



INDFRAG BIOSCIENCES

*Sustainability
in
Action*

CORPORATE SUSTAINABILITY
REPORT 2020

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ABOUT THE REPORT

Indfrag Biosciences formally embarked on its sustainability journey a few years ago. Today, sustainability is at the heart of everything we do, and we are grateful to all our stakeholders who continue to support and collaborate with us on this journey. We are delighted to present the first edition of our corporate sustainability report, ‘Sustainability in Action’ for Indfrag Biosciences’ cosmetics business division. The report elaborates upon our initiatives and their impact on the eco-system across sourcing and production. It outlines our governance mechanisms and partnerships with global bodies that enable and empower our actions. Lastly, it defines our goals for the future. This document is a humble attempt to formalize our commitment to sustainability.

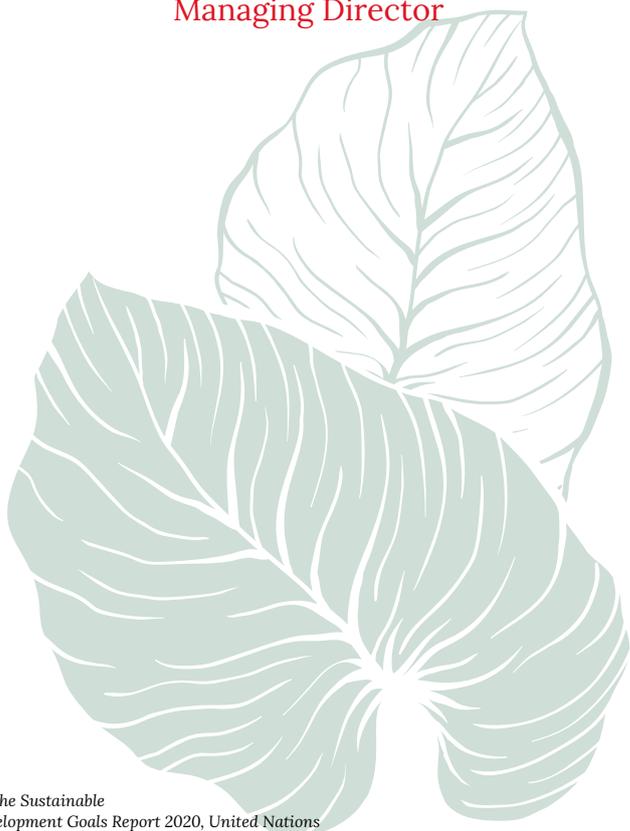
Indfrag Biosciences has only taken the first steps on this path. We hope that we will be able to report increased progress in the years to come.





Philip Samuel

Philip Samuel
Managing Director



CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

Today, the world faces the gravest challenges of climate change and rising poverty. As per the United Nations Sustainable Development Goals Report, global temperatures are set to cross the 1.5 C Paris Agreement target, rising as much as 3.2 C by the end of the century. In Southern Asia and Sub-Saharan Africa, an additional 32 Mn and 26 Mn people are expected to transition to extreme poverty in 2020 due to COVID-19[1].

As most of our sourcing and production locations are in these regions, we have a duty to address these challenges. Over the years, with support from all our stakeholders, we have been taking small steps in planning and executing initiatives aimed at addressing some of those challenges. These initiatives further enforce our ideology: sustainability at the core of a business strategy ensures long-term growth and stability.

[1] The Sustainable Development Goals Report 2020, United Nations

“ These initiatives further enforce our ideology: sustainability at the core of a business strategy ”



CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

Since several years, we have been delivering on our sustainability strategy. In 2016, we launched one of our largest and most critical programs, Centella Asiatica project. This initiative has demonstrated significant results in the past four years and has impacted the lives of more than 3000 producers by paying 1.5 times the national minimum wage. On the environmental front, it has reduced the intensity of GHG emissions (CO₂e per 1 kg of output) by ~50%. Our results have proven our ability to achieve business growth while ensuring positive social and environmental impact. These results have reinforced our commitment to drive our sustainability agenda. Moving forward, we aim to strengthen and expand our sourcing program. For production, we aim to develop an all-encompassing environmental and social sustainability strategy. This strategy would include initiatives such as implementing living wages for our stakeholders and producing goods using renewable energy. Most importantly, we aim to transition to carbon neutrality within the next five years.



