- Waste disposal;
- Training hours for employees;
- Beneficiaries from CSR initiatives.

Our assurance process 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.

We conducted review and verification of data collection, collation and calculation methodologies and general review of the logic of inclusion/ omission of relevant information/ data in the Report. Our review was limited to:

- Assessment of AIL's reporting procedures for sustainability reporting regarding their consistency with the reporting criteria;
- Evaluation of the appropriateness of the quantification methods used to arrive at the sustainability disclosures presented in the Report;
- Review of consistency of data/information within the Report as well as between the Report and source;
- Execution of an audit trail of claims and data streams, on selective basis, to determine the level of accuracy in collection, transcription and aggregation;
- Review of sustainability data collection and management procedures.

Limitations and exclusions

We conducted our review to express a moderate assurance conclusion. A moderate level assurance engagement relies on a risk-based chosen sample of the selected information and the associated limitations that this entails. Our review was limited to locations at Vapi (Division: Acid) and Jhagadia (Division: Pearl, Ruby, and Jade).

The assurance scope excludes:

- Data and information outside the defined reporting period, i.e., 1st April 2020 to 31st March 2021;
- Review of the 'economic performance indicators' 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.

Due to the COVID-19 pandemic, and the resultant travel and meeting restrictions, data assurance was done through remote assessments 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.

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 AA1000AS v3, 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.

Our observations

During our review process, we observed that:

- The sustainability disclosures in the Report, as defined under the scope of assurance, are broadly in alignment with GRI Standards;
- While the sustainability disclosures of the Company defined under the scope of assurance are fairly reliable, the Company has a scope to augment the robustness of its data management system, to further enhance the accuracy of reporting;
- The reported GHG emissions as per The GHG Protocol: A Corporate Accounting and Reporting Standards (Revised):
 - Scope-1: 547,729 MTCO₂e
 - Scope-2: 79,871 MTCO₂e
 - Scope-3: 540,187 MTCO₂e
- Energy consumption:
 - Direct Energy Consumption: 1,826,519 MWh
 - Indirect Energy Consumption: 120,370 MWh

Our conclusions

Based on the scope of our review, our conclusions are outlined below:

- Inclusivity: 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 the key stakeholder groups. The Company has described its stakeholder engagement approach and activities in the Report.
- Materiality: Nothing has come to our attention that causes us to believe that any material topic has been excluded from reporting by the Company. The Company has described the process for materiality analysis and key material issues in the Report.
- Responsiveness: Nothing has come to our attention that would lead us to conclude that the Company has not applied the principle of responsiveness for communicating with stakeholders on material topics covering its sustainability performance.
- Impact: We are not aware of any matter that would lead us to conclude that the Company does not monitor and measure, and is not accountable for how their actions affect their broader ecosystem. We noted that the Company has well-defined procedures to routinely monitor and measure their sustainability impact.

For Thinkthrough Consulting Pvt. Ltd.

Dipankar Ghosh, Partner

New Delhi
15th September 2021



GRI INDEX

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
GRI 102: General Disclosures 2016				
GRI 102: Organizational Profile 2016	102-1	Name of the organization	Back cover page	
	102-2	Activities, brands, products, and services	18	
	102-3	Location of headquarters	20	
	102-4	Location of operations	20	
	102-5	Ownership and legal form	20	
	102-6	Markets served	17, 19, 21	
	102-7	Scale of the organization	19,43	
	102-8	Information on employees and other workers	49, 99	
	102-9	Supply chain	67, 68	
	102-10	Significant changes to the organization and its supply chain	20	
	102-11	Precautionary Principle or approach	30	
	102-12	External initiatives	12, 13	
	102-13	Membership of associations	13	
Strategy	102-14	Statement from senior decision-maker	10, 11	
	102-15	Key impacts, risks, and opportunities	29, 30	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	18	
	102-17	Mechanisms for advice and concerns about ethics	24	
Governance	102-18	Governance structure	24, 25	
	102-19	Delegating authority	26, 27	
	102-20	Executive-level responsibility for economic, environmental, and social topics	26, 27	
	102-21	Consulting stakeholders on economic, environmental, and social topics	26	
	102-22	Composition of the highest governance body and its committees	24	
	102-23	Chair of the highest governance body	24	
	102-24	Nominating and selecting the highest governance body	28	
	102-25	Conflicts of interest	29	
	102-26	Role of highest governance body in setting purpose, values, and strategy	26	
	102-27	Collective knowledge of highest governance body	28	
	102-28	Evaluating the highest governance body's performance	28	

