



SUSTAINABLE GROWTH THROUGH RESILIENCE

Sustainability Report 2021-22

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About the Report

GRI 2-2, 2-3, 2-5

It is our pleasure to present our fourth Sustainability Report, which details our approach towards building a sustainable and resilient organisation; our achievements and aspirations, and strategies to achieve desired goals. This Report has been prepared in accordance with GRI Standards: Core Option. Our previous Report was published for FY 2020-21 and can be accessed from <https://www.aarti-industries.com/sustainability/sustainability-reports>.

Reporting Scope and Boundary

The scope of the report includes all the activities and operations of our specialty chemical business segment. The content of this Report is based on material topics those were identified through a structured stakeholder engagement process. We have also included other relevant disclosures to aid in enhanced comprehension of our sustainability initiatives and performance.

The report covers sustainability performance disclosures of the manufacturing plants spread across five locations, namely - Vapi (Divisions – Acid, Amine, Alchemie, Organic, and Nascent; Pilot Plant – Apple), Tarapur (Division – Topaz), Navi Mumbai (ARTC- Aarti Research and Technology Centre), Jhagadia (Divisions – Pearl, Ruby, & Jade), Dahej (Divisions – Neo, Diamond & Saffron) and Kutch (Division – Anushakti). This year the reporting boundary has been expanded with inclusion of Diamond and Saffron Divisions of Dahej location.

Exclusions: *Because of the planned demerger of Aarti Pharma labs, w.e.f. July 2021, manufacturing plants of pharma and its subsidiaries are excluded from the boundary of the report.*

Also, project sites, constructions, commissioning activities and trading, have been excluded from the boundary of this report.

Reporting References

This report highlights our contribution towards achievement of United Nations Sustainable Development Goals (SDGs). This Report demonstrates our commitment with the ten principles of the United Nations Global Compact (UNGC). We have developed our risk management framework in accordance with the recommendations provided by the Taskforce for Climate-related Financial Disclosures (TCFD). Furthermore, we have voluntarily adopted the Business Responsibility and Sustainability Reporting (BRSR) Framework published by the Securities and Exchange Board of India (SEBI).

Reporting Period

The reporting period for this Report is FY 2021-22, i.e., from 1st April 2021 to 31st March 2022.

Company Contact Details

It would be our privilege to receive your feedback and suggestions on our approach towards sustainability, performance, aspirations and strategies. Please reach out to us at: sustainability@aarti-industries.com

External Assurance

This report has been externally assured by TÜV SÜD South Asia Pvt. Ltd. (TUV SUD), an independent third party. The assurance process was conducted in accordance with the requirements of the AA1000 Assurance Standard v3 'Type-2, Moderate Level' assurance.

Sustainable Growth through Resilience

In order to thrive and sustain in today's dynamic, volatile, and unpredictable external environment, we have made great strides to instill traits of prudence, adaptability, and agility. These characteristics have enabled us to anticipate inherent challenges and impending transitions in the socio-economic landscape, minimizing the impact of adverse events and capitalizing on opportunities while demonstrating robust risk response and rapid recovery. Such resilience not only gives us a competitive advantage, but it also contributes to our long-term sustainability endeavors.

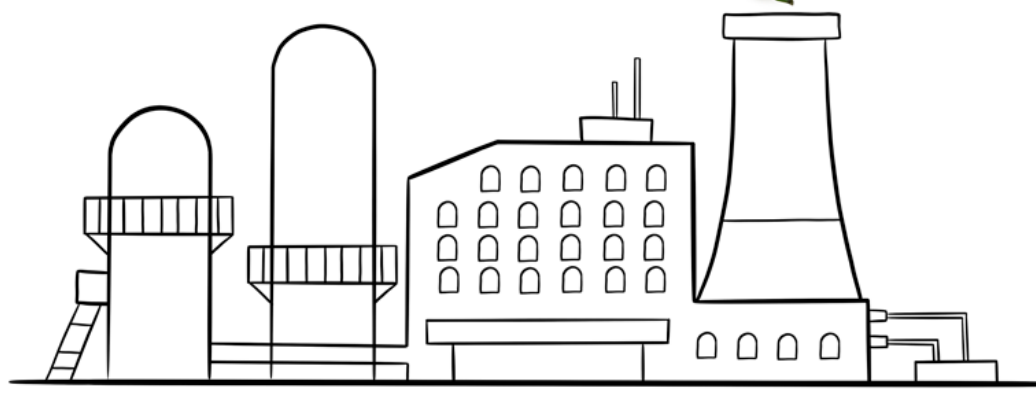
The last few years have been challenging for everyone. The COVID-19 pandemic not only impacted health systems, but it also had a knock-on effect on the economy. We have persevered in the face of uncertainty, economic slowdown, and chaos by upholding our core values of **Care, Integrity, and Excellence**.

We are making sustained efforts to build the competence of our employees. Even during the course of the pandemic, we made continued efforts.

We launched our 'First Time Manager Development Programme' for new managers. The intervention focuses on 15 critical competencies for the development of an effective manager. They were identified through our AIL Competency Framework. This is a 10-month programme which covers 1-2 competencies per month.

We follow corporate governance principles such as transparency, authentic communication, and ethical business conduct. These principles have enabled us in developing strong foundations and long-term strategic relationships with our stakeholders. We have been able to protect our business from external environmental risks by demonstrating our core value of Integrity.

We have achieved excellence in all aspects of business conduct as a result of our strong business model, unwavering commitment of our employees, and the trust of our stakeholders. Such business excellence bolstered us not only in ensuring business continuity, but also in achieving growth in the face of challenges and volatile situations during COVID-19.



Environment



Water recycled
44%



Rated **B**
in CDP Climate
Change 2021



Reduction in
carbon intensity
from baseline FY
2019-20
14%



Received
RC LOGO



Energy
consumed from
waste heat
source
6%



Gold
medal in EcoVadis



Quantity of
hazardous waste
recycled or reused
85% +



Outstanding scores
in Together for
Sustainability
TFS Audit

ESG Highlights



Social



Lives Impacted
through CSR initiatives
12,53,633



Women in
new hires
4.2%



*LTIFR
0.13



Average training
hours (per
employee per year):
28



ZERO
Fatality



Suppliers evaluated
for ESG by spent
38%



*TRIFR
2.11



Governance



New projects
commissioned
2



Women at Board-
Level
18.75%



Net Profit
(Consolidated)
₹1,307.4 CR



Total Revenue
(Consolidated)
₹7,919.3 CR



Revenue (Specialty
Chemicals)-
₹6,619 CR

*Rates have been calculated as per 10,00,000 man-hours worked

Message from Chairman

GRI 2-2, 2-3, 2-5

BE SAFE Stakeholders!

I am pleased to present to you our Sustainability Report for the FY 2021-22. This Report outlines our model of value creation, integrated approach to business strategy, and performance on material aspects concerning the themes of sustainability.

Past two years have been the most testing times for the global community. However, the world has collectively and successfully managed the pandemic and its cascading socio-economic impacts. The global GDP increased by an estimated 6.1% in the year 2021 which shows reassuring signs of recovery and growth. We at AIL have successfully weathered the unprecedented disruptions caused by the pandemic and recovered well which demonstrates our resilience, agility, and robust fundamentals.

Climate change and related extreme weather events, resource scarcity, and social inequities are systemic challenges being faced by humankind. Being a responsible organisation, it is our moral responsibility to contribute towards achieving the global goal of sustainable and inclusive development. We, at Aarti Industries Limited (AIL), practice a sustainable, and value driven chemical manufacturing business aspiring to 'be world class, thereby shaping the future'. We strive to leverage growth opportunities through our robust business model and thoughtfully formulated comprehensive and responsible approach. We are experiencing a 360 degree growth and this trend will continue based on strong global demand and India's growing prominence in the global supply chain.

Reflecting on our sustainability journey, we have conducted a comprehensive analysis to understand the impact of various physical and transitional climate change risk and opportunities on our businesses. We have developed appropriate mitigation strategies to manage risks and leverage opportunities for achieving sustained competitive advantage. We believe that upcoming technologies dealing with energy efficiency and alternative sources of energy will not only enable organisations to improve environmental performance, but also achieve reductions in the cost of operations.

"Sustainability" is one of our five strategic dimensions driving our business strategy, under which Health, Safety and the Environment are the key parameters that fuel our sustainable growth. We constantly focus on strengthening our safety culture through different interventions. One of such interventions is "listening tours" that enable our leaders to set expectations and create culture by demonstrating actions. We are committed to building an incident and injury free workplace. All our employees and workers (permanent and non-permanent) are covered under a comprehensive Occupational and Health Safety Management System developed in accordance with the globally accepted norms and standards. In our endeavor to ensure impeccable workplace safety, we have adopted a comprehensive initiative directed at augmenting 'process safety' at our manufacturing locations and research centers. It includes management of integrity of operating systems, design innovations, and responsible chemistry. Furthermore, we have developed round the clock robust logistics control centers to mitigate risks of hazardous material spillages across our logistics network.

Based on our efforts to augment our eco-efficiency through process chemistry and design reengineering, we have reduced our specific energy by 5% and GHG intensity by 3% in FY 2021-22. We are committed to manufacturing products in a safe, secure, and sustainable manner. In this endeavor, we are developing plans to adopt the principles of Green Chemistry. Based on our performance, we have been granted with Responsible Care (RC) Logo by the Indian Chemical Council (ICC).

We firmly believe that people are the backbone of an organisation. Our committed workforce comprising competent, motivated, and entrepreneurial professionals are driving us to achieve our vision of becoming the 'Global Partner of Choice'. We are committed to building a diverse, reliable, and productive workforce. We strive to work towards high employee engagement at all levels, reflecting our culture of being "A High Performing Team Co-creating a World Class Company". During the reporting period, we onboarded 1,492 fresh talents, and our workforce expanded by 13% as compared from FY 2020-21.

// SUSTAINABILITY" IS ONE OF OUR FIVE STRATEGIC DIMENSIONS DRIVING OUR BUSINESS STRATEGY, UNDER WHICH HEALTH, SAFETY AND THE ENVIRONMENT FORM THE KEY PARAMETERS THAT FUEL OUR SUSTAINABLE GROWTH.

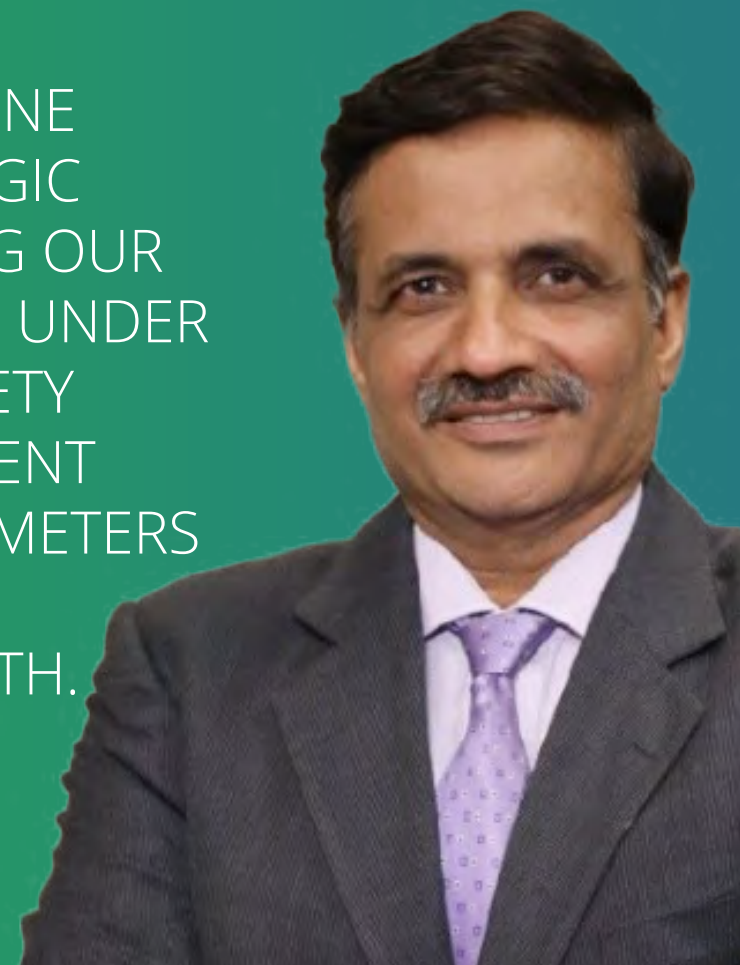
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During FY 2021-22, our EBITDA, excluding the impact of one-time termination income, grew by about 35% growth to Rs 1320 crs. Going by the global sectoral trends, we believe we are in an extremely favorable position to strengthen our reputation as a 'Global Partner of Choice' for a large number of business partners. These trends suggest that we are living in the 'golden era' of chemicals and pharmaceuticals, and we are committed to playing a pivotal role in the industry. During the FY 2021-22, we took an important business decision to restructure our specialty chemicals and pharmaceuticals business that have divergent business profiles, growth potential, risk rewards, regulatory and capital requirements, and are largely independent of each other. This restructuring will enable both segments to achieve strong and sustained growth led by various new opportunities and sustained strategies in the pipeline. We have also chalked out expansion plans with an estimated CAPEX of Rs 5,000 Cr to leverage upcoming business opportunities and enhance our market presence as well as reach. We have already deployed Rs 1,300 Cr in FY 2022 on expansion projects and expect to accomplish planned projects by FY 2025.

We believe in the philosophy of 'giving back' to society. We continue to invest in efforts to uplift local communities, support marginalized sections, and ensure inclusive growth and development. We do this by focusing on the themes of healthcare, education, and environmental protection. During FY 2021-22, we spent Rs 12.61 Cr on CSR Initiatives. We also contribute to national and state relief funds.

We have been operating with a purpose of "Creating a Right Chemistry for a Brighter Tomorrow" ever since our inception. We have formalized our sustainability efforts a few years back and embraced the globally recommended standards and frameworks. We believe in collaborative growth, continual improvement, and inclusive approach. Towards this endeavour we invite all our stakeholders to join us in co-creating a sustainable future and leveraging the Golden Era of Chemicals and Pharmaceuticals.

Rajendra V. Gogri
Chairman and Managing Director



External Initiatives

GRI 2-28

We at AIL believe in working together to achieve business sustainability and adhere to a number of globally recognized standards and norms. We strive to provide the industry with exceptional leadership. Adherence to these standards supports us in ensuring the resilience of our operations, the quality of our products, and the long-term viability of our business. The following are the norms and standards that we adhere to:



ISO 9001:2015

ISO 9001:2015 is an internationally recognized standard for Quality Management Systems (QMS). It is the most widely used QMS standard in the world, with over 1.1 million certificates issued to organisations in 178 countries. The seven principles of ISO 9001 are engagement of people, customer focus, leadership, process approach, improvement, evidence-based decision-making, and relationship management. All our operation sites are ISO 9001:2015 certified.



ISO 14001:2015

ISO 14001:2015 defines the requirements for an environmental management system that can be used by an organisation to improve its environmental performance. It enables an organisation to achieve the desired outcomes of its environmental management system, which create values for all stakeholders. All our operation sites are ISO 14001:2015 certified.



OHSMS - ISO 45001:2018

ISO 45001:2018 specifies requirements for an occupational health and safety (OHS) management system and provides guidance for its implementation in order to enable organisations to provide safe and healthy workplaces by preventing work-related injury and illness and proactively improving OHS performance. All our operation sites are ISO 45001:2018 certified.



ISMS - ISO 27001:2013

ISO/IEC 27001:2013 specifies the requirements for establishing, implementing, maintaining, and continuously improving an information security management system within an organisation. Aarti Research & Technology Centre (ARTC) has acquired ISO 27001:2013 accreditation. Furthermore, ARTC has been recommended for 'Continued ISO 27001:2013 Standard(s) certification' with status upgradation. Our Technology Development Office and Pilot Plant have also been recommended for the certification.



EcoVadis CSR Ratings

The EcoVadis Corporate Social Responsibility (CSR) rating methodology aims to assess the quality of a company's CSR management system based on its policies, actions, and outcomes. We have been awarded with Gold Rating in EcoVadis CSR assessment. Our score improved from 68% in 2021 assessment to 72% in 2022 assessment. We have also made improvements in ranking from 95 percentile to 97 percentile.



Together for Sustainability (TfS)

Together for Sustainability (TfS) is a joint initiative and global network of thirty-seven chemical companies. This initiative outlines the global standards for environmental, social and governance performance for entities those are a part of chemical supply chains. The TfS program is based on the UN Global Compact and Responsible Care® principles. We have taken measures to strengthen our systems and processes in order to improve our performance in TfS audits. We have received outstanding scores in TfS audits as highlighted below:

Anushakti

85%

Organic Acid

88%

Pearl & Ruby

94%

Amine

95%



Responsible Care (RC)

Responsible Care (RC) is a Chemical Industry Initiative, which asks companies to demonstrate their commitment to improve all aspects of performance right from to protection of health, safety, security to environment through its 7 codes (Product & Safety Stewardship, Process Safety, Employee Health & Safety, Emergency Response & Communication, Pollution Prevention, Distribution, and Security). During the reporting period, we have been awarded with RC logo for a three year period.



CDP

CDP is a not-for-profit organisation that manages the global disclosure system for investors, companies, cities, states and regions to measure and manage their risks and opportunities on climate change, water security and deforestation. We have achieved 'B' rating for climate change questionnaire in CDP disclosure for FY 2020-21, which is equivalent to the chemical industry average of 'B'. Furthermore, our CDP Supplier Engagement Rating (SER) for FY 2020-21 is 'B'-which is equivalent to the chemical industry average of 'B'.

Awards and Accreditations



FICCI 'Company of the Era' Award 2021 – The award was bestowed to the company for its immense contribution to the Chemical Industry in the past 25 years



FICCI Chemicals and Petrochemicals Awards 2021



Golden Peacock Environment Management Award 2021



Excellence in Procurement Awards 2022 by CIPS - ProcureCon Asia, Singapore for Best Supplier Relationship Management Initiative



GARV Award 2022 – 'Best Performance on Fire Prevention, Protection, Fire & Emergency Rescue Services across Gujarat' by the Government of Gujarat, Fire and Rescue Department



Economic Times Future Ready Organisation 2022 in 'Large Category'



Change Management ESG Leader of the Year (ESG Summit & Awards 2021)



Envirocare Green Awards 2022

Memberships of Associations



Indian Chemical Council



CHEMEXCIL-Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council



Indian Institute of Chemical Engineering (IICChE)



Gujarat Chamber of Commerce and Industry



Confederation of Indian Industry



United Nations Global Compact Network of India



Federation of Indian Export Organisation

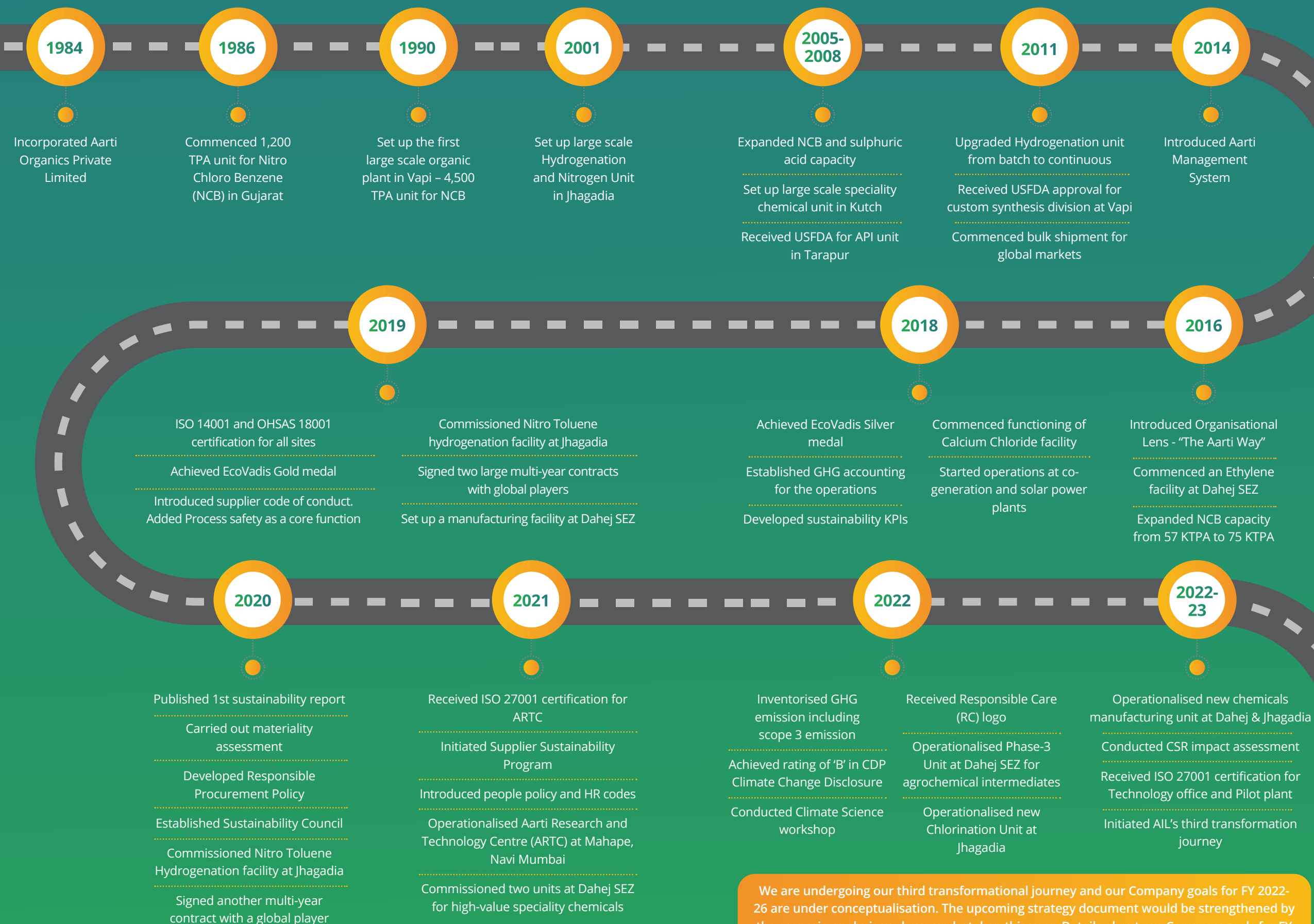


Federation of Indian Chambers of Commerce & Industry (FICCI)



Various Local Industrial Associations

Our Sustainable Journey



We are undergoing our third transformational journey and our Company goals for FY 2022-26 are under conceptualisation. The upcoming strategy document would be strengthened by the scenario analysis we have undertaken this year. Details about our Company goals for FY 2022-26 would be highlighted in our upcoming Sustainability Report.

Organisational Profile



Founded by the first-generation technocrats four decades ago, we have grown steadily to become one of the leading players in the specialty chemicals segment specialising in benzene and toluene-based value chains. The changing geo-political scenario has opened up huge growth opportunities. Our purpose of 'Right Chemistry for Brighter Tomorrow' has been the guiding factor for carefully evaluating these opportunities to consolidate our efforts as a responsible organisation.

Sustainability forms the core of everything we do at AIL. Integrating the principles of sustainability in our strategy has provided us an opportunity to leverage our experience and learnings and streamline our efforts in building a robust and resilient business model. Our comprehensive strategy comprising elements of sustainability and excellence has enabled us to achieve sustained competitive advantage.

Rashesh C. Gogri,
Vice Chairman and Managing Director



About Aarti Industries Limited GRI 2-1, 2-6

We are a globally recognised Indian manufacturer of specialty chemicals. Based on our attributes of agility, responsibility, and resilience, we have evolved from being an Indian small-scale venture to a global entity with state-of-the-art manufacturing facilities in India. We have established global leadership in benzene-based chemistry and expanded our range to include other derivative chains. Today, we are one of the most preferred suppliers to many of the world's most prestigious chemical companies.

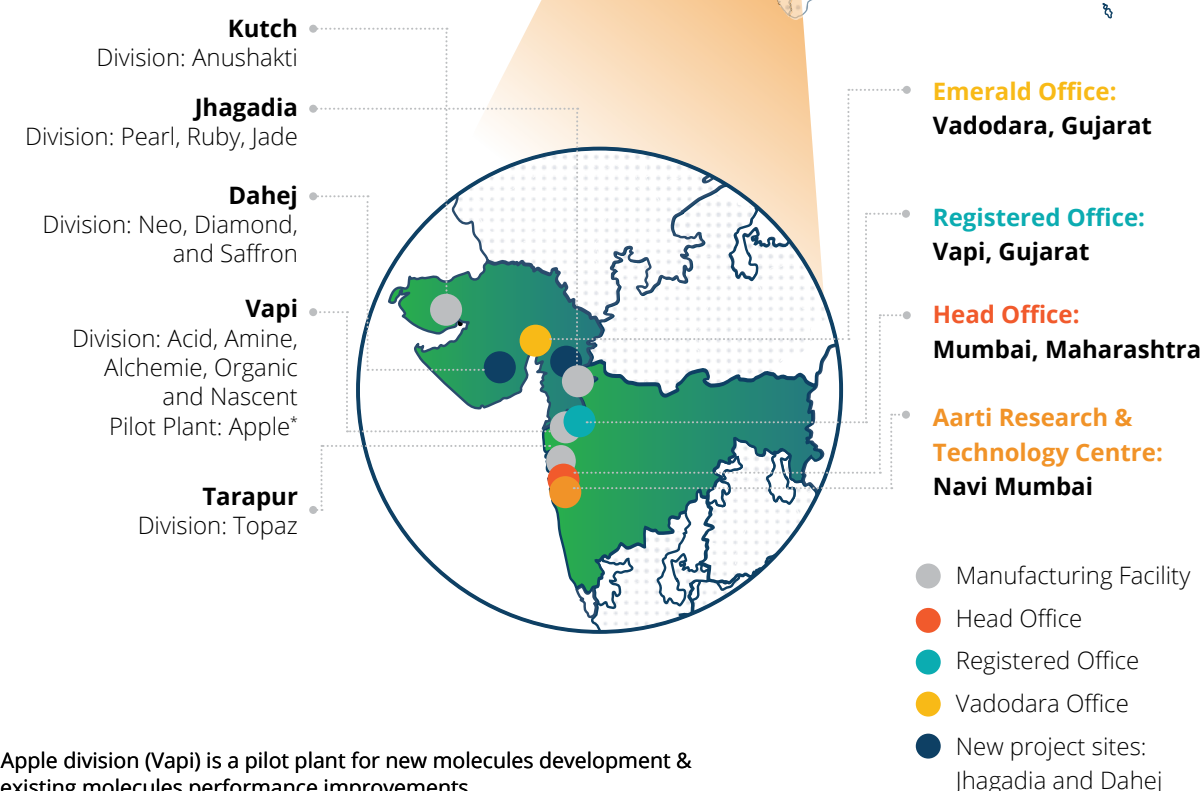
Our culture, operations, and strategy are immensely influenced by a profound sense of morality, deep rooted ethical values, and the vision of our founders and leaders that are reflected in our business decisions.

