

MATERIALITY

# Managing Priorities to Drive Value-creation

Materiality assessments involve analysing the potential impacts of various factors, such as environmental performance, product safety, employee well-being, community engagement and ethical practices. Focussing on material issues, helps us allocate resources, set goals and develop strategies to effectively manage risks, create value and address stakeholder expectations.

To attain long-term success as a responsible and sustainable business, it is crucial to comprehend and address the significant material matters that affect our Company. These material matters encompass aspects that directly or indirectly impact our capacity to generate, safeguard, or deplete economic, environmental and social value for our business, stakeholders and society as a whole. We consistently monitor pertinent business dynamics, risks, opportunities, sustainability trends, legislative changes, as well as the stakeholder perspectives and suggestions of our stakeholders.

## Material Matters Deepak

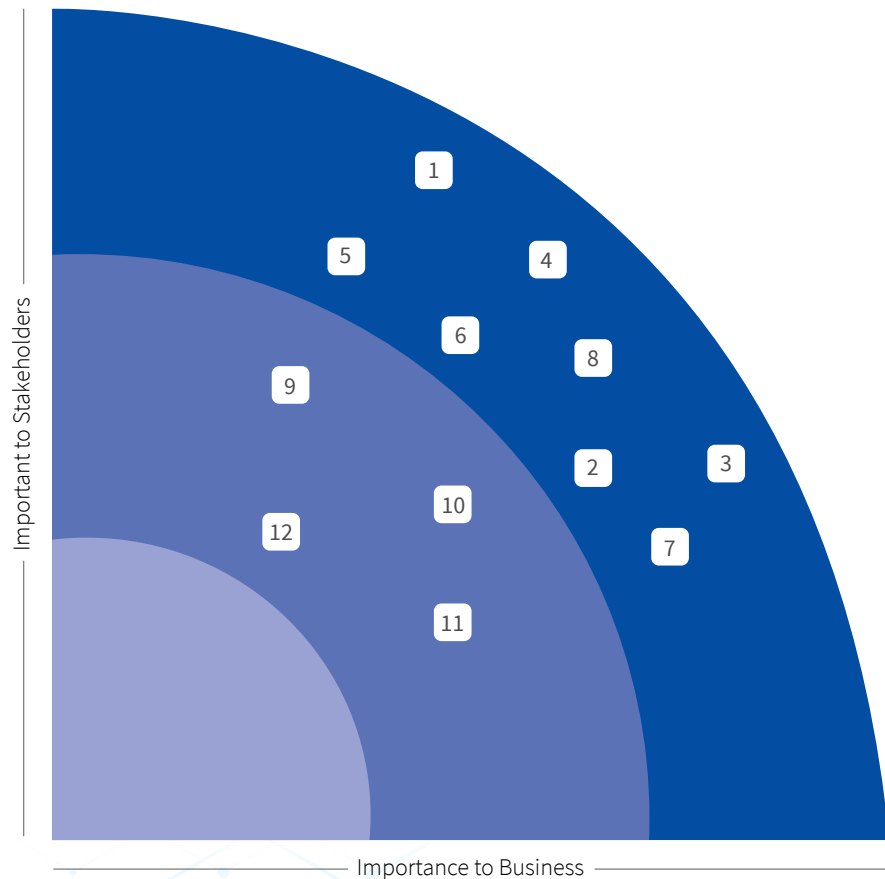
### Highly critical areas

1. Sustainable chemistry
2. Product innovation
3. Health and safety
4. Climate change
5. Growth and profitability
6. Customer relationships
7. Governance and Risk Management
8. People strength and development

### Medium critical areas

9. Fair remuneration and growth opportunities for employees
10. Digitalisation
11. Supply chain efficiency and logistics management
12. Community development

■ LOW ■ MEDIUM ■ HIGH



## Highly Critical Material Areas



### Sustainable chemistry

**Issue:** The growing recognition of our planet's fragility is propelling the transition towards sustainable solutions. Within our industry, customers are displaying a growing inclination to collaborate with suppliers and business partners who share their dedication and commitment to reduce their environmental footprints. Neglecting to incorporate sustainability into our operations and providing products that meet customers' sustainability and performance expectations can impact our value creation and growth trajectory.

**Response:** We are strongly committed to driving sustainability in our operations through various initiatives aimed at reducing our carbon and water footprint. Our unwavering dedication to sustainable chemistry is evident in our product portfolio, which increasingly features circular-economy-compatible products. These value-added chemicals are manufactured from by-products, showcasing our proactive approach in utilising resources responsibly with consideration for the environment.