SUSTAINABILITY IN ACTION: OUR APPROACH

At Indfrag Biosciences, we believe that employees, suppliers and customers are our most important assets. Among them, customers have been pivotal in guiding and strengthening our sustainability actions. Together, we strive for collective impact by aligning our sustainability goals with theirs.

Our people-focused approach emphasizes on uplifting livelihoods and ensuring good working conditions for all our employees and suppliers. By treating them with care, we foster a higher level of personal commitment towards achieving our objectives.

We have set ambitious sustainability goals for our future. Principal among them is our aim to become carbon neutral in the next five years. Our continuous efforts towards these goals reassures our clients' faith in our products. This faith further enables us to uplift the livelihoods of all our people. It also empowers our employees to take business decisions that are socially and environmentally conscious.

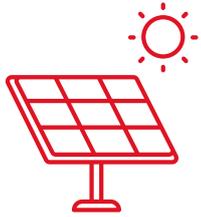
The result of all these actions is a virtuous circle of sustainability that meets the interest of all our stakeholders. Through these actions, we work towards 13 of the United Nations sustainable development goals.

The virtuous circle of 'Sustainability in Action' at Indfrag Biosciences

Meeting the interests of our people, our planet, and our customers



OUR JOURNEY SO FAR



Powering head office electricity with solar energy

2014



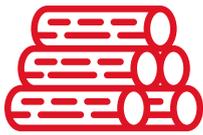
Launched Centella Asiatica sustainable supply chain

2016

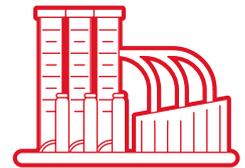


Launched Boswellia Serrata sustainable supply chain

2018



Using firewood (renewable fuels) to power the facility boilers.



Installed air and water pre-heaters in the facility for efficient energy consumption.



Launched green chemistry initiative to replace chemical solvents with greener alternatives



Moving towards a zero discharge facility

← Long-term sustainability goals



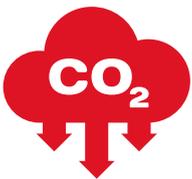
Sustainably sourcing more than 90% of our products

2025

2022

2020

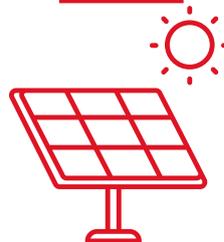
2019



Becoming carbon neutral.



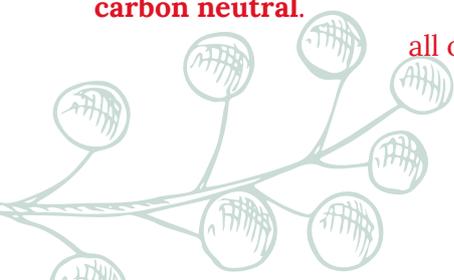
Implementing **living wages** for all our stakeholders.



Initiated action to power facility electricity with solar energy



Using electric vehicles in the facility for carbon-free transportation



13 United Nations sustainable development goals addressed by our strategy

1 NO POVERTY



Providing employment opportunities to producer communities

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Developing school infrastructure to improve access to education

2 ZERO HUNGER



Improving access to nutritional requirements

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Developing zero waste facilities

3 GOOD HEALTH AND WELL-BEING



Ensuring health and safety for all our workers

13 CLIMATE ACTION



Reducing GHG emissions by driving production efficiencies

4 QUALITY EDUCATION



Providing access to education material

14 LIFE BELOW WATER



Treating water responsibly to minimize water contamination

5 GENDER EQUALITY



Providing employment to unemployed women

15 LIFE ON LAND



Preserving tree from which we procure our raw material

7 AFFORDABLE AND CLEAN ENERGY



Providing access to renewable electricity in local communities

17 PARTNERSHIPS FOR THE GOALS



Partnering for sustainability projects and certifications

8 DECENT WORK AND ECONOMIC GROWTH



Complying with fair trade standards to ensure good working conditions

SOURCING SUSTAINABLY

At Indfrag Biosciences, we work with more than fifty suppliers across seven countries. A majority of our raw material is sourced from developing nations like Madagascar and India. In these countries, our supply of raw material is primarily dependent on producers from local communities who work in plantation fields and forest areas. These producers often face challenges related to good working practices. To help them overcome these challenges, we launched our sustainable sourcing program in 2016. This program aims to improve producer livelihoods and explore opportunities to minimize environmental impact in our supply chain.