Our growth is driven by the purpose of creating "Right Chemistry for Brighter Tomorrow". On account of our key attributes of reliability, quality, and excellence, we have enabled to forge long-term strategic partnerships with all of the stakeholders striding towards achieving AIL's vision – "To emerge as global partner of choice for leading consumers of specialty chemicals and intermediaries."

Our cultural attributes consisting of Proactive Approach, Customer Centricity, Ownership and Accountability, Nurturing Talent, Transparency, Continuous Improvement, Collaborative Behaviour, and Adaptability, have helped us in developing a holistic approach towards sustainability. This approach has been a major factor in ensuring satisfaction, delight, and loyalty of all our stakeholders.

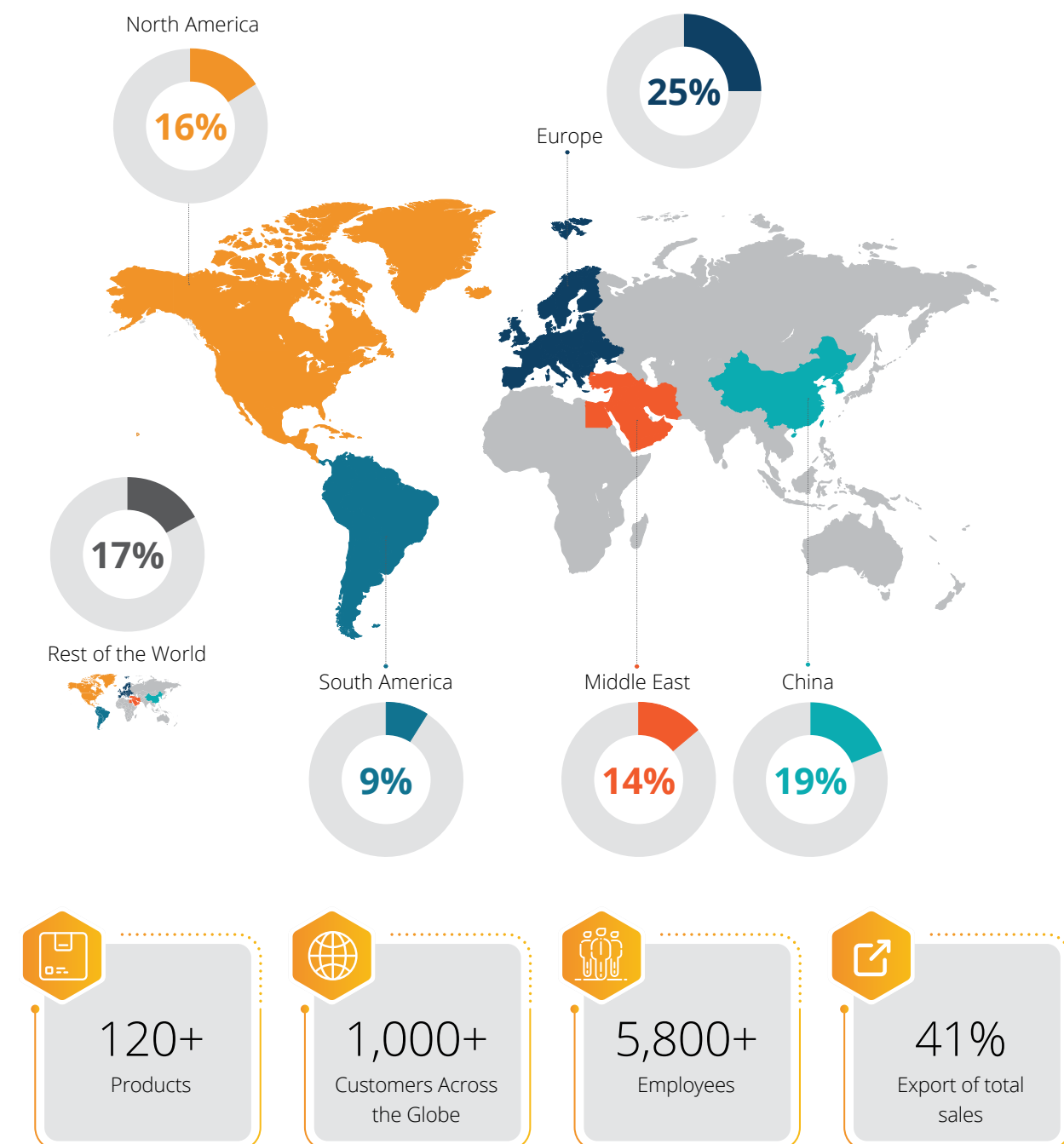
Geographical Presence

Headquartered in Mumbai, we provide value-added and economical products to customers located in Europe, North America, Middle East, China, India, including others. Our products are manufactured at fourteen manufacturing facilities, located in the states of Gujarat and Maharashtra at Kutch, Dahej, Jhagadia, Vapi, and Tarapur locations. Our state-of-the-art Research and Technology centre in Navi Mumbai, Maharashtra facilitates right support to our Business Team and Customers while delivering a strong product pipeline.



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

Aarti's Global Market Footprint



Manufacturing Output

During the reporting period, our total production increased by 17% on a year-on-year basis from 6,98,331 metric ton in FY 2020-21 to 8,02,002 metric ton in FY 2021-22.

Shareholding Pattern GRI 2-1

We are a promoter driven company founded by Shri Chandrakant V. Gogri, Shri Rajendra V. Gogri, Late Shri Shantilal T. Shah, and Parimal H. Desai. Legally, we are a public limited company, listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) since 1992, under Group A category. As on 31st March 2022, our

market capitalisation was INR 34,660 Cr. Our promoters hold a controlling stake with 44.19% shareholding.

For complete shareholding pattern, please refer to <https://www.aarti-industries.com/investors/shareholders-information>.

Aarti Management System

Our purpose, vision, mission and values effectively outline our commitments towards our stakeholders. To guide our actions in a responsible manner, we have adopted a '7 S' framework which comprises Shared Values, Structure, Systems, Style, Strategy, Skills, and Staff.

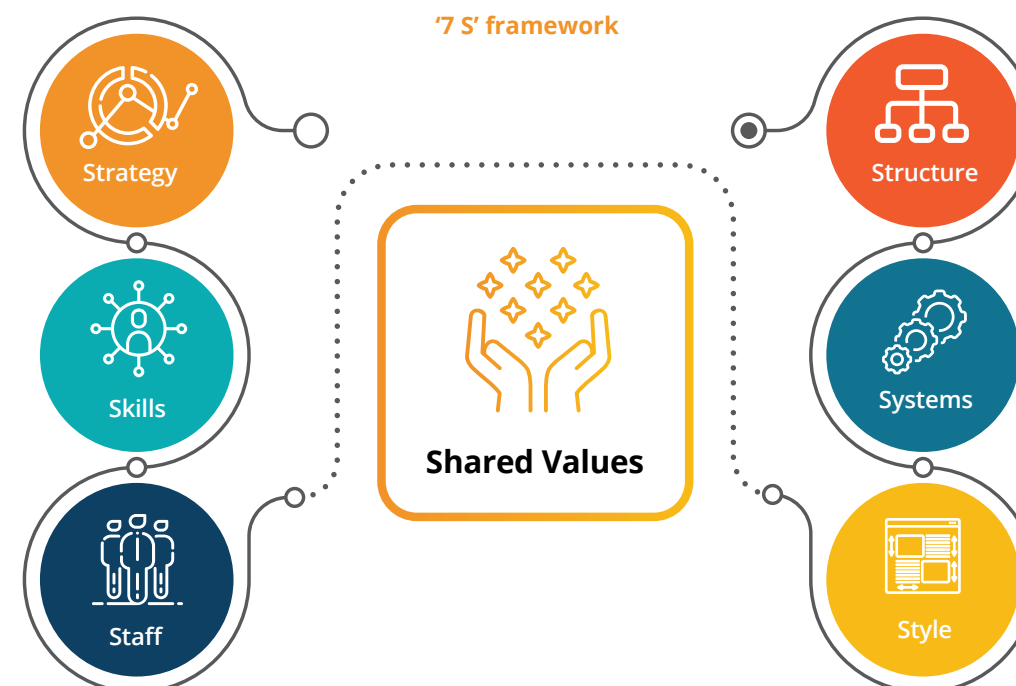
To execute our strategy effectively, we have adopted Aarti Management System (AMS), an integrated

management system that caters to the needs of all stakeholders effectively. AMS enables identification of associated risks with our products and processes and thereby adopts mitigation measures. We have defined strategic objectives of Sustainability, Reliability, Productivity, People Growth, and Company Growth under AMS.

7 pillars of Aarti Management System



'7 S' framework



Our Capitals

At AIL, we make thoughtful use of resources while prioritising our association with our stakeholders. A co-ordinated interplay of our capital leads to value-accelerated growth.



Financial capital

It refers to the funds available to create value through production, processes, or funds generated by our operations. These include equity, debt, retained earnings, internal accruals and investments, among others. We have a strong balance sheet and we focus on efficient capital allocation.



Manufacturing Capital

It pertains to our State-of-the-Art infrastructure for speciality chemical production, logistics, warehousing, and sales. We manufacture best-in-class products in these facilities, equipped with advanced infrastructure. We regularly upgrade the technology and focus on improving the sustainability aspects, reliability and productivity of our facilities.



Intellectual Capital

Through our R&D excellence, we develop products that are trusted by our clients and we invest in new technologies to create safer, smarter and simpler processes. Our intellectual capital encompasses our knowledge base and includes patents, trademarks, copyrights, technical know-how, formulations and innovative products and processes developed through R&D and other initiatives.



Human Capital

We proudly trust and rely on the skills, capabilities, experience and dedication of our people to grow our business. We are committed to providing our employees an enabling and diverse work environment, which is both safe and caring. This promotes innovative thinking and motivates them to perform to the best of their abilities. Through trainings and the right development tools, we provide them opportunities to evolve and grow.



Social and Relationship Capital

We have mutually beneficial relationships built on trust, with our key stakeholders such as investors, customers, vendors, society and government, among others, which play a vital role in our success. We are committed to creating a holistic value and driving inclusive development in our communities.



Natural Capital

This includes natural resources such as air, water, energy, land and biodiversity, which are either utilised by us or impacted by our operations. We aim to achieve "Zero waste to incineration" at most of our production facilities by optimising the use of these resources, reducing energy emissions and consuming raw materials judiciously.



Value Creation Approach

GRI 201-1, 201-2, 201-3, 201-4

INPUTS

Financial Capital

- Total Equity capital - INR 5,915.18 Cr
- Capex- INR 1,315 Cr

Manufacturing Capital

- No. of manufacturing divisions - 13
- Safe man hours-3,03,76,068

Intellectual Capital

- Number of R&D facilities - 2
- Pilot plant-1
- Spent on R&D - INR 44 Cr
- R&D Team- 233
- Technology Development team- 148

Human Capital

- Employees on roll - 5,828
- Contract employees- 6,437
- Number of women employees - 157
- New Hires - 1,492
- Average training hours (per employee per year) - 28
- Employee benefit expense - INR 36 Cr

Social & Relationship Capital

- Vendor Base- 3,500+
- MSME suppliers- 1,052
- %Suppliers evaluated for ESG by spent - 38
- Customer Base- 1,000+
- CSR Investment - INR 12.61 Cr

Natural Capital

- Solar energy installed capacity - 697KW
- Energy used - 69,57,521 GJ
- Water withdrawal - 23,29,428 kl
- Energy from waste heat resources - 4,20,502 GJ
- No. of zero liquid discharge plants - 10

Our Purpose, Mission, Vision and Core Values



Purpose

Right Chemistry for a Brighter Tomorrow



Vision

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



Mission

Delight stakeholders



Core Values



Care

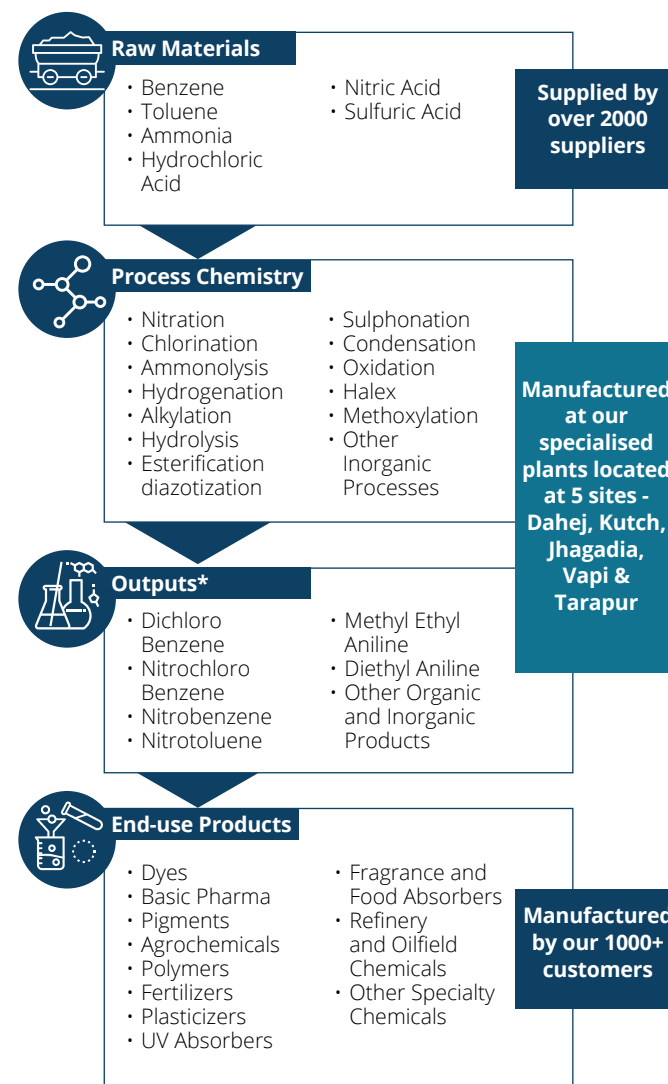


Integrity

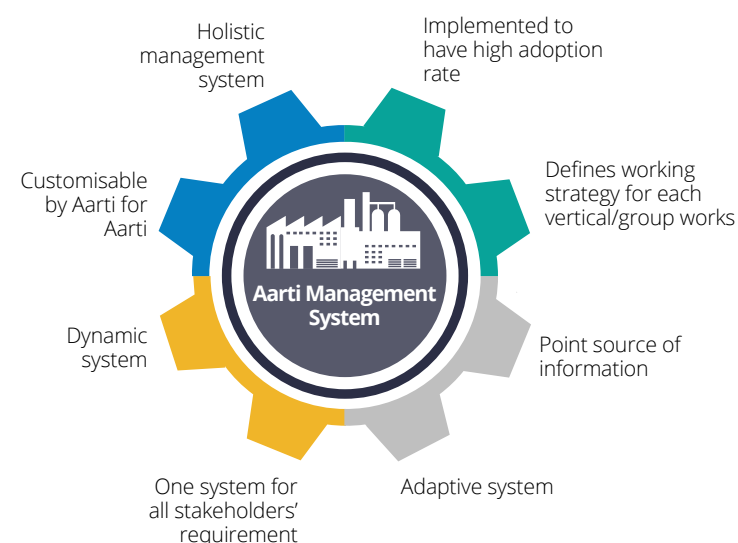


Excellence

Leadership Competencies



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



OUTPUT

OUTCOMES

Financial Capital

- Revenue- INR 7,919 Cr
- Profit After Tax - INR 1,307 Cr
- EBITDA - INR 1,320 Cr
- 2 manufacturing facilities added

Financial Capital

Leveraging golden era of specialty chemicals through right chemistry for brighter tomorrow

Manufacturing Capital

- Worldwide ranking:
 - Top 3 in NCB & DCB
 - Top 2 in Hydrogenation
- Amongst global leadership position for 75% of the product portfolio

Manufacturing Capital

Sustainable and inclusive growth based on eco-efficient and inherent safe operations

Intellectual Capital

- New products commercialised - 5
- No. of patents - 1 patent application is published whereas 6 others are due for 18 months publication
- No. of products with improved yields - 3

Intellectual Capital

Innovative products & processes through right chemistry and focused R&D, creating customer delight

Human Capital

- Gallup Employee Satisfaction Survey Score - 3.97
- No. of employees benefitted through Internal Career Development program - 183
- Employee Turnover Rate- 16.46 %
- Lost Time Injury Frequency Rate (LTIFR) - 0.13
- Fatalities- Zero
- %Change in women employees-24.47%

Human Capital

A High Performing Team Co-creating a World Class Company

Social & Relationship Capital

- Transition of high-risk supplier to low risk through engagement - 50
- Customer Satisfaction - 93%
- No. of lives benefitted - 12,53,633

Social & Relationship Capital

Value-chain based sustainable growth and development

Natural Capital

- GHG emissions (Scope1 & Scope-2) - 7,03,031 tCO₂e
- Avoided Emissions-92,630 tCO₂e
- Waste sent to co-processing - 3,431 MT
- % Water recycled - 44
- % Waste reused and recycled- 85+

Natural Capital

Optimised use of natural resources, reduced energy emissions, and achieve 'zero waste to incineration'

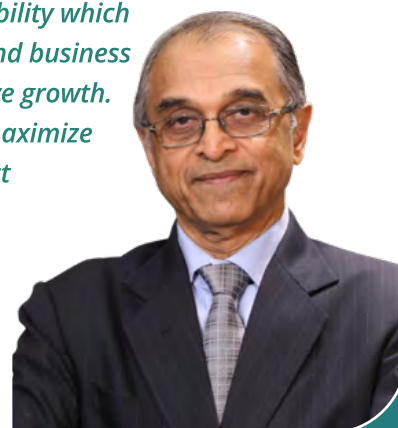
Business Strategy and Governance



A crucial factor for the success of organisation is its corporate governance. We believe that a good corporate governance lays down the framework for building robust relationships amongst various stakeholders of the organisation.

Our enhanced focus on building good corporate governance is by creating an environment of trust through transparency and accountability which leads to fostering long-term investment, financial stability, and business integrity, thereby supporting resilient, sustained, and inclusive growth. We are committed to create value for all our stakeholders, maximize our positive impact, and eliminate adverse direct and indirect impacts. Our robust corporate governance model will play a defining role in this endeavour.

Parimal H. Desai, Executive Director

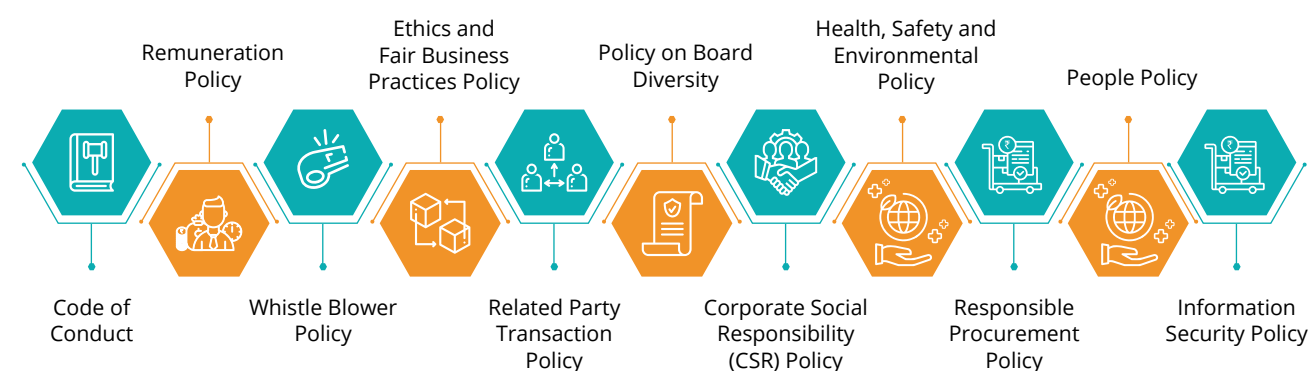


Our Policies

GRI 2-23

We, at AIL, embed the highest standards of corporate governance in our business operations, with prime focus on managing our affairs in a fair and transparent manner. Our robust corporate governance mechanism is driven through our policies, governance philosophy, and corporate codes, which is in accordance with evolving laws and regulations. It underpins our sustained success by fostering responsible growth. Guided by AIL's core value system: Care, Integrity, and Excellence, our corporate governance enables us to make informed decisions.

For achieving sustainable growth through our business operations, compliance with applicable rules and regulations, codes, guidelines, and policies is crucial for us. Our policies and codes act as guiding forces and drive our business conduct and norms of behaviour. Our governance policies guide us on proactive compliance with labour 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>

Ethical Business Conduct

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 developed and adopted whistle-blower protection policy to promote reporting on unethical and unlawful behaviour even on an anonymous basis.

We have established an Ethics Committee consisting of Executive Director, CHRO, CMO, CFO and CS. The Chief Human Resource Officer (CHRO) has been appointed as Ethics Officer for AIL. This committee

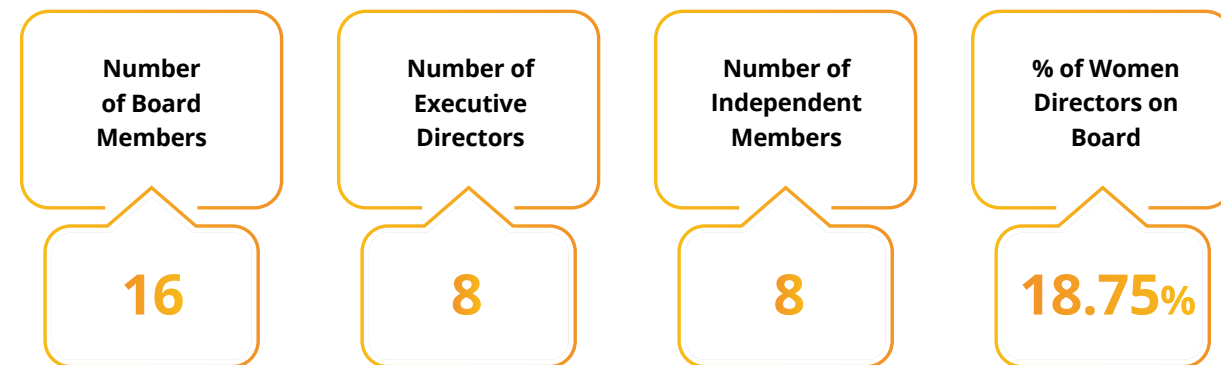
has been entrusted with responsibility to investigate all complaints and recommend actions. All our Board members and employees have received anti-corruption and anti-competitive behaviour training in FY 2021-22. We transparently disclose any such violations in our sustainability report so as to communicate to all stakeholders. During FY 2021-22, there has been no case reported for anti-competitive practices and conflict of interest, however there has been one case of corruption reported against one of our employees. We have thoroughly investigated this incident and implemented corrective measures accordingly.

