

## MATERIALITY

# Managing What Matters Most

*Assessing our material matters is crucial to help us identify and prioritise the ESG issues that have the maximum impact on our business performance, value creation, and long-term progress. Effective management of critical issues allows us to efficiently manage risks, drive strategic decision-making, comply with relevant sustainability frameworks, and make desirable progress on ESG goals, ultimately steering DNL towards continued success.*

### MATERIALITY ASSESSMENT: THE PROCESS

- Partnership with a reputed independent organisation helped us to assess our materiality
- Critical material issues, most relevant to our business and stakeholders were identified
- Topics, most material to us, were moderated and finalised in consultation with the senior management
- The exercise enabled us to formulate robust strategies that align with industry benchmarks and stakeholder priorities

### MATERIAL ASSESSMENT: OUR APPROACH



Leveraged global frameworks including GRI 2021 standards and SASB sector standards



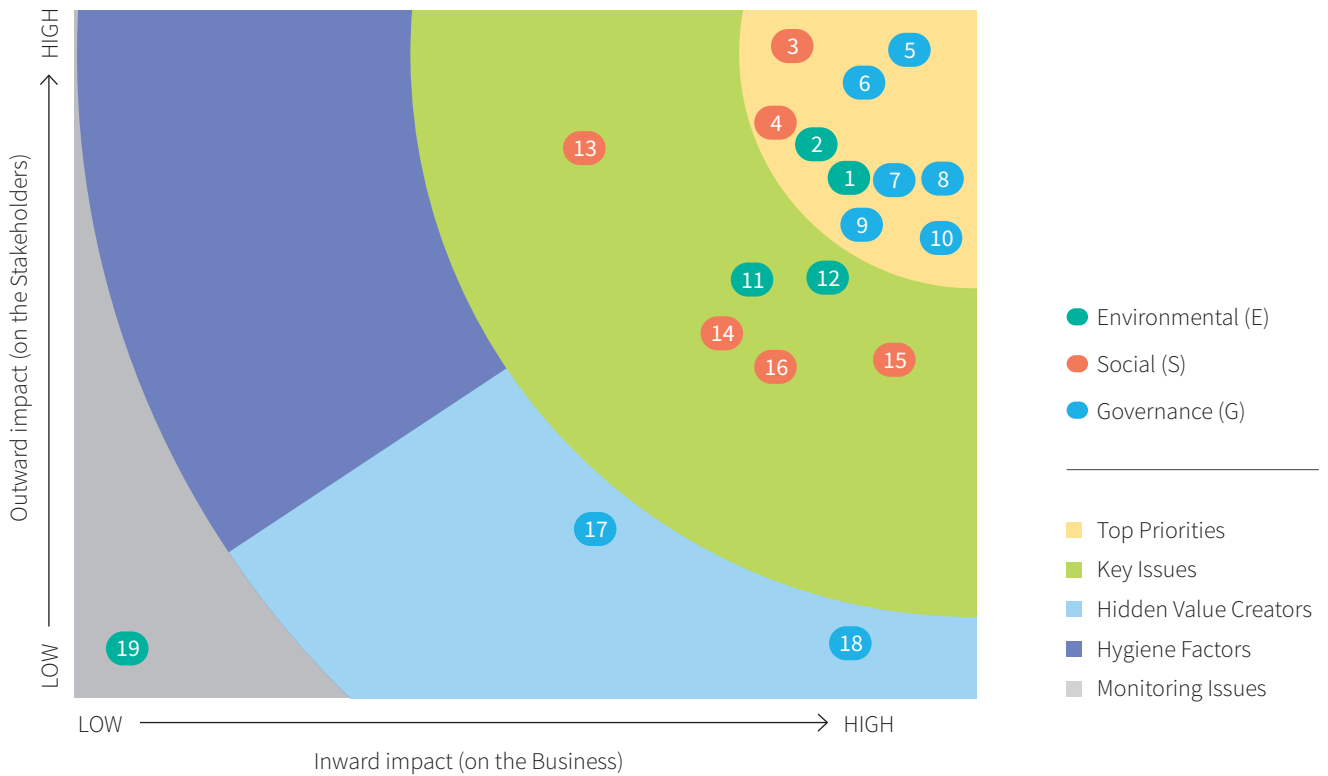
Material topics relevant to the global and domestic industry peers reviewed



Existing materiality reviewed



## MATERIALITY MATRIX



Material issues identified are divided into five categories depending upon their relevance to Deepak and stakeholders. The Materiality Matrix provides a clear understanding about the impact that each of these material issues have on our business (inward impact) and the stakeholder (outward impact), ranging from low to high.