Over the years, we have successfully launched sustainability initiatives for our products, Centella Asiatica, Boswellia Serrata and Matcha Green Tea. As a result of these initiatives, more than 95% of the natural extracts processed by us in 2019-20 were sustainably sourced[1].

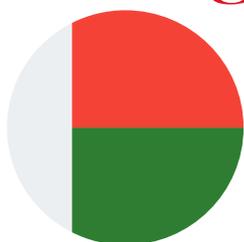
In subsequent sections, we have elaborated upon the initiatives taken for two of our largest products – Centella Asiatica and Boswellia Serrata.

In 2019, ~99% of our natural extracts were sustainably sourced

50+ suppliers spread across 7 countries

with maximum volume of raw material sourced from Madagascar and India

Madagascar



Madagascar is one of our biggest supplier locations for Centella Asiatica



Centella Asiatica

India



India is also one of our largest supplier location for Boswellia Serrata and Matcha Green tea.



Boswellia Serrata



Matcha green tea

[1] The term 'sustainably sourced' refers to supply chains that have been certified by external bodies for compliance with social, environmental and economic standards.

THE CENTELLA STORY

We are the largest manufacturers of Centella Asiatica in India, and the product accounts for ~88% of our turnover. The primary ingredient of Centella is grown in Madagascar, where we have partnered with local producers for its procurement. In 2016, we launched a long-term project to envision a more transparent and sustainable supply chain. The project is in partnership with Union for Ethical and Bio-Trade (UEBT), one of our largest customers and the Centella supplier.



Centella Asiatica leaves



UPLIFTING LIVELIHOODS AND ENSURING GOOD WORKING CONDITIONS

At Indfrag Biosciences, we pay attention to the socio-economic challenges faced by our producers. By addressing their issues, we aim to uplift their livelihoods and strengthen their commitment to good business practices.



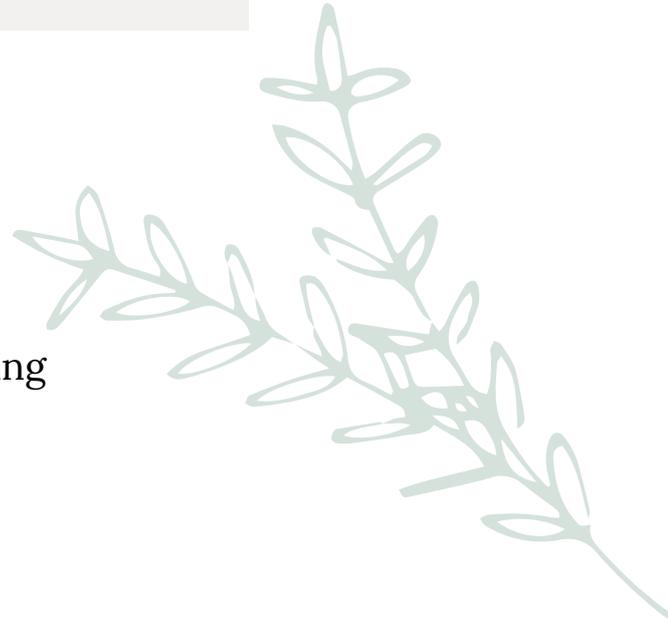
1.5 times the national minimum wage paid to producers.



3000+ producers trained on sustainable procurement practices.



Awareness campaigns on good working conditions and fair wage payment.



In the Centella project, we have initiated measures in three domains. First, an internal traceability system has been established to ensure fair payment to producers. Second, training programs have been designed for producers and suppliers on sustainable procurement practices. Lastly, the team has been working towards identifying and addressing community-level challenges in the sourcing region.

>95% adult pickers are women

85% of women have been trained.

Providing employment opportunities to female unemployed workforce.



COMMUNITY DEVELOPMENT INITIATIVES

Currently, our team is supporting suppliers' families to meet their nutritional requirements and earn additional revenues through vegetable gardening training. For improving the quality of education in the region, efforts have been made to improve school attendance and provide access to education material.