Board Governance GRI 2-9, 2-11, 2-15, 2-17, 405-1

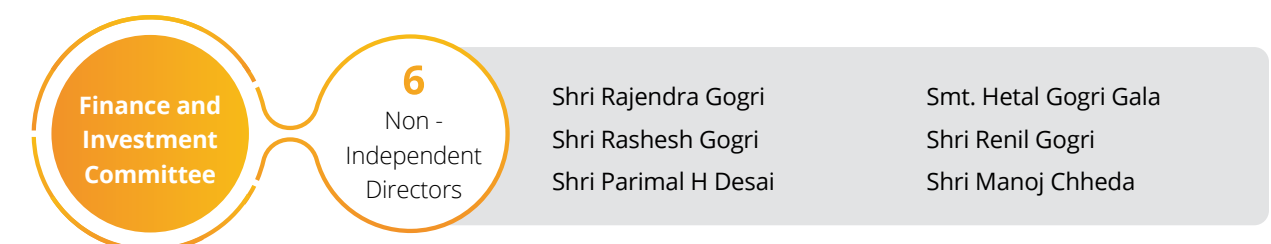
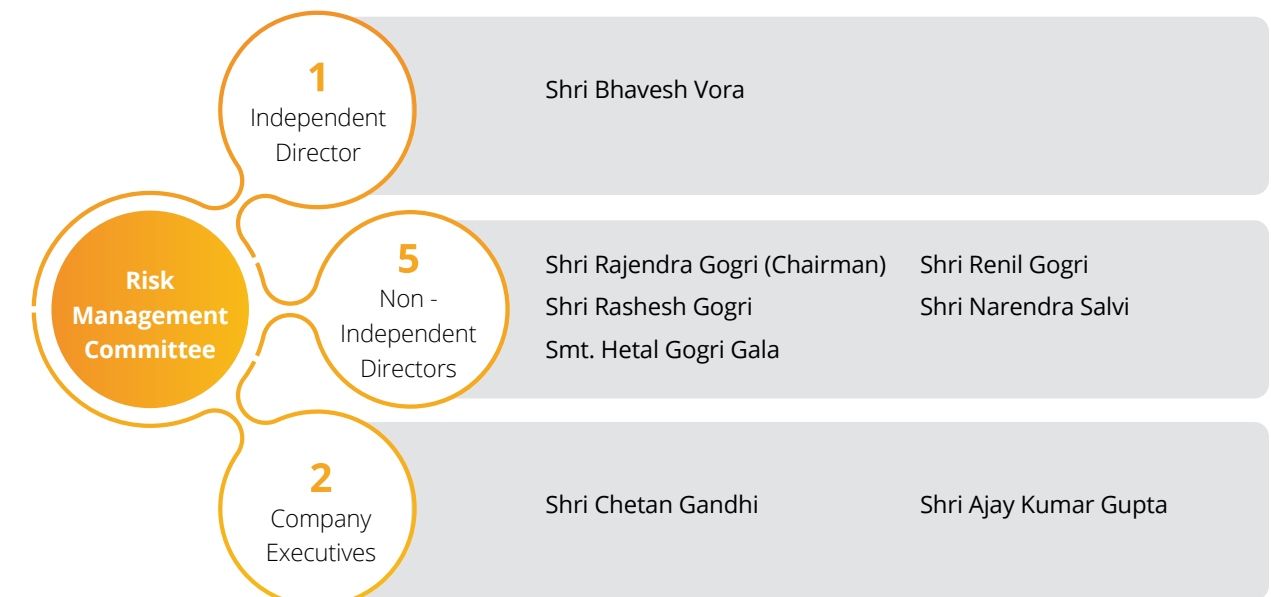
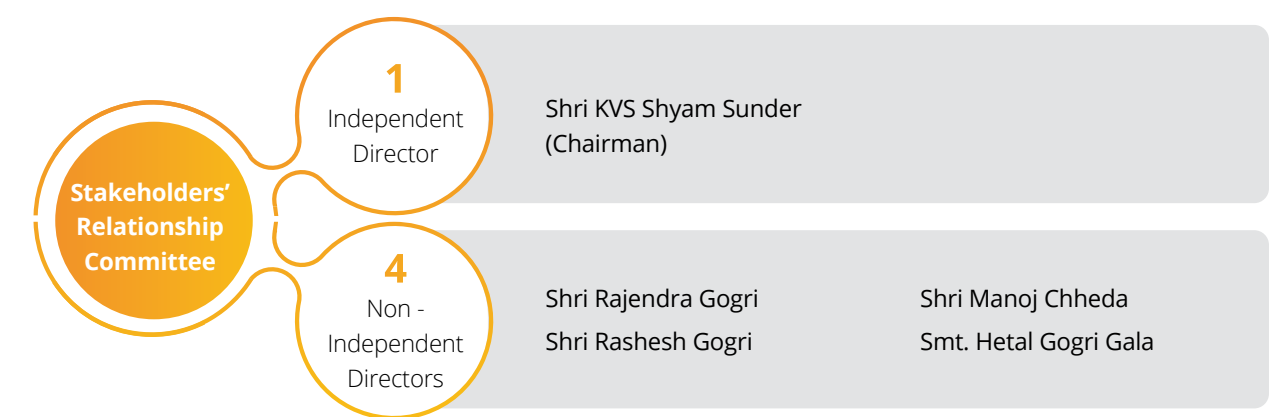
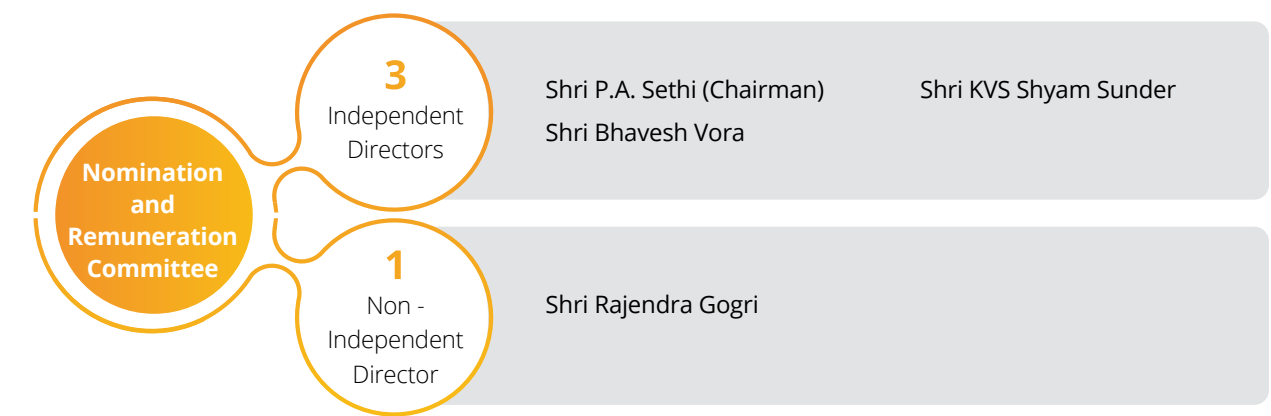
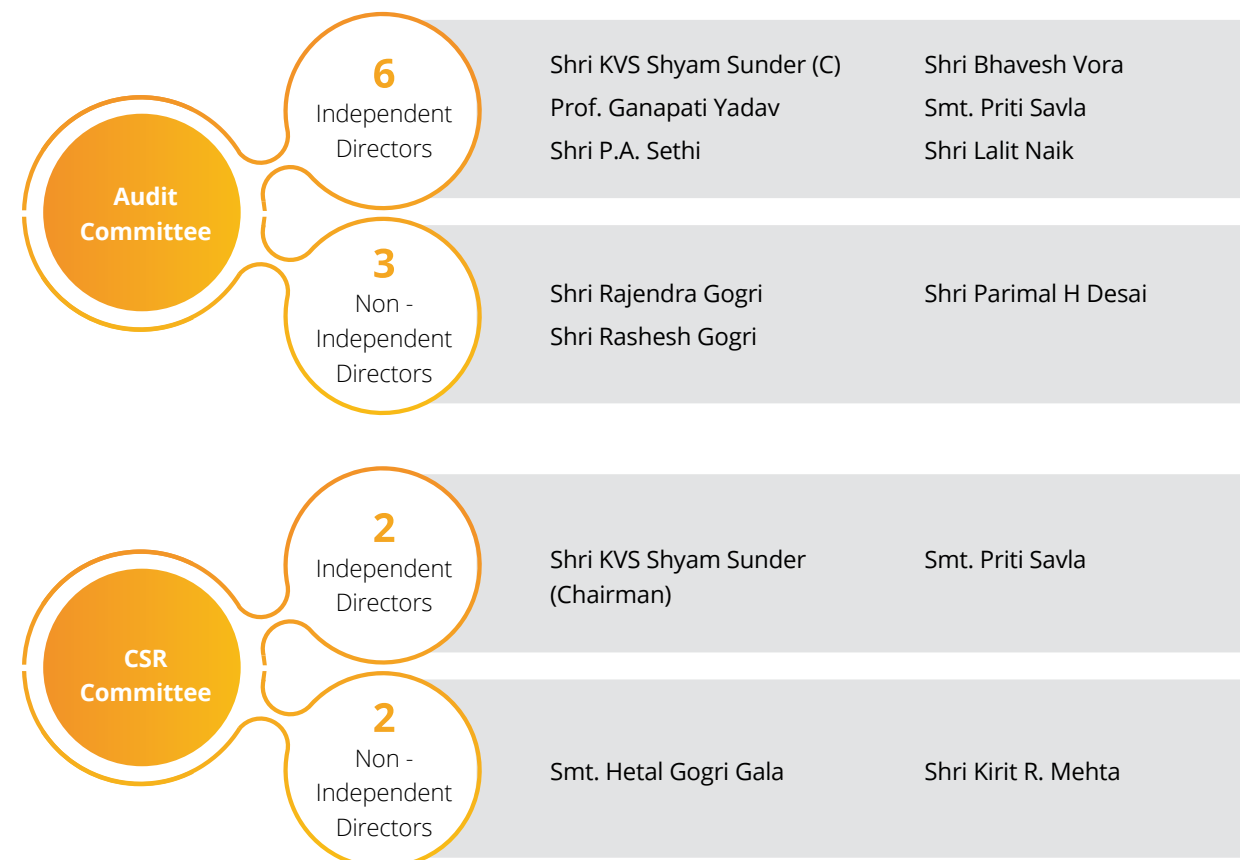
The Board of Directors of AIL conforms with the Listing Regulations, 2015 and the Companies Act, 2013. Our Board comprises sixteen (16) members consisting of eight (8) Executive Directors, and eight (8) Independent Directors. Independent Directors are appointed for a period of three years initially, which can be extended for another term of five years in case of re-appointment. Tenure of Managing Director is five years. We have 3 women directors in our Board which is higher than the statutory requirement. For efficient and effective

functioning of the Board, we have constituted various committees and sub-committees at Board level. We have been focused to bring the specialisation, expertise, and competence of various board members to our Board Committees.

Our Board Chairman is the Chief Executive of AIL, who is also one of the founding members of the Company. His tacit knowledge and expertise have guided AIL in building on more than three decades of responsible chemistry.



Board Committees



Board Performance Management GRI 2-18

Pursuant to the provisions of the Companies Act, 2013 and the SEBI Listing Regulations, the Board and its committees are evaluated annually. The Directors are required to provide their feedback on overall functioning of the Board, Board Committees and contribution by individual Directors. As a part of the evaluation process, a structured questionnaire is used by the Directors for suggestions in areas of improvement to increase management and operational performance. The questionnaire entails parameters such as Board/Committee Structure, Board Meeting Practices, Board Effectiveness, Participation by Board Members in the meetings.

At AIL, we believe in nurturing and growth of our people with continuous focus on learning and development. We organize workshops for our Board members, focusing on areas like ethical business practices, responsible and sustainable development, corporate social responsibility, and corporate governance. During the reporting period, 4 workshops were conducted for the Board's capacity building.

Sustainability Council

GRI 2-12, 2-13, 2-14

At AIL, to guide and help the Board achieve its sustainability goals, a highest decision-making council, i.e., Sustainability Council has been established. The role of Sustainability Council is to define & design a strategic action plan to meet our goals & targets. The uniqueness of this council is the amalgamation of cross-

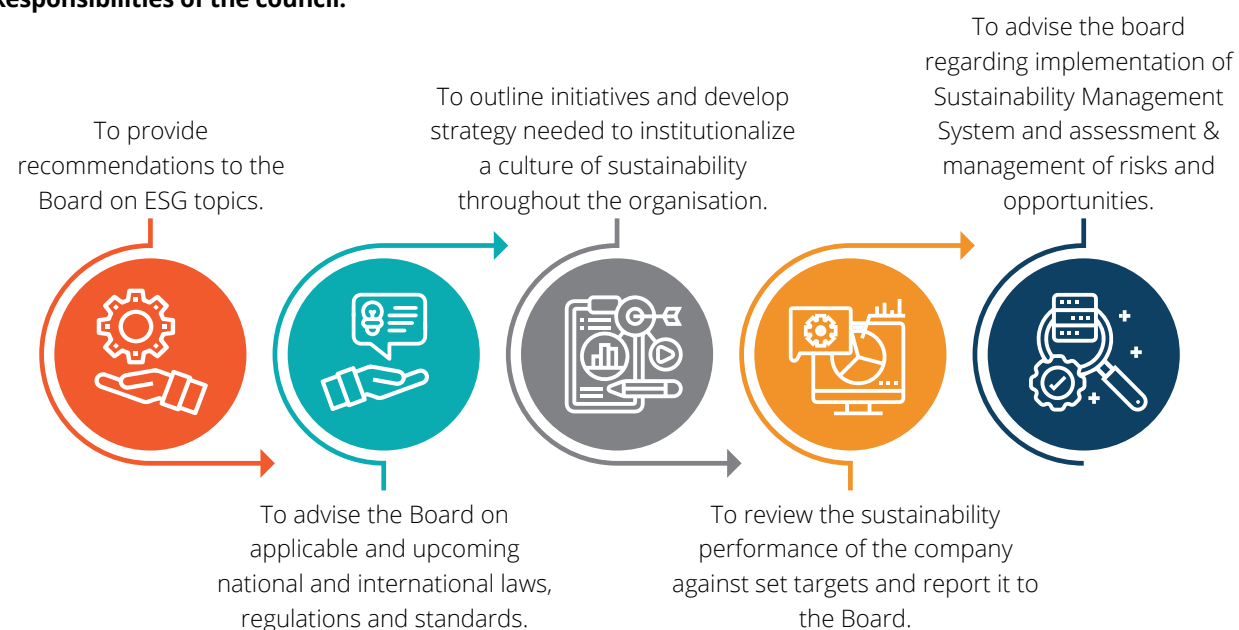
Nomination and Remuneration Process GRI 2-19, 2-20, 2-21

AIL's remuneration policy, developed by the Nomination and Remuneration Committee (NRC), is adopted for selection and appointment of Directors and senior leadership team and their remuneration. Selection criteria for directors include academic qualification, sectoral and functional expertise, integrity and probity in public life, and potential to provide strategic directions to the organisation. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. All of our independent directors are certified and listed on Independent Directors Databank (IDDB).

Various factors like individual and company performance, annual targets, and compensation market trend in the industry are considered for deciding on remuneration. At AIL, we have linked the ESG performance and incentives for our Board. Our median employee's compensation increased by 11.48% in FY 2021-22 in comparison to FY 2020-21, however the ratio between the total annual compensation of the Chairman and Managing Director and the mean or median employee compensation has increased from 158 during FY 2020-21 to 166 during FY 2021-22. During the covid period, remuneration of CMD was reduced substantially which was reinstated in the post covid phase, which resulted in the increase of this ratio.

functional teams which brings a diversified perspective to achieve sustainable growth through resilience. It is led by Chairman and has key representatives from the Board, executive, and senior leadership family from all the zones.

Responsibilities of the council:



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 Digital and Information Officer



Mr. Chetan Gandhi
Chief Financial Officer



Mr. Shyam Dhekekar
Chief Process and Sustainability Officer



Mr. Dhananjay Ranade
Chief of Operations, Zone-I



Mr. Subhat Jindal
Chief of Operations, Zone-II



Mr. Vinod Kumar Mishra
Chief of Operations, Zone-III



Mr. Adwait Thakre
Corporate Projects Head



Dr. Vaishali Bhandary
Head-Quality Vertical



Mr. Bhaskaran Rajagopalan
Chief Technology Officer



Mr. Raj Saraf
Company Secretary



Mr. Prasanta Gupta
Head Corporate Procurement



Mr. Puransingh Bist
Head-Corporate Affairs



Dr. Surendra Dhingra
Head-R&D Synthesis



Mr. G T Rajan
Head-Corporate Engineering



Mr. Bhautik Mehta
Head Corporate Planning



Mr. Pratik Sharma
Head-Safety Compliance and Sustainability



Ms. Sandhya Tolat
Legal Head & General Counsel



Mr. Shankar Karhale
Head-Corporate Environment and Sustainability

The sustainability council meets twice every quarter for briefing on sustainability agenda, review the sustainability performance of AIL and discuss challenges and opportunities to ensure that implementation strategies are on track. During the reporting period, 6 sustainability council meetings were held to deliberate on ESG issues and formulate action plans. Furthermore, to strategise on issues concerning environmental management, compliances with environmental laws and regulations, and minimising our environmental footprint, a sub-committee to the sustainability council has been constituted in the form of Environmental Council.

Risk Management Framework

GRI 2-25



Over the past few years, the global socio-economic landscape has witnessed unprecedented disruptions. External factors such as climate change, geo-political events, and shifting market preferences have challenged businesses. Under such circumstances, many organisations freeze and fail; while resilient organisations weather such storms to grow, and sustain.

Our risk management framework is regularly upgraded to manage and mitigate new emerging business risks, inclusive of ESG risks. Furthermore, these risks have provided us with opportunities to innovate, strengthen our business model, and provide exemplary leadership to the industry for sustainable, equitable, and inclusive growth.

In the past two years, we have not only successfully managed disruptions caused by COVID-19 pandemic, but also invested heavily in augmenting our capabilities through infrastructure development and asset creation. We have continued to grow during pandemic years and are committed to maintain our market position.

Chetan Gandhi, Chief Financial Officer

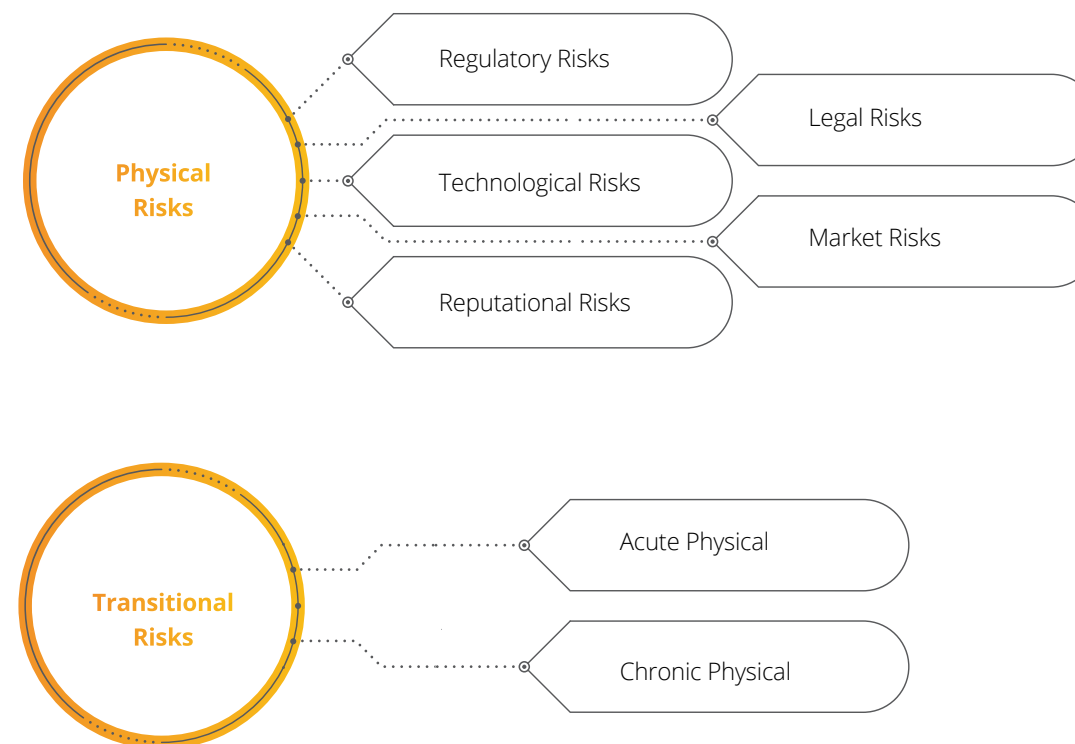


Our Risk Management Framework is based on the seven pillars described under Aarti Management System (AMS), which are Manufacturing, Expansion, People, Strategy, Development, Governance and Commercial. Our risk management approach is in compliance with the legal requirements as provided by Regulation 21 of SEBI (LODR) Regulation 2015. Our business strategy is well informed of risks and opportunities posed by various external and internal factors for each pillar.

The Board directly keeps a check on the risk management process. The Board has formed the Risk Management Committee, headed by Chairman,

for monitoring and reviewing identified risks. Chief Financial Officer (CFO) and Chief Manufacturing Officer (CMO) are executive members of the Committee. The CMO is directly responsible for managing ESG issues; it has enabled us in integrating ESG risks into our Risk Management Framework.

The Risk Committee is responsible for the identification, prioritization, and development of mitigation strategies for various risks that affect our business. The committee has been entrusted with framing, implementing, and reviewing Risk Management Policy.



Climate Change Risk

We have set up an integrated risk management system to ensure the sustainability of the business through timely identification, assessment and mitigation of risks. 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 by systematically identifying risks and opportunities posed by climate change that impact our organisation.

We prioritise the identified risks based on time horizon and substantive financial and reputation impacts. Substantive financial impact has been defined as

an impact that comprises either one or more of the following:

- » Risks that have the potential to cause losses of more than INR 1,000 million or 2% of the gross revenue of the organisation in the medium-long term.
- » Risks that have the potential to cause erosion of contribution by more than INR 250 million or 2% in the medium-long term

The substantive social and reputational impact has been defined as follows:

- » Negative coverage in mainstream and/or social media
- » Community protests
- » Loss of confidence of stakeholders

Climate Change Risks and Opportunities



Risk Description	Time Horizon	Potential Annual Financial Impact Range (INR Cr)	Mitigation Strategies	Risk Monitoring Metrics
Floods may cause disruption of upstream, direct, and downstream operations	Short-term and Mid-term	100 to 160	<ul style="list-style-type: none"> Strengthening physical infrastructure Insurance Logistic route planning 	<ul style="list-style-type: none"> % of operations exposed to floods/ Cyclones % of suppliers located in flood-prone / Cyclone prone regions
Tropical cyclones may cause disruption of upstream, direct, and downstream operations	Short-term and Mid-term	40 to 60		
Drought/ water scarcity would affect upstream and direct operations	Mid-term and Long-term	30 to 50	<ul style="list-style-type: none"> Water efficient operations Rainwater harvesting Water recycling/ reuse 	<ul style="list-style-type: none"> % operations in water stress regions % Suppliers located in water stress regions



Risk Description	Time Horizon	Potential Annual Financial Impact Range (INR Cr)	Mitigation Strategies	Risk Monitoring Metrics
Ban/restriction on agro-chemicals having significant human, animal, or environmental toxicity	Long-term	20 to 30	<ul style="list-style-type: none"> Product development Adoption of principles of green chemistry 	<ul style="list-style-type: none"> % new products developed using green chemistry
Increase in cost of fuel/ imposition of carbon taxes/ GHG emission norms	Mid-term Long-term	10 to 30	<ul style="list-style-type: none"> Energy efficiency Decarbonisation plan 	<ul style="list-style-type: none"> Specific energy consumption Specific GHG emission



Risk Description	Time Horizon	Potential Annual Financial Impact Range (INR Cr)	Mitigation Strategies	Risk Monitoring Metrics
New energy-efficient technologies would help in lowering the cost of operations	Mid-term Long-term	40-70	<ul style="list-style-type: none"> Adoption of energy efficient equipment/ appliances Installation of Waste Heat/Steam Recovery systems 	<ul style="list-style-type: none"> % reduction in energy intensity
Adoption of renewable energy will lower the opex on energy use	Short-term Mid-term	100-120	<ul style="list-style-type: none"> Installation of renewable energy assets 	<ul style="list-style-type: none"> % renewable energy use
The use of high-yield variety seeds may result in an increased market for agrochemical products	Long-term	80-120	<ul style="list-style-type: none"> New product development in alignment with market demand 	<ul style="list-style-type: none"> % sales from new products





Specialty chemical sector is growing at an unprecedented rate. Post pandemic recovery, increased demand for consumer products, and enabling policy framework are the major factors behind such growth. We at AIL, based on our impeccable track record, manufacturing competence, and strategic relationships are well-poised to leverage such opportunities. We believe that strong business fundamentals and well-informed Environmental, Social, and Governance related aspects are prerequisites to sustain the current momentum.

Our ESG Value Proposition includes environmental stewardship, care for people and society, and the highest standards of business integrity. After successfully accomplishing the objectives outlined in 2018-22 strategy, we are in process of upgrading our ESG Strategy to align it with the dynamic global socio-economic landscape. We are committed to ensuring environmental sustainability, social inclusiveness, and business growth."

Pankaj Mehta,
Chief Strategy Officer



Climate Scenario Analysis

We have undertaken qualitative and quantitative scenario analysis to plan our decarbonization journey. Various scenarios considered by us are:

- » IPCC's RCP 4.5 Scenario: This is the most likely business as usual scenario.
- » IEA's 1.5 DS: It is also known as Net-zero Emission Pathway. It describes a pathway for the global energy sector to achieve net zero CO2 emissions by 2050.
- » IEA's WB2DS: It is also known as the Sustainable Development Scenario (SDS), it represents a gateway to the outcomes targeted by the Paris Agreement.
- » Stated Policy Scenario: It reflects current policy settings based on a sector-by-sector assessment of the specific policies that are in place.
- » Announced Pledge Scenario: This scenario is based on Nationally Determined Contributions (NDCs) IPCC's Assessment Report has detailed out probabilities of various acute and chronic physical risks under RCP 4.5 scenario. Being mindful of the fact that it is most likely

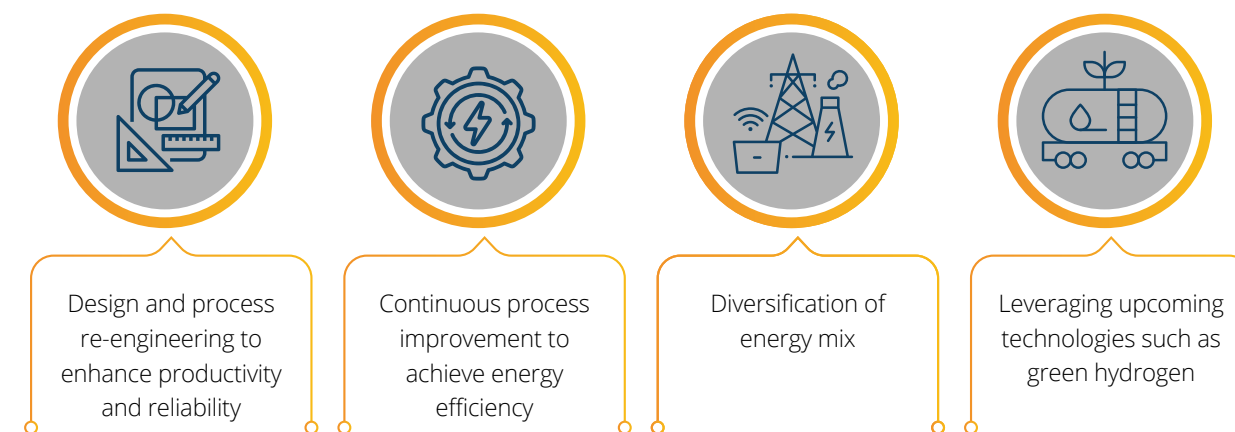
the baseline scenario, we have modelled our physical risk projections based on RCP 4.5 scenario.

IEA's Net-zero emission pathway describes energy transition, costs of technology, and other energy-related transitional parameters in detail. This analysis has enabled us to analyse projected energy demand, conduct a cost-benefit analysis, and develop an energy transition roadmap.

We have considered the year 2050 for scenario analysis. We have projected our GHG emissions for a period of 15 years and plan to develop a roadmap to achieve net-zero emissions under WB2DS.

Strategic Implications

Based on the above-mentioned scenario analysis, we understand that the demand for energy is going to increase due to an increase in production to satisfy the market demand. The most important strategic levers to decarbonize our operations shall be as follows:



We are in the process of developing SBTi roadmap for which projections have been identified and developed.

