

Environmental Social & Governance Report



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Company Profile

We Aether, are a chemistry and technology oriented company. We are pioneers of human progress, driven by our curiosity.

We have a unique setup where various disciplines collaborate under one roof. Our business sectors specialise in providing high-grade speciality chemicals and intermediates that drive scientific breakthroughs and support industries such as pharmaceuticals, material science, agrochemicals, electronic chemicals, oil & gas, coatings and many others. With a diverse portfolio of over 28 products across our business sectors, we drive innovation through our pipeline and explore visionary solutions at the intersection of our diverse business sectors.

Since our establishment in 2013, we have consistently reinvented ourselves and adopted a long-term mindset. Our values of responsibility, care, and respect are deeply ingrained in everything we do, from our work and our people to our customers, society, and the environment. Our vision is to become a global pioneer in 21st-century science and technology, working towards a future that prioritises sustainable progress for humanity.

In terms of financial reporting, we present our business operations in India, as well as exports to other countries. As of March 31, 2023, we had 889 employees worldwide. The employee count as of March 31, 2022, stood at 719.

In FY 2023, we reported a sales turnover of more than **Rs. 6500 MM.**



Group Structure

In accordance with our strategic orientation, our Company offers intermediates and active ingredients for various industries like pharmaceutical, material science, agrochemical, electronic chemical, oil & gas, coatings and many others.

With a strong focus on innovation, we are committed to delivering the chemicals, to create a sustainable future for generations to come. In early 2013, we started the research centre to fulfil the long-term growth strategy and to better serve our global customers' evolving needs. The Research Solutions business will continue its focus on delivering new product offerings for pharmaceutical development and manufacturing, fine and speciality chemicals and active ingredients. The Research Solutions and Applied Solutions business units were combined into one organization called Aether Industries Limited. We have recently announced the signing of a long-term supply and sales agreement with Otsuka Chemicals Co Ltd, Japan, in collaboration with Chori Co Ltd, Japan (acting as the agent of Otsuka Chemical Co Ltd).

This agreement is set to expand the business opportunities for two of Aether Industries' market-leading products. Under the terms of the agreement, we will supply its two existing products to Otsuka Chemical Co., Ltd. in Japan. The agreement spans an initial duration of 10 years. By securing this partnership, Aether aims to generate revenues of Rs. 510 million within the next three years, with an annual supply volume of 300 metric tons (combined for both products). This agreement marks a significant milestone for us as it strengthens its presence in the Japanese market and reinforces our commitment to delivering high-quality products to international clients.

Our business operations are categorized into three main models. The largest contributor to sales revenue is large-scale manufacturing, which represents 50 percent of total sales. The second segment is contract research and manufacturing (CRAMS), contributing 13 percent to sales revenue. Contract / exclusive manufacturing accounts for 35 percent of sales revenue. These figures are based on the financial results for the financial year ended on March 31, 2023.



Governance

Based in Surat, India, our Company operates in the legal form of incorporation, a listed public company. We started with a research and development (R&D) unit in 2013 and began commercial production in 2017. The shares of Aether Industries rose 20 per cent on its stock market debut in FY23. For the quarter ending March 2023, promoters' stake in company remained unchanged at 87.07%. Mutual funds increased their stake by 0.04%, bringing their total ownership to 7.64% which resulted in Institutional holding increase by 0.04% and reached 9.95% as of March 2023. We published our first Sustainability Report in the FY 2021-22 and the practice continues.

We were awarded Silver EcoVadis Medal for Supplier, Vendor Sustainability initiatives, where we work and support businesses and organizations that adopt sustainable and socially responsible policies, and as our commitment to UN Global Compact framework we align our operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment, and anti-corruption, a sustainability index that assesses the social, ecological and ethical conduct.



Core Strategy

As a group of curious minds committed to human progress, we strongly believe in the power of scientific exploration and responsible entrepreneurship. We recognize that technological advancements can bring benefits to everyone, and we strive to contribute to that progress. Our values of courage, achievement, responsibility, respect, integrity, and transparency serve as guiding principles in every step we take and every decision we make.

At our core, we have a solid foundation that has been shaped by the Aether family. These fundamental principles play a significant role in shaping our enterprise strategy. We always consider these values when engaging in discussions and making decisions that impact our company's direction and future.

- We follow a **risk diversification strategy**, and we avoid over exposure to any single customer, industry, or geography. We ensure resilience against business disruption and deep crises.
- With **our science and technology focus**, we want to be leaders in our fields of expertise and markets, always pushing the boundaries to find new solutions and drive innovation. We aim to create value for our business and for society.
- We **deliver sustainable value**, and we want to maintain an attractive financial profile (for example, a strong credit rating) while assessing and considering the ESG (environmental, social, governance) impact of our growth ambition.
- We design our **long-term value creation strategy** with a focus on innovation-driven technology

Our ambition is to become the global 21st century science and technology pioneer. To achieve this, we will continue to focus on our businesses..

Our highly resilient business sectors are the foundation for our bold plans to accelerate efficient growth and seize organic and inorganic opportunities. We attribute our high capacity for resilience to several factors, notably:

- **Good financial position**: strong balance sheet, sufficient cash reserves and moderate fixed cost exposure
- **High degree of diversification** in the three business sectors amid low cyclicalty
- **Robust supply networks** due to increasing localization
- **Lower dependency** on single regions thanks to diversified footprint
- **Strong focus on sustainability** as an integral part of the company strategy, linked with clear sustainability goals.

You can find more information on our company strategy in our Annual Report 2022 section. Details on the sustainability strategy can be found there and here in the report.



Letter from the Managing Director

I am thrilled to put in my thoughts in this ESG Report, which has been prepared for the FY2023. Paying back to the environment has always been the prime aim of Aether Industries and all the people connected to Aether. Environmental, Social and Governance (ESG) may be a new term and becoming of utmost importance to the world at large, for me and for Aether, they have always been of utmost importance, where in we have been trying to work on ways which will help us protect the Environment, pay back to the society by our Corporate Social Responsibility and adhering to the highest levels of corporate governance.

Initially, Covid-19 pandemic and then the Russia-Ukraine war in the recent past, the world has become more complex and uncertain due to a series of cascading global crises and conflicts. These challenges have posed threats not only to health, but also to the security, and sustainability, as highlighted in two U.N. reports released in 2022.

The first report stated that the 17 Sustainable Development Goals (SDGs) outlined in the 2030 Agenda are at risk. The second report declared that achieving the goal of limiting climate change to 1.5 °C is no longer realistic. Instead, a "rapid transformation of societies" is now the only viable path to mitigate the worst impacts of the climate crisis.

In essence, we have a limited timeframe to fundamentally change our consumption patterns of food, energy, and resources, while also addressing global disparities in health, education, and living standards. This monumental task requires humanity to surpass previous achievements and set the bar higher than ever before.

As the founding Promoter of Aether, I have confidence that we can rise to the challenge by adhering to all the principles of ESG. I think personally that resilience, collaboration, and technology, are the three key factors, that will empower society to overcome these obstacles.

Resilience underpins us

Resilience is a vital attribute that enables us to navigate challenging times and seize opportunities. Throughout the short history of our Company, resilience has been instrumental in helping us overcome significant international economic and geopolitical crises, emerging even stronger from them and ensures our unwavering commitment to achieving our most critical sustainability goals.

Our aim is to integrate sustainability into all aspects of our value chains, making it an integral part of our operations. Through sustainable science and technology, we aspire to make a positive impact on the lives of over one billion people, contributing to their progress and well-being. Furthermore, we are dedicated to achieving climate-neutral operations, actively addressing our environmental footprint and embracing sustainable practices.

In 2022-23, we made notable progress towards our overarching goals. One of our key accomplishments was establishing a comprehensive system for tracking and accounting emissions.

Our commitment to sustainability and mitigating climate change is driving us to take concrete actions and make measurable improvements in reducing our environmental impact. These efforts reflect our dedication to being responsible stewards of the planet

and contributing to a more sustainable future. We will continue to pursue these goals and implement strategies that align with the principles of the Paris Agreement.

In FY2023, we achieved a significant reduction of nearly 40% in our indirect greenhouse gas (GHG) emissions. This accomplishment was made possible through several initiatives, including the reduction of process-related emissions, the implementation of energy efficiency measures, and an increased utilization of renewable energy sources by commissioning a 16MW Solar Power Plant.

In our commitment to gender equality (SDG 5), we made notable progress by increasing the representation of women in leadership positions to 25% in the year 2022-23. Our goal is to achieve gender parity across all levels of our organization by 2030, demonstrating our dedication to promoting diversity and inclusivity.

For the preservation of life on land and below water (SDGs 14 and 15), we have globally committed ourselves to even higher animal welfare standards in 2022-23. This commitment reflects our deep concern for the well-being of terrestrial and aquatic ecosystems, as we strive to contribute to their conservation and sustainability.

These achievements and commitments highlight our unwavering dedication to environmental stewardship, gender equality, and the preservation of biodiversity. We will continue to pursue these goals and work towards a more sustainable and inclusive future.

Technology leverages untapped potential

My second reason for confidence stems from the immense potential of science and technology itself. Many of the technologies required to create a sustainable future in the coming decades already exist today. However, some key innovations, such as green hydrogen, carbon capture, and cultured meat, are still undergoing development or commercialization by various innovators. To make a meaningful difference, we must enhance our efficiency and effectiveness in selecting the most promising technologies and accelerating their market adoption.

We are dedicated to assisting both new and existing customers in achieving their sustainability objectives. Our aspiration is to embed sustainability across our entire value chain, transforming it into a core competitive advantage.

As our transformation into a global sustainability leader gains momentum, we commit to being accountable for both positive and negative impacts. We will maintain transparency in tracking our performance, including measuring our progress in integrating sustainability across all value chains, in collaboration with our suppliers across numerous countries.

Moreover, accountability begins at the top. Hence, my fellow Executive Board members and I have our compensation explicitly tied to the achievement of sustainability goals, among others.

Sustainability is deeply significant to me, the Aether family, and the numerous individuals employed herein. By consistently demonstrating leadership in resilience, collaboration, and technology, we eagerly anticipate contributing to the advancement and prosperity of our company, customers, and society. I will keep you updated on our progress as we continue this journey.

Ashwin Desai
Founding Promoter, Managing Director



Sustainability Strategy & Goals

The world is facing multiple challenges that we too as a Company face. These include climate change, international conflicts, and economic crises, for instance. Our ambition is to leverage science and technology to achieve sustainable progress for mankind.

Our approach: sustainable progress

Sustainable entrepreneurship and profitable growth are intertwined for us, as we believe that creating value for society is essential to maintaining competitiveness. Our innovative and high-quality products aim to address global challenges while ensuring our financial performance.

Responsible action is deeply ingrained in our Company culture, encompassing the interests of employees, customers, investors, and society. Our longstanding history of over 10 years has been shaped by strong values. Courage, achievement, responsibility, respect, integrity, and transparency are the foundations of our sustainable entrepreneurship approach. We strive to be an exemplar of ethical conduct.

Safety, ethics, and sustainability are of paramount importance to us. We diligently mitigate risks across ethical, economic, environmental, and social aspects. From product development to disposal, we consider the entire lifecycle, adhering to rigorous sustainability standards in our procurement practices. We prioritize safe production techniques, uphold high environmental standards, and maintain stringent quality management to minimize environmental impact. Our sustainable products also support our customers in achieving their own sustainability goals.

We closely monitor emerging global trends and challenges. To comprehend the complexities of anticipated changes, we employ scenario techniques to identify and incorporate strategically relevant aspects. We engage in dialogues and initiatives, collaborate with organizations in our industry, and stay informed through media and news coverage. This allows us to manage risks effectively while capitalizing on new business opportunities.

Implementing the strategy globally

The rapidly growing challenges facing both society and the environment require a clear objective for the coming years. Consequently, sustainability is an essential element of our enterprise strategy. We are pursuing three strategic sustainability goals.



Our Key Indicators



Goal 1 | We strive to achieve human progress through sustainable science and technology.

Focus area	Sustainability key indicators	Further details
 Sustainability innovation and technology	<ul style="list-style-type: none"> Percentage of newly published patent families with positive sustainability impact 	Sustainable innovation & technologies

Goal 2 | We strive to integrate sustainability into all our value chains.

Focus area	Sustainability key indicators	Further details
 Sustainability culture and values	<ul style="list-style-type: none"> Percentage of women in leadership positions Percentage of employees trained on sustainability 	Diversity, equity and inclusion Attracting and retaining talent
 Sustainable and transparent supply chain	<ul style="list-style-type: none"> Environment, Health and Safety (EHS) Incident Rate 	Process, plant and transport
 Securing our social license to operate in all regions	<ul style="list-style-type: none"> Violations of Global Social and Labor Standards Policy Lost Time Injury Rate (LTIR) 	Human rights Health and safety

Goal 2 | We strive to integrate sustainability into all our value chains.

Focus area	Sustainability key indicators	Further details
 Climate change and emissions	<ul style="list-style-type: none"> Greenhouse gas emissions (Scope 1 and 2)¹ Indirect greenhouse gas emissions (Scope 3) Percentage of purchased electricity from renewable 	Climate action Climate action Climate action
 Water and resource intensity	<ul style="list-style-type: none"> Waste Score Water Intensity Score Wastewater quality 	Waste & recycling Water management Water management

In order to assess the impacts of our products, technologies and business activities on the environment and society, we developed the Sustainable Business method for measure and reporting of the aspects. It enables us to calculate the positive and negative impacts of our activities along our entire value chain, based on various sustainability criteria. The result is a monetary value that quantifies the benefit that product has for consumers, the environment and society, for instance. In 2022-23, we worked to make the method more user-friendly.