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

## MATERIAL MATTERS: HOW WE MANAGE IT

Deepak manages its material priorities through strongly established processes and policies which enable it to effectively navigate the evolving business environment by ensuring regulatory compliance, fostering lasting stakeholder relationships and driving long-term sustainability.

19 topics of material interest that directly or indirectly influence our value creation across people, environment, society, business and all relevant stakeholders have been identified by Deepak.

1	<b>Water Use and Effluent Management (E)</b>	<b>Significance and Impact</b>	<b>Management/Mitigation Approach</b>
		<ul style="list-style-type: none"> <li>● Availability of water, a critical resource, will highly impact a company's operations</li> <li>● Water consumed by a company for its manufacturing is also expected to create a high external impact</li> <li>● Additionally, a company's efficiency in effluent management significantly impacts the surrounding environment as well as its business, owing to its operational scale</li> </ul>	<ul style="list-style-type: none"> <li>● Deepak's commitment to environment extends to ensuring no harm to the quality and availability of water due to its operations</li> <li>● This commitment will safeguard both the ecosystem and overall community</li> <li>● Deepak is also dedicated to minimise its water and carbon footprint through various initiatives</li> </ul>
2	<b>Climate Change &amp; Emissions (E)</b>	<b>Significance and Impact</b>	<b>Management/Mitigation Approach</b>
		<ul style="list-style-type: none"> <li>● The norms and regulations pertaining to climate change and emissions will have a high impact on a company's business</li> <li>● A company's operations will have a high outward impact on the community</li> </ul>	<ul style="list-style-type: none"> <li>● Environmental conservation is embedded within Deepak's ethos and driven through sustainable manufacturing practices</li> <li>● Deepak is achieving this through focussed efforts to reduce utility consumption, extract value from waste and adopt clean technologies</li> <li>● Sustained efforts to improve energy efficiency is made by Deepak</li> <li>● Conscious measures are taken to restrict the effluents, emissions and waste generated at the manufacturing facilities within the permissible limits set by the respective Pollution Control Boards</li> </ul>
3	<b>Occupational Health &amp; Safety (S)</b>	<b>Significance and Impact</b>	<b>Management/Mitigation Approach</b>
		<ul style="list-style-type: none"> <li>● Health and safety have a high impact on both a company and the external environment, given the scale of a company's operations</li> </ul>	<ul style="list-style-type: none"> <li>● Deepak is committed to optimise occupational health, safety and the well-being of its employees</li> <li>● Robust safety protocols are implemented at all Deepak's locations and regular safety audits are conducted to ensure this</li> <li>● Employees are also equipped with the necessary personal protective equipment to safeguard them against potential hazard</li> <li>● Additionally, a culture of safety awareness is promoted throughout Deepak through various campaigns and training programmes</li> </ul>

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**Community Involvement (S)****Significance and Impact**

- A company's community involvement and upliftment endeavours play a crucial role in elevating a company's reputation in the public eye, generating a significant inward impact
- The material topic has a high impact

**Management/Mitigation Approach**

- Deepak's CSR and community involvement efforts are driven by dedicated CSR wings - Deepak Foundation and Deepak Medical Foundation
- These arms have made a positive contribution to millions of lives through a variety of programmes

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**Growth and Profitability (G)****Significance and Impact**

- Growth and profitability are critical for a company's sustainability

**Management/Mitigation Approach**

- Deepak's prudent fund allocation capability and adherence to good governance principles play a crucial role in its sustainable long-term success
- A clearly defined framework enables disciplined investments at Deepak
- Various initiatives to maximise cost efficiency, aligned with Deepak's rigorous approach to cost management, optimises its financial performance
- Deepak's strategic initiatives across the value chain and ability to respond to market changes paves the way to increased resilience and improved performance in a dynamic business landscape