Stakeholder Engagement and Materiality Assessment

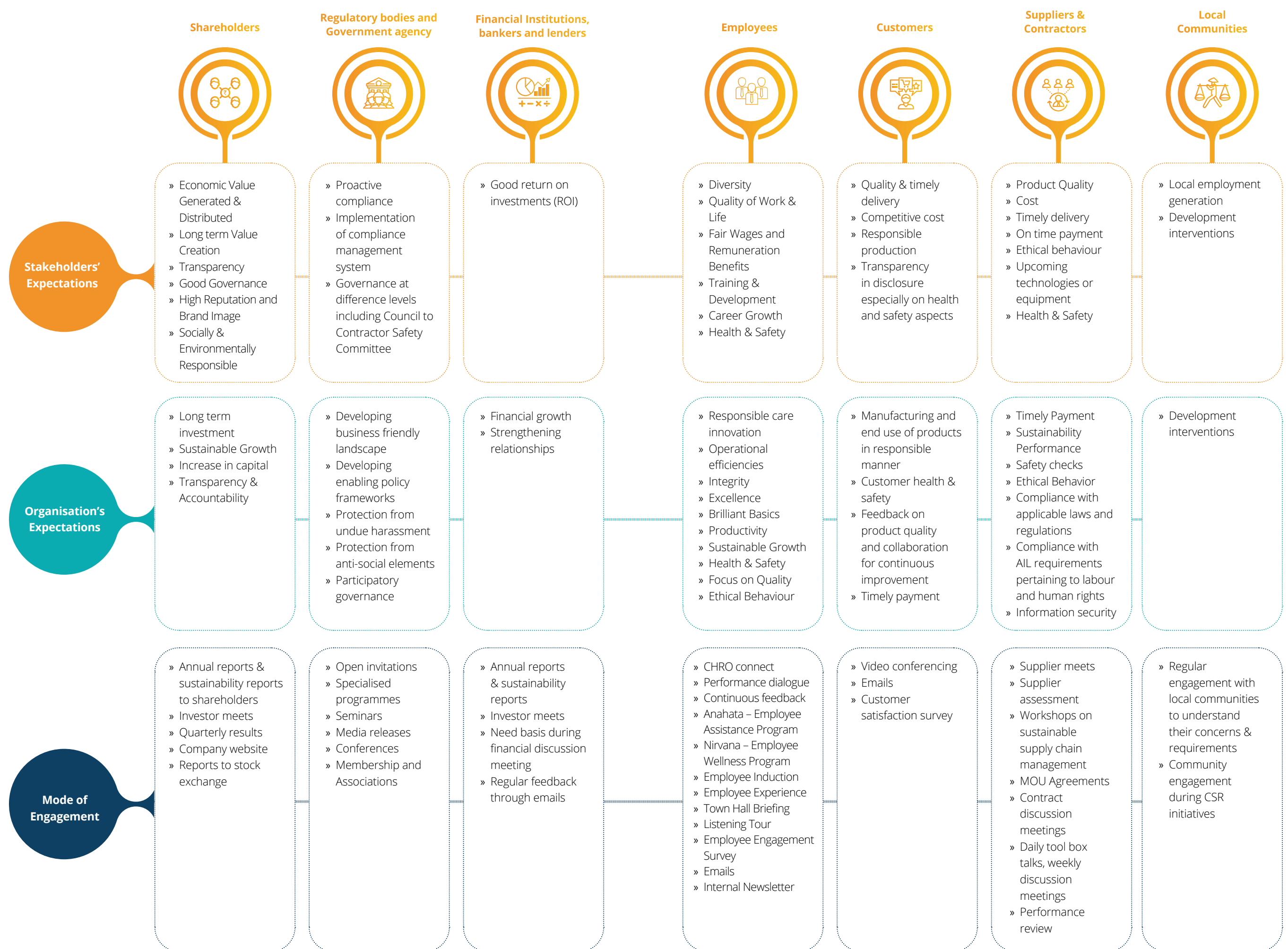
GRI 2-16, 2-26, 2-29, 3-1

Our aspiration to lead the dialogue with stakeholders

At Aarti Industries Limited, we believe our agility to respond and consistent engagement with key stakeholders is a step-up to lead the dialogue with stakeholders beyond compliance. We manifest our aspiration to undertake a collaborative approach with our stakeholders and conduct an open dialogue to

understand their needs and expectations through a robust stakeholder engagement management. Listening and responding to stakeholder's needs is a vital element of our sustainability strategies. The feedback we receive further assists us in identifying ESG and business-related challenges, thereby adopting necessary mitigation strategies for sustainable growth through business resilience.

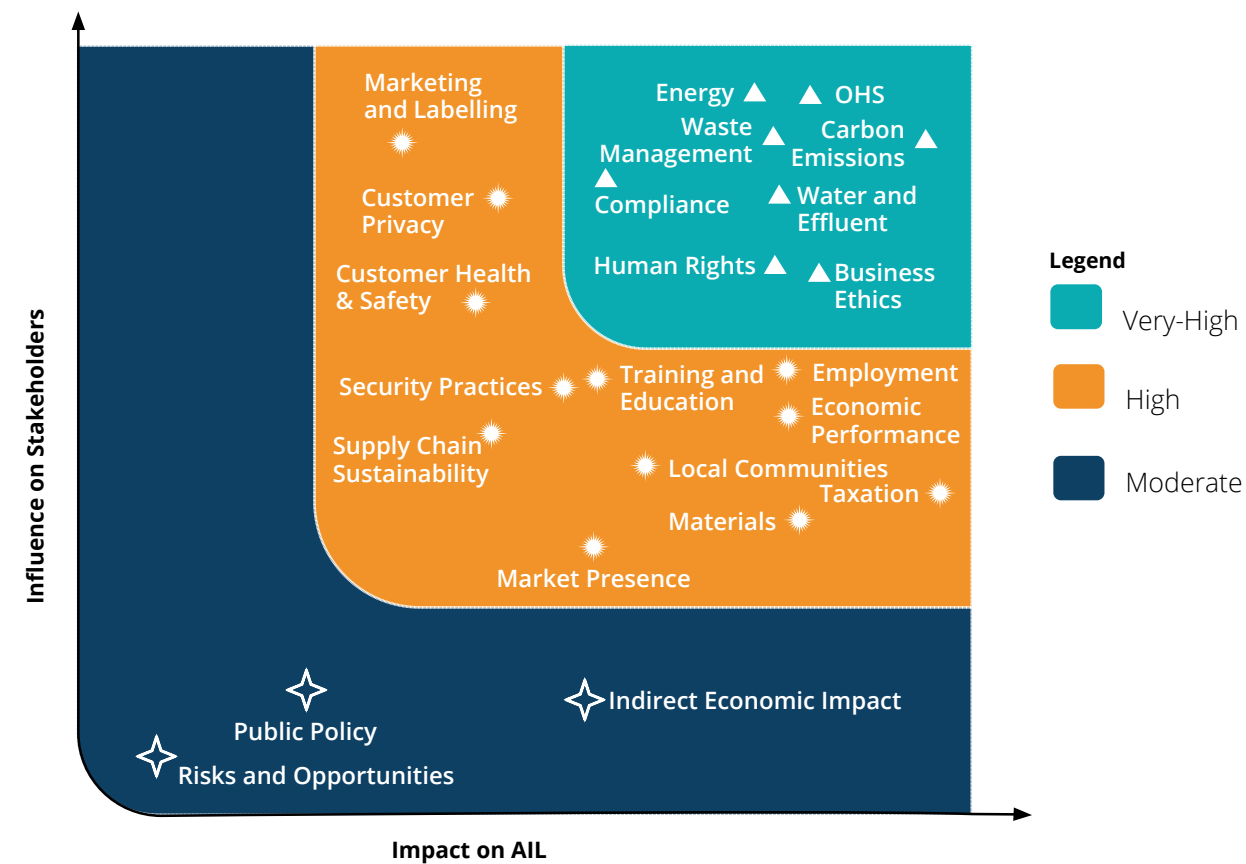




Materiality Assessment Process GRI 3-1, 3-2, 3-3

The purpose of our sustainability strategy is identifying key material topics which are critical for our business operations and stakeholders. Our materiality assessment is conducted in accordance with the requirements of Global Reporting Initiative (GRI), which is a key tool for identifying and prioritizing our material topics. The assessment is based on 4 guiding principles: Sustainability Context, Materiality, Completeness, and Inclusion of Stakeholders.

During the reporting period, FY 2021-22, we conducted a materiality refresh in discussion with senior management, which further helped in understanding the current state and monitoring system of the topics. Our material topics continue to remain in alignment with the robust materiality assessment conducted in FY 2020-21. Based on material refresh, the key material topics based on the priority to business and stakeholders is depicted in the matrix below.

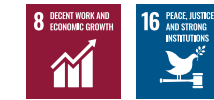


Objectives and Targets

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

Material Topics & Relevant SDGs

Human Rights



Customer Privacy



Occupational Health & Safety



Business Ethics



Compliance



Marketing and Labelling



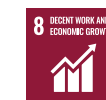
Customer Health & Safety



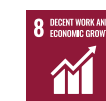
Water and Effluents



Employment



Taxation



Material Topics & Relevant SDGs

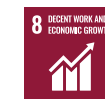
Local Communities



Materials



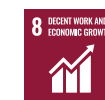
Economic Performance



Environmental Management



Market Presence



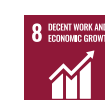
Supply Chain Sustainability



Security Practices



Indirect Economic Impact



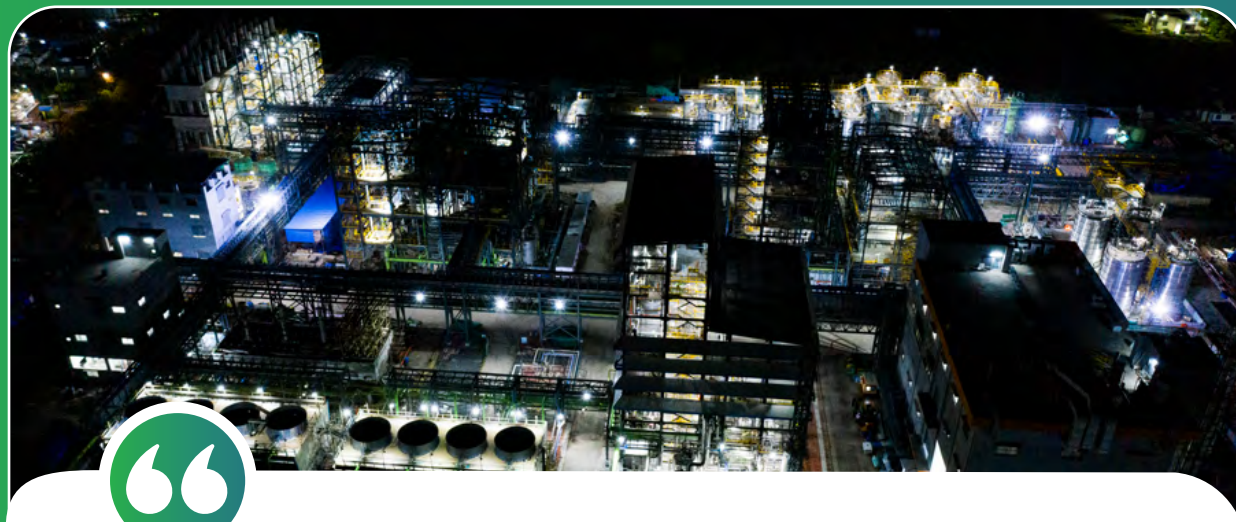
Public Policy



Risks and Opportunities



Business Resilience



The Chemical industry, both globally and in India is looking at a new growth phase to meet the increased domestic and global demand. Cognizant of the fact that Chemical manufacturing has a significant environmental footprint, we implement initiatives to adopt principles of 'Green Chemistry' through use of innovative technologies.

Our approach towards Green Chemistry focuses on achieving resource efficiency through improved yields, safety of operations, and energy source diversification. We emphasise on getting Chemistry Right from the R&D Stage. Our selection of products and processes is substantially influenced by sustainability performance.

We continuously explore and strive to be innovators and early adopters of emerging technologies such as use of alternate sources of energy for process steam generation, green hydrogen, etc., for reduction in Carbon emission as a part of our strategic planning.

Mirik Gogri, Head, Corporate Strategy



Material Topic

Taxation

Compliance

Indirect Economic Impact

SDGs



Economic Value Creation

At AIL, we believe in achieving financial robustness and economic resilience through our responsible and ethical business conduct. A robust economic performance aids in the asset capitalization and expansion, value creation and achievement of sustained competitive advantage. We have adopted a scientific and systematic approach

of inculcating sustainability into our financial decision making. This has helped us in rationalizing our business choices and optimize our performance. We scaled new peaks backed by our high-quality business enterprise that has been built over several decades with solid execution capabilities.

Economic Value Generated	Amount (CR INR)	
	FY 2020-21	FY 2021-22
Gross revenue from operations	5,023.2	7,919.31
Net revenue from operations (Excluding GST)	4,506.1	6,999.96
Economic value generated from investment and other sources	0.7	0.8
Net profit	535.2	1,307.42
Operating cost (includes cost of raw materials, depreciation, and other expenses)	3,384.5	5,440.1
Employee wages and benefits	371.4	442.08
Interest payment to providers of credit	86.3	114.29
Dividend/Payout to shareholders	45.1	1,186.69
Payment to government (taxes)	129.3	219.38
Community investments	14.1	12.61
Retained earnings	476.0	120.73

Performance of all our subsidiaries in which we have a controlling stake are included in our consolidated financial statement. List of subsidiaries included in our consolidated financial statements are highlighted below.

1. Aarti Corporate Services Limited
2. Shanti Intermediates Private Limited (through its Holding Company: Aarti Corporate Services Limited)
3. Nascent Chemical Industries Limited (through its Holding Company: Aarti Corporate Services Limited)
4. Alchemie (Europe) Limited
5. Innovative Envirocare Jhagadia Limited
6. Aarti USA Inc.
7. Aarti Polychem Private Limited
8. Aarti Bharuch Limited
9. Aarti Organics Limited
10. Aarti Spechem Limited

11. Aarti Pharmachem Limited
12. Ganesh Polychem Limited

Defined benefit plan obligations and other retirement plans

With a purpose of long-term economic well-being of our employees, we provide a well schemed retirement plan and benefits for all our employees. As a responsible employer, we provide several employee benefits such as medical insurance, life insurance, personal accident insurance, maternity leave, paternity leave, study leave as part of Aarti sponsored higher education, and provident fund. During the reporting period, FY 2021-22, we spent INR 36.10 Cr on defined benefit plan obligations and other retirement plans which was 41.73 % higher than the previous year.

Contribution to defined benefit schemes	FY 2020-21	FY 2021-22
Contribution to Provident Fund (Cr INR)	19.96	24.50
Contribution to Superannuation Fund (Cr INR)	0.44	0.46
Contribution to Gratuity Fund (Cr INR)	5.07	11.14

Financial Assistance received from the Government

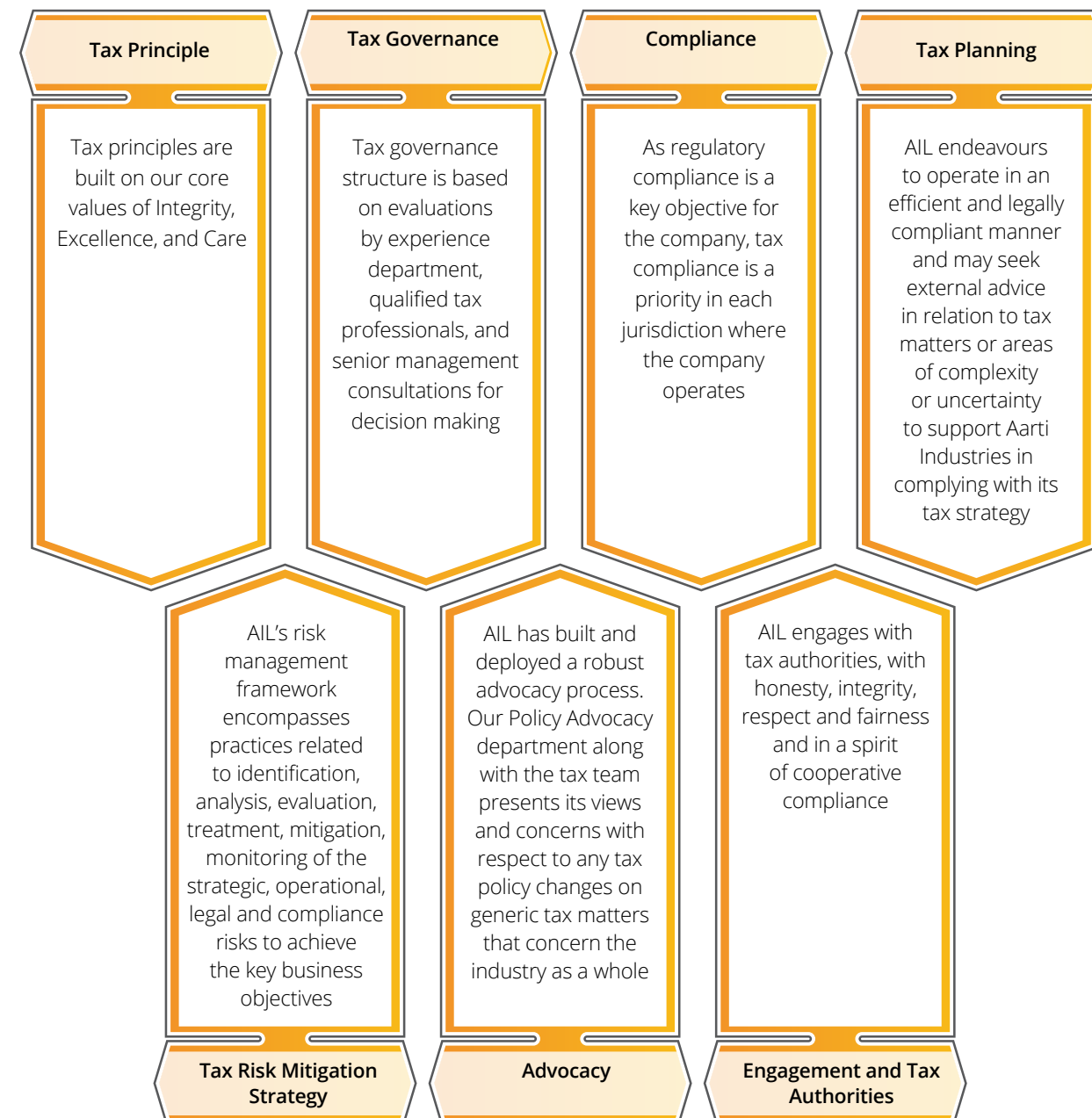
During the reporting period, Aarti Industries received financial assistance from the Government in the form of subsidies, tax reliefs, and investment grants.

Particulars	Amount (Cr INR)
Tax relief and tax credits received in FY 2021-22	2.07
Subsidies received in FY 2021-22	51.19
Investment grants, research and development grants, and other relevant types of grant received in FY 2021-22	29.89

Tax Framework and Strategy

GRI 207-1, 207-2, 207-3, 207-4

At AIL, we are aligned and guided by our corporate governance practice, value system and risk management framework. We are further committed to comply with existing laws and regulations and adhere to our zero-tolerance policy to non-compliance, which is an integral part of our culture and operating philosophy. Integrity and transparency are two critical aspects to corporate governance practices to ensure that we gain and retain the trust of all the stakeholders at all times. Our group strategy and framework comprise of following parameters as highlighted below:



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 organisation	Manufacturing of specialty chemicals	Tradings in chemicals and pharmaceuticals Products	Tradings in chemicals and pharmaceuticals Products
Number of employees and basis of calculation for this number	7,779	1	1
Total Employee remuneration	INR 440.75 Cr	GBP 17,410	USD 154,748
Taxes withheld and paid on the behalf of employees			
Taxes collected from customers on behalf of tax authority	INR 919.35 Cr	0	0
Industry related and other taxes or payments to government	0	0	
Significant uncertain tax positions	0		
Revenues from third party sales	INR 7,968.80 Cr	GBP 17,079,459	USD 24,532,141
Revenues from intra group transactions with other tax jurisdictions	INR 3.27 Cr		
Profit/loss before tax	INR 1528.2 Cr	GBP 247,448	USD 194,573
Tangible assets other than cash and cash equivalents	INR 5775.7 Cr	GBP 39,73,764	USD 21,87,395.17
Corporate income tax paid on cash basis	INR 271.06 Cr		
Corporate income tax accrued on profit/loss	INR 21.93 Cr		
Reasons for difference between corporate income tax accrued on profit/loss and the tax due if the stationery tax rate is applied to profit/loss before tax'	0		
The time period covered by the information reported above	01.04.2021 to 31.03.2022	01.04.2021 to 31.03.2022	01.04.2021 to 31.03.2022

Project Management



Business Sustainability is a systematic concept concerning the economic, social, institutional, and environmental parameters. We believe that fundamental principles of business sustainability should be integrated into the lifecycle of business activities. We at AIL, have adopted a value-chain-based approach toward sustainable growth and development. We have critically analysed all projects on financial and non-financial parameters, including resource consumption, occupational safety, product safety, impact on surrounding communities and on the ecosystem. We have developed appropriate mitigation strategies to improve project performance on these parameters.

Being cognizant of the importance of suppliers in our sustainability journey, we have developed a comprehensive strategy to assess suppliers on ESG criteria, engage with them for peer-learning, and forge long-term strategic partnerships.

Harendra Pandya,
Chief Projects and Procurement Officer



At AIL, project management is driven by the core approaches of Earned Value Management (EVM) and Critical Chain Project Management (CCPM). Our core team which is exclusively spearheading the planning and execution of new projects identifies leading practices and adopts it in our Company. Our safety and environmental team are a part of the project master plan. Throughout the commissioning of new projects, this dedicated team works in collaboration with various critical functions and leadership teams. As a part of future proofing, a HAZOP checklist is created and adapted well in advance covering the project lifecycle.

We are guided by the principle of the right management system while adapting to any new project within our Company. Project costing is done at stage gates for the project 'go-no go decisions' at Concept and Preliminary Basic Engineering concept stages. For project cost control, effective management structures have been adopted to curtail cost overrun risk on our projects. During the reporting period, we have undertaken various new projects under management. This includes the following highlighted projects.

Project Safety Universe

It is a set of guidelines, procedures, and codes identified by AIL Project Excellence and Construction Safety Team with an objective to create and maintain world-class standards of health and safety in line with AIL's core values, i.e., Care, Integrity, and Excellence.

Project Safety Universe has 5 key focus areas:

- **Safety in Design** – To anticipate, identify, and control hazards in project design stage
- **Construction Safety Management** – To capture, formalize, and implement AIL safety codes, procedures, and SOPs. To recalibrate the existing governance mechanism and incorporate project-specific requirements
- **Contractor Safety Management** - To conduct contractor evaluation with AIL safety standards and requirements, provide safety induction, ensure health surveillance and welfare for contractor workmen
- **Safety Assurance and digitalisation** - To ensure safety assurance through audits and inspection
- **Rewards and Recognition** - To identify and create a platform for rewards and recognition to employees and contractor workmen for best safety performance

Through this initiative, we have been able to identify requisite guidelines and codes, with the aim to create and maintain world-class standards of Health and Safety. This has further resulted in improvement of supervision ratio and enforcement of safety by business partners.



Contractor Safety Audit & Scorecard

With an objective to maintain safety at workplace by identifying risks and mitigating hazards we at AIL, carry out periodic safety audits to ensure regular improvement in the Safety Management System at the project site.

The site audits and reviews at AIL are intended to focus on the following:

- To encourage the line managers to demonstrate their commitment to safety and environment through leading by example
- To have a structured discussion around safety and environmental issues with frontline staff & workers
- To increase staff & contractor worker engagement, thereby developing a culture of open communication
- To establish a team to conduct an audit, ensuring an unbiased view of our construction field activities from a safety and environment perspective

The contractor audits are conducted on a quarterly basis for each contractor with an average manpower of more than 30 and the audit score is calculated on a percentage basis.

Focus areas of audit

- Permit to work
- Fire protection and means of escape
- Hazardous substance/waste handling
- Electrical installations
- Temperature conditions
- Noise and lighting

After completion of the audit, the non-compliance/non-conformities are shared with the concerned contractor seeking their action plan & target dates for completion of the respective non-conformities.

During the reporting period, we achieved an average of 82.44% of compliance on the contractor safety audits conducted across the groups.

Information and Cyber Security



With a vision to make the business future-ready AIL has embarked on its next digital transformation journey of 2022-26 with 'UNNATI'. In alignment with AIL's vision to 'Be World Class. Shape The Future', Information Systems vertical intends to be AIL's trusted arm to digitally empower the journey of shaping the future. With a special focus on sustainability, we are digitally enabling our people and company to achieve the strategic objectives of our transformational strategy.

Increasing adoption of Industry 4.0 and Smart Factory Solutions have enabled organisations in enhancing their productivity, augment safety, and improve quality. However, it brings added risks associated with cyber security, data privacy, and data security. It has become imperative for organisations to have a special focus on information security to mitigate such risks.

We at AIL not only have taken appropriate steps to ensure security of factory operations but also are committed to protect personal data of our people and all our stakeholders. We have also developed a robust Business Continuity and Disaster Recovery plan to minimize impacts, ensure rapid recovery, and restore operations.

Bhavesh Gandhi,
Chief Digital & Information Officer



In today's digitally enabled world, Information and Cyber Security are of prime concern to any business. Our Information Security policies and framework are embedded within our IT operations and processes and meet various regulatory requirements of the different markets we serve and operate in. At AIL, we are committed to Data Protection, Data Integrity and Data Confidentiality to safeguard information assets from intentional or accidental modification and ensure the accuracy, completeness, and validity of the organisation's information assets. We are guided by our Information Security Policy, which is hosted on our internal AMS portal and is accessible to all employees and contractors.