Our operational sustainability goals

Our three strategic goals make our long-term sustainability ambition clear. In order to achieve them, we have also defined operational sustainability goals. These are more specific, may apply for a shorter time frame and are aligned with our current business activities.

Roles and responsibilities

Promoters at the core has taken the responsibility for our sustainability strategy. It has adopted our three strategic goals.

Promoters are framing and shaping the sustainability strategy and conveys to the Board once a year about the progress made and the need for action. It is part of the Company's overall process of sustainability count..

Primarily, Dr. Aman Desai and Mr. Rohan Desai processes out the sustainable operations taking into consideration the current trend and industry flow.

They steers and monitors the implementation of the sustainability strategy. It aligns the strategy with the individual business strategies, defines priorities and specifies globally applicable sustainability guidelines. In addition, they ensures that the initiatives of our various business sectors, functions and subsidiary align with our global sustainability strategy. Moreover, it recommends corresponding initiatives to the Board. Within their respective area of responsibility, each are responsible for sustainability, reviews the priorities that have been set, and decides on the implementation of initiatives.

In 2022, the Board discussed twice the sustainability area in-line with Aether's initiatives thereby. The participants addressed the following topics: Implementing the sustainability strategy in the business sectors, key indicators for measuring and steering sustainability within the Company, lowering greenhouse gas emissions, and supply chain due diligence requirements.

The measures adopted by the Board are implemented by our line managers as well as by interdisciplinary project teams. To achieve our operational sustainability goals and depending on the topic, responsibility is assigned to specific teams, functions and business units. Those responsible for implementation exchange ideas and coordinate actions and they identify synergies between the projects and align their direction with our sustainability goals.

Our members on the sustainability over selected issues and assess the sustainability of our company's business models as well as planned activities. Moreover, they provide their external insights to help address societal and political challenges and developments that could be strategically relevant for our businesses.



Sustainable Development Goals

The United Nations (UN) 2030 Agenda is a global plan to sustainably promote peace and prosperity and to protect our planet. Since 2016, countries and organizations have been working to implement this agenda with its 17 Sustainable Development Goals (SDGs). Our aim is for our business activities to create shared value that is both measurable and makes a recognizable contribution to society. We rely on the power of science and technology to make a positive impact.

Doing our part

Our sustainability strategy focuses on the five SDGs on which we have the strongest impact through our entrepreneurial actions.

SDG 3 Good health and well-being

- With our products, we positively impact the health and quality of life of people around the world. Through technological and scientific innovations, we are also helping to improve the health of underserved populations in low- and middle-income countries.

SDG 8 Decent work and economic growth

- We see it as our responsibility to respect human rights both within our company and along our supply chain. That is why we are dedicated to upholding appropriate and fair labor and social standards. We want to drive sustainable economic growth through progressive resource efficiency.

SDG 9 Industry, innovation and infrastructure

- We use our expertise in science and technology to make our products, processes and infrastructure sustainable. In addition, we want to promote the work of scientists worldwide with our innovations and support programs.

SDG 12 Responsible consumption and production

- We use resources efficiently and reduce waste and emissions. We pay attention to this in our product development and in our manufacturing activities. We also help our customers to manufacture their products more sustainably and efficiently and to achieve their own sustainability goals.

SDG 17 Partnerships for the goals

- We need strong partners in order to drive sustainable development within our company and beyond and to better meet societal challenges. We therefore collaborate with a wide range of organizations, companies, federations, and networks.
- Through our sustainability strategy, we help to solve challenges globally, not just within these five SDGs. Our management approaches and projects also support SDG 4 (Quality education), SDG 5 (Gender equality) supplemented by diversity and inclusion, SDG 6 (Clean water and sanitation), SDG 7 (Affordable and clean energy), and SDG 13 (Climate action).



Stakeholder Dialogue

Engaging with our various stakeholders is crucial for us. Through this dialogue, we communicate our decisions and actions transparently in order to secure our social license to operate. We aim to unite divergent interests, as well as build and sustain trust.

Dialogue at various levels

Our key stakeholders include our employees, customers and business partners, various patients, shareholders, and our suppliers. We pursue a continuous dialogue with our stakeholders and use this exchange to identify trends and developments in society and in our business fields so as to take them into account in our corporate responsibility endeavors.



Our stakeholders

We regularly conduct a systematic materiality analysis to learn about our stakeholders' expectations. In doing so, we identify the economic, social and environmental issues that are important to our stakeholders – and thus also to us.

We have established guidelines and principles for interactions with certain stakeholders, with a focus on compliance. For example, we have defined internal policies and review processes for patient relationships, interactions with healthcare stakeholders, and business partnerships.

A group of external experts from various disciplines, has been advising us on the topic of sustainability since last few years. It enables our company to understand even more diverse stakeholder perspectives and helps us to develop our sustainability strategy further. More information on Experts can be found under Sustainability strategy and goals.

We communicate regularly with our stakeholders through a variety of channels. For instance, we conduct stakeholder surveys and organize topic-specific dialogues at regional, national and international level. We also participate in discussions and informational forums as well as through our advocacy work and industry coalitions.



Materiality Analysis

With our annual materiality analysis, we identify the social, economic and environmental issues that are of special importance to us and our stakeholders. In 2022-23, we broadened this materiality analysis to show to the extent to which our business activities impact these issues, both positively and negatively.

Identifying the material issues

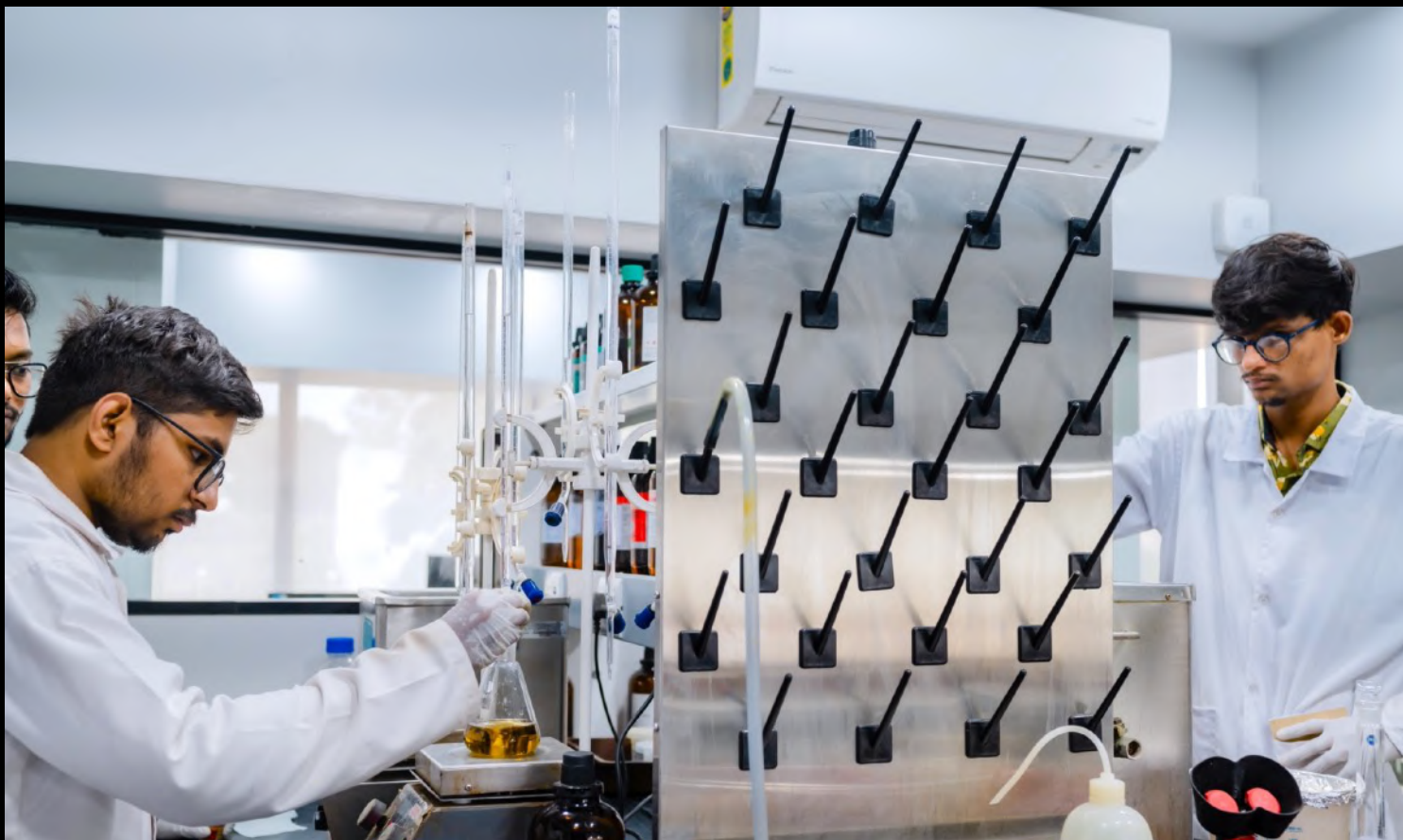
Materiality analyses help us define and verify the focus of our sustainability management efforts and the contents of our reporting. In 2022-23, we adapted our material analysis to the new requirements of the Global Reporting Initiative (GRI) reporting standards. In the analysis, we focused on actual and potentially positive and negative environmental, economic and social impacts of our business activities.

Based on the set of topics included in our most recent materiality analysis, we have already made an initial comparison with the potential non-financial material issues, which is expected to apply to our company as of the forthcoming reporting years. In addition, we drew on internal data and secondary sources such as specialist literature, databases and publicly available ESG indices to investigate the ecological and social impacts of our work. In doing so, we looked not only at our own activities, but also at the impacts within our upstream and downstream value chain.

This data provided us with a basis for a quantitative assessment of the actual and potentially positive and negative impacts across the entire value chain, which we then used to derive a net assessment. We classified the negative impacts into four categories: low, moderate, significant, and critical. Similarly, we categorized the positive impacts as follows: low, moderate, significant, or substantial.

Internal subject matter experts validated the results in three topic workshops.

The following list of topics provides an overview of our actual and potentially positive and negative impacts. A topic was classified as being material if a positive or negative impact was at least categorized as "moderate". A checkmark is used in the table to indicate this.



Compliance

(incl. anti-corruption, anti-competitive behaviour, data protection and privacy, interactions with health systems, responsible marketing)

Due to the nature of our business activities, there is always the possibility of compliance-related risks resulting in potentially moderate negative impacts. In response, our company aims to ensure that all business activities adhere to the relevant laws, regulations and ethical standards. In addition, we do not limit our compliance management to the boundaries of our own company; we also include suppliers and our interactions with sales parties such as commercial agents, distributors and dealers.

Through our compliance policies, standards and procedures, we have comprehensive mitigation measures in place. We believe that there are no additional positive impacts that exceed the regulatory requirements for compliance management systems. Nevertheless, further efforts and continuous improvements are always analyzed and implemented to elevate the quality and effectiveness of our Compliance function.

Supply chain management

(incl. working conditions, equal opportunities, other work-related rights)

Due to the nature of our business, we believe the potential negative impact regarding sustainable supply chain management to be significant. We have guidelines and measures in place to improve working conditions in the supply chain, in addition to careful monitoring through regular assessments and audits. These measures reduce the potential for negative impacts within our supply chain. At the same time, the possibility for us to influence external organizations is more limited than within our own company.

Human rights

When it comes to our global supply chains, we pay close attention to human rights risks. We expect our suppliers to exercise the greatest care in dealing with human rights. Unlike in our own business activities, we can often only have an indirect influence along our supply chain to prevent negative impacts. Our principles have been set out in Group-wide policies, which we use to derive measures to avoid negative impacts. We classify our overall negative impacts with regard to human rights as moderate.

We aim to increase the awareness of our employees and suppliers on the topic of human rights and the associated due diligence obligations. To this end, we use various communication formats and offer training. In addition, we are active in various initiatives. Through these efforts, we make a positive contribution to the protection of human rights. Nevertheless, we assess our positive impacts on the protection of human rights outside our company as low.

- Compliance management
- Data protection & cyber security
- Interactions with health systems

- Supply chain management
- Mica supply chain

- Human rights



Sustainable products

(incl. product design, packaging, innovation and R&D)

Manufacturing our products creates a negative environmental footprint owing to the use of a large variety of resources. We reduce this impact through internal measures, such as utilizing more sustainable raw materials and packaging and by researching innovative and sustainable materials. Additionally, we have launched several initiatives to foster sustainable resource use and develop and implement sustainable product alternatives. Therefore, we believe we have only a moderately negative impact on this topic. We expect to see the largest potential positive impacts from a project that strategically incorporates sustainability criteria into our product development. However, we will only realize the positive impacts of these actions in the future. In the short-term, we aim to create a positive impact by implementing the packaging strategy, which can directly contribute to more sustainable products and packaging design. We recognize that most of these activities will mitigate negative impacts but will not result in a positive impact overall. Partnerships with customers also help to develop more sustainable products and enable other industry players to act more sustainably. Therefore, our current positive impact on the topic of sustainable products can be classified as moderate.