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
	102-29	Identifying and managing economic, environmental, and social impacts	31	
	102-30	Effectiveness of risk management processes	29, 30	
	102-31	Review of economic, environmental, and social topics	26, 27	
	102-32	Highest governance body's role in sustainability reporting	26	
	102-33	Communicating critical concerns	32, 33	
	102-34	Nature and total number of critical concerns	64, 65	
	102-35	Remuneration policies	28	
	102-36	Process for determining remuneration	28	
	102-37	Stakeholders' involvement in remuneration	28	
	102-38	Annual total compensation ratio	28	
	102-39	Percentage increase in annual total compensation ratio	28	
Stakeholder Engagement	102-40	List of stakeholder groups	31	
	102-41	Collective bargaining agreements	52	
	102-42	Identifying and selecting stakeholders	31	
	102-43	Approach to stakeholder engagement	31	
	102-44	Key topics and concerns raised	32, 33	
Reporting Practice	102-45	Entities included in the consolidated financial statements	43	
	102-46	Defining report content and topic Boundaries	Inside of front cover page	
	102-47	List of material topics	38	
	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	
	102-54	Claims of reporting in accordance with the GRI Standards	Inside of front cover page	
	102-55	GRI content index		
	102-56	External assurance		

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
Topic Specific Standard: Economic				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	42, 43	
	103-2	The management approach and its components	42, 43	
	103-3	Evaluation of the management approach	42, 43	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	43	
	201-2	Financial implications and other risks and opportunities due to climate change	30	
	201-3	Defined benefit plan obligations and other retirement plans	44	
	201-4	Financial assistance received from government	45	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	46	
	103-2	The management approach and its components	46	
	103-3	Evaluation of the management approach	46	
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	49	
	202-2	Proportion of senior management hired from the local community	49	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	7, 8	
	103-2	The management approach and its components	7, 8	
	103-3	Evaluation of the management approach	7, 8	
GRI 203: Indirect Economic Impact 2016	203-1	Infrastructure Investments and services supported	7, 8, 9,	
	203-2	Significant Indirect economic impact	81	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	67, 68	
	103-2	The management approach and its components	67	
	103-3	Evaluation of the management approach	67	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	68	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22, 23	
	103-2	The management approach and its components	22, 23	
	103-3	Evaluation of the management approach	22, 23	

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
GRI 205: Anti-Corruption 2016	205-1	Operations assessed for risks related to corruption	29	
	205-2	Communication and training about anti-corruption policies and procedures	29	
	205-3	Confirmed incidents of corruption and actions taken	29	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22, 23	
	103-2	The management approach and its components	22, 23	
	103-3	Evaluation of the management approach	22, 23	
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	29	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	42, 43	
	103-2	The management approach and its components	42, 43	
	103-3	Evaluation of the management approach	42, 43	
GRI 207: Tax 2019	207-1	Approach to Tax	45	
	207-2	Tax governance, control, and risk management	45	
	207-3	Stakeholder engagement and management of concerns related to tax	45	
	207-4	Country-by-country reporting	45, 98	
Topic Specific Standard: Environment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	66	
	103-2	The management approach and its components	68	
	103-3	Evaluation of the management approach	68	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	68	
	301-2	Recycled input materials used	68	
	301-3	Reclaimed products and their packaging materials	68	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	69, 70	
	103-2	The management approach and its components	69, 70	
	103-3	Evaluation of the management approach	69, 70	

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
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	302-3	Energy intensity	69	
	302-4	Reduction of energy consumption	70	
	302-5	Reductions in energy requirements of products and services	70	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	74, 75	
	103-2	The management approach and its components	74, 75	
	103-3	Evaluation of the management approach	74, 75	
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	74, 75	
	303-2	Management of water discharge-related impacts	75	
	303-3	Water Withdrawal	75, 101	
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	71, 72	
	103-2	The management approach and its components	71, 72	
	103-3	Evaluation of the management approach	71, 72	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	72	
	305-2	Energy indirect (Scope 2) GHG emissions	72	
	305-3	Other indirect (Scope 3) GHG emissions	72	
	305-4	GHG emissions intensity	72	
	305-5	Reduction of GHG emissions	73	
	305-6	Emissions of ozone-depleting substances (ODS)	73	
	305-7	Nitrogen oxides (NOX), Sulphur oxides (SOX), and other significant air emissions	72, 73	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	76, 77	
	103-2	The management approach and its components	76	
	103-3	Evaluation of the management approach	76	
GRI 306: Effluents and Waste 2016	306-1	Water discharge quality and destination	76	
	306-2	Waste by type and disposal method	77	
	306-3	Significant spills	77	
	306-4	Transport of hazardous waste	77	