Upgrading the operations on digital aspect, increases the risk of data exfiltration and lockdown of IT systems. To address this issue, we are building a resilient cybersecurity architecture through a layered defence approach, comprising of data protection solutions like Data Classification & Data Leak Prevention along with Identity, Access & Authorization management on the principles of 'Zero Trust' architecture and Gartner's SASE (Secure Access Service Edge) model.

UNNATI - Digital Transformation Program

With UNNATI, we laid the foundation of a robust futuristic Information Systems landscape. We are committed to integrating the aspects of sustainability across our value chain in partnership with our business partners for achieving sustainable growth. We are also investing into a partner ecosystem which is equally committed to the cause of sustainability.

The key characteristics of the Unnati Program are highlighted below:

- Information System Landscape Consolidation with a focus on reusability and Microservices Architecture
- Consolidation of applications and infrastructure on the cloud to reduce the contribution to the carbon footprint
- Modification of our digital asset policy to encourage employees to acquire the assets (laptops / desktops) and thus reduce e-waste
- Aspire to define / establish ESG Report automation and Carbon Accounting automation in our Finance process
- Other digital initiatives include Organisation Analytics, Manufacturing Analytics, Hyper-automation, ERP, Information Security and a robust IT Infrastructure, enabling the organisation to reduce paper waste

Our Information Systems is committed to enable the organisation to meet its performance dimensions and achieve its business vision for 22-26 and beyond.

AIMS - Digitization of business process

We believe business resilience could be enhanced by improving foresight, so graduating ourselves to predictive analytic and prescriptive analytics quickly was essential. By digitization of business processes would enable us to achieve this vision. We have partner with a reputed IT solution provider to implement a SaaS based digital platform on this journey.

Key features of the platform:

- Provide insights in safety practices
- To increase the efficiency of data capture
- Improved data analytics for decision making
- To protect the records and easing data retrieval process

AIL has adopted the EHS software applications with a focus on digitizing safety practices within AIL. The various modules that have implemented during the reporting period are as follows:

- Behaviour-based safety - To improve employee behaviour towards safety
- General Plant Conditions - To eliminate unsafe conditions and major risks at workplace
- Deviation Management - To capture deviations and their learnings
- Audit Management - To create, track, and ensure audit compliance

All of the above listed activities are captured, monitored, and analysed

We have undertaken several initiatives to protect intellectual property from data leakages and data theft. We are performing Vulnerability Assessment and Penetration Testing (VAPT) of our IT Systems and Network Infrastructure. With an intent of providing a safe and secure environment for a seamless digital journey, at AIL, we are focussing on three major cybersecurity areas.



A few initiatives under respective areas are highlighted below:

- **Organisation-wide Awareness:**
In March 2022, we launched iSAFE (Information Security Awareness for Everyone), where we created awareness across the organisation through email flyers and conducted training through online modules in addition to other classroom/virtual conference based training.
- **Incident Response Management:**
 - a. Phishing, Ransomware and Smishing, Vishing Attack Simulation: We conducted a Phishing Attack simulation in April to gauge employee response to phishing and cyber attacks.
 - b. Cyber Wargame: We plan to conduct a table-top breach scenarios with Senior Leadership for creating a mind map of responses & create a playbook for major breach.
 - c. Cyber Insurance: We have insured AIL & its subsidiaries against Cyber Attacks. The past breach activities fall under the responsibility of the broking agency. During the reporting period, we have not received any cases of data breaches.
- **Data Protection Framework:**
As part of the Unnati program, we have identified Data Classification, Data Leak Prevention (email, web & endpoint), Brand Protection & Data Rights Management initiatives for one year as high priority initiatives.
During the reporting period, no information security related incident has been reported.



Responsible Operations



Sustainability is at the core of our every business decision. Our strategy "Growth with Sustainability for Sustainable Growth" empowers us to adopt ESG Framework in business strategy. This will enable us to be world class and shape the future of the organisation in creating value for our stakeholders.

Our core-values, i.e., 'Care', 'Integrity', and 'Excellence' drive us to build the highest level of ethical and moral standard, fulfilling our commitment to stakeholders by adopting world class practices.

Renil Gogri, Executive Director



Material Topic

Energy

Materials

Carbon Emissions

Water and Effluent

Customer Health and Safety

OHS

Waste Management

SDGs



Our commitment to environment

To protect the environment, we work to improve energy efficiency, diversify our sources of energy, water recycling and reuse, handle materials and waste responsibly, and make efficient use of resources. These initiatives help us not only achieve operational excellence but also reduce our impact on the environment. We are continuously working to enhance our environmental performance and endeavour to communicate our progress in a transparent manner. To manage our emissions and discharge, protect nature, and reduce water consumption and impact on water resources, we have adopted external standards and principles developed by the Global Reporting Initiative (GRI), Task Force on Climate-related Financial Disclosures (TCFD), United Nations Global Compact (UNGC), and Sustainable Development Goals (SDGs).

AIL is committed towards the protection of the environment, thereby ensuring a sustainable future of the planet. We exhibit our commitment to environmental responsibility by reducing the carbon footprint from our products, implementing responsible business practices, and supporting our wider value chain in working toward circularity sustainability.

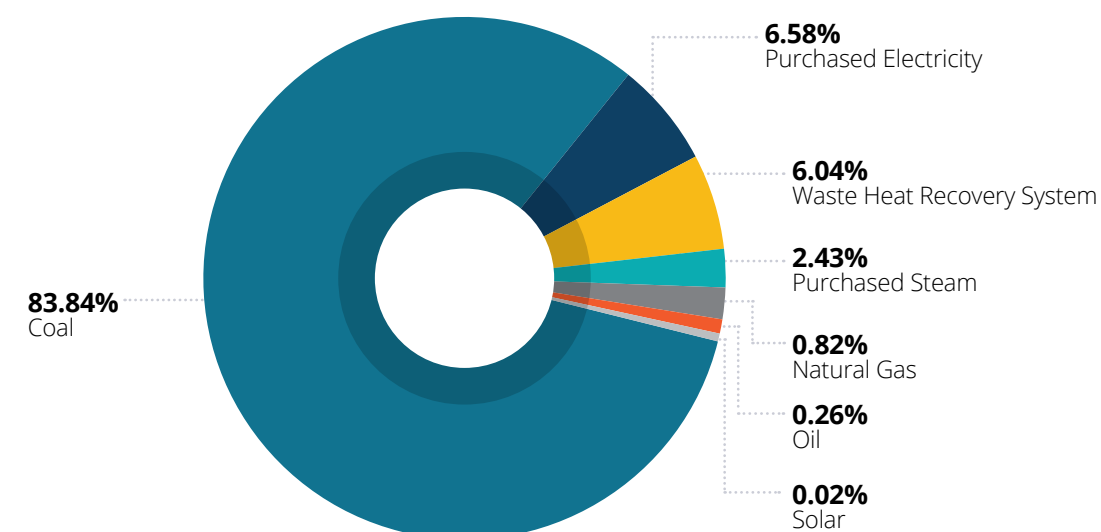
For the existing projects, we have set up Environmental Management Systems (EMS) and applicable compliances are regularly assessed through Aarti Management System (AMS).

Energy Management

GRI 302-1, 302-2, 302-3, 302-4

At Aarti, we believe that the efficient and effective use of energy brings agility and resilience to our operations, maximises value creation for our stakeholders, and improves competitiveness. Therefore, we focus on managing and optimising our systems and processes to enhance efficiency of our operations, thus improving specific energy consumption.

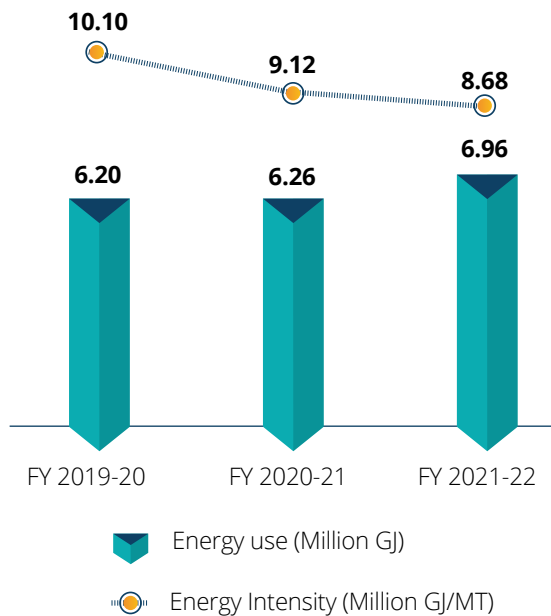
Our major energy sources include coal, diesel, natural gas, grid electricity, and purchased steam. In addition to these, we use energy generated from waste heat and process systems. We understand that diversification of energy-mix is one of the crucial levers of decarbonization. To minimize the carbon intensity of our operations, we have developed near-term plans to minimize coal consumption by using coal-bio-briquette mixture in coal-based boilers with bio-briquette and installing natural gas-based boilers wherever feasible. Furthermore, in this endeavour, we have also developed and adopted plans to increase the share of renewable energy in our energy mix through on-site generation and an open access model.



Energy use	FY 2021-22 (GJ)
Coal	58,33,376
Purchased Electricity	4,57,982
Waste Heat Recovery System	4,20,502
Purchased Steam	1,68,970
Natural Gas	57,083
Oil	18,112
Solar	1,496
Total energy use	69,57,521
Energy Intensity	FY 2021-22 (GJ/MT)
Energy Intensity per metric ton of product	8.68

We consumed 6.96 million GJ of energy during the reporting period, compared to 6.20 million GJ in FY 2020-21. The increase in the absolute energy consumption is due to change in reporting boundaries and an increase in production of 17% compared to FY 2020-21.

Our specific energy use has decreased by 5% from 9.12 GJ/MT in FY 2020-21 to 8.68 GJ/MT in FY 2021-22. Our non-conventional energy sources such as solar power and waste heat recovery energy consumption improved from 3,76,037 GJ in FY 2020-21 to 4,21,998 GJ in FY 2021-22. The increase in non-conventional energy sources is due to continual efforts to improve our waste heat and steam recovery processes.



Climate Change has become an established fact and it is intricately linked with anthropogenic activities and industrial operations. We believe that, in addition to being environmentally responsible, our business models and procedures also need to be adaptable to internal and external changes caused by climate change.

Our process improvement efforts are directed towards improving yield resulting in less hazardous waste generation, designing safer manufacturing processes, maximizing atom economy, enhancing resource efficiency, and ensuring workplace safety.

We strive to enhance environmental performance of our operations through interventions at molecular level, use of innovative and clean technologies, and stakeholder centric approach.

Shyam Dhekekar,
Chief Process and Sustainability Officer



Renewable Energy

We are exploring opportunities for increasing the consumption of energy from renewable sources. Presently, we have a 697 kW rooftop solar power plant which produced 400+ MWh of renewable energy in FY 2021-22. Further to improve our energy mix , we have entered into a power purchase agreement of 147.84 MWh/day of hybrid renewable energy through a group captive model. We will be investing INR 18 Cr. for this initiative, leading to reduction in CO₂ emissions by 38,394 tCO₂e/annum.

Waste Heat Recovery System

We have conceptualized and implemented several waste heat recovery projects to improve our operational efficiencies. Installation of Waste heat recovery boilers at Vapi and Jhagadia locations to generate steam for process heating and power generation are some key projects that we have undertaken under this endeavor. Furthermore, we are investing INR 150 Cr.in the debottlenecking of a waste heat recovery boiler at Vapi to maximize the steam generation, which will reduce our

CO₂ emissions by 30,000 tCO₂e.

Energy Efficiencies

At AIL, we have an Energy conservation cell at each location to conceptualize and implement energy saving initiatives and reduce carbon footprint. We have invited all the employees to provide ideas and suggestions on potential energy saving projects. We have also encouraged them to conceptualize and implement quality circle projects on energy saving. We have adopted three pronged strategy towards energy conservation:

- Minimizing energy leaks and upgrading equipments
- Process optimization
- Adopting new technologies

We have implemented systems and processes to reuse steam for processes and electricity generation. Part of the unit's steam requirements are met by utilising the waste heat, which reduces carbon emissions. Furthermore, we have implemented process reboilers to utilise the energy of low-pressure steam, which was

earlier vented. This improvement resulted in a saving of Medium Pressure steam used in process reboilers and Low Pressure steam by avoiding venting and upgrading the process to use low-pressure steam generated by waste heat recovery from the plant. The process improvement in the distillation section resulted in a reduction of the reflux ratio and ultimately reduced steam consumption. The energy required to evaporate chlorine was used to obtain a lower temperature of chilled water in the liquid chlorine section. Because of this process optimization, the chlorine chiller was used to generate cooling.

In addition to this, AIL has continued focus in the areas of energy efficiency and conservation projects such as replacement of old pumps with high efficiency pumps,

replacement of old conventional light fittings with LED and day timer for streetlights, air compressor with VFD, air conditioners with variable regulating volume (VRV) systems. As a result of these initiatives, we saved 4,91,936 kWh of energy in FY 2021-22.

Reflecting on our excellence in energy efficiency activities, we participated and won the National Energy Efficiency Circle Competition for large-scale deployment of energy efficiency motors. We have formed an energy conservation cell to lead all the energy conservation activities at the location. Furthermore, to build the competencies we have BEE (Bureau of Energy Efficiency) Certified Energy Manager and plan an implementation of ISO 50001 framework.

Steam recovery from condensers

The reduction in GHG emissions in the system is done through the waste heat recovery optimization process. The recovered hot steam condensate must be cooled to less than 50 degrees Celsius and pass through the condensate polishing unit. Therefore, the chiller plant's running time was reduced from 24 hr to 4-5 hrs, thus reducing the power consumption by 589 kW/day. Improved design in the column leads to a saving of 2.7 TPM of steam, 3.7 TPM of liquid, and a less than 50% reduction in waste generation. This resulted in a reduction of 170 tCO₂e.



Energy saving from installation of Compabloc

One of our major initiatives under energy conservation has been the installation of Compabloc in the column feed. The objective of this initiative is to reduce steam consumption and energy costs. Earlier, there were no provisions related to steam recovery systems. After the implementation of this initiative, 250 kg/hr of steam has been reduced in the boiler. As a result of this initiative, during the reporting period, we have achieved emission savings worth 500 tCO₂e.

Steam re-engineering and steam trap management

Aarti Industries is undergoing a comprehensive initiative towards energy savings through steam reengineering and condensate recovery improvements at all locations. At one of the major sites, Jhagadia, the entire condensate network has been corrected, including replacing steam traps (around 600 numbers) with the right designs implementing flash steam recovery, and instilling a robust steam network and trap maintenance practice. With these initiatives, the site can improve steam trap uptime from 42% to 95%, save 3.5 tons per hour of steam, improve condensate recovery from 55% to 72%, and reduce raw water consumption by around 200 TPD.



Emission management

GRI 305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7

As a committed organisation, we have always been focused on reducing our emissions and aspire to contribute towards national and global goals to achieve net zero emissions. Sources of direct GHG emissions include the stationery combustion of fossil fuels such as coal, natural gas, diesel, and low-density fuel oil. In addition to these, we also account for process emissions from our operations. Our in-direct emissions include the consumption of purchased electricity and purchased steam. During the reporting period, our scope-1 and scope-2 emissions were 5,99,553 tCO₂e and 1,03,487 tCO₂e respectively. Our scope-3 emissions were 15,56,065 tCO₂e.

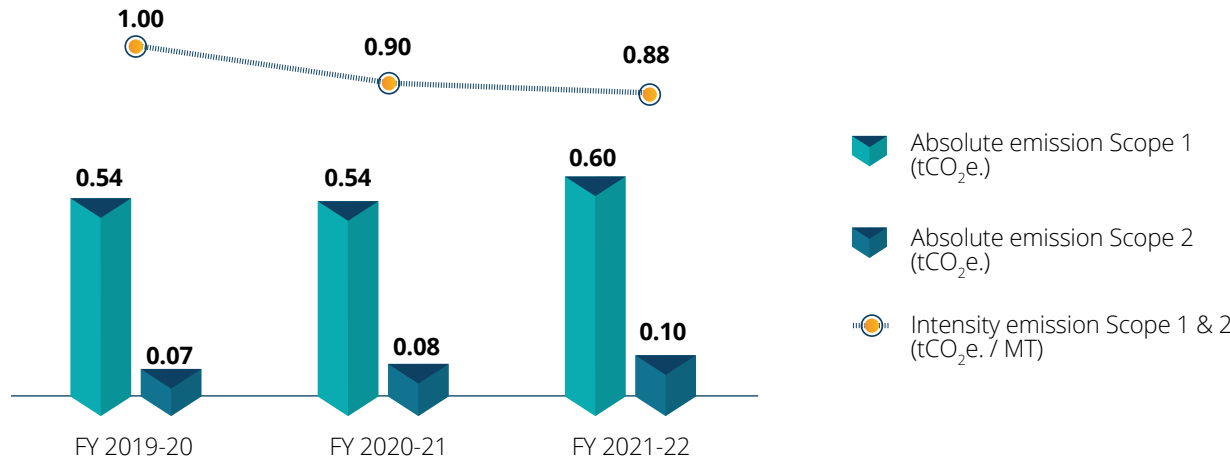
Calculation methodology

Emission factors are used to calculate emissions for all direct emission-related activities as per IPCC guidelines for GHG inventories (2006). We used the Baseline Carbon Dioxide Emission Database Version 17 factor for indirect emissions (i.e., purchased electricity). For Scope 3, emissions factors of the included materials were sourced from publicly available databases such as Ecoinvent and IPCC, and sustainability reports of peers of our suppliers,

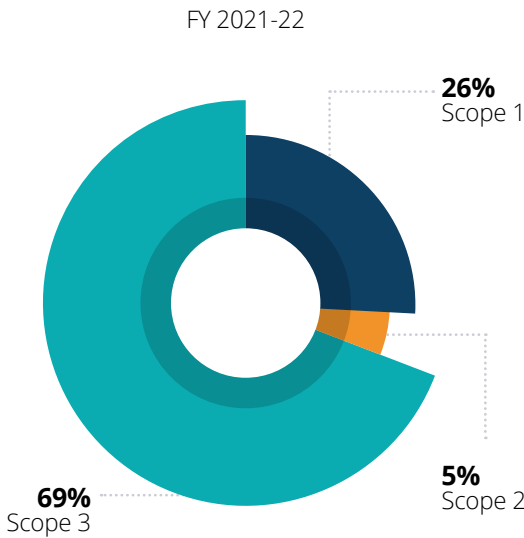
etc. The GHG emission intensity in terms of MTCO₂e per unit of revenue of manufacturers of capital goods was extracted from the published sustainability reports and IPCC 2006 methodology, DEFRA and the GHG Inventory Programme of India. The following standards, protocols, or methodologies have been used to collect activity data and calculate emissions. We have used the India GHG Inventory Programme, IPCC Guidelines for National Greenhouse Gas Inventories, 2006, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), The Greenhouse Gas Protocol: Scope 2 Guidance.

GHG Emissions

Our Scope 1 and Scope 2 emissions have increased by 13% during the reporting period due to an increase in production by 17% and our intensity emissions have decreased by 3%. With an aim of reducing our scope 1 and scope 2 emissions, AIL has undertaken initiatives towards achieving energy conservation, energy efficiency, and process optimization. With this, we have achieved an emission saving of 92,630 tCO₂e/annum during the reporting period.



As a responsible organisation, we recognize the significance of scope 3 emissions in our supply chain. We used primary data and secondary emission factors to calculate these numbers. Our calculations show that scope 3 emissions account for 69% of all GHG emissions. We have selected and calculated the Scope 3 category for the reporting period using a certain screening and prioritization method and all category data has been collected based on availability and accuracy. Our scope 3 emissions cover 9 out of 15 categories and are relevant to AIL's value chain. During the reporting period, our scope-3 emissions were 15,56,065 tCO₂e, post this, we started to focus our efforts on reducing Scope 3 emissions. In the future, we intend to use primary data to estimate scope 3 emissions with more precision and to develop a strategic plan to reduce scope 3 emissions.



Emissions inventory	FY 2021-2022 (tCO2e.)
Scope 1	
Coal	5,63,069
Natural Gas	3,205
Diesel	669
LDO	607
FO	73
Process CO ₂ e emissions	31,928
Subtotal	5,99,553
Scope 2	
Purchased electricity	87,168
Purchased steam	16,310
Subtotal	1,03,478
Scope 1 and 2 GHG Emissions	7,03,031
Scope 3	
Purchased Goods and Services	11,89,713
Capital Goods	1,35,113
Fuel and Energy	1,20,572
Upstream T&D	52,163
Waste Generated	11,108
Business Travel	161
Employee Commuting	15,653
Upstream Leased Assets	6,190
Downstream T&D	25,392
Investments	Not applicable
Processing of sold goods	Not applicable
Use of sold goods	Not applicable
End of life treatment for sold goods	Not applicable
Downstream leased assets	Not applicable
Franchises	Not applicable
Subtotal	15,56,065

Vapor Absorption Machine (VAM)

At AIL, for our industrial process, we use thermal energy to produce steam or heat. Following the processes, the heat is dissipated into the environment as waste. Aarti recovered 9,59,966 GJ of steam from waste heat during the reporting period. This waste heat was converted into useful refrigeration for chilled water production by installing a 300 tons of refrigeration (TR) Vapor Absorption Machine (VAM) at our facility. We saved 15 TPH of steam after the installation of VAM compared to the chilling compressor. This has resulted in a reduction of 1,481 tCO₂e/annum.



Air Emission

Various air emissions such as oxides of nitrogen and sulphur, particulate matter, Volatile Organic Compounds (VOCs), etc., are associated with our manufacturing operations. We are committed to maintain such emissions at a level well below the norms prescribed by

the Air (Prevention and control of pollution) Act, 1981 (and amended from time to time) and Environment Protection Act, 1986 rules and regulations. To control and achieve certain emission levels, we have undertaken several initiatives to manage waste gas & reduce air pollution.

The significant initiatives are:

1. Installation of Automatic Lime Dosing along with coal to reduce SO₂ emission
2. Installation of process scrubbers to treat waste gas from manufacturing processes
3. Installation of Air Pollution Control Measures (APCM) to control flue gas emission
4. Periodical measurement of process gas, flue gas & ambient air parameters
5. Installation of covered conveyor belt for coal handling
6. Installation of water sprinklers system in coal and ash handling area
7. Installation of dust extraction systems
8. Green belt development

The process emissions from manufacturing activities are abated by installations of scrubbing mechanisms where various scrubbing solutions are used for the absorption of process gases. Measures to treat flue gas emissions from utility operations (e.g., boilers, thermopack, power plants, etc) are controlled by providing Air Pollution Control Measures (APCM's). Furthermore, we have implemented several measures for minimizing NOx emissions:

- Scrubbing NOx to produce Nitrosyl Sulphuric Acid
- Installation of water and caustic scrubbers for abatement of NOx
- Installation of a scrubber system for storage tanks
- Installation of a multi-stage scrubbing system for NOx from the nitration process

Air Emission (MT)	FY 2020-21	FY 2021-22
PM Emission	458	455
SOx Emission	755	798
NOx Emission	276	350

Our air emission is increased due to an increase in coal consumption.

Furthermore, our emissions from all our critical processes are measured and monitored through an online monitoring system. 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 an external monitoring system. This system ensures enclosure of emissions, and all our systems are connected to the Central Control Pollution Board (CPCB) server.

We do not use any Ozone Depleting Substance (ODS) in our manufacturing operations; therefore, there are no emissions of ODS from our manufacturing facilities.

Installation of scrubber systems for storage tanks

In the manufacturing of one of our products, NOx is released as a process emission. Installation of scrubber systems for storage tanks is for the implementation process for the abatement of NOx. NOx emissions are generated from the loading and unloading of products from storage tanks. These storage tanks are provided with a venting system attached to a blower. The vent line and blower system are connected to a multistage scrubber system, which consists of a primary scrubber followed by a secondary scrubber.

Water Stewardship

GRI 303-1, 303-2, 303-3, 303-4, 303-5

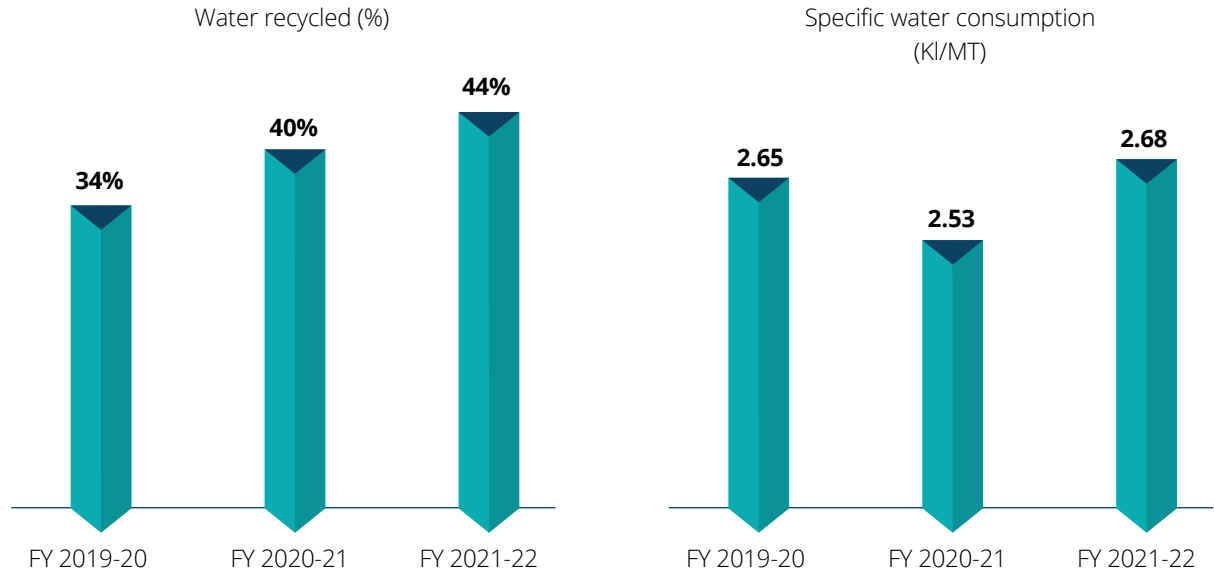
At AIL, water is used in a various of processes, including heating and cooling products and equipment; creating vacuum; producing steam; preparing solvents and reaction media; extractive or absorptive reagents; product rinsing; distillation and washing. Water is primarily used as a medium in chemical processing, resulting in significant effluent generation.