- Sustainable innovation & technology
- Products & packaging

Chemical product safety

(incl. working conditions, equal opportunities, other work-related rights)

To mitigate potential negative impacts of hazardous chemicals, we have strict guidelines and measures in place that ensure safe working conditions. Some uncertainty exists regarding the state of chemical product safety at the supplier level. For users of our products, we provide the necessary information for dealing with hazardous substances safely. Therefore, the potential negative impact is classified as moderate.

- Supply chain management
- Mica supply chain

Our commitment to chemical product safety is one of the cornerstones of our business as we process and handle hundreds of thousands of hazardous chemicals. We continuously improve our activities around product safety, thus benefitting the environment as well as our customers and employees. In addition, we proactively and regularly develop, assess and implement new safety-related data and information and adapt our risk mitigation measures

- Human rights

Attractive employer

(incl. attracting employees, recruiting and retaining employees)

A negative working environment can negatively impact quality and productivity and poor work-life balance may be detrimental to employees' physical, mental and emotional well-being. For this reason, we have implemented several charters, policies and standards to create an attractive and healthy working environment for all employees. We believe the negative impact on the topic of attractive employer to be low.



In addition, we are enhancing our attractiveness as an employer, for instance by creating flexible working environments and taking beneficial measures for our employees extending well beyond compliance with national laws worldwide. Therefore, we believe our positive impact on the topic of attractive employer to be significant.

Diversity and inclusion

(incl. equal opportunity, non-discrimination, inclusive culture)

Disrespecting equal opportunities and non-discrimination can lead to human rights violations in the workplace and therefore have potential negative impacts on humans and society. Our efforts to promote and support diversity, equity, inclusion, non-discrimination, and LGBTQI+ rights are extensive, which is why we believe our negative impact on diversity, equity and inclusion to be low.

Our aspiration to build an inclusive culture in which employees feel welcome and valued extends well beyond compliance with existing laws and regulations. For example, we have empowered the HR to actively contribute to our DE&I strategy. Therefore, we believe our positive impact on DE&I is significant.

- Health & safety

Occupational health and safety

(incl. attracting employees, recruiting and retaining employees)

Health and safety aspects play a major role in the manufacture of chemical and pharmaceutical products – especially for employees working in research and production. To reduce health and safety risks for our employees globally, we have introduced Group-wide standards, initiatives and training programs. We therefore estimate negative impacts on health and safety to be low.

Our activities aim to ensure the safety of the people who work for us since we continuously assess and reduce safety risks. Through training measures, we are also raising awareness both of occupational hazards and behaviours that promote health and safety. By taking various measures, we encourage our employees to live a healthy lifestyle. These measures go beyond compliance with regulations and mitigating negative impacts. Thus, we believe our positive impacts to be moderate.

- Mica supply chain

Manufacturing processes can release emissions into the air, water or soil. Where needed, we install exhaust air purification systems or wastewater treatment plants to reduce or avoid emissions. Despite these measures such emissions can still be unintentionally released. Additionally, our customers may incorrectly dispose of our products. This could potentially lead, for example, to a build-up of pharmaceuticals or other chemicals in the environment and leave traces of active pharmaceutical ingredients in water. In response, we have taken various measures to mitigate these risks so that we believe our negative impacts of our non-GHG emissions to be moderate.

In the area of non-GHG emissions, we have various mitigating measures in place. Beyond this, we could not identify any additional positive impacts on society or the environment.



Our production sites are predominantly located in industrial areas with low biodiversity value. Nevertheless, unintentional chemical leakages can contaminate soil or water resources and damage ecosystems. Therefore, we have technical and organizational measures in place to prevent the release of substances into the environment. For example, we are sealing relevant surfaces at our sites to protect soil, groundwater and the associated ecosystems from chemical spillages. These efforts may impact habitats and animals that potentially live in unsealed surfaces. Water use and the release of greenhouse gases are also linked to biodiversity loss. In addition, as a manufacturer, we use various raw materials and understand that their extraction and processing can negatively impact biodiversity. Overall, due to our technical and organizational measures that are in place, we classify our negative impact on biodiversity as moderate.

Some of our sites are biodiversity-certified and assessed annually. These assessments show that biodiversity at these sites is increasing. In addition, various other sites are making efforts to foster biodiversity. Therefore, we believe to have a low positive impact on biodiversity.

Climate action

(incl. GHG-emissions, energy efficiency, renewable energies)

Company-specific GHG emissions (Scope 1 and 2) contribute to global environmental degradation. Overall, the GHG emissions associated with our purchased goods and services (part of Scope 3) represent the largest share of our total carbon footprint. We believe our negative impact on the topic of climate change to be significant.

We are in the early stages of a long carbon-reduction journey. Therefore, we are investigating and implementing a variety of mitigation measures to significantly reduce our carbon footprint. We also aim to generate value for the environment via initiatives to classify our positive impact regarding GHG emissions as low.

Water management

As a manufacturer of chemical and pharmaceutical products, we require significant volumes of water. The extraction of water reduces its availability in the natural environment and for other water users. Additionally, there is always a risk of negatively impacting the health and viability of ecosystems due to wastewater discharge and the potential pollution of water and soil. We have many initiatives in place to reduce our impact on water quality and availability. For example, we have implemented strict global standards and requirements at all of our manufacturing sites for wastewater treatment. Some of these requirements also exceed our own business, such as the Responsible Minerals Sourcing Charter, which requires suppliers to have wastewater management systems and processes in place. These activities mitigate our negative impacts; therefore, we believe our overall negative impacts on water to be moderate.

With respect to our water management activities, we have strong mitigating measures in place. These are primarily aimed at complying with regulations. Beyond this, we could not identify any additional positive impacts on society or the environment.

- [Water management](#)



The use of chemical and pharmaceutical products is characterized with a high risk of improper use, wrong disposal and particularly in developing countries with weak waste management systems. For waste generated within our own operations, we mitigate negative impacts by adhering to regulations as well as fostering education, waste reduction and recycling initiatives. We classify our overall negative impacts to be moderate.

- Waste & recycling

Regarding waste and recycling, we have strong mitigating measures in place. As these activities concentrate on compliance and the mitigation of negative impacts and do not specifically aim at generating value for environment or society beyond our own scope, we did not identify positive impacts.

Plant, process and transport safety

(incl. GHG-emissions, energy efficiency, renewable energies)

The pharmaceutical and chemical sector is associated with a particular risk of pollutions to air, soil, and water through chemical spills. We have implemented strong standards and safe manufacturing practices at all sites worldwide to significantly reduce the risk of a leakage into the environment at manufacturing locations, during storage and transportation. Therefore, we believe the potential negative impact of our company is moderate.

Our regulations and measures do not only fulfil local legal requirements but go beyond these. We believe our positive impact on the topic plant, process and transport safety to be low.

The set of topics covered by the materiality analysis did not change in comparison with 2021–22. In the analysis, "Tax Governance" once again fell below the materiality threshold. Nevertheless, we have included the relevant information in this report as we expect that tax matters will become increasingly important to our stakeholders in the future. In addition, we report on the topic of "Community Engagement" as we have been supporting and running a wide range of activities and campaigns for many years now. We would like to continue to play an active role in the community and to continue reporting on our outreach efforts.



Corporate Governance

Governance

Since inception, responsibility has been an integral part of our corporate identity. It is one of our six company values, alongside courage, achievement, respect, integrity, and transparency. We seek to balance environmental, social and governance aspects and find solutions for the world of tomorrow. Our actions serve all people who need our medicines or medical treatment, the companies we supply and the people or partner firms we collaborate with.

Our approach to responsible governance

The requirements we place on responsible corporate governance are derived from our company values on the one hand and from the regulations, external initiatives, and international guidelines to which we are committed on the other hand. We integrate requirements such as these into our sustainability strategy and our Group-wide guidelines. These guidelines comprise charters and principles that are valid for the entire company as well as specific standards and procedures for individual business sectors and sites.

Some examples: Our Human Rights Charter aligns with the UN Guiding Principles for Business and Human Rights. Our EHS Policy (Corporate Environment, Health and Safety Policy) for environmental impact mitigation and health and safety forms the basis for implementing.

We comply with all applicable laws as a matter of principle. Where necessary, we review our internal guidelines, standards and instruction manuals on compliant behaviour and adapt them to reflect changes in the regulatory landscape.

Roles and responsibilities

Based on the requirements set forth in charters, principles and policies, our internal standards give specific guidance for operational processes. They are constantly updated by the relevant departments and are available on our intranet. Our managers implement these standards in their respective areas of responsibility and ensure that they are adhered to. In addition, we educate and train our employees on all guidelines that apply to them.

We use management systems to steer processes as well as define goals, actions and responsibilities. These systems are based on standards such as the internationally recognized quality management standard ISO 9001, good working practices (GxP) in the pharmaceutical industry, and ISO 14001 for environmental management. Our company regularly undergoes ISO 14001 and ISO 9001 certification, which is conducted by an independent auditing firm. We hold the certificates

We support the following responsible governance initiatives:

- We have been a participant in the United Nations Global Compact since 2021 and are committed to complying with its principles for both standards.

Compliance management

Responsible entrepreneurship starts with compliance. We aim to ensure that all our activities adhere to relevant laws, regulations and ethical standards around the world. This also helps us to protect our reputation as an employer and business partner.

Our approach to compliance

As a global foot-print company, we have stringent requirements for effective compliance management. Importantly, we seek to emphasize compliance by acting in line with our company values and believe that profitable business operations should go hand in hand with the highest ethical standards.

Roles and responsibilities

Our compliance function is responsible for the framework of the following core topics: the Code of Conduct, anti-corruption and anti-bribery (including healthcare compliance, third-party due diligence, transparency reporting), anti-money laundering, antitrust, and conflicts of interest.

To cover these topics, we have policies, standards and procedures in place that ensure our business activities comply with the relevant laws, regulations and international ethical standards. Other compliance-related issues, including the respective internal regulations and guidelines, such as Export and Import Controls, and Environment, Health, Safety, Security, Quality, are managed by the responsible functions.

Our Group Compliance function is responsible for our compliance portfolio, which consists of the following elements:

- Risk Assessment: Identifying internal and external critical risks in regular business operations
- Policies & Procedures: Global policies, procedures and standards to mitigate identified risks (see the Our commitment: guidelines and standards section for more details)
- Compliance Committee/Forums: Platform for compliance-related discussion and decision making, including relevant key functions
- Training & Awareness: Appropriate training and additional measures to educate and keep awareness high



- Programs & Tools: Comprehensive compliance programs and supporting tools contributing to internal controls and overall governance
- Monitoring & Reporting: Tracking of compliance-related data; perform internal and external reporting
- Case Management: Timely response to reports of misconduct and implementation of corrective actions
- Continuous Improvement: Based on and applicable to all compliance program elements

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- Continuous Improvement: Based on and applicable to all compliance program elements

We continuously review our compliance portfolio and update our initiatives and programs where necessary.

This approach reflects new requirements as well as internal and external risks, such as those resulting from amendments to legislation, relevant industry codes or changes affecting our company. We discuss current compliance matters, trends and goals with our stakeholders, both internally within our compliance organization and externally. We keep the focus on our people by ensuring the availability of appropriate resources and skills, maintaining clear roles and responsibilities and based on employee feedback, setting aligned and harmonized goals. We also ensure that our organizational structure is up to date and meets the requirement.

Things are reported on the status of our compliance activities, potential risks and serious compliance violations to the Board at regular instances. As part of our regular reporting processes, we compile a comprehensive compliance and data privacy report annually for the Executive Board. This includes the status of our compliance program, continuous improvement initiatives and key figures on compliance and data privacy cases. Additionally, we prepare a mid-year update to highlight ongoing developments and the status of relevant projects and initiatives.

Our commitment: Guidelines and standards

Our compliance program builds on our company values and integrates these into our compliance framework, which consists of Group-wide policies, standards and procedures for entrepreneurial conduct. The following are mandatory for all our employees:

- The Code of Conduct guides our people in conducting business ethically – in line with our values and the law. It is available to all employees.
- Our Human Rights Charter supplements our Code of Conduct with globally recognized principles on human rights.
- Our Anti-Corruption Standard stipulates that all business activities must be conducted in line with applicable anti-corruption regulations and standards. All forms of bribery are strictly prohibited.
- Our global Anti-Money Laundering Group Standard defines and describes the internal global process and assurance measures to protect our company from being misused by third parties for money laundering or terrorist financing activities.
- Our Conflict of Interest Policy sets a framework to explain the nature of a Conflict of Interest and the related risks. It advises how to prevent these kinds of situations or how to set rules for identifying, disclosing, mitigating and managing the risks that could arise from such situations.
- Our Group-wide Antitrust and Competition Law Policy states that all business activities across the Group must be conducted in compliance with applicable competition regulations at all times. We acknowledge the importance of fair competition and expect the same of parties acting on our behalf.