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	66	
	103-2	The management approach and its components	78	
	103-3	Evaluation of the management approach	78	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	78	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	67	
	103-2	The management approach and its components	67	
	103-3	Evaluation of the management approach	67	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	67, 68	
	308-2	Negative environmental impacts in the supply chain and actions taken	68	
Topic Specific Standard: Social				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	46	
	103-2	The management approach and its components	47, 48	
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GRI 401: Employment 2016	401-1	New employee hires and employee turnover	49, 99, 100	
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	52	
	103-2	The management approach and its components	52	
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GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	52	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	58, 59	
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GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
GRI 403: Occupational Health & Safety 2018	403-1	Occupational health and safety management system	62	
	403-2	Hazard identification, risk assessment, and incident investigation	63	
	403-3	Occupational health services	58	
	403-4	Worker participation, consultation, and communication on occupational health and safety.	62	
	403-5	Worker training on occupational health and safety	55	
	403-6	Promotion of worker health	62	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.	62	
	403-8	Workers covered by an occupational health and safety management system	62	
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	46	
	103-2	The management approach and its components	53	
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GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	53	
	404-2	Programs for upgrading employee skills and transition assistance programs	53, 54, 57	
	404-3	Percentage of employees receiving regular performance and career development reviews	54	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	24	
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GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	24, 49	
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	46, 47, 48	
	103-2	The management approach and its components	48	
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GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
GRI 406: Non-Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	48	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	46	
	103-2	The management approach and its components	52	
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GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	52	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	46	
	103-2	The management approach and its components	52	
	103-3	Evaluation of the management approach	52	
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	52	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	46	
	103-2	The management approach and its components	52	
	103-3	Evaluation of the management approach	52	
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	52	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	46	
	103-2	The management approach and its components	55	
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GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	52, 55	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	80	
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GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	81	

GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	52, 53	
	103-2	The management approach and its components	52, 53	
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GRI 412: Human rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	52, 53	
	412-2	Employee training on human rights policies or procedures	52, 53	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	52, 53	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	80, 81, 82, 83	
	103-2	The management approach and its components	80, 81, 82, 83	
	103-3	Evaluation of the management approach	80, 81, 82, 83	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	81, 82, 83, 84	
	413-2	Operations with significant actual and potential negative impacts on local communities	81, 82, 83, 84	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	67, 68	
	103-2	The management approach and its components	67, 68	
	103-3	Evaluation of the management approach	67, 68	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	68	
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	64, 65	
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GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	64	
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GRI Standard	Disclosure Number	Disclosure	Page No(s).	Omissions
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	64, 65	
	103-2	The management approach and its components	64, 65	
	103-3	Evaluation of the management approach	64, 65	
GRI 417: Marketing and Labelling 2016	417-1	Requirements for product and service information and labelling	65	
	417-2	Incidents of non-compliance concerning product and service information and labelling	65	
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35	
	103-2	The management approach and its components	35	
	103-3	Evaluation of the management approach	35	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	35	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	78	
	103-2	The management approach and its components	78	
	103-3	Evaluation of the management approach	78	
GRI 419: Socio economic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	78	

Annexure 1

Sustainability Performance Data

This chapter provides our sustainability performance data for FY 2019-20 and FY 2020-21. Sustainability performance data of the FY 2019-20 has been revised in accordance with the expanded boundary of the report wherever applicable.

Profit*

Tax

Tax Jurisdiction	India	Europe	USA
Name of Resident entities	<ul style="list-style-type: none"> • Aarti Corporate Service Limited • Nascent Chemical Industries Limited • Shanti Intermediates Private Limited • Innovative Envirocare Jhagadia Limited • Aarti Polychem Private Limited • Aarti Organics Limited • Aarti Bharuch Limited • Aarti Pharmachem Limited • Aarti Spechem Limited 	Alchemie Europe Limited	Aarti USA Inc
Primary activities of the organization	Manufacturing of specialty chemicals	Trading in chemicals and pharmaceuticals Products	Trading in chemicals and pharmaceuticals Products
Number of employees and basis of calculation for this number	7116	1	1
Total Employee remuneration	358.3 Cr INR	GBP 30,000	USD 120,000
Taxes withheld and paid on the behalf of employees	42.9 Cr INR	GBP 5,366	USD 10,912
Taxes collected from customers on behalf of tax authority	518.7 Cr INR	GBP 53,534	0
Industry related and other taxes or payments to government	0	0	New Jersey State CBT tax of USD 2,076
Significant uncertain tax positions	0	0	0
Revenues from third party sales	502.3 Cr INR	0	0