We are mindful of the fact that our operations are in geographies with extremely high risk (risk score 4-5 as per the WRI Water Risk Atlas). We have adopted water conservation measures across the industry, installing cooling systems with reduced water consumption and control measures to monitor and prevent groundwater contamination. Measures are put in place to treat or reduce pollutants discharged into the water and solvent recovery from wastewater (WW) streams.

To reduce freshwater consumption, we use effluent treatment plants and reverse osmosis processes. Rejects from RO are routed to MEE and ATFD systems for treatment, reducing the system's reliance on freshwater. 10 out of 16 of our manufacturing units under the reporting boundary are ZLD facilities. Furthermore, all our upcoming units would be ZLD ready facilities.

During FY 2021-22, the total freshwater withdrawal was 23,29,428 kl as against 18,47,766 kl of FY 2020-21. The total water recycled during FY 2021-22 was 10,29,293 kl as against 8,98,773 kl of FY 2020-21. Our ratio of recycled water used to water received has significantly improved to 44% in FY 2021-22 from 40% in FY 2020-21.

Our specific water consumption has increased to 2.68 kl/MT of production in FY 2021-22 from 2.53 kl/MT, mainly due to change in boundary with addition of two new commissioned divisions.



Operational water		FY 2021-22 (kl)
Water withdrawal		23,29,428
Water recycled		10,29,293
Water discharged		1,76,140
Water consumed		21,53,287

Water Intensity		FY 2021-22 (kl/MT)
Specific water consumption per unit of product		2.68

Water		%
Percentage of water recycled		44%

Rain Water Harvesting

AIL has established rainwater harvesting systems by building 3,959 m² of catchment areas across locations such as Tarapur, Vapi, Jhagadia, Dahej. 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. As per estimations arrived through the dimensions of the catchment area, approximately 6,010 KL of rainwater was harvested. Further, we have planned to increase our catchment area across AIL by approx. 18,784 m².



Reduction of water consumption through use of efficient technology

1. Replacement of steam-jet ejectors with Vacuum pump

In water management, one of our initiatives for reducing water consumption by implementing efficient technology is replacing steam-jet ejectors with Vacuum pumps. Ejectors were used for vacuum in distillation units, causing contaminated water generation, which required further treatment of effluent water. All the ejector systems were replaced with vacuum pumps. As a result of these initiatives, the reduction in water consumption was 1700 KL/annum.

2. Installation of Stripper to reduce COD of process effluent

With an objective to recover usable material from effluent and reduce effluent load, the high COD effluent from one of the plant streams which was initially sent to ETP, hampering performance of the biological system and lowering the recovery of the RO system, was passed through a stripper column. The stripper helped us to successfully recover the material and reduce the COD to 5000 ppm.

3. Wastewater recycling using Scaleban system

One of the measures implemented for reducing wastewater generation from cooling towers is adoption of Scaleban Technology. Scale Ban works on the galvanic principle, where the pH value of the feed fluid has been locally enhanced with the purpose of increasing electronegativity in the fluid flow direction. This technology has enabled us to operate cooling towers at high TDS, thereby leading to water conservation.



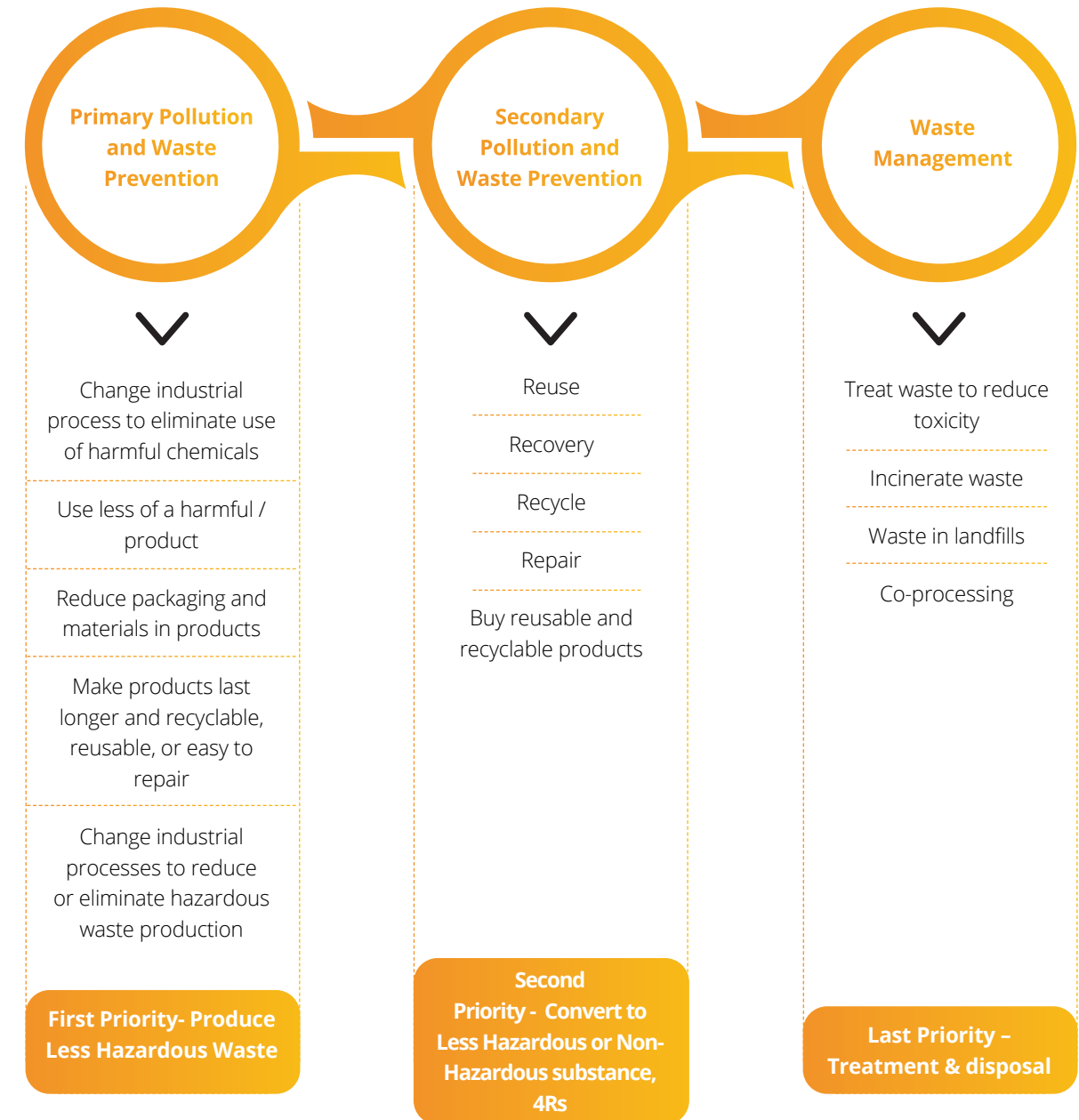
Waste management

GRI 306-1, 306-2, 306-3, 306-4, 306-5

We are in the process of manufacturing specialty chemicals that are hazardous in nature. By the nature of chemistry itself, our operations are subjected to the generation of hazardous waste. Our R&D and technology management teams continuously strive to reduce waste generation by improving the performance of existing technologies and considering the principles of sustainability in the design of new products. We have adopted standardized protocols for waste identification and categorization, waste collection and segregation,

labeling, storage, and responsible disposal of hazardous and non-hazardous waste. Our waste management policies are intended to handle hazardous and non-hazardous waste in accordance with legal requirements and globally accepted best practices.

Our waste management approach is systematically divided into three priorities depending upon the various operating conditions and type of waste generated.



Circular Economy

At AIL, we have implemented systems and processes to reduce, reuse, recycle and recover waste. This creates opportunities for refurbishment, recycling, and reusing, resulting in an alternative source of material input for processes. We strive to contribute to the circular economy through minimizing waste generation and maximizing recycling and reuse.

Our efforts on a circular economy includes inhouse utilisation of by-products & spent acids , co-processing of hazardous waste, sending fly ash to brick manufacturers, recycling of used oil, composting of food waste into fertilizer, and selling them to end-users/utilizers, etc. For FY 2021-22, more than 85% of the hazardous and 100% of non-hazardous waste have been recycled.

Responsible Waste Disposal

The operations of the manufacturing specialty chemicals produce hazardous waste by its chemistry, hence we take the entire responsibility of disposing it responsibly as per the Rule 9 of Hazardous and Other Wastes (Management and Transboundary Movement) Rules 2016. The sites of all our partnered vendors responsible for reusing and processing the waste are audited by our

audit team for the integrity of their operations, utilization of the hazardous waste in a safe and environmentally sound manner and with its comprehensive legal compliance. Their procedures are validated. The vendors that are successfully evaluated become part of our approved vendor list. In the FY 2021-22 we audited 36 number of end users.

Hazardous waste	FY 2021-22 (MT)
Hazardous waste to co-processing	3,431
Hazardous waste reused	1,01,497
Hazardous waste sent to recyclers	2,39,109
Hazardous waste sent to landfills	30,874
Hazardous waste sent for incineration	5,457

Non-hazardous waste	FY 2021-22 (MT)
Non-hazardous waste sent to recyclers	33,711

Association with cement industry for co-processing

AIL's initiative of co-processing of process waste, has led in diverting waste from landfill, thereby reducing the environmental impact. With this intervention high boiler incinerable waste, generated during processing at various sites, was sent as fuel to the cement industry. This further enabled in diverting approximately 6,237 MT/annum of incinerable & landfill waste, resulting in carbon footprint reduction of 1,899 MT/annum.

With this initiative, approximately 186.9 MT /annum of low calorific value CaCl₂ sludge has been diverted to the cement industry, thereby reducing the overall load on landfill.



Shredding of Non-contaminated paper/carton box instead of incineration

We conducted a trial for non-contaminated paper/carton box shredding using a shredding machine at several AIL units. This allowed us to send our waste to a paper recycler. In its existing condition, the unit is sending/selling the paper/carton box to enterprises without any shredding. Non-Contaminated Plastic and paper waste are disposed of in landfills, which is not a sustainable practice because we do not send it to recyclers and instead dispose it in landfills. The benefit from shredding will allow us to send our waste to a paper recycler. Safer disposal and recycling of paper and cardboard box waste results in the complete elimination of non-contaminated paper and plastic waste disposal in landfill sites. For FY 21-22, 100% of non-hazardous waste has been recycled.



Compliance
GRI 2-27

Maintaining compliance with the requirements of relevant laws and regulations is a must for any business to continue its operations. Compliance with international voluntary standards, in addition to legal requirements, enables a business to achieve operational excellence. An organisation's reputation, business license, goodwill, and ability to avoid financial and non-financial fines and sanctions can all suffer in case of a compliance breach. On the other hand, a strong compliance program aids in raising output, increasing effectiveness, and reducing accidents.

At AIL, we are committed to having 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 compliance procedure. Additionally, we have adopted a proactive approach to ensure adherence to the best practices regarding compliance management. Special

Significant spills
GRI 306-3

Spills of any kind can have harmful impact on human and ecological health due to the hazardous nature of our materials, products, and waste products. To prevent spills of any kind, we have adopted engineering solutions, and closely adhere to SOPs because we are aware of the severe hazards connected with such spills. To neutralize and collect free liquids and stop them from harming fresh water or groundwater, we have designed and applied spill response and clean-up techniques. We have implemented cutting-edge spill

Ecosystem and Biodiversity Protection
GRI 304-1, 304-2, 304-3, 304-4

Our operating locations are in Notified Industrial estate. None of our working locations is near a protected area or a high-biodiversity area. Our operations have no significant effects on the biodiversity ecosystem. We don't have any restored ecosystems or areas under our

training is provided to inform our employees about applicable regulations. Furthermore, we have established a compliance governance system where compliance is monitored at different levels through internal audit protocols and reviewed by the company directors. We also undergo focussed third-party compliance audits of our systems and processes concerning compliance aspects.

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

These interventions have helped us achieve 100% compliance with applicable regulations. During the reporting period, monetary or non-monetary penalties were not imposed on us pertaining to regulatory compliance.

management procedures that make use of cutting-edge safety equipment and supplies. We use the American Petroleum Institute (API 754) classification for spill management. As per this system, events are classified into Tier-2, Tier-3, and Tier-4 categories, with Tier-1 being the most serious event having significant consequences, while Tier-4 refers to deviations from the prescribed SOPs. During the reporting period, there were no major chemical spills falling into Tier-1 category.

stewardship. Additionally, we strive to maintain green belts at our operating locations in accordance with prescribed norms and industry practices. We planted 12,000 trees in Vapi, Jhagadia, Dahej, and Kutch.



Material management
GRI 301-1, 301-2

Being a specialty chemicals manufacturing firm, we use several hazardous materials in our operations. Some of our raw materials are derivatives of the petroleum value chain. We strive to promote responsible sourcing and use of materials through sustainable procurement strategy, which is a value-chain based strategic approach. Our core competence is in generating value-

added products from commodity raw materials. We specialise in derivatives of benzene and toluene, which are the major raw materials used in our operations. We focus strongly on evaluating the potential for value addition and marketability of various co-products and by-products produced in our operations.

Material metrics	FY 2021-22 (MT)
Directly sourced raw material	5,79,789
Materials recycled (Same division)	1,01,497
Materials recycled (Other division)	1,37,170
Associate Process Materials (APM)	13,650
Packaging materials	26,645

We reuse spent acid and hazardous waste generated in our plants within the boundaries of AIL. The total quantity of waste material reused in the same division

during the reporting period was 1,01,497 metric ton and the other division was 1,37,170 metric ton, which was 27.7 % of the total raw material consumption.

Sustainable Supply Chain Management
GRI 308-1, 308-2, 414-1, 414-2

Resilient supply chain is paramount for business sustainability for us, as we depend heavily on conventional raw material due to the nature of operation. Procurement is an essential component of the supply chain. We are dedicated to obtaining raw materials and other supplies in a safe, secure, and long-term sustainable manner. Hence supplier sustainability becomes a very essential part of our business resilience. For us, our suppliers are our 'business partners' as they play a very critical role in contributing to our success and growth. We engage with our suppliers through supplier sustainability programs to create awareness among them, build their competencies through training programs and help them build sustainable practices. Our procurement policy outlines a fair and transparent onboarding and management approach for vendors. Performance in terms of Quality, Environmental, Health, and Safety (EHS) characteristics is one of our evaluation criteria. Governance, ethics and compliance, fair business practices, labour and human rights, health and safety and environment are the parameters on which our suppliers are assessed. Our suppliers are categorized as low, medium, and high risk. We also organized various learning sessions on the importance of ESG for them. This further resulted in lowering their ESG risk.

In FY 2020-21, 59 high risk suppliers were identified, we engaged with them to build on Sustainability practices, as a result 50 suppliers were recategorized as low and medium risk due to their developments in sustainability practices, 7 suppliers were blocked temporarily for further engagement due to their poor commitment and we are engaging with remaining 2 high risk suppliers.



We on boarded, an external agency for conducting the sustainability assessments of our suppliers based on AIL's sustainability protocol. We strengthened our protocol including criteria on Climate change, environment, health & safety, labour and human rights and governance such as ethics and compliance, fair business practices, anti-bribery, etc. In FY 2021-22, 189 new suppliers were added, out of which 14 were screened on ESG criteria, and 7 suppliers out of 14 have been identified as low and medium risk. We are engaging with the remaining 7 suppliers to improve their sustainability practices. For the remaining suppliers, a schedule has been prepared for their evaluation.

Further, in FY 2021-22 we assessed 79 existing business partners contributing to 38% of spent, for their ESG performance on AIL supplier sustainability protocol. Out of these, 36 have been identified as high risk business partners. We are further engaging with high risk business partners for their capability building on ESG.

Sustainable procurement

Practicing a sustainable and transparent procurement policy, we provide all our suppliers with the General Conditions of the Contract (GCC), General Conditions of Purchase (GCP), Supplier Code of Conduct, Responsible Procurement Policy and POSH policy that comprehensively cover ESG issues.

During the reporting period, we spent a total of INR 3,050 Cr on the procurement of raw materials and INR 1,038 Cr on the purchase of engineering goods and services. We are committed to purchasing from a local supplier and define local suppliers as those having operating locations within the territorial boundary of India. During the reporting period, 77% of our raw material by value supplies were sourced from local suppliers, while 98% of engineering goods by value were sourced from local suppliers. AIL paid specific attention to MSMEs / small producers and directly purchased INR 524.6 Cr worth of raw materials. Furthermore, INR 457.626 Cr worth of materials were

purchased within the district and neighbouring districts, thereby encouraging local procurement.

Our continuous commitment and efforts towards imbuing a culture of sustainable practices among our business partners were acknowledged in the form of 'Best Supplier Relationship Management Initiative Award' in CIPS Asia Excellence in Procurement Awards 2022. We promoted a sustainable ecosystem by felicitating our business partners at the Sustainable Business Partner Conclave.

Sustainable Business Partner Conclave

We held our first Sustainable Business Partner Conclave on 25th February 2022, by felicitating 74 Sustainable Business Partners. The Business Partners who were identified as "Sustainable" under the Environment, Social & Governance (ESG) parameters during the 2021-22 assessment were felicitated at the conclave. More than 100 participants from 74 Business Houses attended the conclave. The attendees were

enlightened on the importance of Sustainability, Climate Change, Sustainable Procurement and Circular Economy by eminent speakers. The conclave served as a platform to discuss on the idea of creating a Sustainable Supply Chain Ecosystem. As a token of appreciation, mementos and certificates were awarded to the Business Partners. The event also stimulated the commitment of award winners to invest valuable time and energy in transforming their Supply Chain Partners towards Sustainability.



Our People



At AIL, our People bind our functions thus forming the core of our competencies. It can be unambiguously asserted that a productive, committed, and motivated workforce is the driving force for any organisation. In our aspiration to become the employer of choice for our talents, we strive to build a diverse workforce, inclusive work environment, and effective people processes.

We believe that employee experience is one of the most important determinants of employee motivation. At AIL, we have undertaken several employee engagement initiatives aimed at augmenting their wellbeing, enhancing physical and psychological health, and building cohesive bonds between organisation and people. We continuously seek feedback from our people and take necessary corrective actions.

We are also committed to ensure continuous learning and development of our people. Our structured training programme is based on scientifically assessed needs of the people, industry, and organisation. Such training programmes not only ensure enhanced productivity but also prepare them for their professional journey.

Kirit Mehta,
Executive Director



Material Topic

Employment

Training and
Education

Local
Communities

SDGs



Our High Performing Teams

GRI 2-7, 2-8, 401-1

Our stakeholders have contributed immensely to our successful journey. The most important stakeholders in our business are our people. In addition to demonstrating the greatest degree of environmental and social responsibility, our people have encouraged us to leverage our purpose of creating 'right chemistry for a brighter tomorrow' and achieve business resilience through responsible operations. Our actions towards people are guided by our core values of 'Care,' 'Integrity,' and 'Excellence'.

We recruit top talents from renowned business and engineering institutes. We have adopted a merit-based, transparent recruitment process that includes both campus and lateral hiring. We are an equal opportunity

employer and we do not discriminate against our people based on religion, caste, gender, ethnicity, race, language, etc.

As of 31st March 2022, we have a total of 5,828 permanent employees in our organisation which is 13% higher than the number of employees as on 31st March 2021. Women on boards in our workforce increased to 2.7% in the current reporting year. We hired 1,492 new employees and women constituted 4.2% of our newly hired employees. During FY 2021-22, our employee turnover rate increased from 9% to 16.46%. Currently, 100% of our workforce including the senior leadership team are hired from the local community.

Honing AIL's Leadership with Agility Workshop

It is essential to have an agile and responsive leadership team to establish the foundation for Aarti's 2022-26 goals. We conducted an agility workshop for AIL's leaders on these lines. The workshop has been an important step in shaping the agility of the Leadership team. 200 hours of workshop sessions were conducted for the Executive and Senior Leader job family and 388 hours of sessions were held for the Leader job family.

Beginning with an introduction to agility and its importance in business, as well as an explanation of how COVID has caused companies to become more agile, case study models were used to emphasise the importance of agile decision making, during the workshop. This was followed by a team activity in which teams were tasked with identifying roadblocks to leadership agility. In the workshop, a team activity called "Shark Tank" was introduced. The pitches were evaluated by a panel of judges (AIL's Senior Leadership Team and the Korn Ferry Team) to address AIL's agility derailleurs in a thorough manner.



Aaghaz

Aaghaz is a holistic functional learning journey designed for the campus recruits providing them a blend of classroom and on-the job training by our internal subject matter experts, and Senior Leadership team. Aaghaz, our induction program, introduces campus recruits to AIL's Business functions, Culture, Values and Mission while giving them an opportunity to interact with the leadership team and gain insights from their extensive expertise. Followed by Aaghaz, Progressio, a one year development plan for our management trainees takes them through functional training, plant visits, projects, Gyan Sandhi and other relevant exposure.

Through Aaghaz, our three-day induction session, we onboarded 2612 bright talents from renowned institutes.



Number of
new joinees

261

Number of
institutes

45

Percentage of
female joinees

15%

Aaghaz serves as a platform for the leadership team AIL to share with the budding professionals our growth plans, strategic objectives and expected contributions from their respective roles. Aaghaz brings the opportunity for the campus joinees to interact with the leadership team and derive insights from their rich experiences. At AIL, we always endeavor to onboard the brightest talents, nurture them through various learning interventions and create a strong pipeline for future Leadership roles.

Human Rights and Labour Practices

GRI 408-1, 409-1, 411-1

Our endeavours towards protection of human rights are guided by the UDHR and other international standards on human rights protection and promotion. 100 percent of our employees are trained on human rights policies and procedures. We also engaged Ekjaa foundation NGO in training our people on the requirements of labour and human rights.

We have developed a comprehensive Human Rights due diligence framework for a systematic assessing of our operations. We have undertaken human right vulnerability assessment at our operation locations for addressing human rights risks, mitigating impacts, and monitoring and reporting performance in order to substantiate our commitment with respect to Human rights in all our business operations. Respecting human

rights are also extended to our business partners in the form of their alignment on AIL's policies, and contract agreements. For FY 2021-22, no incidents of violation of human rights were reported.

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).

During the reporting period, there has been no case of child labour observed at our manufacturing sites and offices.

Employee Benefit Programme

GRI 401-2, 401-3

Our employees are our priority and we provide numerous benefits to them for ensuring their well-being. Health insurance, term life insurance, group personal accident insurance, Employee Pension Scheme, Employee Provident Fund Scheme, Employee State Insurance Corporation Scheme (as appropriate), and other benefits are available to all our employees. To

ensure our employees and their families are safe during the pandemic, we have facilitated COVID vaccination for our people and their family members, including contractual workers. A strong COVID help desk was formed to help and coordinate with all employees affected with COVID-19.

Navodaya Portal: Promoting Internal Recruitment

We have strategically conceptualized and implemented a competency building initiative with an aim to develop almost 80% of employees with next level competencies in the next two year and 20% employees in each family for higher responsibility. Through Navodaya - our Internal Job Posting, we provide opportunities for our in-house future ready employees to grow and develop. It enables employees to take on higher roles and responsibilities, allowing them to pursue their professional goals and developing potential. In FY 2021-22, 183 employees took different or higher roles in the organisation.

Making AIL a better place to work

With an ambition to make AIL a better place to work, we have initiated several employee engagement initiative, some of which have been mentioned below:

- » **Nirvana:** Designed with an aim to build a better world at work, Nirvana was launched with the intention to promote physical, emotional, and mental wellbeing at the workplace. It aims to ensure that employees at AIL are enlightened and encouraged to take care of their own self as they discharge their professional duties.
- » **Fit Fridays:** Fit Fridays is our bi weekly physical well being initiative that focuses on improving the physical health of our people through trained instructors in the areas of Yoga.
- » **Anahata:** Employee Assistance Programme (EAP) initiative under the banner of Anahata has been in practice which provides employee assistance services to employees and their family members through a specialized agency. Through this platform, employees have access to various wellbeing assessments, confidential counselling sessions which are of immense help to the employees, thus creating an environment of care within the organisation. roles in the organisation.

Parental Leaves

All our employees are entitled for availing parental leaves. Exceeding the regulatory requirement of 26 weeks leaves, we provide maternity leave for 30 weeks guided by our value of "Care". In addition, we have a

provision for 5-day paternity leave. During the reporting period, none of the female employees availed the parental leave, however 249 male employees availed parental leaves and 100% of the employees returned to work after completion of the leave period.

Equal Opportunity

GRI 405-1, 405-2, 406-1

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 AIL, we adhere to merit-based recruitment norms. 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.

- » Increase women diversity
- » Infrastructure for differently abled employee
- » Transparent recruitment process
- » Integration of senior employee
- » Inclusive work environment
- » Provision of Festive holidays

Gender Diversity

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

- » **Infrastructure facilities:** We offer best in class creche and office infrastructure to provide a comfortable working environment for female employees.
- » **Wellbeing of women employees:** We undertake initiatives like Anahata and Nirvana to provide counseling to women employees for maintaining mental and physical well being.
- » **Diversity Celebration:** We organized a special session on Health Awareness as a part of Women's

Day celebration across Aarti Industries.

- » **Leadership Hiring:** We create leadership opportunities for women employees via identifying and onboarding women leaders across all the service functions.
- » **Introduction of women care policies:** We introduced benefits like Work from Home Policy wherein WFH can be combined with Maternity Leave for our women employees.
- » **Training of Women employees for Safety & well being:** Training were organized on Prevention of Sexual Harassment (POSH), Self protection, and Diet & Nutrition for the overall safety and well being of our women employees.



Women's Day Celebration

Creches

With an intention to adopt measures for child-care support, we have a provision of creche facilities at our sites for our employees at our sites.

Celebrating Gender Diversity: Women @AIL

To empower, recognize, and motivate women participants in our workforce, we launched a special initiative "Women @ AIL". Under this initiative we invite women employees to share their experience at AIL, their professional aspirations, and feedback on the workplace culture. It helps not only make their voices heard, but also ensures development of women-friendly, inclusive, and conducive work environment.