- Our Compliance Reporting and Investigation Policy includes the basic steps for an internal compliance investigation. Its purpose is to ensure an appropriate, timely and thorough response to compliance-related reports of potential misconduct pertaining to any kind of internal or external regulations or policies.
- Our Standard on Local Compliance Standards implements a review and approval process for local governance documents in areas under the responsibility of the Group Compliance function. In this way, our local teams can adhere to our compliance principles and guidance while implementing specific local policies or procedures that comply with local regulations.
- Furthermore, we have recently developed a new Supplier Code of Conduct (SCoC) in the reporting year, to have its impact for our Responsible Sourcing Principles. The SCoC will lay out the minimum standards our suppliers and business partners are expected to fulfil regarding human rights, health and safety, business integrity, environmental protection, continuous improvement, and management of their respective suppliers.

To maintain compliance, we annually review and compile a list of changes to the applicable laws and regulations and update the policies, standards and procedures accordingly. Our annual reviews also identify whether any corrective actions from investigations or internal audits require us to update our policies, standards or procedures.

Risk assessment

Proper compliance risk management is crucial to identify undetected risks and ensure our company remains protected. For this purpose, we are implementing a compliance risk identification process. This approach considers gross and net risks while looking at tangible risk scenarios for the respective business. During this process, Compliance team works closely with the businesses to enhance their risk awareness and create a better understanding of compliance risks. The first round of this process includes high-risk countries.

Furthermore, in 2022-23, we updated our country risk segmentation approach. With it, we determine the risk exposure of the countries where our company is actively operating. The primary aim of this analysis is to classify countries in terms of their risk exposure relating to bribery and corruption by applying objective and consistent criteria. We then use the resulting outcome as a basic model to prioritize projects and initiatives and support or intensify activities in countries with specific risk levels.

We have a dedicated Risk Management Committee of the Board, supervising the risk factors and to suggest mitigating actions, if any, comprised of the Promoter and Independent Board Members.

Conflicts of interest

We take all potential conflicts of interest seriously. Employees must avoid situations where their professional judgment may come into conflict with their personal interests. They must also disclose every potential conflict of interest to their supervisor and document the disclosure. Such issues are typically resolved directly between the employee and the supervisor but can also be routed to Human Resources, Legal, Compliance, or other relevant functions.

In 2022-23, we further raised employee awareness of conflicts of interest by establishing a dedicated global e-learning course and enhancing our communication.

In addition, as described in the Annual Report under Avoidance of conflicts of interest, Executive Board and Supervisory Board members are exclusively committed to the company's objectives and neither pursue personal interests nor grant unjustified advantages to third parties.

Management and requirements of third parties

For compliance management to be effective, it must not be restricted to the boundaries of our own company. While our supplier management processes focus on vendor compliance with our standards, our global Third Party Risk Management process governs interactions with sales parties, such as commercial agents, distributors and dealers. We expect our third parties worldwide to adhere to our compliance principles. We collaborate only with parties who pledge to comply with relevant laws, reject all forms of bribery, and adhere to environmental, health and safety guidelines.

We apply a risk-based approach to select the third parties with whom we do business. The greater the estimated risk regarding a particular country, region, or type of service, the more in-depth we examine the third party before entering into a business relationship. We also explore background information from various databases and information reported by third parties.

If we encounter compliance concerns, we further analyze and verify the relevant information. Based on the outcome, we decide whether to reject the potential third party, impose conditions to mitigate identified risks or terminate the existing relationship.

Compliance training

We provide regular compliance classroom and online training courses on our Code of Conduct, anti-corruption, antitrust, data privacy, anti-money laundering, and healthcare compliance standards. We require employees to take these courses based on their exposure to risk. Some courses also apply to independent contractors and supervised workers, such as temporary employees.



We introduced a new Conflicts of Interest e-learning module that explains what conflicts of interests are and how these should be managed within our company. Furthermore, we launched a new e-learning course to provide an overview of our Third-Party Risk Management and to emphasize the importance of Third-Party Risk Assessments.

We also regularly update our training curricula and adapt it to new developments. These ongoing efforts ensure we continuously educate our employees on existing and new compliance requirements, guidelines and projects.

As part of our targeted awareness campaigns, our two Anti-Money Laundering and Anti-Corruption standards were rolled out to senior management in 2022-23 via our internal communication channels.

Anti-money laundering

We have implemented a global anti-money laundering (AML) program consisting of a global Anti-Money Laundering Group Standard, training and a dedicated process to report and investigate red flags as well as any high-risk transactions. Suspicious transactions are noted internally though, no such instances has been reported so far.

Reporting potential compliance violations

We encourage all employees to report potential compliance violations to their supervisors, Legal, HR or other relevant departments. They can also use our central whistleblowing compliance system to report violations by telephone or via a web-based application. Reports of potential compliance violations that we receive via our compliance hotline are reviewed by the HR and then the Management Team.

Based on the investigation outcome and recommendations from the investigation team, appropriate disciplinary action may be taken against employees who have committed a compliance violation. If, during the investigation, a root cause is identified that could lead to the risk of further compliance violations, we take preventive and corrective actions.

The compliance hotline is also available to external stakeholders. The relevant information can be found in the Compliance section of our website.

Engaging stakeholders

We are members of various organizations, including the Chemexcil, The Southern Gujarat Chamber of Commerce, etc.

Data protection & cyber security

Compliant handling of information is highly important for a leading innovative, science- and technology-driven company. When using personal data, the individuals' rights must be appropriately protected. We strive to safeguard the rights of any person whose data we process, including but not limited to our employees, patients, customers, and healthcare professionals. When it comes to cyber security, our company understands the importance of protecting our business from cybercrime and ensuring our information is secure from any associated internal and external risks.

Our approach to data privacy

The mandate and goal of our Group Data Privacy unit is to mitigate risks and create a global framework for data privacy-compliant business operations. This unit helps to train our employees to handle data responsibly and with clear accountability. It safeguards our company by providing data privacy risk assurance and ensuring compliance with relevant data privacy laws globally. Group Data Privacy also contributes to creating value for the development of digital business models.

Our approach to cyber security

It is of critical importance for our business that we protect our information systems, their contents, and our communication channels against any criminal or unwanted activities. These include e-crime and cyberattacks, such as unauthorized access, information leakage and misuse of data or systems. We are an ISO 27001:2013 certified entity.

Roles and responsibilities

Data Privacy is an independent function, organizationally integrated into Compliance and Data Privacy. We have a dedicated Computer & Information Systems (CIS) Team at various sites. In line with external regulations, the Data Privacy Officers and their respective teams act independently and without receiving internal or external instructions. Group Data Privacy regularly prepares data privacy updates and a comprehensive data privacy report. This report is submitted to the Management Team.

Cyber Security is part of our CIS Team. In addition, we have a Chief Information Officer and a network of other Officers within the business sectors, each in turn supported by dedicated networks. The individual sectors hold risk ownership and act as our first line of cyber security defence. Our Cyber Security function acts as a second line of defence and has responsibilities regarding cyber security risk governance and oversight. Our third line of defence comprises internal audits.



Our Data Privacy Management System

Our goal is to complete the implementation of a global and consistent data privacy management system (DPMS) in near future. Our DPMS applies similar elements as the compliance portfolio but adapted to the needs of data privacy. These include policies and procedures, risk assessment and documentation, training and awareness, programs and tools, individual requests, monitoring and reporting, incident management, and continuous improvement..



Our commitment: Guidelines and standards

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Data Privacy Framework

Our Data Privacy Policy and the corresponding standards and procedures define our principles for processing personal data. This approach allows us to achieve a high level of data protection for our employees, contract partners, customers, and suppliers as well as patients and participants in clinical studies. Our Group-wide understanding of data privacy is based on European legislation, in particular the General Data Protection Regulation (GDPR). We are also taking steps to meet local data privacy requirements, where these are stricter than our Group-wide standards.

IT tools for documentation

We maintain a central IT tool to provide a single source for data privacy processes, such as registering data processing activities and reporting potential data privacy incidents. Additionally, we use our corporate intranet for further communication, including answering data privacy questions and providing standardized templates. In 2022-23, we registered no sanctioned complaints or incidents concerning breaches of customer privacy, data leaks, theft, or loss of customer data.

Cyber Security Awareness

The Cyber Security organization has established multiple campaigns – in addition to the mandatory IT Security Awareness e-learning training – to ensure a high level of awareness among internal and external employees. One example is the cyber hero campaign, which features a series of videos demonstrating how to apply information security effectively through real-life examples. In addition, all employees receive monthly phishing e-mail simulations to learn how to identify and report potential attempted breaches in an interactive way.

Cyber Security Framework

Our Group Cyber Security governance framework comprises organizational, process-related and technical information security counter measures based on recognized international standards. In addition, we apply harmonized electronic and physical security controls (e.g. access control and security monitoring) to bolster our ability to handle sensitive data, such as trade secrets.

Data privacy training

In line with the GDPR and our global approach to data privacy, we regularly training courses. In 2022-23, some of the CIS Team members learnt through e-learning platforms.



Regular employee training

We are continuing our Code of Conduct training curriculum on managing dilemmas in sector-specific situations. This comprehensive and interactive training course seeks to improve participants' awareness and understanding of relevant dilemmas, such as overhearing a conversation that may or may not constitute attempted bribery.

Employees who are responsible for the promotion of our pharmaceutical products receive regular training on current guidelines. This applies to individuals in sales, marketing and functions who work directly with healthcare providers. We conduct these seminars either locally in a classroom setting or as e-learning courses.

Depending on their roles and responsibilities, new employees, participate in onboarding training dealing with the review and approval of promotional materials. Additionally, employees in charge of marketing and promotion of pharmaceutical products can also access our respective guidelines on our corporate intranet.

Based on their roles and responsibilities and to remain up-to-date, employees participate in mandatory e-learning courses and classroom training on our policies and guidelines, as well as important changes to the reporting requirements for transfers of value.

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Our approach to taxes

We believe that fair taxation serves as a backbone of any functioning society. Therefore, we expect public authorities to take transparency, predictability and non-discrimination into consideration when implementing taxation measures. We understand that tax is embedded in almost every aspect of commercial operations and our company therefore acts as a responsible taxpayer with respect to the following objectives:

- Ensuring timely and proper execution of tax obligations;
- Securing material correctness of tax positions determined in the annual financial statements and tax declarations;
- Ensuring effective tax risk management and tax monitoring;
- Avoiding inappropriate structuring leading to benefits not provided for by tax law.

Roles and responsibilities

The Chief Financial Officer (CFO) is responsible for the tax function. He delegates his tasks related to tax matters to the concerned team member. CFO is responsible for defining the organizational structure of the function, for monitoring it on an ongoing basis and for adapting it if necessary.

At the subsidiary level, the CFO is generally responsible for tax matters with the help of external advisors,

Tax-related compliance topics can also be reported through the whistle-blower system.

Our commitment: a tax principle

Our Tax Principle is part of our tax internal control system. It represents the framework and minimum requirements for all tax-relevant processes, methods and structures within our company. This principle

- outlines the tax compliance culture within the Organisation;
- defines our tax compliance objectives;
- specifies the organizational framework for tasks, roles and responsibilities, which ensures compliance with tax rules within the Group;
- establishes basic rules for the exchange of tax-relevant information.

The Tax Principle is reviewed at least once a year and modified if necessary. Should extraordinary events occur, such as changes to the business strategy, organizational structures or risk management processes, the principle is reviewed on an ad hoc basis and adapted as appropriate. The CFO is responsible for annual and ad hoc reviews as well as modifications to the principle.



Suppliers

Sustainable supply chain management

Our company procures many raw and packaging materials, technical products, components, and services from around the world. We aim to promote supply chain stability while providing our customers with high-quality products and services. We expect our suppliers to respect our ethical, social and compliance standards and apply these to their own supply chains.

Our approach to sustainable procurement

We have recently established the assessment measure of the vendor, which helps us to identify the sustainability practice of the vendor.

Suppliers

We have our procurements from the domestic Indian market, China, Japan, Germany, etc. With our supplier management endeavors, we aim for compliance with fundamental environmental and social standards in addition to high quality, reliable delivery and competitive prices. Therefore, we have introduced relevant strategies, processes and guidelines to prevent violations of supply chain standards and continuously improving our sustainability performance. Unless stated otherwise, the approaches presented apply to direct suppliers. Furthermore, our supplier management activities include special measures particularly for indirect suppliers working in the area of conflict minerals.

To achieve our sustainability goals, our Procurement team is working closely with our suppliers. We aim to create transparency in all our sourcing regions and fully integrate sustainability into all our value chains. To this end, we have defined two key indicators to measure our journey towards increasing this transparency by evaluating the sustainability performance of our relevant suppliers with valid sustainability assessments. Our definition of valid sustainability assessment includes assessments carried out over the last three years and performed by a reliable, approved source. Relevant suppliers either indicate a specific country and industry risk or contribute to a significant percentage of our supplier spend (at least 50%). For the risk evaluation, we previously used the risk data provided by EcoVadis.

Our notable suppliers were covered by a valid sustainability assessment. To achieve comparability of our key indicators over the years, we applied this new risk score also retrospectively for 2022 data, the starting point of our measurement.

We view our approach to supply chain sustainability as a journey and continuously work to improve and develop our policies and processes. While doing so, we consider all applicable legal requirements and initiate corresponding measures where necessary.

Our Supplier Decarbonization Program is a key element of achieving Net Zero target. Through the program, we aim to reduce greenhouse gas emissions associated with purchased goods and services as well as capital goods. The more information on our climate-related targets can be found in the Climate action chapter.