Tax Jurisdiction	India	Europe	USA
Revenues from intra group transactions with other tax jurisdictions	159.9 Cr INR	GBP 11,945,736	USD 12,506,720
Profit/loss before tax	66.4 Cr INR	Loss of GBP 212,813	Profit of USD 15,995
tangible assets other than cash and cash equivalents	722.9 Cr INR	GBP 4,932,240	USD 3,296,645
Corporate income tax paid on cash basis	116.5 Cr INR	00	0
Corporate income tax accrued on profit/loss	118.5 Cr INR	0	0
Reasons for difference between corporate income tax accrued on profit/loss and the tax due if the stationary tax rate is applied to profit/loss before tax		Accumulated losses	Accumulated losses

People

Total Number of Employees as on 31st March 2021

Job Family	<30 years		30-50 Years		>50 Years		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Senior Leader	0	0	8	0	14	0	22	0	22
Leader	0	0	52	2	16	1	68	3	71
Manager	8	2	233	6	20	0	261	8	269
Officer	844	73	760	18	55	0	1,659	91	1,750
Associate	1,468	5	1,424	5	142	0	3,034	10	3,044
Total	2,320	80	2,477	31	247	1	5,044	112	5,156

Number of Employees Hired During FY 2020-21

Job Family	<30 years		30-50 Years		>50 Years		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Senior Leader	0	0	2	0	3	0	5	0	5
Leader	0	0	15	1	4	0	19	1	20
Manager	4	1	74	4	3	0	81	5	86
Officer	359	29	162	6	1	0	522	35	557
Associate	388	2	99	1	0	0	487	3	490
Total	751	32	352	12	11	0	1,114	44	1,158

Employee Turnover During FY 2020-21

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	0	0	0	0	0
Leader	0	0	2	0	1	0	3	0	3
Manager	0	0	19	1	3	0	22	1	23
Officer	78	8	51	4	11	0	140	12	152
Associate	139	1	66	0	16	0	221	1	222
Total	217	9	138	5	31	0	386	14	400

Planet

Energy

Energy Source	2019-20 (GJ) ²	2020-21 (GJ)
Coal	5,347,305	5,415,069
Diesel	14,486	8,927
Natural Gas	112,551	118,167
Furnace Oil	14,415	8,841
LDO	-	5,883
WHRB - Power	60,648	68,969
Steam Recovered from Waste Heat Columns	739,458	642,542
Steam from WHRB	274,743	304,946
Solar Power Generated	1,535	2,122
Purchased Electricity	252,545	309,926
Purchased Steam	127,302	123,407
Total	6,944,988	7,008,799

Emissions*

Emission Categories	2019-20 (tCO ₂ e)	2020-21 (tCO ₂ e)
GHG emission form inhouse fuel combustion	522,379	528,784
Process CO2 emissions	17,401	18,945
GHG emission from purchased electricity	57,524	68,011
GHG emission from purchased steam	12,233	11,860
Scope-1	539,780	547,729
Scope-2	69,758	79,871
Total	609,538	627,600

*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.

Water

Parameters	FY 2020-21 (in cubic meter)	FY 2019-20 (in cubic meter)
Water Withdrawal	1,847,766	1,656,255
Specific Water Consumption (kl/MT)	2.65	2.7
Water Consumption	1,734,395	1,642,919
Water recycled (percentage of total water withdrawal)	40%	34%
Total Water recycled and reused	739,106	531,626

Key Safety Highlights

Safety Indicator	Employees	Contract Workers
Fatalities due to work-related injuries	1	1
High-consequence work related injuries	0	0
LTIFR (per million manhours)	0.40	0.24
LTISR (per million manhours)	624	364
TRIFR (per million manhours)	2.12	1.41

Annexure 2

UNGC Principles

UNGC Principle	Category	Description	Page No.
Principle 1	Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights	52
Principle 2		Businesses should make sure that they are not complicit in human rights abuses	51, 52
Principle 3	Labour	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	52
Principle 4		Business should uphold the elimination of all forms of forced and compulsory labour	52
Principle 5		Business should uphold the effective abolition of child labour	52
Principle 6		Business should uphold the elimination of discrimination in respect of employment and occupation	50, 51
Principle 7	Environment	Businesses should support a precautionary approach to environmental challenges	66, 67
Principle 8		Business should undertake initiatives to promote greater environmental responsibility	70, 71, 72, 73, 74, 75, 76, 77
Principle 9		Businesses should encourage the development and diffusion of environmentally friendly technologies	73, 74
Principle 10	Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery	29