EXPERIENCES OF WOMEN@AIL



Rupannita Choudhury, Employee Experience

After working in industry for 13 years, joining Aarti with a fresh pair of eyes has been a great experience. It's been 3 months since I have become a part of the family, however the last three months were full of energy, rigor, enthusiasm and thrill. Sharing the same vision and working towards it, seeking alignment, collaborating and following integrity are some of the attributes of the organization that has caught my attention as a new member. As a part of the employee experience team, me and my team have an opportunity to work for all the touch-points that contribute towards providing a great experience to our Aarti family members. I am really excited to work towards making Aarti an engaged organization.



Darshana Maru, Environment-Zone II

Taking baby steps, I have completed four years in AIL, and in the last four years I have not only grown as a professional but also as an individual. AIL has enabled me to carve my unique identity, make great friends, and meet charismatic leaders. I've never thought of myself as a female engineer, or a woman in tech. I just think of myself as someone who is passionate. Summing up my journey at AIL I would like to quote, "A strong woman knows she has strength enough for the journey, but a woman of strength knows it is in the journey where she will become strong".



Devyani Maloo, Capability Building

Every day in the last three years at AIL has been full of learning & new opportunities. Having joined AIL under the campus recruitment, what really made me stay here is the warmth that each team member has for the fellow team members.

I experience the AIL value of "Care" everyday at work. Reflecting the value of Integrity and Excellence, everyone is given an equal opportunity, irrespective of gender or any other difference.

At AIL, we are one team, one voice.

For me, AIL is my extended family that has enabled my personal & professional growth. I would like to thank everyone who helped me learn and build a better version of myself.

Eliminating Gender Pay Gap

At AIL, we look forward to creating an environment that is as diverse as the communities in which we operate; where all employees are able to be themselves, thrive and deliver great work. In partnership with our employee networks, we are building a culture of inclusion because

we know that a culture where people feel valued is one that brings greater engagement and delivers better business outcomes. Disclosing our diversity and pay gaps information is a first step towards strengthening our commitment towards being the preferred employer of choice.

Ratio of median salary by gender



Above graph highlighting the unadjusted pay gap of male to female employees indicates that female employees are paid marginally higher than male employees. Median salaries for females are higher than males in leadership

positions. Ratio of female salaries to male salaries at senior leader position is 1.14:1 and at leader position is 1.2:1.

Prevention of Sexual Harassment (POSH)

We want our organisation to be a safe workplace for all our employees. To create the safe work culture, we have a detailed policy on Prevention of Sexual Harassment at the Workplace. We have digitized the requirement of this policy and behaviors that each employee shall demonstrate at the workplace in a 60 minutes training module. It is mandatory for every employee to complete this training module. To strengthen our journey of POSH compliance and to take appropriate action against misconduct, we have an Internal Complaints Committee at each location. We have also trained the Internal Complaints (IC) Committee members on handling the POSH complaints, legal aspects, their role, responsibility, sensitivity and confidentiality pertaining to this aspect. Any female employee who feels subjected to sexual harassment can report to Internal Complaints Committee by writing to them at icc@aarti-industries.com. During the reporting period, one case of sexual harassment was identified, which further went through a thorough investigation, and stringent action was taken.

During the course of investigation, the affected employee was provided with all the required support.

Inclusion of specially-abled people

The premises of AIL has a state-of-the-art infrastructure equipped with requisite machinery and advanced technology and are accessible to special needs / differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016. We work consistently to provide workplaces free of discrimination for differently abled employees and workers. This diversity is promoted and respected without exception. Our office premises has wheelchair ramps for easy movement of differently-abled people and has wheelchair accessible restrooms.

During the reporting period, FY 2021-22, we had a total of 51 specially-abled employees and workers at AIL, all of which are male, out of which 13 are permanent employees, 9 are permanent workers and 29 are Contractual workers.

Performance Management

GRI 404-3

Performance appraisal was carried out on time for all our eligible employees. We have a well-defined digitized 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, Relevant, and Time-bound (SMART). Sustainability related parameters are also a part of set KPIs for each level of employee. The performance incentive of mid and senior-level personnel is linked with the sustainability performance of the Company.

Arjan

Reward & Recognition is one of the most important initiatives to recognize the contributions of individual employees and for exemplary team projects.

Maximum usage of online R&R platform (Arjan) was done in FY 2021-22, where managers used the platform to recognize the effort made by their team members. 9,15,16 Arjan points were distributed to 4,729 employees in FY 2021-22. The rewards are given on pillars like Strategy, People, Governance, Expansion and Manufacturing.

Our R&R initiative is practiced under below categories:





Learning and Development

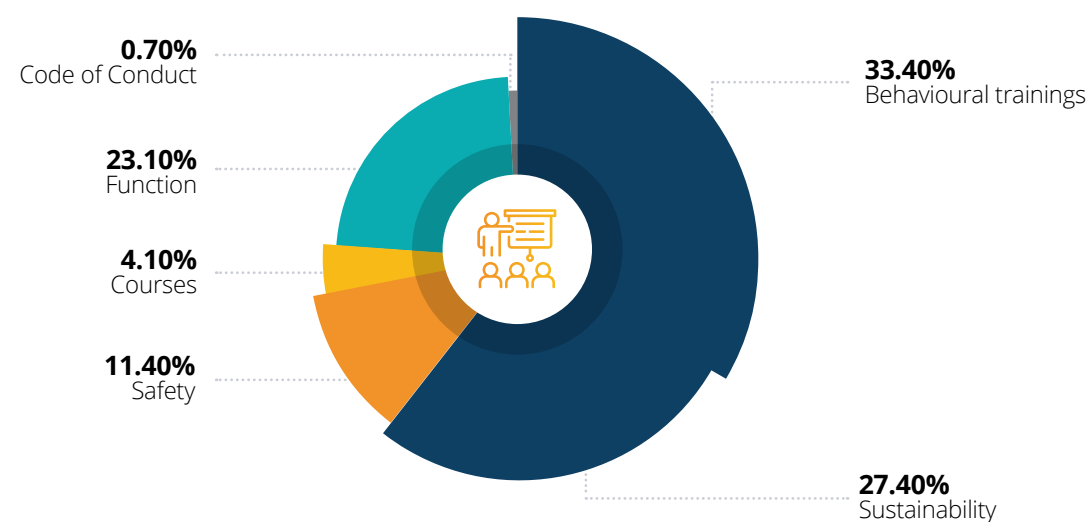
GRI 404-1, 404-2

We believe that the capability development of our people is critical for our performance. Having the right people with the necessary motivation, skills, and knowledge is a crucial success factor. AIL is dedicated to fostering talent development and building a high-performance learning culture in which our workers are empowered, driven, rewarded, and have ample opportunities to demonstrate their abilities and skills. 'Progressio-Aarambh' is our initiative to engage the campus recruit officer trainees/ management trainees in the progression of their career path while ensuring that the freshly recruited trainees get the right training and learning and are well equipped with the adequate resources and support.

At AIL, we have a well-structured learning and development system for enhancing the potentials of employees at all levels. 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 1,61,867 man hours of training which was 11% higher than that of FY 2020-21.

Our employees received over twenty-eight person hours of training during the reporting period. Our training includes themes of technical, system, behaviour, compliance, and sustainability.

Types of training



Training of contract workers

GRI 403-5

Contract workers form 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 68,061 man hours of training to contract workers. Average training man hours have been 10.26 hours during the reporting period.

Training of security personnel

GRI 410-1

All security personnel are briefed about relevant policies of the Company that serve as a base for them to function effectively. They are also trained for responder and fire security at all the manufacturing facilities. The security personnel (including third party organisations) 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 the Vendor, based on the weekly schedule. Special training based on different roles and responsibilities are also provided. During the reporting period, we provided a total of 3,912 man hours of training to security guards. Average training hours per security guard was 7.7 hours during the reporting period.



Employee Engagement

With the aim of becoming a Gallup certified "Exceptional Workplace", we conducted an employee engagement survey "Voice-1" in the year 2020. As part of the outcome of Voice-1, we took the following actions:



The second survey "Voice-2" was conducted in 2021 where employees across the organisation participated and made their opinions count. AIL scored 3.97 and areas for improvement comprised Employee well-being, Managerial effectiveness and Recognition. An integrated action plan has been prepared to work in the areas of improvement.



At Aarti Industries, culture is one of the core attributes that drive excellence. As a part of the hire-to-retire strategy, our focus is to onboard the right talent mix of experienced, fresh and enthusiastic talents across all levels of the organisation. Moving in this direction, we have successfully onboarded over 4,000 people in the last three years and plan to induct more than 2,000 people in the next two years. In the last financial year, we undertook a massive organisational restructuring where more than 60% of our senior leaders witnessed a change in their roles to shoulder higher responsibilities.

Various growth engines have been created for our internal talent growth, thus accomplishing 20% internal growth transitions in FY 22. In our endeavor to become a Best Place to Work, our second 'Voice' survey showed an upward trend in engagement levels. Our sustainable approach towards our talent well-being and growth was a substantial aspect in winning us the title of the 'Economic Times Future Ready Organisations'. This achievement testifies our commitment to stay ahead of the curve by living our values of 'Care, Integrity and Excellence'.

Manoj Sharma, Chief Human Resource Officer



Long-service award

We organized a ceremony to felicitate employees who have contributed over 25 years of their dedication and commitment to the growth journey of AIL.





Aarti Industries Limited is a Responsible, Sustainable and Value driven chemical manufacturing company. At Aarti, Safety and Sustainability drives our business activities and all our endeavors direct towards integrating sustainability principles.

We are currently in the process of upgrading our ESG Strategy to align it with emerging global trends and have also undertaken qualitative and quantitative scenario analysis to plan our decarbonization journey. We aspire to achieve desired objectives and exemplary industry leadership through successful implementation, appropriate monitoring, and sustained adoption of these initiatives.

Ajay Kumar Gupta,
Chief Manufacturing Officer



Occupational Health and Safety

GRI 403-1, 403-2, 403-3, 403-8

With a vision of having a strong emphasis on safety and well-being of all our stakeholders, Occupational health and safety is one of our key priorities. To ensure safety and well-being of our people, we have developed and adopted a robust, comprehensive, and reliable Occupational Health and Safety Management System under Aarti Management System. All our employees, contract employees and visitors are covered under our Occupational Health and Safety Management System.

Building a Culture of Safety

We firmly believe that sensitization and encouragement of the workforce is crucial for adopting required cultural

and behavioural approach towards occupational safety and sustainability. We are committed to keep ourselves engaged in building safety culture through different initiatives. We provide platforms for effective engagement like Safety Symposium, monthly safety themes, safety celebrations, safety competitions, safety training, engagement with neighbouring industries, etc.

We organized a safety symposium for our employees in FY 21-22 to share knowledge and challenges that have been faced by the safety team. It is a forum for the safety team to come together and share their experience with each other.



Aarti Medical Board

We have a 12 member Medical Board which comprises highly qualified doctors including specialists in diverse fields such as toxicology, cardiology, etc.

- » 24x7 well-equipped Occupational Health Centres with a dedicated full time medical team (FMOs & Nurses) and state-of-the-art medical facilities (Lab for testing Methemoglobin, in house G6PD testing; Audiometry, AED, Central Oxygen Line, Decontamination room, and Ambulances with advanced facilities).



COVID-19 Response

COVID-19 Pandemic has had a cascading impacts on global economy and industry. A multi-pronged approach comprising strengthening public health infrastructure, enhancing coverage of vaccines, and adherence with COVID Protocols helped us in overcoming the disastrous second wave. During the pandemic, we have demonstrated agility in our actions and approach. We have continued to adhere to safety precautions established in previous years across AIL.

Vaccination Drives

With focus on the health and prosperity of our people, we conducted mass vaccination drives across all locations of AIL. Online vaccine awareness sessions were conducted and information about the benefits of vaccination was displayed at prominent places. For employees above forty-five years of age, arrangements were made for their vaccination at various private hospitals. Driven by one of our core values of 'Care' to ensure safety of our employees, we have been able to vaccinate all of our Contract employees and their family members, Company employees and their family members.

COVID Warrior Felicitation

During the tiring times of the pandemic, to ensure safety of everyone, we had established a help desk to support and coordinate with all employees affected with the disease. To appreciate and praise the employees who volunteered during the said time, a 'COVID Warrior Felicitation' was organised, thereby inculcating the culture of appreciation at the workplace.



As a responsible organisation, it is our duty to contribute to our society and local communities where we operate. During the reporting period, we contributed nearly INR 301.36 lakhs towards COVID-19 relief initiatives and have impacted 49,580 beneficiaries with our relief activities.



Relief Efforts by AIL



Supply of medical infrastructure



Relief packages for poor people



Assistance to small scale business

Transporters' Meet

'Transporters' Meet' was organized to enhance the safety awareness during transportation. During the transporters' meet, the drivers were asked to share their insights for understanding opportunities of collaboration to build safe practices. We discussed our central transportation governance system that monitors vehicle movements and future plans for collaboration. The aim of the meet was to enlighten the transporters about the AIL's expectations and readiness to adopt sustainable practices.



Peer Learning Through Knowledge Capsule

Our knowledge-sharing initiative 'Knowledge Capsule' helps disseminate safety-related information to all employees. It helps the employees in being aware about Safety through guidelines, activities, Beacons, etc. This initiative is made to notify, warn and bring attention to safety topics like prevention of leakages, safety contacts, safe lifting operations, emergency command system and monsoon safety, amongst others. Started on April 1, 2022, we have already disseminated 100+ knowledge capsules.

Standing Instruction



Deviation Management

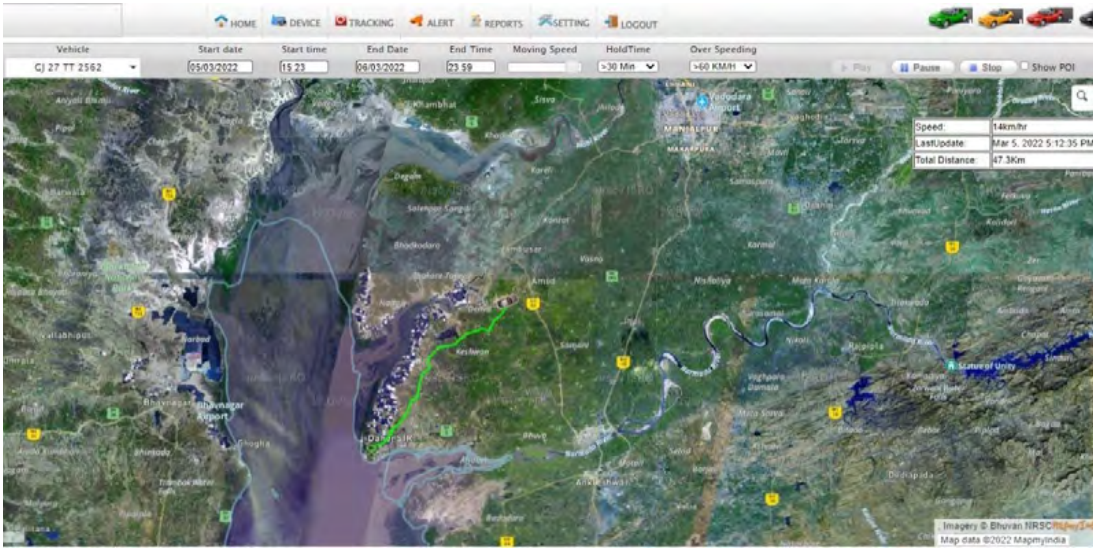
- All the deviations shall be reported immediately and shall be recorded on AIMS platform
- **Transparency & agility shall be maintained** in sharing critical deviations & promptness in actions at all levels
- First Information Report (FIR) shall be raised for all Safety & compliance Deviations in the same shift and shall be immediately communicated to respective plant managers/ research scientist (in case of ARTC), safety manager, environment manager, Division head, group head, and vertical head.
- In case the plant/site/Lab has been stopped due to S-IHC deviation (eg:- Process Safety Deviations such as lifting of PSV, RD, actuation of critical interlocks, emergency dumping/quenching, process fire) the plant/site shall restart only after approval of RCA by ZH/Vertical head, CSCH.
- IHC RCA of different discrete deviations shall be presented by respective division heads to Zone head and respective Vertical Head for their approval. RCA shall be approved within **3 days from the date of incident, wherein plant/site is under shut down and within 7 days from the date of incident wherein plant/site is not under shut down.**

Aarti Logistics Control Centre

We have incorporated Aarti Logistics Control Centre for tracking and monitoring of our vehicles carrying hazardous chemicals or hazardous waste for disposal. This system has been extended to other Aarti associated vehicles. Aarti Logistics Control Centre consists of 24*7 dedicated manpower along with well-equipped monitoring systems for handling any kind of emergency. The objective of Aarti Logistics Control Centre is to:

- » Provide 24*7 tracking and monitoring of Byproducts, finished goods and hazardous waste vehicles movements on the road
- » Raise alerts in case of violation of route, speed, unauthorised stoppage, rash driving, harsh brakes, etc
- » Monitor the driver's behaviour 24*7 and bring in discipline
- » Help transporters improve their productivity
- » Improve transport safety and provide 24*7 support in case of any emergency on the road

Aarti Logistics Control Centre



Process Safety Management

We have well established process safety procedures, practices and systems to evaluate the risk associated with manufacturing processes of hazardous chemicals. Hence, process safety is paramount for us. The process

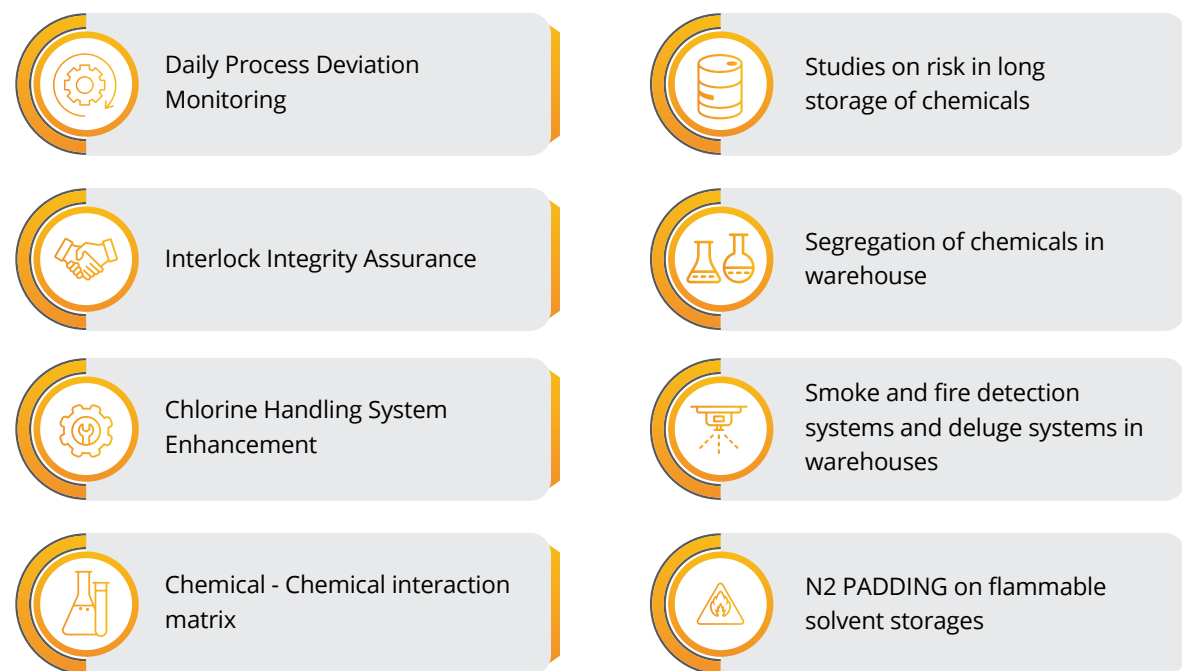
safety framework developed by us defines the process safety intervention and studies/aspects that have to be carried out at different stages:

<div>Development</div>		<div>Projects</div>			<div>Manufacturing</div>
Molecule Development at R&D	Pilot Scaleup	Pre-Commissioning	Commercial Scale-Up	Project Construction & Post Commissioning	Steady State Plant Operation
ERA	HAZOP	Visual Inspection & System Operability	HAZOP	Project Construction	Cyclic HAZOP
Desktop Screening			HIRA	Project Commissioning	HIRA
Thermal Studies			QRA	PSSR	Safety Audits
Process Safety Experimental Report			SIL	Gap Assessment - Design Intent	MOC
		Process Safety Information	Sitting Facility / Layout	Exposure Risk Assessment	PSSR
		SOC Alarms and interlocks	Powder Safety Analysis and ESD audits		QRA & SIL
		Powder Safety Analysis	Startup/shutdown/ NR checklist and RA		SOC Alarm & Interlocks Testing
					Pressure Systems Inspection
					Startup/shutdown/ NR checklist and RA

- » Chemical Reaction Hazard and Fire & Explosion Hazard testing data required for interpretation and informed decision-making during plant design and processing are generated in house through developed infrastructure and capability.
- » We conduct Powder Safety studies eg. MIE, MIT, LIT, Powder Resistivity, etc., for all new and existing powder handling operations.
- » Robust Hazard Identification & Risk Assessment

- Procedure - HIRA is done for each individual activity/ step involved in SOP along with implementation of Job Cycle Check procedure.
- » Further to this Safety Audits, storage condition validation and Process parameter validation are carried to enhance the process safety.
 - » The outcome of these process studies goes as an input to the design consideration and residual risks are communicated.

Process safety initiatives

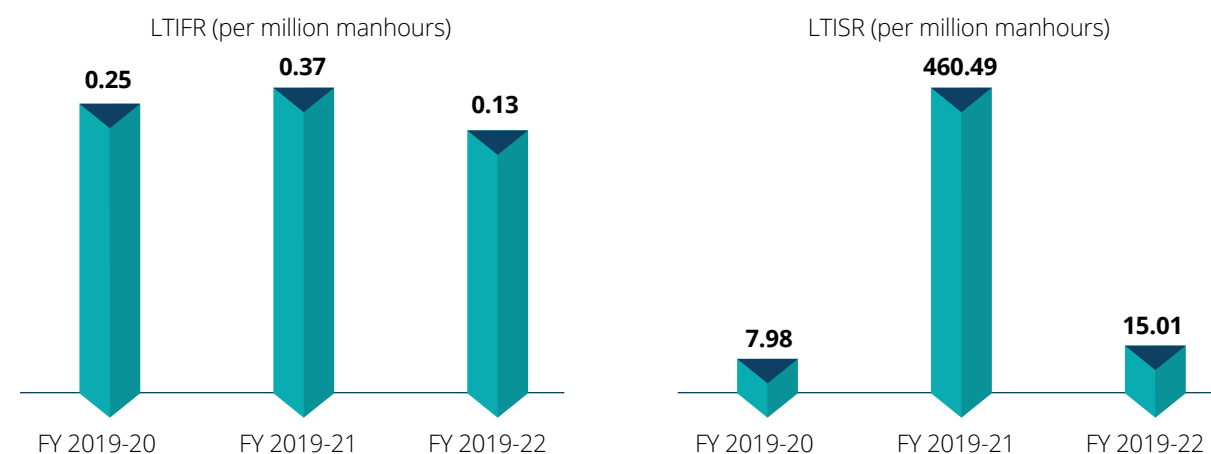


Work-related injuries

GRI 403-9

We follow International Labour Organisation (ILO) guidelines for monitoring work-related injuries. No fatality was reported in FY 2021-22. The outcome indicators – Lost Time Injury Frequency Rate (LTIFR) and

Lost Time Injury Severity Rate (LTISR) – form the core of our safety management among all metrics used to monitor. Lost Time Injury Frequency Rate (LTIFR) has significantly declined from the previous year.



No fatalities were reported in FY 2021-22

Product Stewardship

GRI 416-1



Guided by our purpose of creating of creating 'Right chemistry for a Brighter Tomorrow', we at ALL are committed to leveraging science to create a value proposition for our stakeholders. Being one of the leading players in the B2B specialty chemical segment and a market and product-driven organisation, our Research and Development efforts are directed at developing the efficient, inherently safe, environment friendly and scalable processes.

To further strengthen our efforts on product stewardship, we have developed a roadmap to assess the life cycle impacts of our existing key products and adopted the principles of Green Chemistry for new product development.

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. Under Product Stewardship we ensure to develop and produce chemicals that can be manufactured, transferred, used, and disposed of safely. We make health, safety and environmental considerations a priority in planning for existing and new products and processes. We are committed to minimize risk related to health, safety, security, environment during design, development, manufacturing, handling storage and distribution phase of our products.

In product selection, a utmost consideration is given to health, safety and environment. During Research & Development activity of the new product development, inherently safer chemical synthesis routes selection & development is taken care by considering, health, safety & environmental impact.

We endeavour to adhere to the norms described by the Global Product Stewardship (GPS). We strive to ensure that our products serve 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 they comply with the EU REACH compliance.

Risk characterization & Risk management

Aarti's Product Safety Stewardship program considers and addresses the health, environmental and safety factors throughout the life cycle of the products . Risk Characterization is an important element of this program. Risk consists of two main elements (i) hazard and (ii) exposure. Risk characterization evaluates the hazard and exposure characteristics using the information of a chemical. The health, environmental & safety data needed to characterize the potential risks of the products are taken from our GHS compliance Safety Data Sheet.

We have a process in place to prioritize our products to identify substances that may require a more detailed evaluation, assessment, and risk management controls. The product risk management is defined as the actions taken to evaluate and address risk, including any method to lower the impact or control the adverse effect on health and environment posed by the known hazards and reasonably anticipated exposures to products throughout a product's life cycle.

Our risk management approach is as mentioned below:

Risk Management Approach	High Priority 7/CMR	High Priority 8/CMR	High Priority 8/CMR	Medium Priority 4,5,6	Low priority 2,3
Elimination	✓	✓	✓		
Substitution	✓	✓	✓		
Isolate	✓	✓	✓		
Engineering controls	✓	✓	✓	✓	✓
Administrative controls	✓	✓	✓	✓	✓
PPE	✓	✓	✓	✓	✓

Life Cycle Technology Management (LCTM)

To strengthen our efforts in driving improvement projects for our existing products, we have conceptualised the Life Cycle Technology Management framework, to enhance productivity & reliability of existing processes. This includes extending support for troubleshooting and catering to plant requirements like process improvement, yield improvement, quality improvement, capacity debottle necking by product management, etc. with an ultimate goal to reduce carbon footprint and reduce environmental impact of our products. Till date, we have successfully completed 59 projects under LCTM and further 28 more projects are in the pipeline.