Risk management process

To ensure security of supply, we select our suppliers based on criteria such as country risk, material risk, supplier risk, and their strategic importance to the business. This process helps our sourcing managers identify potential mitigation actions with relevant suppliers and supports them in making improvements. The approach towards our strategic suppliers which account for approximately 5% of our total supplier spend includes the identification, monitoring and assessment of supply security risks. It comprises four main elements:

- Supplier Risk Assessments: to capture the overarching risks at the supplier level, considering multiple risk domains.
- Alert system: to notify our Procurement organization about risk events arising with any of our suppliers.
- Material Risk Assessments: to identify and mitigate the risks of the materials used in our most significant finished products.
- Risk Response Tracker: a system to create and monitor risk mitigation activities in inter-disciplinary teams.

We calculate risk factors for suppliers and raw materials by multiplying risk probability and risk impact. We have simplified our risk methodology to focus on the ten most relevant risk categories - including but not limited to economic freedom, social unrest, unfair business practices, and poor labor practices - grouped into three risk domains. We also include criteria for identifying supplier relationships impacted by key sustainability risks, such as mineral sourcing and animal welfare. In 2022-23, numerous initiatives were developed to ensure our supply continuity including second source qualifications, regionalization of supply and financial support to suppliers under special circumstances, among others.

Roles and responsibilities

Procurement is responsible for integrating sustainability requirements into the relevant stages of our sourcing and supplier management processes. Our personnels coordinates the relevant measures, such as updating our guidelines where necessary, examining processes and coordinating our participation in external initiatives. Sourcing managers responsible for selecting and contracting suppliers are made aware of and regularly updated on our guidelines and sustainability requirements through internal communication channels and training.



Our commitment: Guidelines and standards

We expect all our suppliers and service providers to comply with our environmental and social standards, which are primarily derived from the core labor standards of the International Labour Organization (ILO) and the UN Global Compact. We expect our suppliers to ensure that their subcontractors respect the same rules. We have developed a Supplier Code of Conduct which details our expectations towards suppliers and business partners regarding human rights, health and safety, business integrity, environmental protection, continuous improvement, and management of their respective suppliers more comprehensively.

Supply chain assessments and audits

At present, there are no supply chain audits, though we have started vouching the same through our questionnaires. That has helped us a lot in this aspect.

Supplier diversity

In India, we have specific supplier diversity programs in place to comply with local legislation. We are focusing our efforts in the India on enhancing our current supplier locator tool by broadening the rollout among sourcing managers to improve our ability to connect with and potentially award business to a wide range of vendors. Additionally, we continue to work on internal awareness campaigns and training seminars for our sourcing managers and are investing in tools to expand our database of small and diverse vendors. Starting in 2023, we plan to expand these efforts beyond the current focus on the sourcing category marketing & sales.

We view our human rights due diligence as a continuous process, which we constantly adapt and improve. This also prompts us to continually review our approach. We closely monitor regulatory developments – for example, the planned EU directive on human rights due diligence.

Roles and responsibilities

Our Executive Board has ultimate responsibility for human rights within our sphere of influence. The Executive Board exercises this responsibility by requiring our Managing Directors to respect human rights.

Our Group Corporate Sustainability unit is responsible for coordinating all human rights due diligence activities across the Group. The persons responsible for these issues in the respective Group functions, business sectors and local units implement the specific measures, for instance by integrating human rights due diligence into existing processes.

The cross-sectoral human rights working group exchanges information on activities and the latest developments in the areas of business and human rights. In 2022-23, considerable meetings were held.



Human Rights

As a corporate group, we have a duty to respect human rights worldwide within our respective sphere of influence and to ensure that our business activities do not infringe upon these rights. By fulfilling our human rights due diligence obligations, we meet our responsibility to society. At the same time, this enables us to remain competitive over the long term.

Our approach to human rights due diligence

We are committed to upholding human rights, which is why we became a signatory to the UN Global Compact . We endeavour to prevent the risk of human rights violations as far as possible, not only at our own sites but also along our entire supply chain. That is why we integrate human rights due diligence into our business processes. Our approach to human rights due diligence encompasses six main components.

Identifying emerging risks
as well as actual and potential human rights violations

Policy commitment: Our Human Rights Charter, Developed with internal and external stakeholder and Expert input

Training and capability-building on human rights throughout the organization and beyond

Addressing our impacts via clearly defined responsibilities, management processes and measures

Merck Human Rights Due Diligence Approach

Tracking and communicating performance via our Sustainability Report and website

Ensuring effective grievance mechanisms are in place



Our commitment: Guiding principles, charters and laws

Our Human Rights Charter aligns with the UN Guiding Principles for Business and Human Rights. It is our overarching human rights governance document and defines the relevant requirements for our company. These requirements cover a broad range of topics related to human rights, including, for instance, product safety, clinical studies, occupational health and safety, equal opportunity, fair pay, freedom of association and collective bargaining as well as the exclusion of child and forced labor. The charter interlinks and complements our existing rules and regulations pertaining to human rights. These include, for example,

- our Code of Conduct,
- our Social and Labor Standards Policy,
- our EHS Policy (Corporate Environment, Health and Safety Policy),
- our Supplier Code of Conduct (formerly Responsible Sourcing Principles),

We expect our employees as well as our suppliers and all companies with which we have business ties to comply with this charter.



Sustainable Innovation & Technology

We are committed to creating solutions that positively impact people and the environment. To this end, we are determined to make discoveries that change the landscape of entire industries and drive technological as well as scientific innovation to solve the most critical issues of today and tomorrow. Customers, investors and regulators across our markets are increasingly seeking sustainable product solutions.

Our approach to creating sustainable innovation and technology

The sustainable innovation that we envision or drive forward must align with and support the three goals of our sustainability strategy. We define sustainable innovation as new or improved products, services, technologies, or processes that generate economic benefits and have positive environmental and social impacts. Therefore, we develop long-term solutions for our innovation and research activities that consider the entire value chain and evaluate each product's impact over its lifecycle.

Today, our products already have a positive impact on human progress and global health, namely our medicines and our biological and chemical innovations that utilize the latest technologies. We want to continuously improve the way we measure our progress by adapting and integrating sustainability criteria into our product development processes across the business sectors.

To develop pioneering solutions that have a positive impact on society and support organic growth, we are exploring transformative technologies beyond our core products and markets. At the same time, we maintain strategic proximity to our business sectors to leverage our existing assets and capabilities. Business model innovation, including digital business models, is one approach we use to generate value for our business and stakeholders.

We fuel transformative technologies through internal incubation, partnerships or strategic investments and collaboration with academia. In addition, we continually seek to foster and encourage open innovation.

Roles and responsibilities

The organizational set-up of our R&D activities reflects the overall structure of our company. All three of our business sectors operate independent R&D units that pursue their own innovation strategies. Group Corporate Sustainability supports our business sectors and Group functions to advance and integrate sustainability within the R&D and innovation processes in line with our shared goals. We developed a methodology for creating a Group-wide overview of the potential contribution of our R&D portfolio towards sustainable solutions that went live in FY 2022-23.

The second approach involves making investments that leverage our core competencies to drive sustainability in other markets. These may include start-ups addressing sustainable foods, bio-manufacturing, or carbon capture and utilization.

Our commitment: a tax principle

Our Tax Principle is part of our tax internal control system. It represents the framework and minimum requirements for all tax-relevant processes, methods and structures within our company. This principle

- outlines the tax compliance culture within the Organisation;
- defines our tax compliance objectives;
- specifies the organizational framework for tasks, roles and responsibilities, which ensures compliance with tax rules within the Group;
- establishes basic rules for the exchange of tax-relevant information.

The Tax Principle is reviewed at least once a year and modified if necessary. Should extraordinary events occur, such as changes to the business strategy, organizational structures or risk management processes, the principle is reviewed on an ad hoc basis and adapted as appropriate. The CFO is responsible for annual and ad hoc reviews as well as modifications to the principle.

Our commitment: Aiming for circularity

Within our R&D processes, we are committed to continuously improving and integrating sustainability and circular economy criteria to assess the sustainability performance of our products and portfolio. We aim to generate an understanding of our R&D portfolio and use the insights to steer future R&D activities. Therefore, we have developed an indicator to track our progress.

More information on sustainable product design can be found in the Sustainable products & packaging chapter.



Sustainable Products & Packaging

We believe it is our duty to consider the sustainability performance of our products throughout their life cycle, starting with the development stage. This also allows us to help our customers to improve the sustainability of their products. To this end, we are in the process of aligning our approaches across our business sectors.

Our approach to sustainable product design

Life Science

In our Life Science business sector, we work to reduce the adverse impacts of our products on health and the environment. This applies to the entire life cycle, from manufacture and use to end of life. At the same time, we seek to make our products more efficient and user-friendly, asking ourselves from the start of product development how to best reconcile these requirements.

Our product developers with a systematic approach that enables them to analyze product impacts in terms of materials used, energy and emissions, water, packaging, usability, innovation, and circular economy as well as supplier- and manufacturing-related issues. We have developed sustainability criteria that can be used to rank a product's performance in each of these areas. When developing a new product, our aim is to improve on as many of these criteria scores as possible.

To understand the potential environmental impacts throughout the product life cycle, we conduct streamlined product life cycle analyses. The findings from these analyses help us to improve our products and are incorporated into subsequent development stages. Experts from Research and Development (R&D), Product Management, Quality, Procurement, and other departments collaborate along every step of the process.

Our approaches to sustainable packaging

We work to deliver our products in packaging that is safe and easy for customers to handle, while also working to improve the sustainability characteristics of our material choices.

Life Science

Our Packaging strategy is built upon three pillars: optimizing resources, using more sustainable materials and designing for a circular economy. We have set four goals that support these pillars:

- Shrink: reduce the amount of packaging
- Secure: achieve zero deforestation
- Switch: improve plastic sustainability characteristics
- Save: maximize recycling

In our efforts to achieve our 2022-23 targets, we also worked to define the future priorities and goals for our Packaging strategy as we want to continue to improve the sustainability characteristics of our new product packaging as well as our existing product and distribution packaging. New product packaging is where we can achieve the greatest impact. Our approach consists of implementing new standards and guidelines that development teams can apply to create more sustainable packaging. Going forward, we will assess the sustainability characteristics of new product packaging based on our upgraded Design for Sustainability scorecard.

In 2022-23, we also assessed the core responsibilities and defined key activities to improve the structure of our sustainability commitments. New responsibilities include a monitoring role as well as driving initiatives that contribute to the scope and targets of our sustainability strategy. Furthermore, dedicated working groups within the business units are responsible for developing individual targets for their business units and implementing corresponding projects.



Product Safety & Quality

Chemical product safety

Many of our chemical products have intrinsic hazardous properties. Therefore, we are working to minimize the potential risks to both human health and the environment that arise from their use. We continuously strive to improve the safety of our products and reduce the environmental impact of our businesses through innovative solutions and digital communication tools.

Our approach to safe chemical products

Product safety is one of our top priorities. During the product development phase, we investigate the potential adverse impacts of chemical substances. Along the entire value chain of our products – from raw materials to manufacture and commercialization – we provide relevant information on their hazardous properties and how to deal with them. These instructions facilitate the safe handling and use of our products in line with all regulatory requirements. We publish this information primarily on the relevant digital channels. As paper safety data sheets are still common in some countries, we can also provide these upon request through our customer service.

We are currently developing a portfolio sustainability assessment framework for business sectors and are preparing to test its suitability and practicability in pilot projects.

Roles and responsibilities

Our Life Science, Healthcare and Electronics business sectors have organizational structures to implement our product safety strategy in line with their respective business requirements and customer needs. This approach includes registering chemicals, classifying hazardous substances, and highlighting risks using safety data sheets, labels and digital communication tools.

Our Group standards provide a framework for governing the set-up of effective operational processes for product safety, hazard communication and chemicals regulatory compliance throughout our business sectors. In addition, the Group Chemicals Regulations Council fosters cross-sectoral alignment of strategic regulatory activities required for existing and emerging chemicals regulations as well as sustainability and identifies potential impacts for our company.

This approach also applies to innovative fields of development such as nano-materials, which we use with the greatest of care in line with the precautionary principle. Furthermore, our Group-wide SOP for handling provides the necessary guidance on the use of these materials.

Legal requirements and internal guidelines

Our internal guidelines define the roles, responsibilities and basic processes required to comply with national and international regulations.

The legal requirements relevant to compliance with chemicals regulations are mainly related to hazard communication as well as local and regional chemicals registration activities. These requirements are expanding globally, with a growing number of countries adapting their local rules in line with existing regulatory frameworks. We are well placed to comply with regulations of this kind in important markets, such as China, India, Japan, Korea, and Taiwan. Using the Globally Harmonized System for Classification and Labelling of Chemicals (GHS) for hazard communication allows us to streamline our internal processes and provide consistent, harmonized and high-quality information to our customers.

Our network of regulatory experts in all three business sectors continuously monitors changes to legal requirements and scientific developments to stay ahead of trends and best practices.

In 2022-23, there were no incidents of non-compliance with regulations specifically concerning potential health and safety impacts and the labelling of our chemical products.