2022 Target



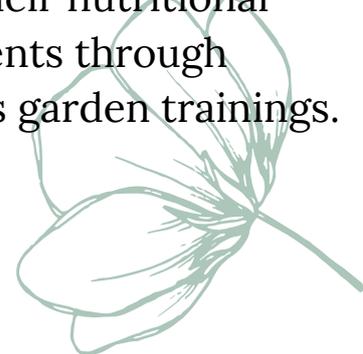
Support **4,200** children to attend school



5 school infrastructure re-development projects.



Support **1000+** beneficiaries to meet their nutritional requirements through vegetables garden trainings.



TAKING CLIMATE ACTION AND PRESERVING BIODIVERSITY

With social initiatives in place, the project has been able to gain greater commitment from the suppliers and producers in Madagascar. This commitment has resulted in a unified endeavor for climate action and biodiversity preservation.

As a first step, we revised the procurement process. Many of these changes were based on best practices shared by our local producers and have proven successful over time. At the harvesting stage, changes have been made to ensure that only the relevant parts of the Centella plant are picked. We began procuring only the Centella leaves as opposed to uprooting the entire plant. As a result, the raw material weight and waste resulting from uprooting the irrelevant parts of the plant reduced. This revision also contributed to biodiversity conservation as we began reusing the plant for multiple cycles of procurement.



~65% reduction in raw material required per kg of output



~70% reduction in water consumption per kg of output.

For storage, we have replaced the standard open warehousing model with a sheltered and localized model. The localized model has helped reduce the weight of raw material transported to the supplier. Moreover, the presence of a shelter has minimized product deterioration.

At the suppliers' end, efforts have been made to make the packaging process more efficient. We have installed compression machines that reduce the space taken by raw materials in shipping containers.

These revised practices have doubled the active principle content of Centella Asiatica product from 4% to 8%. This improvement reduced the raw material and GHG emissions from procurement, transportation, and extraction. produce a larger volume of Centella Asiatica raw material.

In addition to supply chain improvements, the project team is working towards a more environmentally sustainable eco-system for the suppliers.

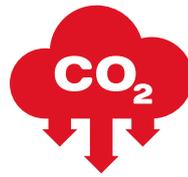


Bailing press machine installed at the supplier location



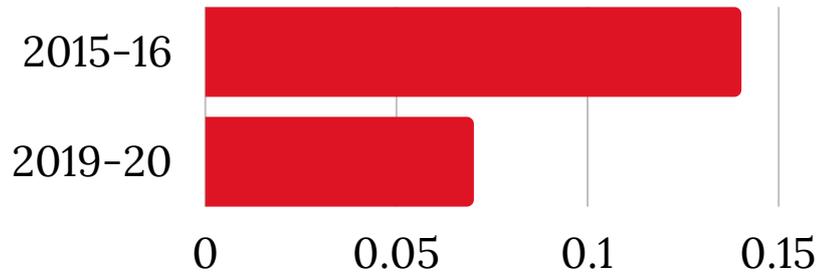
Overall, we achieved our target of reducing Scope 1, 2 and 3 GHG emissions (CO₂e metric tons) per 1 kg of Centella Asiatica by 50% in less than five years. The study also revealed that our current processes consume ~70% less water per kg of output compared to the earlier processes. As of 2020, we continue to Nagoya Protocol. By 2019, the project had supported biodiversity conservation through actions such as regeneration studies and reforestation efforts in the Ankeniheny Zahamena Corridor (ZAC) bordering Fierenana in Madagascar.

IMPACT ON CLIMATE CHANGE



50% drop in GHG emission per kg output

Centella Asiatica: GHG Emissions (CO₂e) per kg output



Reforestation efforts in Ankeniheny Zahamena Corridor, bordering our supply area (Fierenana) in Madagascar. It is one of the largest remaining areas of rain forest in the country and was designated as a national park in 2015.



THE BOSWELLIA STORY

Boswellia Serrata is a gum-based plant extract procured by local producers in Madhya Pradesh, India. The sustainability of the Boswellia Serrata supply chain is crucial as this extract accounts for a high share of raw material procured by us.