Abbreviations

AEL	Aarti Engaging Leader
AIL	Aarti Industries Limited
AMS	Aarti Management system
ANF	Agitated Nutsche Filter
ARC	Aarti Regenerating Climate
ARTC	Aarti Research and Technology Centre
ATFE	Agitated Thin Film Evaporator
B2B	Business to Business
BE SAFE	By Employees Sustainability Assurance For Employees
BSE	Bombay Stock Exchange
CAANN	Creating Awareness About New Normal
CAGR	Compounded Annual Growth Rate
CCPM	Critical Chain Project Management
CDP	Carbon Disclosure Project
CEA	Central Electricity Authority
CETP	Common Effluent Treatment Plant
CFO	Chief Financial Officer
CHEMEXCIL	Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council
CHRO	Chief Human Resource Officer
CII	Confederation of Indian Industry
CMS	Compliance Management System
COD	Chemical Oxygen Demand
CPCB	Central Pollution Control Board
CSR	Corporate Social Responsibility
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EMS	Environmental Management System
ERCMP	Emergency Response & Crisis Management Plan
ERM	Enterprise Risk Management
ESG	Environmental, Social, and Governance
ETP	Effluent Treatment Plant
EVM	Earned Value Management
FICCI	Federation of Indian Chambers of Commerce & Industry
FIEO	Federation of Indian Export Organization
GCCI	Gujarat Chamber of Commerce and Industry
GHG	Greenhouse Gas Emissions
GPS	Global Product Stewardship
GRI	Global Reporting Initiative
GST	Goods and Services Tax
HOTO	Handover & Takeover
HR	Human Resource
IC	Internal Complaints
ICC	Indian Chemical Council
IChE	Indian Institute of Chemical Engineering
ILO	International Labour Organization
INR	Indian rupee

IPCC	Intergovernmental Panel on Climate Change
ISMS	Information Security Management System
ISO	International Organization for Standardization
JSA	Job Safety Analysis
KPI	Key Performance Indicator
L&D	Learning and Development
LODR	Listing Obligations and Disclosure Requirements
LTIFR	Loss Time Injury Frequency Rate
LTISR	Loss Time Injury Severity Rate
MOC	Management of Change
MoU	Memorandum of Understanding
MSDS	Material Safety Data Sheet
NCQC	National Convention on Quality Concepts
NDCs	Nationally Determined Contributions
NGOs	Non-Governmental Organizations
NOD	Normalization Of Deviation
NSA	Nitrosyl Sulphuric Acid
NSE	National Stock Exchange
OHS	Occupational Health & Safety
OHSMS	Occupational Health & Safety Management System
OT	Operation Training
POSH	Prevention of Sexual Harassment
PPC	Portland Pozzolana Cement
PPE	Personal Protective Equipment
PPR	Plan, Prepare and Response
PSSR	Pre-Startup Safety Review
R&D	Research & Development
RC	Responsible Care
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
SDGs	Sustainable Development Goals
SEBI	Securities and Exchange Board of India
SMART	Specific, Measurable, Achievable, Relevant, and Time-bound
SNL	Sandia National Laboratories
SOP	Standard Operating Procedure
SPOC	Senior Person of Contact
STP	Sewage Treatment Plant
SVA	Security Vulnerability Assessment
Tfs	Together for Sustainability
TRIFR	Total Recordable Injury Frequency Rate
TSDF	Treatment, Storage, and Disposal Facility
UDHR	Universal Declaration of Human Rights
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact Network of India
USD	United States Dollar
VIA	Vapi Industrial Association
VOCs	Volatile Organic Compounds
WASH	Water Sanitation & Hygiene
WFH	Work from Home
WRI	World Resources Institute
ZLD	Zero Liquid Discharge



BSE - 524208
NSE - AARTIIND
CIN - L24110GJ1984PLC007301

Registered Office:

Plot Nos. 801, 801/23 GIDC Estate
Phase III, Vapi - 396 195
Dist. Valsad, Gujarat
Website: www.aarti-industries.com

Corporate Office:

71, 2nd Floor, Udyog Kshetra,
Mulund-Goregaon Link Road,
Salpa Devi Pada, Mulund West,
Mumbai - 400 080, Maharashtra