Safety analysis of our products

Safe and sustainable by design implies that product safety starts during development. Therefore, at an early stage of our product development process, we analyze innovations in terms of their impacts on human health and the environment. We continuously evaluate the intrinsic hazards of both our existing and new products to create relevant product safety information in line with all applicable rules.



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Product-related crime

In low- and middle-income countries as well as industrialized countries, illegal, counterfeit and substandard medicines pose a significant risk to public health. In addition, chemicals may be misused for criminal purposes, such as the manufacture of illicit drugs. We take resolute action against both of these criminal activities.

Our approach to product-related crime

Our company develops and manufactures pharmaceutical and chemical products of the highest quality. We take resolute action against product-related crime in order to protect our patients and customers from the harm caused by illegal products. For this purpose, we have implemented a Group-wide strategy, which focuses on identifying and responding to the availability of counterfeit medicines as well as ensuring the integrity of our products and supply chains. Moreover, we are committed to collaborating with government authorities as well as national and international organizations. Together, we want to tackle product-related crime and raise awareness of the issue among stakeholders and the wider public.

How we define product-related crime.

1. Counterfeit products: In line with the relevant WHO standard, we define a counterfeit product as “a product that is deliberately and fraudulently produced and/or mislabeled with respect to its identity and/or source to make it appear to be a genuine product”.
2. Illegal diversion of products: This term refers to the diversion of either pharmaceuticals or chemical substances from within the legitimate supply chain either to sell or export them through illegal channels to produce narcotics, weapons or explosives, or to use them for other illegitimate purposes.

3. Misappropriation of products: This refers to theft from production sites and warehouses, or while in transit.

Roles and responsibilities

The Corporate Security unit coordinates our approach to tackling product-related crime on the strategic level. A cross-functional team supports the operational implementation of the strategy. The team comprises experts from various units, including Legal/ Trademarks, Product Security, Export Control, Supply Chain, Regulatory Affairs, and Quality Assurance. Furthermore, all our sites have product officers who serve as central, local points of contact and act as the interface between both local and global stakeholders, internal and external alike.

Our commitment: Group-wide guidelines and standards

Globally applicable regulations are a key part of our approach to effectively and efficiently tackling product-related crime. The guideline entitled “Illicit Trade & Product Crime Prevention” describes our goals and measures for reducing product-related crime and minimizing its impact. Our Group-wide Product Crime Incident Management standard sets out mandatory requirements for effectively managing incidents of product-related crime.

Raising awareness of product-related crime

We aim to continuously raise awareness of product-related crime among our business partners and employees, educating and training our people Group-wide on the subject to strengthen their competencies. All employees involved in security, such as product officers, participate in appropriate training programs. We are continuously evolving these programs and adapting them to new trends.



Career with us

Our employees advance human progress by solving complex problems and promoting our culture of innovation and inclusion. We encourage them all to pursue careers that align with their individual aspirations, skills and passions. To maximize our potential throughout the Group, we aim to create an environment that inspires our current employees, attracts new talent and helps us to continue to learn and grow.

Our approach: A career with purpose

To ensure our ongoing success, we are focusing on the future by creating meaningful impacts and building needed capabilities. At the same time, we must respond to changing demographics and adapt to the behaviours and expectations of the highly competitive talent market. Therefore, in 2022-23, we enhanced our talent acquisition strategy with a more personal, employee-focused approach. Our goals include reinventing our talent sourcing approach to build targeted and integrated pipelines and effectively recruiting diverse talent to our organization.

Our trainee programs are designed to assess and hire early-career talent who show exceptional potential. We believe vocational training is an effective way to meet current and future demand for qualified professionals.

Supporting our employees' professional and personal development helps us to meet our strategic objectives, driving our success as a company. In a fast-paced environment of continuous growth and innovation, we want to cultivate and develop the capabilities of our employees. As a result, our employees benefit from a diverse learning and development portfolio. In addition, our dedicated management programs help our leaders to promote accountable and inclusive behaviours and educate them on driving sustainable business value and performance.

We have designed our compensation structure to provide valuable benefits to our employees and their families. Our reward system recognizes the uniqueness of our employees while providing flexibility wherever possible. Through our competitive compensation structure, we aim to be attractive to future employees in particular. Additionally, our international employee mobility programs create an environment suited to the needs of a rapidly evolving workforce.

We have revised our talent retention approach by tailoring our retention efforts more strongly to different target groups and countries as well as striving to create an inclusive environment that sparks our employees' creativity and growth.

Roles and responsibilities

Group Human Resources (HR) supports and advises all department and overall functions within our organization regarding our human capital, especially topics related to recruiting, vocational training and advanced training. Across all our sites, HR employees work with leaders from various functions and sectors to employ strategies that engage our people in line with organisation-wide HR guidelines and requirements, including attractive compensation models and benefits. Every year, we conduct internal audits to ensure that we implement our guidelines effectively.

Our Chief HR Officer, who leads the HR function and oversees all our HR activities, reports directly to the Management. Our departmental unit oversees the operational tasks of HR work, such as drafting contracts and payroll accounting. The HR Head is responsible for this.

All employees can access their personal data via our digital platform, which aligns our basic HR processes.

Our commitment: Structured development

Our High-Impact Culture, founded on six behaviours, is integrated into all HR processes, from recruitment and training to feedback processes. We regularly inform executives and employees about these behaviours through global campaigns.

Our People Development and Learning Policy provides a Group-wide framework that guides employees in managing their professional growth. It defines requirements for our development opportunities, roles and responsibilities. The associated processes are described in our People Development and Learning Standards.

Our flexible work guideline details our approach to evolving work environments and our aspiration to create a more agile organization. For example, employees can choose their desired working location (with the agreement of local guidance, teams, and managers) provided it is appropriate for their work activity. In addition, we aim to better support and recognize the well-being of careers around the world by creating a career-friendly workplace.



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Attracting and inspiring key talent

Our overarching goal is to attract qualified employees and retain them over the long term. Therefore, we continue to focus on measures that improve the way in which we introduce new employees to our company culture.

In this context, we launched a recruiting initiative for our leaders to become brand ambassadors within their professional networks. Through this program, we support our leaders in engaging in dialogue with their peers and communities about our culture and the opportunities for professional development offered by our company.

Additionally, we are continuously reviewing our application process and hiring manager enablement to maintain a fast, quality-driven process.

A competitive compensation structure

We reward the performance of our employees in order to maintain a competitive edge in attracting qualified professionals. Within our Group, we base compensation on the requirements of each position and each employee's respective performance. We make no distinctions based on gender or any other diversity criteria.

To ensure we maintain a competitive compensation structure, we regularly review our compensation policy based on data analyses and industry benchmarks. This enables us to compare internal factors and market requirements in equal measure. Before making changes to our compensation structure, we consult with key stakeholders such as employee representatives.

Nurturing a global mindset

Furthermore, we have established a policy that allows employees – under certain conditions and in adherence to compliance measures .

Unlocking our potential with education and professional development

We have implemented a holistic learning and leadership portfolio, which we are continuously enhancing in accordance with the principles of our High-Impact Culture and set of behaviours in order to foster greater levels of accountability, inclusiveness and engagement. Our learning portfolio also helps our employees to understand and embrace the principles, values and behaviours of our corporate culture.

We endeavour to support our employees' personal and professional development in line with their strengths, skills and behaviours. Therefore, we provide ample opportunities for the functional and technical upskilling required in the various areas of our organization. We recognize that employees need to develop capabilities for the future and acquire skills to adapt quickly to changing markets and organizational needs. Beyond cultural and soft skill learning and development opportunities, functional training, such as digital upskilling or scientific training, provides additional opportunities for development in specific areas.

Furthermore, our Development Advisor tool provides specific learning and development resources. For example, employees can find eLearning courses, formal training offerings, self-facilitator toolkits, and text proposals, which they can use to compile their individual development plans. Different filter criteria help employees to find learning offerings based on their specific needs. It is recommended that employees shape their development plans with components covering formal training, opportunities to interact and learn from others and learning by doing .

Our employees can also book learning offerings, such as e-learning courses or in-person training, via our learning management system.

We have integrated individual and team learning programs into our global learning and leadership portfolio. The Empower Your Team program introduces our leadership culture and the basics of leadership, such as decision-making, feedback, motivation, and emotional intelligence. Empower Your Organization is aimed at more experienced leaders and focuses on the capabilities needed to shape our culture, covering topics such as inclusiveness, psychological safety and transformation.



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Corporate Culture

Since inception, we have worked to improve and enhance people's lives worldwide. Our High-Impact Culture enables us to continuously re-examine our way of working and challenge long-held assumptions to advance human progress. It drives us to double down on our people to recruit, develop, retain, and promote the best and most diverse talent, while cultivating and rewarding an inclusive environment.

Our approach: Unlocking our collective potential

We recognize that our daily actions ultimately impact our customers, patients and partners. This is why we have identified a standard set of behaviours that form the foundation of our High-Impact Culture such as 'raising the bar' and 'acting as the owner'. They are firmly embedded in our company culture to provide guidance to all our employees and leaders.

We believe acknowledging and rewarding individual achievements, as well as a feedback-driven culture, enable collective success. Accordingly, we are introducing a new approach to performance, providing our teams with a framework that values employee expectations, clarifies goals, provides feedback, and rewards performance as part of our High-Impact Culture.

A constant shift towards learning from others, delivering and receiving feedback, and acknowledging the perspectives of others in constructive ways are also crucial elements of our culture. By promoting an open mindset, we empower our employees and strengthen our organization.

We also work to increase employee engagement and promote individual accountability by creating regular opportunities for dialogue and participation within the company. For example, employee surveys with regular pulse feedback opportunities provide valuable data points for managers, employees, and Human Resources (HR) to conceive new measures and initiatives that promote a culture of dialogue and collaboration in the workplace.

Roles and responsibilities

Human Resources (HR) is responsible for advising all sectors and functions on matters concerning human capital. HR addresses the needs of our employees, organizational topics, and company culture founded on ethics and a shared set of company values.

We expect our leaders to understand the needs of their diverse teams and provide support in the form of resources and data. In addition, the ability to access transparent feedback through specially developed tools allows our leaders to gain further insights into how their behaviour impacts their teams. For this reason, we work with external providers to train our leaders in proven, science-based approaches to lead more effectively.



Strengthening our High-Impact Culture

We aim to create a positive culture based on our strategic core elements of caring, outperforming and pioneering. By fostering our High-Impact Culture, we empower our people to create positive outcomes for our customers, and society. As part of this culture, we define a common mindset that guides how we do business and interact with colleagues and stakeholders. By embracing a standard set of behaviours, we can deliver on our purpose and create a work environment where everyone can succeed, develop and grow. These behaviours also embody our shared values and help to ensure our teams reflect different cultures, ways of thinking and life experiences.

These behaviours are:

Care

Obsessed with customers

We focus on the impact we generate, we start with them in mind and work backwards.

Act as the owner

We are owners, we make decisions and act on behalf of the company's best interest, not just our own.

Pioneer

Be curious and innovate boldly

We set relentlessly high standards for ourselves - and for our teams. We drive to deliver the best quality products, services and processes.

Simplify and act with urgency

We see beauty in simplification, we cut unnecessary processes and focus on what matters most first - and we change course quickly when necessary because speed matters in every business.

Outperform

Raise the bar

We set relentlessly high standards for ourselves - and for our teams. We drive to deliver the best quality products, services and processes.

Disagree openly, decide, and deliver (3Ds)

We think independently and deliver as a team. We make clear what matters in any decision, taking accountability and avoiding deferring difficult decisions. And when a decision is taken we all commit.

In 2023, we launch a new approach to how performance is steered, managed and evaluated in our company.



In 2022-23, we presented the new approach to senior leadership in all relevant sectors and functions. We also informed the unions, who have been involved in the necessary negotiations prior to implementation. The main features include:

- Customized elements fitting the different nature of roles and responsibilities of our employees
- Continuous and transparent conversations about performance
- Timely and frequent feedback collected to provide a basis for unbiased dialogue between supervisors and employees
- A new and simplified way to evaluate employee impact, reflecting our High-Impact Culture
- Flexible performance-related recognition and financial award framework available throughout the year

Empowering our employees

We are committed to ensuring our employees and leaders are involved in our business processes and can engage in dialogue through various channels, such as internal communications platforms, anonymous surveys, and roundtables.

In 2022-23, we developed concrete measures to gain insights into our employees' experiences throughout their employee lifecycle, from onboarding to leaving the company. For example, we now evaluate feedback from the onboarding experience after 180 days and again after three months to understand the experiences of new employees and identify areas for improvement. Similarly, our exit surveys collect insights into their reasons for leaving the company.

In addition, we evaluate the progress made in implementing our High-Impact Culture by conducting pulse surveys on the perceived culture change and newly introduced behaviours. Other main feedback formats include a yearly global employee engagement survey that serves as the main feedback channel for all our employees. With a strong focus on diversity, equity and inclusion in 2022-23, we conducted an additional inclusion assessment to identify and understand areas where we can strengthen our culture of belonging. This assessment helps us to create a more inclusive environment for members of underrepresented groups, such as people with disabilities, people from different ethnic groups, etc.



Diversity, Equity & Inclusion

We believe that creating and maintaining a diverse workforce helps us drive innovation, exceed customer expectations and remain economically and socially sustainable. Diversity, Equity & Inclusion (DE&I) also supports our goals of attracting and retaining talent who enrich our culture and help us create new solutions to tomorrow's challenges.