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**Corporate Governance (G)****Significance and Impact**

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

**Management/Mitigation Approach**

- Strong corporate governance practices are deployed throughout Deepak with emphasis on transparency in financial reporting, sustainability efforts, ethical decision-making and effective risk management
- All employees are governed and guided by a robust code of conduct and ethical standards
- A culture of accountability and integrity lays the foundation to sustained growth at Deepak
- Deepak's comprehensive risk management framework identifies, assesses and mitigates risks related to operations, safety, environmental impact and compliance

7	<b>Business Ethics &amp; Compliance (G)</b>	<b>Significance and Impact</b> <ul style="list-style-type: none"> <li>● Ethics and compliance have a high impact on a company's operations</li> <li>● It is also a high priority topic for stakeholders</li> </ul>	<b>Management/Mitigation Approach</b> <ul style="list-style-type: none"> <li>● Ethics, accountability and integrity are embedded in Deepak's culture and fundamental to its operations</li> <li>● All employees are governed and guided by a robust code of conduct and ethical standards</li> <li>● Deepak ensures strict adherence to all applicable laws, regulations and industry standards to mitigate legal and reputational risks</li> <li>● Deepak regularly evaluates its governance practices. Doing so enables it to identify areas for improvement, implement necessary changes and build trust with all stakeholders, in line with global ESG standards</li> </ul>
8	<b>Business Continuity (G)</b>	<b>Significance and Impact</b> <ul style="list-style-type: none"> <li>● This is a top priority matter having both high inward and outward impact, considering the scale of a company's operations</li> </ul>	<b>Management/Mitigation Approach</b> <ul style="list-style-type: none"> <li>● Uninterrupted operations and business continuity is a key priority at Deepak and ensured at all times</li> <li>● This enables Deepak to become more resilient and ensure minimal disruptions, minimise revenue loss, operational downtime and reputational damage</li> <li>● This proactive approach strengthens customer trust, minimises recover costs, maintains market position and lowers recovery costs – contributing to sustained profitability and long-term financial health</li> </ul>
9	<b>Product Stewardship (G)</b>	<b>Significance and Impact</b> <ul style="list-style-type: none"> <li>● Product stewardship plays a critical role in ensuring that environmentally responsible practices are integrated at every stage of the life cycle of chemical products, aligned with sustainable chemistry goals</li> <li>● It has a high inward and outward impact</li> </ul>	<b>Management/Mitigation Approach</b> <ul style="list-style-type: none"> <li>● A well-established protocol enables Deepak to evaluate the Environmental, Social and Governance (ESG) impacts of its products during their development stages, ensuring these considerations form part of Deepak's decision-making processes</li> <li>● Most of the products have successfully undergone a carbon footprint assessment and Deepak plans to conduct Life Cycle Assessments (LCA) for several existing products in future</li> </ul>

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**Sustainable Supply Chain (G)****Significance and Impact**

- A sustainable supply chain is critical for operations and business continuity
- Considering the size of operations, a company can influence the ESG priorities for their suppliers
- It will also have a high impact on stakeholders

**Management/Mitigation Approach**

- Deepak monitors raw materials and finished goods in real-time. This is supported by using GPS-enabled secured means for transportation that allows seamless tracking and ensures a robust logistics and distribution network
- A structured warehousing ensures prompt customer deliveries while Deepak's integrated facilities, manufacturing expertise, and operational excellence paves the way to reliable and steady performance

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**Waste Management (E)****Significance and Impact**

- Failure to comply with required waste management standard practices will have high negative impact on a company's operations
- Outward impact of this material issue is medium

**Management/Mitigation Approach**

- Generation of hazardous waste is a by-product of agrochemicals production, making it crucial to prioritise recycling and reusing waste whenever possible
- Deepak has adopted a proactive approach to ensure optimal use of resources and minimise as well as recycle waste in line with the regulatory requirements, supported by responsible practices

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**Energy Management (E)****Significance and Impact**

