

MATERIALITY

# Addressing the Most Material Issues

*Materiality assessment helps us pinpoint and prioritise significant ESG issues that deeply impact our business strategies, decisions and long-term success, allowing us to deliver lasting value to stakeholders. Recognising these critical issues is fundamental to our ESG journey, to effectively chart our growth trajectories, devise business strategies and manage risks.*

## ASSESSING OUR MATERIAL MATTERS

During FY 2023-24, the Company partnered with renowned independent firm to conduct fresh materiality assessment. The aim of the exercise was to gain deeper insights into the matters most material to the business and the stakeholders. This ensures alignment of our strategies with the stakeholders' priorities and industry standards.

## Approach to materiality assessment

- ▮ Leveraged global frameworks including GRI 2021 standards and SASB sector standards
- ▮ Material topics relevant to the global and domestic industry peers reviewed
- ▮ Existing materiality of the Company reviewed

The material topics gathered were moderated and finalised in consultation with the senior management.

## MATERIALITY MATRIX



Our Materiality Matrix depicts the impact of our material issues on both our business (inward impact) and the stakeholders (outward impact), ranging from low to high. These issues are categorised into five categories based on their relevance to both us and our stakeholders.

Category of Material Topics	Significance
<b>Top Priority Issues</b>	<b>Critical to the Company as well as to its Stakeholders</b>
<b>Key Issues</b>	<b>Medium to high priority issues for the Company as well as its Stakeholders</b>
<b>Hidden Value Creators</b>	<b>Important for the Company's business but low priority for stakeholders</b>
<b>Hygiene Factors</b>	<b>High priority for the Company's stakeholders but low priority for the business of the Company</b>
<b>Monitoring Issues</b>	<b>Low importance to both the Company as well as its stakeholders</b>



**MANAGING OUR MATERIAL MATTERS**

Upon conclusion of the Materiality Assessment, the Company identified 19 topics that may directly or indirectly impact our ability to generate value towards people, environment, society, business and all relevant stakeholders. We have well defined policies and practices to manage the material issues to ensure regulatory compliance, build enduring relationships with our stakeholders and create long-term business sustainability, in an evolving business landscape.

● Environment ● Social ● Governance

**1 Water Use and Effluent Management**

**Significance and Impact**

- Water being a critical resource, its availability will have a high impact on the Company's operations
- Company's water consumption for its manufacturing will also have a high external impact
- Effluent management highly impacts the surrounding environment as well as the company's business, given the scale of the Company's operations

**Management/Mitigation Approach**

As a responsible corporate, we are dedicated to ensuring our operations do not harm the quality or availability of water resources, thereby safeguarding both the ecosystem and the broader community. Through various initiatives, we aim to reduce our carbon and water footprint.

**2 Climate Change & Emissions**

**Significance and Impact**

- Climate change and emissions norms and regulation will have a high impact on the Company's business
- The Company's operations will have a high outward impact on the community

**Management/Mitigation Approach**

We have embraced environmental consciousness through our dedication to sustainable manufacturing practices. This commitment is reflected in our efforts to reduce utility consumption, extract value from waste and adopt clean technologies. We are continually striving to improve 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.

**3 Occupational Health & Safety**

**Significance and Impact**

- Health and safety have a high impact on both the company and the external environment, given the scale of the Company's operations

**Management/Mitigation Approach**

We place significant importance on maintaining occupational health, safety and the well-being of our employees. To ensure this, we implement strict safety protocols at all our locations, conduct regular safety audits and provide our employees with the necessary personal protective equipment. Additionally, we actively foster a culture of safety awareness through various campaigns and training programmes.

**4 Community Involvement**

**Significance and Impact**

- DNL's community involvement and upliftment initiatives have a high impact
- These endeavours enhance the company's reputation in the public eye, leading to a significant inward impact

**Management/Mitigation Approach**

Our dedicated CSR wings, Deepak Foundation and Deepak Medical Foundation, have positively influenced the lives of millions of people through a variety of programmes.

**5 Growth & Profitability**

**Significance and Impact**

- Growth and profitability are critical for the Company's sustainability

**Management/Mitigation Approach**

We ensure prudent allocation of financial resources and adherence to good governance principles, setting the foundation for sustainable long-term success. Alongside making disciplined investments within a clear framework, we adopt a rigorous approach to cost management to optimise our financial performance. Our strategic initiatives across the value chain and ability to respond to market changes bolster our resilience and performance in a dynamic business landscape.

**6 Corporate Governance**

**Significance and Impact**

- Corporate Governance is a high priority matter for the Company as well as the stakeholders

**Management/Mitigation Approach**

Our governance practices emphasise transparency in financial reporting, sustainability efforts, ethical decision-making and effective risk management. We promote a culture of accountability and integrity. We enforce a robust code of conduct and ethical standards to guide employee behaviour at all levels. Our comprehensive risk management framework identifies, assesses and mitigates risks related to operations, safety, environmental impact and compliance.

7

## Business Ethics & Compliance

### Significance and Impact

- Ethics and compliance have a high impact on a company's operations
- It is also a high priority topic for stakeholders

### Management/Mitigation Approach

At Deepak Group, we promote a culture of ethics, accountability and integrity. We have a robust code of conduct in place and ethical standards to guide employee behaviour at all levels. We ensure strict adherence to all applicable laws, regulations and industry standards to mitigate legal and reputational risks. Regular evaluations of our governance practices help us identify areas for improvement, implement necessary changes and build trust with all stakeholders in line with global ESG standards.