Our approach to creating a culture of inclusion and belonging

We are committed to promoting a strong sense of inclusion among our employees. Therefore, we approach Diversity, Equity & Inclusion (DE&I) with the same purpose as our other global business objectives and aspirations. In addition, our DE&I approach fuels our efforts to make positive impacts in the communities where we live and work. We expect our leaders and managers to be mindful and considerate in how they attract, hire, retain, and promote their people. We aim to help every employee maximize their potential, regardless of their gender identity, culture, ethnicity, race, religion or creed, sexual orientation, nationality, socioeconomic and family status, language, disability status, age, mindset, faiths, military service, or political conviction.

We strive to create equitable outcomes and identify and eliminate any barriers that may hinder our employees' contributions or their access to opportunities or career advancement. Ultimately, we believe diversity inspires progress and strengthens our ability to innovate in all areas of our business.

The uniqueness of our people that brings science, curiosity and our High-Impact Culture to life. Therefore, we nurture an environment with a collective sense of belonging so that all team members feel valued and appreciated. This inclusive approach improves our overall performance and leads to more positive outcomes for our customers and partners.

Roles and responsibilities

The HR Head is responsible for our global DE&I strategy and steering its related activities. In this role, he reports directly to the Management.

In addition, we have established a centralized Diversity Council consisting of high-ranking executives from all our business sectors and selected Group functions. The Diversity Council's responsibilities include:

- Supporting equity and inclusion across our organization and its activities.
- Serving as ambassadors and advisors to the Executive Board and managing directors in country organizations.
- Proposing strategic goals, initiating measures and ensuring managers meet their responsibilities in their respective units.
- Exchanging information, sharing best practices and aligning on next steps.
- Working across businesses, functions and countries to integrate DE&I within our daily work to benefit our employees and customers.

Our commitment: International policies and principles

Our Social and Labor Standards Policy categorically states that our company does not tolerate any form of discrimination, physical or verbal harassment, or intolerance. To underscore our commitment to equality, fairness, inclusion, and tolerance in the workplace, we also participate in industry-wide initiatives:

The Women's Empowerment Principles, an initiative of UN Women and the UN Global Compact network, help to promote gender equality and women's empowerment in the workplace. In addition, we also adhered to the UN Target Gender Equality Programme in 2021/22, which supports companies in achieving gender balance in business.

Committed to fair and equitable pay

Our commitment to pay equity is a critical aspect of our DE&I strategy. To create transparency around unexplained pay gaps and identify their underlying root causes, we conducted a pay equity analysis in 2022-23 with a focus on gender-based discrepancies. The identified adjusted (unexplained) gender pay gap is nominal in favour of men. While this is a good starting point and below the existing benchmark, we will continue to monitor pay data and take measured actions as needed. These include enabling our leaders to ensure we continue making equitable and unbiased pay decisions.



Cultivating inclusion every day

We provide a framework for education in the areas of diversity, equity and inclusion, combined with empowerment to support inclusive leadership strategies. To maximize our leaders' effectiveness in building diverse and inclusive teams, we rolled out the Inclusive Leadership Workshop as part of our global inclusion key performance indicators. It corresponds to the Leadership Program of 2022-23. The workshop combines global leadership interactions, peer coaching, continuous self-reflection, and leadership accountability. It is mandatory for all our leaders.

We also provide many learning opportunities with training and listening sessions on how to be a more inclusive colleague such as our unconscious bias training sessions. With the introduction of the psychological safety module, we help employees understand how important it is to create a safe environment in teams and ensure everyone's voice is heard. In addition, we conducted a global inclusion assessment to better understand specific areas of opportunity and gain employee insights in order to create a more inclusive workplace. More information on how we approach employee engagement can be found under Corporate culture.

Our networks drive inclusion



Ensuring fair treatment for all

We do not tolerate any form of discrimination in our company, as stipulated with binding effect in our Code of Conduct and Social and Labor Standards Policy. In addition, we have established various reporting channels to ensure employees have a clear point of contact should they experience harassment or discrimination in the workplace, or any other violations of our standards. Their first points of contact are their supervisors, HR or compliance teams. Alternatively, employees can also make anonymous calls to our compliance hotline.

Well-Being Communities

Focus on improving awareness and support for them within healthcare systems around the globe.

Disability Communities

A community for people with disabilities, and their allies and help break the stigma surrounding disabilities topics and instead, provide resources and support.

Culture and Ethnicity Networks

Help propose solutions to support the attraction, retention, and development of our employees of colour as well as other cultural and ethnic minorities.

Women Networks

Create an inclusive workplace that recognizes, develops, and advocates for the promotion of qualified women to achieve gender balance and thus long-term business success

Generational Networks

Raise awareness, drive development, and encourage a culture where everyone has the same career opportunities regardless of their age and stage of life.



Health & Safety

We take responsibility for the health and safety of our employees every single day and do everything we can to protect them against accidents and work-related illnesses. To this end, we take measures to prevent health issues from arising in the first place.

Our approach to preventing accidents and promoting health

We seek to promote the health and well-being of our employees and sustain their long-term performance ability, which in turn necessitates a safe workplace. We are therefore constantly working to further strengthen our health and safety culture.

The lost time injury rate (LTIR) is the indicator used to gauge the success of our occupational safety efforts. It is a global measure of the number of accidents resulting in at least one day of missed work per one million hours worked. We determine the Group-wide LTIR both for our employees and supervised temporary staff. Our objective is to maintain it 'zero' as currently it is..

Generally, before starting an activity anywhere in the world, we perform a hazard assessment to identify risks and do everything possible to eliminate them before commencing the activity or commissioning a plant. If this is not feasible, we put measures in place to minimize the likelihood of risks and their potential impacts. Hazard assessments are the responsibility of our individual sites and are therefore conducted by them.

Since inception, we have been developing a health strategy for our employees to enable them to maintain and promote their health.

Through the efforts of our Health Management, we are bolstering our company and health culture at our sites. We examine the effectiveness of Health Management using employees' health-related responses in our annual anonymous. We use this survey to calculate our the general state of health of our employees

Roles and responsibilities

Our EHS (Environment, Health and Safety) management system is the responsibility of Corporate Sustainability, Quality and Trade Compliance, which in turn reports to the Board. This Group function sets objectives, oversees the respective initiatives globally and conducts internal EHS audits. EHS Managers and their teams ensure that our individual sites comply with all occupational health and safety laws and regulations. They are also responsible for local projects, campaigns and programs.

Employees concerned about their health or safety are permitted to temporarily step back from their work until the issue has been resolved. Globally, across the Group, they are encouraged to report such concerns.

At our sites, we also have safety councils and committees that convene to address health and safety issues, coordinating strategies and focus areas with site senior leaders, health and safety experts, and employees. After implementing each measure, the Health Management team asks all participants for their anonymous feedback on their experience and suggestions for improvement, which help shape the development of further initiatives.

Our commitment: Policies and company agreements

Our Corporate EHS Policy (Corporate Environment, Health and Safety Policy) describes our fundamental approach to occupational health and safety. It is an integral part of our EHS management system and undergoes an external ISO 45001 audit at instances.

Our Group-wide Health Policy specifies our approach to ensuring workplace safety for our employees while also promoting their health and well-being. In this policy, we set out our Group-wide approach to health and safety management, which is aimed at preventing workplace accidents and occupational illnesses.

It is our aim to ensure that environmental, health and safety aspects are also respected in our partnerships with contractors throughout the entire relationship, from starting a job to completion. This objective is reflected in our EHS Management Standard.



Clear rules of conduct

Experience shows that most workplace accidents can be prevented by proper conduct. For our occupational health and safety, it is therefore essential that our employees have the relevant EHS training and certification. We not only educate our employees on occupational health and safety, but actively involve them in our efforts. For instance, we ask them to participate in walk about and in the selection of personal protective gear. This involvement is crucial because our employees best understand what they need in specific work situations. This enables us to continuously improve our occupational health and safety practices and performance.

All new EHS employees must complete a EHS onboarding that covers topics such as occupational health and safety. Through this initiative, we raise employee awareness of occupational hazards and teach them rules for safe behaviour. In addition, we regularly provide occupational safety training at our sites covering both legal requirements as well as the specific local risks.

Promoting employee health

For employees at our sites, our Health Management unit offers specific health services such as mindfulness courses and ergonomics consultation. Moreover, we continuously assess the working conditions and the respective working environment, making improvements in accordance with the latest scientific findings. We use a standardized process for this.

Physicals and support for our employees

Our Physical Ability Test and Health Preservation process allows us to ensure that all employees meet the health requirements for their particular tasks and duties. Depending on the job profile, our every employees undergo pre-hiring physicals and physical tests.



Environmental Protection

Our business activities release emissions into the air and water and generate waste-water and waste. In addition, we use materials that can adversely affect the environment if not handled properly. We aim to minimize our impact on the environment and have developed strategies to improve our environmental performance. This includes making the most efficient use of increasingly scarce resources.

Our approach to environmental protection

Minimizing negative environmental impacts and taking meaningful climate action requires a holistic approach while also constantly monitoring practices and performance. Our goal is to decouple business growth from negative environmental impacts wherever possible. Our production sites are located in established industrial and commercial zones. Before acquiring a company – and thus its facilities – we first conduct an environmental risk assessment, taking into consideration information from publicly accessible sources to the extent possible.

Roles and responsibilities

The Board of our company is responsible for environmental protection, which also covers climate action, water management, waste and recycling, plant and process safety. The duties include the approval of overarching Group-wide guidelines such as our EHS Policy.

The Group function Corporate Sustainability, Quality and Trade Compliance (SQ) is responsible for steering all the related measures globally. SQ senior leadership approves operational standards and regularly reports on environmental protection to the Executive Board. Every year, SQ prepares a comprehensive environment, health and safety report that covers topics such as climate action, water management, waste and recycling, and plant and process safety. It helps to steer the strategic direction and as verification for our ISO 14001 certifications. Additionally, the management receives a monthly update so that measures can be adjusted in a timely manner.

At our individual sites, the Management is responsible for environmental compliance as well as occupational health and safety at the operational level. At facilities, the Directors receive support and advice from EHS managers, with EHS coordinators performing this role at smaller sites. These local EHS units report to the corresponding business sectors, working in close collaboration with them.

Material investments in environmental impact mitigation

Efforts to prevent and monitor air, water and soil emissions entail significant expense on our part, as does proper waste disposal. Moreover, we set up provisions to ensure that we can execute all the necessary measures.

Assessing environmental impacts

As a matter of principle, we conduct risk-based assessments along with audits of all our production facilities every year with the goal of analyzing and minimizing our environmental footprint. In our Group EHS audits, we assess our sites' performance on a five-tier scale ("excellent", "good", "satisfactory", "poor" and "critical"), which in turn determines how frequently audits are conducted. If the findings are deemed to be good, we audit the facility less often, while significant violations can increase the frequency. In 2022-23, we commissioned sufficient quantum of audits, which were conducted either virtually or on site.

Reporting incidents and violations

To review critical situations, near misses and environmental incidents as quickly as possible and take countermeasures, we have a set of reporting procedures in place that allow us to track the respective incident, its degree of severity and all risk mitigation efforts. We record all incidents Group-wide and report them to the Executive Board on an annual basis.

Major incidents could include fatalities, accidents with multiple casualties, incidents that impact neighbouring communities. Through the system in place, we can quickly coordinate with all those involved and inform the other sites immediately of the respective event. In addition, employees as well as external stakeholders can report any violations of our standards to organisations Compliance.

In 2022-23, we recorded no significant incident-related spills, that we are proud of.



Environmental training and continuing education

All new EHS managers are required to complete a required orientation course. Also, necessary pick up is also availed to them for their job role.

ISO 14001:2015 Group certificate

Our company has held an ISO 14001 Group certificate that requires all production sites with more than 50 employees to implement an environmental management system with predefined indicators such as greenhouse gas emissions and water consumption. The annual internal audit reports and management reviews carried out under the Group certificate give us a better overview of how all our sites are performing. In 2022-23, our site is covered by the ISO14001, ISO45001 and GMP certificate.

Annual external audits are used to monitor our certifications. In addition to external inspections, internal audits serve to ensure Group-wide compliance with our requirements.



Climate Action

Climate change is one of the major challenges facing society in the 21st century. In 2015, the United Nations collectively agreed to take action to significantly limit the rise in global temperatures. Since climate action and energy efficiency will pay off in the long run – both for the environment and our business – we have also made it our mission to help stem the tide of climate change.

How we are taking climate action

We want to do our part to preserve the climate and comply with the Paris Agreement on climate change. Therefore, we have set our own objectives:

We aim to achieve this mainly by reducing process-related emissions, implementing energy efficiency measures and purchasing more electricity from renewable sources.

We are contributing to limiting global warming to 1.5 °C, thus complying with the requirements of the Paris Agreement.

We also aim to cover our new projects over renewable energy sources.

Moreover, we aim to reduce our Scope 3 emissions across the entire value chain by xx% (per INR of gross profit) by xx. This target was also approved by SBTi.

Roles and responsibilities

Corporate Sustainability is responsible for overseeing all climate action efforts throughout the organisation, with our individual sites and business sectors worldwide implementing the necessary measures at the local level.