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

**Management/Mitigation Approach**

- Maximising energy efficiency across all business activities is paramount at Deepak to minimise the environmental impact and achieve sustainability goals and targets, aligned with its energy conservation strategy
- Deepak tracks daily energy consumption and actively monitors performance through systems installed across multiple locations

13	<b>Employee Engagement (S)</b>	<b>Significance and Impact</b> <ul style="list-style-type: none"> <li>Investing in employee training/upskilling and employee engagement activities has a high inward impact and helps elevate a company's brand and reputation externally</li> </ul>	<b>Management/Mitigation Approach</b> <ul style="list-style-type: none"> <li>Various initiatives are taken to foster employee development and engagement at all locations</li> <li>Targeted efforts enable the teams to effectively and efficiently perform their responsibilities, nurturing talent and contributing to a competent workforce that drives internal growth</li> <li>Besides optimising product quality, the efforts also boosts revenue for Deepak</li> </ul>
14	<b>Human Rights (S)</b>	<b>Significance and Impact</b> <ul style="list-style-type: none"> <li>Rooted in UN Human Rights principles, a company's policies and procedures contribute to a positive impact on the outside community</li> </ul>	<b>Management/Mitigation Approach</b> <ul style="list-style-type: none"> <li>Deepak's commitment to upholding human rights spans all aspects of its business operations and also extends to its business partners by ensuring their alignment with Deepak's policies and contractual agreements</li> <li>A comprehensive Human Rights due diligence framework has been implemented by Deepak enabling systematic evaluation of its operations</li> <li>The Framework allows Deepak to seamlessly assess human rights vulnerability at its operational sites. The assessment facilitates risk identification and mitigation, along with ongoing monitoring and performance reporting</li> </ul>
15	<b>Customer Relationships (S)</b>	<b>Significance and Impact</b> <ul style="list-style-type: none"> <li>Maintaining customer relationships is critical to a company's operations</li> <li>The material issue has a high inward impact</li> </ul>	<b>Management/Mitigation Approach</b> <ul style="list-style-type: none"> <li>Deepak's efforts to attract and retain customers involves offering innovative and cost-effective products</li> <li>A customer-centric approach combined with initiatives for customer engagement promotes customer loyalty at Deepak, one of our greatest strengths in driving profitable growth</li> </ul>
16	<b>Diversity, Equity &amp; Inclusion (S)</b>	<b>Significance and Impact</b> <ul style="list-style-type: none"> <li>This topic has high impact on a company and medium impact on the external environment</li> </ul>	<b>Management/Mitigation Approach</b> <ul style="list-style-type: none"> <li>Deepak is committed to upholding the principles of inclusion and diversity in its employment practices</li> <li>Deepak's value creation model entails nurturing an agile and continuously expanding workforce composed of individuals from diverse educational, cultural and demographic backgrounds</li> </ul>

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**Product Innovation (G)****Significance and Impact**

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

**Management/Mitigation Approach**

- Dedicated to evaluate the evolving needs and gain insight on consumer's product preferences, Deepak constantly monitors global trends and collaborates with customers, allowing more opportunities to innovate and enhance its range of cutting-edge chemistry solutions
- Deepak's continuous focus on research and development lays the foundation for portfolio expansion and refinements in existing products
- Deepak make consistent investments in innovation, recognising its critical importance in continued success

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**Digitalisation, IT Security & Data Privacy (G)****Significance and Impact**

- Digitalisation helps boost a company's efficiency and reduce carbon footprint
- This topic has a medium inward impact

**Management/Mitigation Approach**

- Deepak's focus on automation and digital adoption has enabled it to streamline processes, enhance operational efficiency and improve productivity
- Data analysis and optimisation in areas like supply chain management and inventory control at Deepak powers its ability to make informed strategic decisions, leading to better business outcomes
- Moreover, the digitisation initiatives are helping Deepak to optimise resource usage and minimise environmental impact, contributing to its sustainability goals

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**Biodiversity (E)****Significance and Impact**

- A company's operations has a substantial impact on local ecosystems and biodiversity
- Biodiversity loss can adversely impact our resource availability and operational risks

**Management/Mitigation Approach**

- Deepak makes sustained efforts to protect biodiversity and reduce its loss