### Product innovation

**Issue:** Our range of chemical intermediates serves diverse end-user industries, including petrochemicals, pharmaceuticals, agrochemicals, personal care, paper, textiles and more. Our customers within these industries consistently seek niche and high-performing products that enhance their own operations. Failing to innovate and enhance our product offerings to meet their evolving demands can have a significant impact on expanding our customer base or strengthening our relationships with existing customers.

**Response:** By actively monitoring global trends, engaging in close collaboration with our customers and gaining a deep understanding of their product preferences, we continually enhance our range of cutting-edge chemistry solutions. Our relentless commitment to research and development enables us to expand our portfolio and refine existing products. We maintain unwavering dedication to investing in innovation, recognising its paramount importance in ensuring our continued success, regardless of the market conditions.



### Health and safety

**Issue:** Given the inherent nature of our operations, our employees face a range of operational and safety hazards. It is crucial to address any process safety gaps and prevent occupational health and safety (OHS) incidents that could potentially harm our employees. Neglecting employee well-being and safety not only jeopardises their physical welfare but also poses risks to achieving production targets and can have adverse effects on our assets, environment and overall business reputation.

**Response:** We prioritise continuous safeguarding of occupational health, safety and employee well-being. Stringent safety measures are implemented at all our sites, including regular safety audits and the provision of appropriate personal protective equipment to our employees. We actively promote safety awareness through campaigns and training initiatives.



### Climate change

**Issue:** Climate change stands as one of the most critical challenges confronting our planet today. Given the energy and water-intensive nature of chemical production, our failure to reduce our environmental footprint can have significant repercussions on our standing within the industry and our relationships with customers, investors and society as a whole.

**Response:** We have embraced environmental consciousness through our commitment to sustainable manufacturing practices. This commitment is evident in our focus on reducing utility consumption, extracting value from waste and adopting clean technologies. We are continuously striving to enhance our energy efficiency. Additionally, we ensure that the effluents, emissions and waste generated at our manufacturing facilities remain within the permissible limits set by the respective Pollution Control Boards.



### Growth and profitability

**Issue:** Maintaining a leading financial performance, characterised by robust growth and profitability, is crucial for sustaining investor confidence in our Company. It also enables us to pursue comprehensive value creation for all stakeholders. Despite the challenges posed by escalating input and energy costs, as well as ongoing volatility in foreign exchange rates, we are committed to upholding a strong and stable financial position. By navigating these market dynamics, we aim to preserve our standing within the industry and foster positive relationships with our customers, investors and society as a whole.

**Response:** We allocate financial resources efficiently and adhere to best business practices and good governance principles, laying the foundation for a sustainable long-term business. Alongside making disciplined investments within a clear framework, we also adopt a rigorous approach to cost management to optimise our financial performance. Our strategic expansion across the value chain and agility in responding to market changes contribute to our resilience and sustain our performance in a dynamic business landscape.





### Customer relationships

**Issue:** In a rapidly evolving and highly competitive operating environment, the growth of our business is intricately tied to our customer base. Strengthening our relationships with customers is, therefore, a crucial aspect that can profoundly influence our value-creation capabilities.

**Response:** We are dedicated to provide innovative and cost-effective products to retain and attract customers. We place significant emphasis on actively engaging with them and comprehending their needs to enhance the overall customer experience. This customer-centric approach has proven instrumental in fostering customer loyalty, which stands as one of our most prominent strengths in driving profitable growth.



### Governance and risk management

**Issue:** Amid the dynamic landscape of the chemical industry, which is characterised by escalating macro-economic volatility, robust governance practices play a pivotal role in upholding ethical and transparent business operations. Meeting regulatory compliance requirements and effectively managing risks are paramount in ensuring responsible conduct and long-term sustainability.

**Response:** Our governance practices have been established by our competent and esteemed Board of Directors, comprising members with relevant industry expertise, independent thinking and extensive global exposure. Aided by practice transparency in financial reporting, sustainability efforts and other relevant disclosures and ethical decision-making processes, bolstered by effective risk management, serve as the foundation of our governance framework. We have instilled a culture of accountability and integrity across the company, recognising its vital role in promoting good governance practices.