Our commitment: Standards and legal frameworks

We have several EHS standards in place to manage energy and process-related emissions consistently across the Group, specifically "Energy Management", "Emissions" and "Emissions of Refrigerants". We utilize an internal audit process to randomly check compliance with all EHS standards.

The sites are responsible for taking the requisite actions and furthermore undergo audits conducted by internal and external experts.

Emissions reduced further

In 2022-23, we focused on creating more transparency on our Scope 3 emissions. The Greenhouse Gas Protocol defines 15 categories for Scope 3 emissions from upstream and downstream activities.



Reducing product-related emissions

Across all of our business sectors, we aim to reduce the carbon footprint of our products. To achieve this, we have started a pilot project which will help us calculate the carbon footprint of our product portfolios. To ensure we work based on industry standards and can rely on comparable data analytics and expert analysis, we collaborate with our peer companies in industry initiatives.

Energy efficiency

In 2022-23, a variety of energy efficiency initiatives helped us to save around metrics of tons CO₂eq. For instance, we improved, ventilation and air conditioning systems and reduced base loads for compressed air systems. Also, we procure the electricity through the renewable sources. We have also the automated system which, automatically operated the switch-on and switch-off.

As part of our ongoing effort to expand renewable energy, we have PPAs for our locations.

Purchasing electricity from renewable sources

In 2022-23, we further strengthened our focus on purchasing electricity from renewable sources. In this period, we have set-up 16 MW electricity from renewable energy i.e. solar power plant.

In line with our renewable energy strategy, we shall complete an assessment of the renewable electricity markets to determine our best path forward. This assessment will guide our renewable electricity purchasing strategy in the coming years. We are currently in the process of selecting project developers to achieve our green electricity sourcing objective.



Resource Efficiency

Water management

Water is becoming increasingly scarce globally. Since our company also depends on the availability of water, sustainable water management is an important part of our environmental protection efforts. We continuously aim to improve our water protection activities. This includes adapting our practices to increasingly towards lesser water requirements.

Our approach to sustainable water management

To us, sustainable water management means obtaining freshwater or discharging treated wastewater without negatively impacting aquatic ecosystems. We are also concerned with addressing water scarcity. We want to reduce the environmental impact of our wastewater and make our processes more water-efficient. In the medium term, we will also take into account water-related risks that exist in our supply chain when purchasing important raw materials. In the long term, we intend to transparently map water use and environmental impacts throughout the entire life cycle of our products.

Our regular EHS audits at our production and development facilities also review site-specific water management practices. Our water management efforts focus more heavily on our manufacturing sites than on our administrative facilities because production generally poses a higher risk to aquatic ecosystems.

Using water more efficiently

We seek to minimize our impact on water availability in the vicinity of our sites. Local conditions determine whether a sufficient water supply is available.

Our wastewater

We have generated a several million cubic meters of waste water, this was treated at external treatment plants or disposed of in an ecologically sustainable manner. We take extensive measures designed to ensure that our company complies with the respective legal requirements when directly discharging wastewater. We are looking towards potential tightening of the statutory requirements on discharging treated wastewater.

When it comes to discharging wastewater, we strictly adhere to government regulations. Our target therefore goes beyond the stipulations of legal requirements: The steps will be conducting a risk assessment for the relevant substances, assessing how high the deviation from the no-effect threshold is, and implementing improvement actions.

Waste & recycling

Although waste may contain valuable raw materials that can be reused in the production stream, it can also pose a wide range of risks to the environment. We therefore consider it essential to either prevent or recycle as much of our waste as possible.

We have our own Solvent Recovery Plant (SRP) which help us out to reuse the recoveries into our manufacturing process.

Our approach to waste and recycling

We aim to limit the loss of raw materials and reduce the impact of our waste disposal practices on ecosystems.

We strive to prevent the generation of waste by, for instance, developing new production processes or optimizing existing ones. When prevention is not feasible, we do our best to recover materials or energy from the waste we generate. Our waste scoring system helps us support a circular economy. Waste separation makes it possible to recover and recycle raw materials, while un-recyclable waste is disposed of in an environmentally sustainable manner in line with the strictest waste disposal standards. In doing so, we take local legal regulations as well as the available disposal options into account.

Responsibility for the waste disposal process

As a generator of waste, we are responsible for the ultimate disposal of our waste and therefore choose our service providers with the utmost care, contractually stipulating disposal requirements. We conduct random audits to verify their compliance with our disposal standards, especially when it comes to hazardous waste.

Roles and responsibilities

Our Corporate Sustainability function bears overall responsibility for our waste management and recycling practices. Additionally, our site EHS managers are responsible for implementing our requirements at the sites and for maintaining legal compliance with the applicable regulations. We have a experts



Our commitment: International guidelines and requirements

Our EHS Waste Management Standard provides a consistent framework for waste management across all of our sites, defining organizational structures and minimum requirements. This standard also stipulates that all facilities document their waste by type and quantity and report these data to our sustainability function.

Reducing the environmental impacts of waste

We are aiming to reduce our Waste Score sooner. To achieve this goal, we continuously examine our production processes and disposal methods to identify potential areas for improvement, an endeavour supported by the EHS units of the business sectors at each site. They regularly discuss best practices, share lessons learned across our sites and drive the transition to greener disposal methods.

Promoting the circular economy

Through our Progressive Material Economy initiative at the sites, we are promoting a sustainable, resource-efficient circular economy. We are refining our solvent recycling practices, thereby minimizing the adverse environmental impacts from the disposal of our production waste.



Plant, Process & Transport Safety

Preventing harm to human health and the environment is one of our top priorities. We have management systems in place to help ensure the safety of our plants and processes and to protect our employees and the environment. In addition, we do everything in our power to ensure that our chemical and pharmaceutical compounds are transported and stored properly.

Our approach to plant, process and transport safety

We seek to minimize manufacturing process hazards wherever possible in order to prevent workplace accidents, production outages and chemical spills, which is why we regularly review our approach to plant and process safety and continuously gauge it using our EHS performance indicators.

Moreover, all our shipments are to reach our customers and sites safely, undamaged and with the required safety information. Several of the materials we store and transport are classified as hazardous. The storage of such dangerous goods and the transport thereof – whether by road, rail, air, or water – are governed by global regulations. To minimize risks to people and the environment, we apply strict safety requirements across the Group that also comply with applicable laws. We conduct regular reviews to ensure our own warehouses as well as those of third parties comply with these regulations. In 2022-23, no third-party audits were conducted.

We train our employees regularly in an effort to prevent human error and also to detect technical defects before they can cause harm.

Roles and responsibilities

Overriding responsibility for plant, process and transport safety lies with the Corporate Sustainability, which coordinates plant and process safety for the company and defines EHS standards and regulations. In addition, our individual sites are subject to national and international regulations governing environmental stewardship and public safety.

If required, we have appointed an EHS manager for our sites for sites with logistics activities with relevant amounts of hazardous materials. This role corresponds to the regulations. The site manager advises on plant, process and transport safety and regularly monitor compliance with safety requirements.

Our commitment: Internal standards and international rules

To ensure safe operation throughout the lifetime of a plant, our Group-wide EHS standards contain specific rules for production plants and processes. These include specifications that determine how special risk analyses and hazard assessments are to be carried out. We have also defined measures for the event of accidental release of chemical substances and for fire protection. Our EHS standards stipulate the safety levels for the storage of hazardous materials at our sites. Along with supplementary standard operating procedures and best practice documents, these EHS standards describe the technology, equipment and organizational infrastructure needed to achieve the appropriate safety levels. Contract warehouses must also adhere to our strict safety requirements. Our EHS standards also define the technical and organizational requirements for such warehouses.

Keeping a close eye on safety

We track EHS performance indicators at all production and warehouse facilities, as well as at major research sites, including both accidents and near misses. We investigate each individual incident and then devise appropriate countermeasures in an effort to reduce the likelihood of such events reoccurring in the future. EHS performance indicator data are reported once a month within each business sector, with the Executive Board receiving reports on the topic once per year. Four indicators are particularly important to us:

- Under our EHS Incident Rate (EHS IR), we track and evaluate all major and minor accidents and incidents as well as further EHS-relevant incidents. The EHS IR covers both our own employees as well as those of contractors. To calculate it, we state the number of incidents and the severity of the event in relation to the number of hours worked. The lower the EHS Incident Rate, the safer the site is.
- For the Lost Time Injury Rate (LTIR) we set ourselves the goal of bringing our LTIR to nil, as currently we have maintained the same. (number of accidents resulting in at least one missed day of work per million hours worked). In 2022-23, our LTIR remained unchanged in comparison with the previous year.



Employee training and best-practice sharing

In line with their specific tasks and responsibilities, our employees undergo regular training that is conducted by either their respective supervisor or our EHS manager. They present EHS standards as well as site-specific standards and processes, address changes to requirements and explain the proper procedures for dealing with incidents.

In the interest of improving safety, we consider it extremely important to continuously share best practices and lessons learned. Once a week, EHS managers participate in safety leadership calls to learn from incidents at other facilities and implement preventive measures with the help from external consultants



Community Engagement

We see ourselves as part of society – both at our individual sites as well as worldwide. Our aspiration is to help shape society – through our products, technologies and community engagement. That is why we work with our employees to promote a diverse range of social initiatives that help tackle challenges at the local level.

Our approach to community engagement

We are deeply committed to supporting the communities in which our various sites are located. In this context, we focus on health and education (especially for females)

We have incorporated details of social engagement in our annual CSR report, being part of the Annual Report.

Our commitment: The principles of our community engagement

In designing our projects, we are guided by our CSR Policy on Community Engagement, which defines what community engagement means for the entire Group and what objectives we are pursuing. This standard gives our business sectors and subsidiaries abroad a framework for structuring their respective activities themselves and also stipulates roles and responsibilities.

We want to strengthen and encourage our social commitments.

We help to contribute to our Society at large to best of our reach. We help to build and provide various educational infrastructural facilities to needy students in the remote and tribal area. So far, we have helped to contribute for five school buildings in the area of the Dang and Surat Districts of Gujarat.

CSR is always a soft corner for the Management and closer to their heart, as it is always considered as the responsibility to give back what you have taken for your activities from the Society.

In that line, we fulfil our CSR obligations in its true letter and spirit as below:

1,99,80,900

FY 2022-23

1,21,92,300

FY 2021-22

65,30,000

FY 2020-21

19,25,870

FY 2019-20

9,25,000

FY 2018-19

Apart from CSR, we also give support to our needy employee workers vide supporting them to paying school fee of their children, providing required gadgets viz. laptops. Also, we provide aid in case of medical emergency to family member of any employee.

We have helped out to built separate female hostels in urban as well as rural area. Also, we also celebrated the 'Azadi Ka Amrit Mahotsav' in its true form as solicited by the Hon. Prime Minister Sh. Narendra Modi. We helped to flag 800+ national flag on the 75th Independence Day of India.

Our school facilities will be beneficial to 600+ students towards building their bright future.



Report Profile

Our company has a long history of corporate responsibility. This is also reflected in our reporting practices. We have been publishing reports on our efforts to live up to our corporate responsibility since 2018-19, focusing on education. In 2022, we began reporting on sustainability topics, publishing a report annually.

In this Sustainability Report, we describe the strategic direction of our sustainable entrepreneurship as well as focus areas in which we intend to achieve our sustainability goals. We want to inform our stakeholders transparently and comprehensively about our activities and successes as well as the challenges we face. This also includes classifying actual and potential positive and negative impacts of our business activities.

We have incorporated details of social engagement in our annual CSR report, being part of the Annual Report.

Reporting framework

This report covers fiscal 2022-23 and pertains to our entire organisation. Any deviations from this reporting framework are indicated on a case-by-case basis.

Determining report content

We align the content of our report with the internationally recognized sustainability reporting standards of the Global Reporting Initiative (GRI). In doing so, we observe prescribed reporting principles, such as accuracy, balance, topicality, and verifiability. The report has been prepared in accordance with the current GRI Universal standards 2021.

Moreover, we will integrate our disclosures pursuant to the SASB standards (Sustainability Accounting Standards Board) and the requirements of the Task Force on Climate-Related Financial Disclosures (TCFD) into the Sustainability Report. In doing so, we intend to meet the increasing transparency expectations of various investor groups and other stakeholders.

We are planning out a materiality analysis to determine the sustainability topics of relevance to our Group. We have derived the content of this Sustainability Report from the results of the materiality analysis, which can be found together with the materiality matrix under Materiality analysis.

Our Board has reviewed and approved the Sustainability Report for 2022-23.

Data collection and consolidation systems

The 2022-23 Sustainability Report generally provides non-financial indicators for the entire house. We explicitly state when, in individual cases, the information provided deviates from these parameters.

We use an electronic data collection system to collect environmental and occupational health and safety data. The data are recorded at department level and are subject to approval in accordance with the dual-control principle. To improve the quality of these data, we support the sites both in optimizing their collection processes and their corresponding quality assurance measures. Moreover, our Corporate Sustainability function takes measures, such as internal EHS audits, to review both the processes and the data provided.

We collect environmental performance indicators across all our production sites. We also record these indicators for the warehouse, research and office locations that are relevant in terms of their environmental impact. This report's scope of consolidation therefore covers all sites that have relevant impacts on the environment.

All employee master data is continually updated in an internal database. Some employee data are only disclosed for select sites, which are indicated accordingly in the respective passages.





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