8

## Business Continuity

### Significance and Impact

- This matter has both high inward and outward impact, considering the scale of the Company's operations

### Management/Mitigation Approach

We ensure uninterrupted operations and business continuity which enhances our resilience against disruptions, minimise revenue loss, operational downtime and reputational damage. This proactive approach helps maintain customer trust, preserves market position and reduces recovery costs, ultimately safeguarding profitability and sustaining long-term financial health.

9

## Product Stewardship

### Significance and Impact

- Product stewardship is vital for integrating environmentally responsible practices across the life cycle of chemical products, aligning with sustainable chemistry goals
- It has a high inward and outward impact

### Management/Mitigation Approach

We have established a protocol to assess the Environmental, Social and Governance (ESG) impacts of our products during their development stages, ensuring these considerations form part of our decision-making processes. We have calculated the carbon footprint for most of our products and plan to conduct Life Cycle Assessments (LCA) for several existing products in future.

10

## Sustainable Supply Chain

### Significance and Impact

- Having a sustainable supply chain is critical for Company's operations and business continuity
- Considering the size of Company's operations, the Company can influence the ESG priorities for their suppliers
- It will have a high impact on stakeholders as well

### Management/Mitigation Approach

We maintain a robust logistics and distribution network using secure transportation with GPS tracking to monitor raw materials and finished goods in real-time. Our organised warehousing ensures prompt customer deliveries. Leveraging our manufacturing expertise, integrated facilities and agile operations, we consistently deliver reliable and steady performance.

11

## Waste Management

### Significance and Impact

- Failure to comply with required waste management standard practices will have high negative impact on the Company's operations
- Outward impact of Company's waste management practices is medium

### Management/Mitigation Approach

The production of agrochemicals result in hazardous waste, making it essential to focus on prioritising recycling and reusing waste whenever possible. Our responsible practices and proactive approach ensures optimal resource and waste generation and recycling in line with regulatory requirements.

12

## Energy Management

### Significance and Impact

- Efficient energy management can lower manufacturing emissions and reduce costs
- This matter has a moderate impact on external stakeholders

### Management/Mitigation Approach

Recognising the importance of energy efficiency in all business activities, we actively monitor our performance using systems installed across multiple locations to track daily energy consumption. Our energy conservation strategy aligns with our commitment to achieving our sustainability goals and targets.

**13 Employee Engagement**

**Significance and Impact**

- Investing in employee training/upskilling and employee engagement activities, fostering their involvement levels has a high inward impact
- This also helps elevate the company's brand and reputation externally

**Management/Mitigation Approach**

We conduct regular activities for overall employee development and engagement, enabling our teams to perform their responsibilities with effectiveness and efficiency, contributing to a capable workforce that drives internal growth. This not only enhances product quality but also boosts revenue for the Company.

**14 Human Rights**

**Significance and Impact**

- The Company's policies and procedures champion UN Human Rights principles, fostering a positive impact on the outside community

**Management/Mitigation Approach**

We have established a comprehensive Human Rights due diligence framework to systematically evaluate our operations. This involves conducting human rights vulnerability assessments at our operational sites to identify and mitigate risks, along with ongoing monitoring and performance reporting. Our commitment to upholding human rights spans all aspects of our business operations. We extend this commitment to our business partners by ensuring their alignment with our policies and contractual agreements.

**15 Customer Relationships**

**Significance and Impact**

- Maintaining customer relationships is critical to the Company's operations and hence has a high inward impact

**Management/Mitigation Approach**

We offer innovative and cost-effective products to retain and attract customers. Our customer-centric approach and active engagement with customers have been key in fostering customer loyalty, one of our greatest strengths in driving profitable growth.



16

## Diversity, Equity & Inclusion

### Significance and Impact

- This topic has high impact on the company and medium impact on the external environment

### Management/Mitigation Approach

At Deepak, we are dedicated to creating value by continuously expanding our workforce and fostering agility. Our team is composed of individuals from diverse educational, cultural and demographic backgrounds. We are committed to upholding principles of inclusion and diversity in our employment practices.

17

## Product Innovation

### Significance and Impact

- The Company operates in an industry with high potential for innovation, enabling the competitive edge and agility in business
- While the impact on the Company's operations is high, the impact on external environment is low

### Management/Mitigation Approach

We constantly monitor global trends and collaborate with our customers to gain a deep understanding of their product preferences. This enables us to enhance our range of cutting-edge chemistry solutions. Our unwavering commitment to research and development allows us to expand our portfolio and refine existing products. We are steadfast in our investment in innovation, recognising its critical importance for ensuring our continued success.

18

## Digitalisation, IT security & Data Privacy

### Significance and Impact

- Digitalisation helps boost Company's efficiency as well as reduce carbon footprint
- This topic has a medium inward impact

### Management/Mitigation Approach

We have adopted digitisation and streamlined processes through automation, increasing operational efficiency and productivity. Data analysis and optimisation in areas like supply chain management and inventory control have enabled us to make informed strategic decisions, leading to better business outcomes. Additionally, our digitisation initiatives support sustainability efforts by optimising resource usage and reducing environmental impact.