We implement and enforce a robust code of conduct and ethical standards to guide the behaviour and actions of employees at all levels. Our Board and management prioritise health, safety and environmental considerations by implementing robust safety protocols, promoting sustainable practices and minimising environmental impact. We have a comprehensive risk management framework to identify, assess and mitigate risks associated with operations, safety, environmental impact and compliance to solidify our governance approach. We ensure strict adherence to all applicable laws, regulations and industry standards to maintain compliance and mitigate legal and reputational risks. We have established board committees, such as audit, risk management, Remuneration committees and more to provide focussed oversight in critical areas. We regularly evaluate our governance practices, identify areas for improvement and implement necessary changes to enhance effectiveness and relevance and build trust with all stakeholders in line with global standards of ESG.



### People strength and development

**Issue:** Neglecting to consistently have the right individuals in place can significantly impact our ability to achieve our business objectives. At the core of our success and sustainable growth trajectory are our people. Our talented and dedicated team plays a vital role in driving our success and achieving our business goals. Their deep domain expertise, technical skills and innovative thinking enable us to develop and deliver value-added products, maintain quality that meets the exacting standards and needs of our customers.

**Response:** We invest in professional development of our workforce by providing training and growth opportunities to enhance their capabilities and ensure they remain at the forefront of the industry. Moreover, we foster a culture of collaboration, teamwork and inclusivity, which helps us harness their collective strengths and diverse perspectives of our employees. Through their unwavering commitment and passion, we continue to thrive and excel in the dynamic landscape of the chemical industry.

## Medium Critical Material Areas



### Fair remuneration and growth opportunities

**Issue:** Offering fair remuneration and growth opportunities is crucial for driving employee motivation and maintaining smooth operations within our organisation (without any disruption or unrest as well as high retention ratio).

**Response:** By providing competitive and equitable compensation in line with industry standards, we foster a positive work environment, reduce the risk of disruptions or unrest and promote high employee retention rates. Moreover, by offering growth opportunities such as training, career advancement and skill development programmes, we

empower our employees to reach their full potential, further enhancing their motivation and dedication to the Company. Furthermore, we implement performance-based incentives to ensure that employees are rewarded for their contributions. Our commitment to fair and transparent practices is evident in our annual performance-based appraisal system, which evaluates the performance of all employees. Wages and increments for workers are determined in accordance with agreed-upon terms. As a rapidly expanding Company, we place significant emphasis on providing ample growth opportunities to our employees. We follow a structured approach to succession planning and actively cultivate a leadership pipeline to ensure the long-term success and continuity of our organisation.



### Digitalisation

**Issue:** Digitisation in the chemical industry drives efficiency, innovation, improved decision-making and sustainability. Embracing digital transformation is essential for chemical companies to stay competitive, adapt to evolving market dynamics and unlock new growth opportunities.

**Response:** We are the early adopters of digitisation and this has enabled us to streamline processes through automation, increased operational efficiency and productivity. To match the scale and accelerated growth witnessed in the past decade, digitisation has

played an invaluable role in making a tangible impact on the performance of our core functions, including innovation and manufacturing of chemical intermediates, as well as enabling functions such as logistics, HR, finance and administration. Data analysis and optimisation of various operations, such as supply chain management and inventory control have helped us make informed and right strategic choices, leading to better business outcomes. We have also invested in various digitisation-led initiatives to support our sustainability efforts by optimising resource usage, reducing waste and monitoring environmental impact.



### Supply chain efficiency and logistics management

**Issue:** Complex and interconnected supply chains to source raw materials, manufacture products and deliver them to customers are an important part of our operations. Efficient supply chain management is thus crucial for ensuring uninterrupted operations, timely delivery and cost optimisation.

**Response:** Effective supply chain strategies encompass procurement, logistics, inventory management, demand planning and supplier relationships. Key factors to address them include

traceability, sustainability, risk mitigation and compliance with regulations and safety standards. We maintain a strong inbound and outbound logistics and distribution network. Utilising secure modes of transportation with GPS tracking technology, we can monitor the movement of key raw materials and finished goods in real-time. Our well-organised warehousing and distribution systems ensure prompt delivery of customer orders. By leveraging our manufacturing expertise, integrated facilities and agile operations, we consistently deliver reliable performance.



### Community development

**Issue:** The acceptance and support of the community in which our businesses operate are indispensable to our success. Engaging in community development initiatives helps establish us as a Company that cares, has a rich legacy of over 50 years and looks at business beyond profit-making to fostering trust.

**Response:** Through our dedicated CSR wings, Deepak Foundation and Deepak Medical Foundation, we have positively impacted the lives of over 2 million individuals through a range of programmes. For further information on our community engagement and development activities, please refer to details on CSR activities of the Company covered under Social and Relationship Capital Chapter on the 90 pages in this report.