Intellectual Property: Securing IP rights, protecting IP of organisation and third party and advising non-infringing routes of synthesis/processes.

To facilitate our IP requirements in India and Abroad, we have liaised with a reputed and highly expert External Patent Attorney. In addition to this, Knowledge Management conducts technology landscapes with deep analysis tailored to business needs for effective utilization of literature knowledge, technology competitive intelligence to give cutting edge techno-economic and regulatory information. Our knowledge is secured by implementation of the practices of ISO27001: ISMS (Confidentiality, Integrity and Availability).

Knowledge Management

At ALL, we have a dedicated team working on Knowledge Management under R&D excellence to strengthen our strategies and create a roadmap for managing

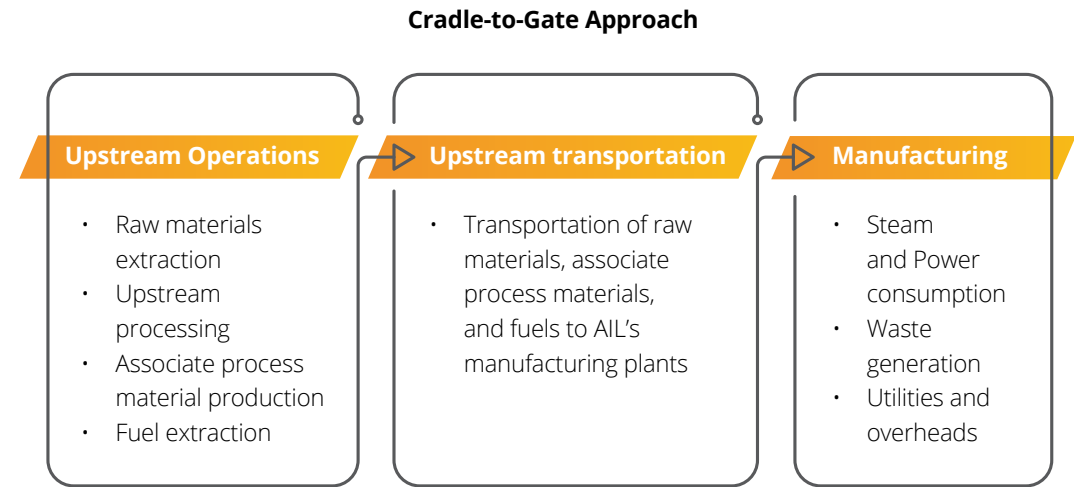
As of date, Knowledge Management has helped the organisation secure its Intellectual Property by filing 7 patent applications. 1 patent application is published whereas 6 others are due for 18 months publication.

Product Carbon Footprint

Product Carbon Footprint is the most established method for determining the climate impact of a product, considering the total greenhouse gas (GHG) emissions caused to produce a product, expressed as carbon dioxide equivalent.

ALL has estimated the product carbon footprint for more than 80% of the products. We have

developed our own methodology to calculate cradle-to-gate product carbon footprints which includes Scope-1, Scope-2 & Scope-3 GHG emissions. This methodology is based on ISO 14067:2018 for carbon footprint of products, which builds on the principles and requirements of the ISO standards 14040:2006 and 14044:2006 for life cycle assessment.



Customer Centricity

GRI 416-2, 417-1, 417-2, 418-1, 418-2

Our client-centric strategy and product stewardship have assisted us in growing and consolidating our customer base. As we aspire to become the 'Global Partner of Choice' for prominent specialty chemical manufacturers, Customer centricity, thus, plays a crucial factor for our success. Customer centricity has helped us in building differentiated business strategies that have allowed us to maintain a competitive advantage over time. We are periodically conducting customer satisfaction surveys to listen to our customers in order to serve

them in a better way. The survey comprised three Key areas; a) Product quality, b) Product packaging, c) Customer service.

Over 74% of our customers rated our product quality as good and excellent. Furthermore, more than 67% of our customers rated our product packaging as good and excellent. More than 93% of surveyed customers rated our customer service as good and excellent.



We believe that stakeholder value creation is one of the most important assets of an organisation. We define it as the cumulative tangible and intangible asset creation associated with long-term strategic relationships with various stakeholders. A robust stakeholder engagement process has helped us strengthen our business model by identifying and solving business challenges more effectively, building future readiness, and developing trust and goodwill amongst various partners.

We are committed to consolidate our relationship with various stakeholders by going beyond conventional paradigms of corporate social responsibility and value-chain partner engagement. We derive business resilience in our operations through a robust materiality assessment process and risk management framework which are based on intensive stakeholder consultations. We aspire to develop an inclusive ecosystem with shared value creation for all.

Manoj Chheda,
Chief Sales and Marketing Officer



Customer Health and Safety

Customer Health and Safety are paramount to us and hence we are committed towards it. We practice the highest level of health and safety standards in that domain. We follow GHS labelling and MSDS for documenting and communicating product specifications, hazards, and mitigation measures. We subscribe to the best practices prescribed by the European Union's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulations.

During the reporting period we did not receive any major complaint for health and safety issues from our customers, however, there were 13 complaints of minor

issues concerning labeling and packaging such as torn packaging and spillages. No penalties, sanctions, and show cause notices were issued by any regulatory authority for violation of product safety norms

Product end life

At Aarti, we have a complete process of handling the product at the end of life, every product which is manufactured at our facility has defined self life based on the study carried out at our R&D. We support our customer if requested to assist in treatment of the product at the end of its shelf life. For FY20 21-22 there were zero case of product end life treatment and hence no environmental impact.

Society



At AIL, we are driven by the philanthropic mindset of our founding leaders. Our Corporate Social Responsibility efforts predate the mandate of the Companies Act 2013. We firmly believe that giving back to society is not a matter of choice but a rightful obligation of the businesses.

Our CSR initiatives are based on the principle of inclusive growth and development and are in alignment with the national and global priorities. We are committed to contributing towards global efforts for achieving the Sustainable Development Goals (SDGs) outlined in the United Nations 2030 Agenda for Sustainable Development.

Our CSR efforts are directed at community upliftment through cluster development approaches with focus on education, women empowerment, skill development, environmental care, and healthcare. We have forged long-term partnerships with various NGOs working at grassroot level to ensure efficient, effective, and successful execution of CSR activities. We regularly undertake impact assessment exercises to understand effectiveness of our programmes, adopt learnings and take corrective actions.

Hetal Gogri Gala, Executive Director



We are constantly striving to socially inspire the community in ways that promote significant positive change throughout our value chain. At AIL, we believe in ensuring society's well-being and adding value by adhering to the principles of sustainable and harmonious development.

The 'Aarti Foundation,' which spearheads and supports initiatives on behalf of AIL oversees our main CSR efforts. We engage with various local NGOs & non-profit organisations and other enterprises to accomplish our CSR projects. We also make it a point to interact

with and network with various NGOs to gain a better understanding of the difficulties that local communities experience. Our comprehensive CSR policy can be found on our website.

We spent INR 12.61 Cr for Corporate Social Responsibility in FY 2021-22. A large chunk of this was provided for COVID-19 relief. Education, skill development, health care, rural development, disaster management, environment and water conservation and women empowerment were other important areas where CSR funding was accentuated.



Covid-19 Relief
INR 301.36 Lakhs



Education & Skill Development
INR 408.13 Lakhs



Healthcare
INR 137.96 Lakhs



Tribal & Rural Development
INR 116.44 Lakhs



Disaster Management
INR 25 Lakhs



Environment & Water Conservation
INR 77.99 Lakhs



Women Empowerment
INR 106.80 Lakhs



Other CSR Initiatives
INR 88.13 Lakhs

Key CSR Initiatives

GRI 413-1, 413-2

COVID-19 Response

- » We enhanced the lives of 49,580 people through our COVID relief activities. We purchased Oxygen Concentrator for Rajawadi Hospital, Ghatkopar. We also provided food grain kits to 10,000 underprivileged families.
- » Through Shree KVO Sthanakwasi Jain Mahajan, 68 business owners were positively impacted. We provided income generating activities to the non-essential businesses which were affected due to the pandemic. During the ongoing pandemic many local shops and businesses (non-essential) were affected due to the guidelines provided by the government. Loan assistance of INR 10 lakhs were provided to such small business owners, whose business suffered due to the pandemic and who required capital to restart their business.
- » Aarti Industries Limited, in collaboration with Shri Kutchi Visa Oswal Jain Mahajan (Mumbai), provided financial assistance to the needy families in Maharashtra and Gujarat through our programme – 'Corona Manav Rahat'. The programme helped people who lost their jobs in pandemic and were not able to meet their ends. We also provided Education Scholarship to the students of needy families through our programme – 'Shaikshanik Sahaya'. Over 740 families were benefitted from this activity.

Education and Skill Development

- » We have been associated with five schools and more than 3,000 students. Apart from this, we have been providing financial assistance to various schools and institutions for setting up

new infrastructure and improving in existing infrastructure. Scholarships are provided to needy students pursuing higher education and further studies. Through these initiatives, we have positively impacted the lives of 52,964 students.



School in Bodhgaya district



Primary School

Healthcare

- » 61,343 lives have been positively enhanced due to our CSR efforts in healthcare.
- » AIL has provided financial assistance to Shree Mahavir Jain Hospital and Shri Paratp J. Ashar Cardiac Centre (JITO Hospital) for medical

equipments. The hospital offers specific services to households and individuals of lower socio-economic status (SES).

- » We are associated with an NGO — Asmita Vikas Kendra, for operating two mobile dental vans – one each for the Dahej and Jhagadia cluster in the Bharuch district of Gujarat.

Tribal and Rural Development

- » 10,01,706 lives have been positively impacted through our CSR efforts in Tribal and Rural Development.
- » Sundar Serendipity Foundation Project provides fortified salt to tribal people in Bihar thus helping

in eradicating iron deficiency in younger children and mothers. 14.4 lakh kilogram of fortified salt is distributed to 1.2 lakh families.

- » An integrated development program of water conservation, animal husbandry and agriculture was initiated for overall development of Khadir Bet island, Kutch.



Disaster Relief

- » We distributed roofing sheets to the people affected by Cyclone Taukate in Saurashtra, Gujarat, thus benefiting 8155 people.
- » We also provided relief materials to 115 people affected by flood in the Mahad in Raigad district of Maharashtra. The relief material included medicines, ration kits, food grains and pulses, torches, lighters, roofing tiles, etc.

- » Last year, the Chiplun in Ratnagiri district of Maharashtra was severely affected by floods in the month of June. AIL in collaboration with Vardhaman Sanskar Dham provided life support kits to 500 families. Temporary 10,000 feet pipeline for water supply was provided to 20 villages. Nutritious animal fodder was also distributed to these 20 villages as each village had about 250 animals. Therefore, 2,500 people benefitted from this.



Environment and Water Conservation

- » We have been associated with Aarti Horticultural Services Pvt. Ltd for the plantation of trees, developing/maintaining gardens and green spaces in the GIDC (Gujarat Industrial Development

Corporation) estate, Vapi, Gujarat.

- » Through our Kutch Navnirman Abhiyaan, we have initiated a Rainwater harvesting project in Kutch benefitting over 100 villages. 486 Lakh litres of rainwater has been restored in excavated areas.



Vapi, Garden



Kutch Navnirman Abhiyan, Rainwater Harvesting

Women Empowerment

- » We have enhanced the lives of 10,095 women through our women empowerment efforts.
- » We have donated a grant to Bhansali Industries and adopted 151 villages in Gaya district of Bihar. The program is being implemented by Bhansali Trust. Through this program, we are providing free medical assistance for women affected with anaemia. Supplementary nutrition is provided to malnourished children and pregnant women. Income generation initiatives like handloom and sensitisation of hygiene and health care initiatives also form a part of this program.
- » Donation is given for various women empowerment programs including stipend to girls for website development and designing.

Details of CSR expenditure

Details	Lives Impacted	Amount Spent (in lakh)
Covid – 19 Relief	49580	301.36
Education & Skill Development	52964	408.13
Healthcare Initiatives	61343	137.96
Tribal & Rural Development	1001706	116.44
Disaster Management	10770	25.00
Environment & Water Conservation	69175	77.99
Women Empowerment	10095	106.80
Others		88.13
Total	1253633	1261.81



We are making constant and consistent efforts to support the communities around us. We have impacted the lives of over 12 lakh individuals through our CSR efforts in education, skill development, healthcare, rural development, disaster management, COVID-19 relief, environment conservation and women empowerment. Our greatest impact has been on tribal and rural development, and we endeavour to continuously contribute to the society with a vision of sustainable development for all.

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	b	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	30,31
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	Target 8.8	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	86
	Target 9.4	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	88
	Target 12.2	By 2030, achieve the sustainable management and efficient use of natural resources	61, 62
	Target 12.4	By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment	61
	Target 12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	61
	Target 13.2	Integrate climate change measures into national policies, strategies and planning	29,30,31
	Target 16.5	Substantially reduce corruption and bribery in all their forms	66

UNGC Ten Principles

UNGC Principle	Category	Description	Page No.
Principle 1	Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights	70
Principle 2		Businesses should make sure that they are not complicit in human rights abuses	70
Principle 3	Labour	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	70
Principle 4		Business should uphold the elimination of all forms of forced and compulsory labour	70
Principle 5		Business should uphold the effective abolition of child labour	70
Principle 6	Environment	Business should uphold the elimination of discrimination in respect of employment and occupation	74
Principle 7		Businesses should support a precautionary approach to environmental challenges	29
Principle 8		Business should undertake initiatives to promote greater environmental responsibility	50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65
Principle 9	Anti-Corruption	Businesses should encourage the development and diffusion of environmentally friendly technologies	88
Principle 10		Businesses should work against corruption in all its forms, including extortion and bribery	23

ESG Data Pack –

Index highlighting all the sustainability performance numbers of AIL for FY 2021-22

ANNEX- 1: SUSTAINABILITY PERFORMANCE DATA

This chapter provides our sustainability performance data for FY 2021-22 and FY 2020-21.

PROFIT

Economic value generated	FY 2021-22 (INR Cr.)	FY 2020-21 (INR Cr.)
Gross revenue from operations	7,919.31	5,023.2
Net revenue from operations (Excluding GST)	6,999.96	4,506.1
Economic value generated from investment and other sources	0.8	0.70
Net profit	1,307.19	523.47
Economic value distributed		
Operating cost (includes cost of raw materials, depreciation, and other expenses)	4,917.59	3,384.5
Employee wages and benefits	442.08	371.4
Interest payment to providers of credit	114.29	86.3
Dividend/Payout to shareholders	126.88	45.1
Payment to government (taxes)	266.97	93.82
Community investments	12.61	14.1
Retained profits	1,120.34	511.58

Defined benefit plan obligations and other retirement plans	FY 2021-22 (INR Cr.)	FY 2020-21 (INR Cr.)
Contribution to PF	24.50	19.96
Contribution to Superannuation fund	0.46	0.44
Contribution to Gratuity fund	11.14	5.07

RESPONSIBLE OPERATIONS

Energy

Parameters	FY 2021-22 (GJ)	FY 2020-21 (GJ)
Coal	58,33,376	53,10,678
Purchased Electricity	4,57,982	3,09,926
Waste Heat Recovery System	4,20,502	3,73,915
Purchased Steam	1,68,970	1,23,407
Natural Gas	57,083	1,18,167
Oil	18,112	8,841
Solar	1,496	2,122
Total Energy Consumption	69,57,521	62,61,866
Specific Energy Consumption (GJ/MT)	8.68	9.12

Emissions

Parameters	FY 2021-22 Emissions (tCO ₂ eq.)	FY 2020-21 Emissions (tCO ₂ eq.)
Scope 1- Direct emissions	5,99,553	5,47,729
Scope 2 – Indirect emissions	1,03,478	79,871
Total GHG Emissions	7,03,031	6,27,600
Specific GHG Emission (tCO₂e/MT)	0.88	0.90

Parameters	Absolute emissions (MT) (FY 2021-22)	Absolute emissions (MT) (FY 2020-21)
Particulate Matter (PM)	455	485
SOx emissions	798	755
NOx emissions	350	276

Water

Parameters	FY 2021-22 (KI)	FY 2020-21 (KI)
Water withdrawal	23,29,428	18,47,766
Water Recycled	10,29,293	8,98,773
Water discharge	1,76,140	1,13,371
Water consumed	21,53,287	17,34,395
Specific Water Consumption (KI/MT)	2.68	2.53
Percentage of Water Recycled	44%	40%

Material

Parameters	FY 2021-22 (MT)	FY 2020-21 (MT)
Materials Consumption	5,79,789	5,79,270
Materials Recycled (Same division)	1,01,497	85,359
Materials recycled (Other division)	1,37,171	1,14,243
Associate Process Materials (APM)	13,650	8,351
Packaging Materials	26,645	2,563

Waste

Waste disposal	FY 2021-22 (MT)	FY 2020-21 (MT)
Hazardous waste to Co-processing	3,431	0
Hazardous waste reused	1,01,497	85,359
Hazardous waste sent to recyclers	2,39,109	1,14,244
Hazardous waste sent to landfills	30,874	19,649
Hazardous waste sent for incineration	5,457	4,836

PEOPLE

Safety Statistics

Particulars	FY 2021-22	FY 2020-21
Total Man-Hours Worked	3,03,76,068	2,68,77,907
Lost Time Injury	0	0
Lost Man-days	0	0
Fatalities	0	0
LTIFR	0.13	0.37
LTISR	15.01	460.49
TRIFR	2.11	1.67

Total Number of Employees as on 31st March 2022

Job Family	<30 years	30-50 Years	>50 Years	Total		Grand Total
				Male	Female	
Senior Leader	-	11	14	24	1	19
Leader	-	58	24	79	3	82
Manager	14	278	25	305	12	317
Officer	1,105	993	58	1,943	123	2,066
Associate	1,577	1,604	157	3,316	22	3,338
Total	2,606	2,944	278	5,667	161	5,828

Number of employees hired during FY 2021-22

Job Family	<30 years	30-50 Years	>50 Years	Total		Grand Total
				Male	Female	
Senior Leader	0	1	3	3	1	4
Leader	0	9	2	11	0	11
Manager	8	39	0	42	5	47
Officer	516	215	1	677	55	732
Associate	578	120	0	696	2	698
Total	1,102	384	6	1,429	63	1,492

Employee turnover during FY 2021-22

Job Family	<30 years	30-50 Years	>50 Years	Total		Grand Total
				Male	Female	
Senior Leader	0	1	2	3	0	3
Leader	0	8	3	11	0	11
Manager	7	38	4	45	4	49
Officer	278	132	10	386	34	420
Associate	310	95	16	420	1	421
Total	595	274	35	865	39	904



INDEPENDENT ASSURANCE STATEMENT

Introduction and Engagement

Aarti Industries Limited (hereafter referred as "AIL") assigned TÜV SÜD South Asia Pvt. Ltd. (hereinafter referred as "TUV SUD") to conduct the independent assurance of AIL's sustainability report, which includes "reasonable assurance" of AIL's sustainability information for the applied reporting period. This assurance engagement was conducted against the Global Reporting Initiative (GRI) Standards and AA1000AS Protocol (Type 2 Moderate Level) for verification of the Sustainability Report. The physical verification was carried out by the Subject Matter Experts of TUV SUD in the month of July 2022 at AIL's Premises which are operational and located at Vapi, Jhagadia, Dahej & Vadodara. Virtual Assessment done for 2 sites - Tarapur & Kutch which are part of the reporting boundary. The Assurance Report covers AIL's sustainability Information for the period of April 1st 2021 to March 31st 2022.

Scope, Boundary and Limitation of Assurance

The Assurance engagement was conducted in line with the AA1000AS v3 Type 2 Assurance.

The scope of the sustainability assurance includes following:

- Verification of the content as well as context and application of the Report content, and principles as mentioned in the GRI Standards, and the quality of information presented in the Report over the reporting period.
- Review of the sustainability initiatives, practices, on ground establishment, implementation, maintenance, and performance described in the Report.
- Assessment of the SR Reporting mechanism and Consistency with the reporting criteria
- Assessment of the applicability and appropriateness of the data collection, quantification and data management incorporated in the Sustainability Report.
- Confirmation of the fulfillment of the GRI Standards, in accordance with the Core criteria, as declared by the management of AIL.

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)
- 📍 Navi Mumbai (ARTC- Aarti Research and Technology Center ARTC)
- 📍 Jhagadia (Pearl, Ruby, & Jade)

📍 Dahej (Diamond, Neo, and Saffron)

📍 Kutch (Anushakti)

Our Assurance engagement covers the aspects of sustainability performance disclosures demonstrated and presented by the AIL in the Sustainability Assurance report as mentioned below:

- Scope 1- Direct emissions- 5,99,553 MT CO₂e
- Scope 2 Indirect emissions- 1,03,478 MTCO₂e
- Scope 3 Emissions as per the GHG Protocol:
 - ✓ Category 1: Purchased goods and services- 11,89,713 MT CO₂e
 - ✓ Category 2. Capital goods- 1,35,113 MT CO₂e
 - ✓ Category 3: Fuel and energy related activities- 1,20,572 MT CO₂e
 - ✓ Category 4 Upstream Transportation and Distribution- 52,163 MT CO₂e
 - ✓ Category 5 Waste generated in operations- 11,108 MT CO₂e
 - ✓ Category 6 Business Travel- 161 MT CO₂e
 - ✓ Category 7: Employee Commuting - 15,653 MT CO₂e
 - ✓ Category 8: Upstream leased assets- 6,190 MT CO₂e
 - ✓ Category 9 Downstream Transportation and distribution- 25,392 MT CO₂e
- Energy consumption
 - ✓ Direct energy consumption (including renewable energy)- 17,58,491 Mwh (6330569 GJ)
 - ✓ Indirect energy consumption- 1,74,153 Mwh (626951 GJ)
- Water withdrawal & discharge
- Waste disposal
- Training hours for employees
- Beneficiaries from CSR initiatives.

Exclusions

The Assurance scope Excludes the following:

- Our engagement did not include an assessment of the adequacy or the effectiveness of AIL's management of sustainability related issues and not even AIL's Strategy for the sustainability. During the assurance process, TUV SUD did not visit any external stakeholder's premises and even no external stakeholders were interviewed as a part of the sustainability engagement.

- 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 only.
- The Company's statements that describe expression of opinion, belief, inference, aspiration, expectation, aim of future intention

Our observations

AIL has implemented multiple initiatives which lead to the improvement in sustainability performance and has set benchmark in few operating region. Initiatives are related to energy conservation, eco-friendly management of the generated waste, protecting surface water from the contamination, etc. AIL has established, implemented and maintained multiple initiatives which lead to the sustainability and even in few cases AIL has set benchmark in the region where they are operating. Either it is related with energy conservation initiatives with zero cost initiatives or environment friendly management of the generated waste or protecting the surface water from the contamination, AIL is continually improving their performance with most feasible, economical and viable manner.

The Sustainability Report was prepared based on GRI Standards Reporting Principles and Standard Disclosures in accordance with the GRI Standards: Core option. In our opinion, based on the scope of this assurance engagement, the disclosures on sustainability performance reported in the Report along with the referenced information provides a fair presentation of the material aspects, related strategies, and performance indicators, and meets the general content and quality requirements of the GRI Standards Core option.

Conclusion

This assurance statement has been prepared in accordance with the terms of our engagement. Type 2 moderate level assurance engagement with respect to sustainability related data involves performing procedures to obtain evidence about the sustainability information. We also assured the scope 1,2,3, GHG emission of AIL. TÜV SÜD has evaluated below requirement in context of GRI Standards.

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

Stakeholder Inclusiveness: We have not identified any discrepancies in this aspect, the Report meets the requirements. Stakeholder identification and engagement is carried out by AIL on a periodic basis to bring out key stakeholder concerns as material aspects of significant stakeholders.

Materiality: The materiality assessment process has been carried out, based on the requirements of the GRI Standards, considering aspects that are internal and external to the AIL's context of the organization. The Report fairly brings out the aspects and topics and its respective boundaries of the diverse operations of AIL in our view, the Report meets the requirements.

Responsiveness: We believe that the responses to the material aspects are fairly defined and captured in the report, In our view, the Report meets the requirements.

Completeness: The Report has fairly disclosed the General and Specific Standard Disclosures including the Disclosure on Management Approach, monitoring systems and sustainability performance indicators against the GRI Standards in accordance with the Core requirement, hence in our view the Report meets the requirements.

Reliability: Most of the data and information was verified by assurance team at AIL's sites as well as corporate office and found appropriate. Some inaccuracies in the data identified during the verification process were found to be attributable to transcription and interpretation errors and these errors have been corrected. Therefore, in accordance with the GRI Standards and AA1000AS for a Type 2, moderate level assurance engagement, TÜV SÜD concludes that the sustainability data and information presented in the Report is reliable and acceptable. In our view, the Report meets the requirements.

Impact: We observed and assessed that the Company has well-defined procedures to routinely monitor and measure their sustainability impact, and they have skilled subject matter experts who are driving the sustainability effectively and efficiently. During verification we did not come across any such instances or issues where we found anything which have impact on the ecosystem and well as the neighboring infrastructure. In our view, the Report meets the requirements.

Statement of Independence, Impartiality and Competence

TÜV SÜD South Asia Pvt. Ltd is an independent professional services company that specializes in Health, Safety, Social and Environmental management services including assurance with over 150 years history in providing these services.

No member of the assurance team has a business relationship with Aarti Industries, its Directors or Managers beyond that of verification and assurance of sustainability data and reporting. We have conducted this assurance independently and we believe there to have been no conflict of interest.

TÜV SÜD has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

Our Assurance team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has over 25 years combined experience in this field and an excellent understanding of TÜV SÜD's standard methodology for the verification of greenhouse gas emissions data.

Attestation,

Dr. Ashish Rawat, Technical Reviewer
Head-Environment & Sustainability Services
TÜV SÜD South Asia Pvt. Ltd, Noida

Date: September 9, 2022



Notes

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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