In 2018, we launched an initiative to work directly with producers via a producer group company. With direct contact, we enable fair wage payment and compliance with fair trade standards. The initiative also helped implement sustainable procurement practices and address other challenges of the community.



DEVELOPING FAIR TRADE PRACTICES

Based in Madhya Pradesh, Boswellia producers rely on the forest environment for their livelihood. Due to lack of knowledge of good working conditions and fair wage practices, producers can, at times, be commercially disadvantaged. Hence, initiatives have been taken to engage directly with these producers to enable all-round development. For this, a producer group, 'Gwalior Boswellia Serrata Producer Company Limited' was formed and officially certified. It started with ten and has now grown to include four hundred and fifty members.

For project implementation, we have collaborated with Fairtrade Network of Asia and Pacific Producers (NAPP). Together, we have taken measures to ensure compliance with fair trade principles which include fair wage, equal pay, good working conditions, etc. In addition, the initiative focuses on social development at a community-level.

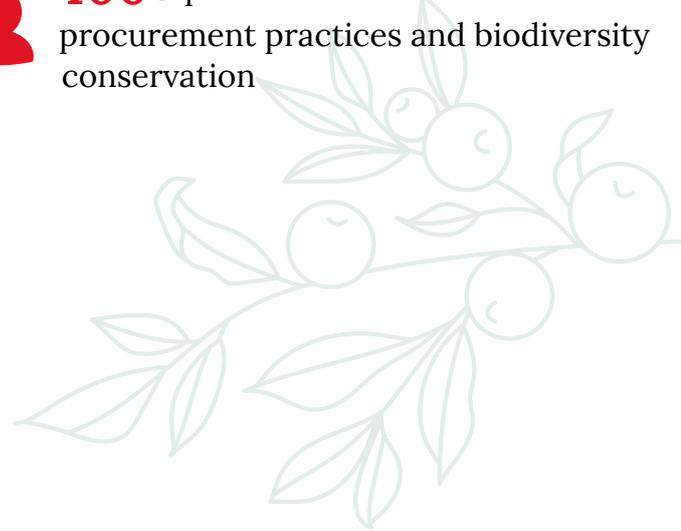
A 15% premium on each order goes towards the development of basic facilities like access to healthcare, provision for clean drinking water and development of schools in their villages. Through these developments, we strive for a more inclusive eco-system for the producer community.



15% premium per order in contributed towards development of basic facilities.



400+ producers trained on sustainable procurement practices and biodiversity conservation



ENVIRONMENTAL PROTECTION THROUGH SUSTAINABLE FORAGING

Along with social initiatives, we actively engage with producers to implement sustainable foraging practices. For this, we designed a sustainable procurement workflow in collaboration with Fairtrade NAPP. Upon its adoption, we achieved notable results in 2019-2020



Key workflow revision:

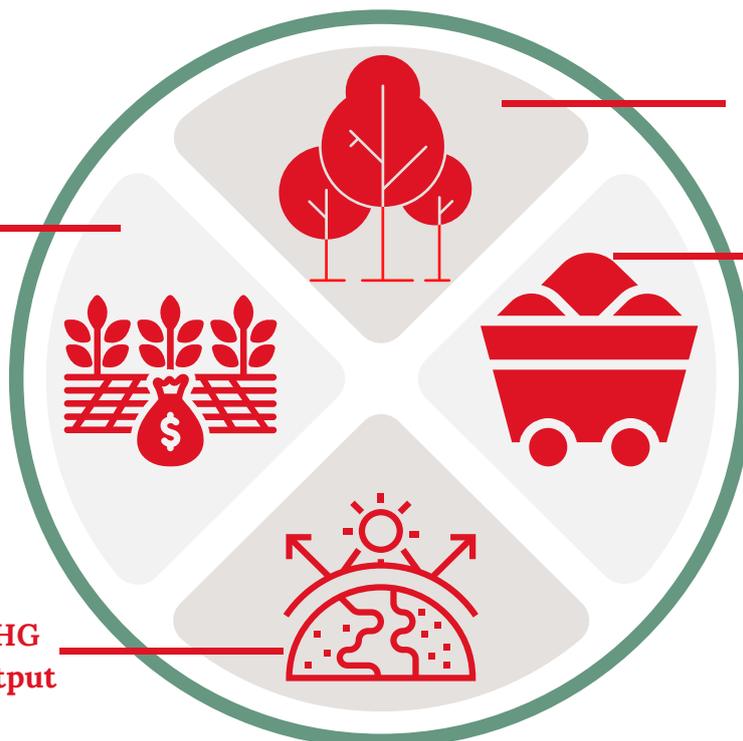


Number and frequency of incisions made on the trees



Harvesting time period

RESULTS



Preservation of extract producing trees

28% reduction in raw material per kg output

16% reduction in GHG emissions per kg of output

Yield improvement from 18% to 25%



PRODUCING SUSTAINABLY

We manufacture botanical extracts and oils of 11 different types at our facilities in India and Vietnam. At these facilities, we incorporate both social and environmental goals into our production processes.

On the people front, our premises and policies have been designed towards safe and excellent working conditions. We have developed and implemented multiple programs for the all-round development of our workers, both professionally and personally. We also conduct periodic check-ins with our employees to address grievances that may arise at the workplace.

On the environmental front, our goal is to contribute towards developing an environmentally sustainable eco-system. In 2019-20, our Scope 1 and Scope 2 GHG emissions reduced by 7%. We have made active efforts to reduce our carbon footprint by consuming energy efficiently and replacing thermal power sources with renewable ones, as far as possible. We have also incorporated responsible waste management practices to minimize our impact on the surrounding eco-system. In the subsequent section, 'Reducing climate impact and preserving biodiversity', our actions on environmental impact have been highlighted.



REDUCING CLIMATE IMPACT AND PRESERVING BIODIVERSITY

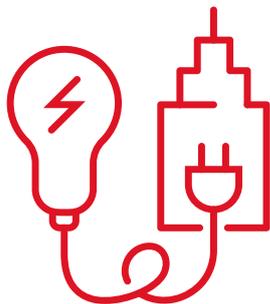
We are making active efforts to reduce our greenhouse gas emissions in two areas. First, improving energy efficiency through initiatives such as the installation of air and water pre-heaters in the facility. Second, transitioning to renewable sources of energy like solar power. We have adopted responsible waste management practices and green chemistry principles in our production process to preserve the surrounding eco-system.

Moreover, yield improvement from sourcing initiatives has contributed significantly to emissions reduction. Our facility is now consuming lesser energy due to lower amount of raw material processed. Compared to 2018-19, our GHG emissions (Scope 1 and Scope 2) have reduced by ~7% in 2019-20.

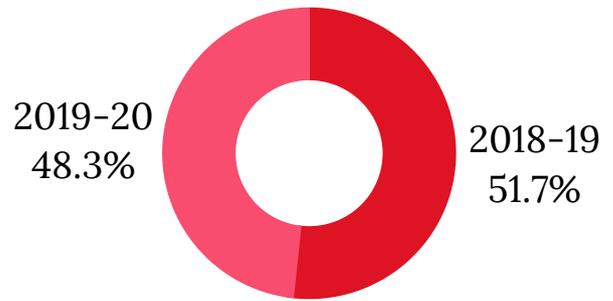
~200
Scope 1



~102
Scope 2



Reduction in total GHG emissions (Scope 1 and Scope 2) from 2018-19 to 2019-20



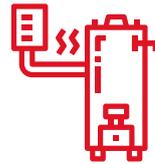
7% drop in total GHG emissions

Driver

Improvement in energy efficiency due to



Reduction in raw material per kg of Centella Asiatica product



Installation of air and water pre-heaters



INITIATIVES

Efficient energy consumption by air and water pre-heaters

Electricity consumption accounts for ~50% of our annual GHG Scope 1 and Scope 2 emissions. Thus, we directed our efforts towards reduction in energy consumption. Installation of air and water pre-heaters in the facility was one such initiative that reduced our consumption of electricity and firewood.

Moreover, we use environment friendly firewood to power our facility boilers. The state government classifies this firewood as pest wood that gets discarded as waste. Thus, our consumption of it enables effective waste disposal in the locality.



Air and water pre-heaters at our facility

Renewable fuel for facility operations



Firewood used to power our facility boilers (termed as pest by the government of Tamilnadu)

Electric vehicles for carbon-free transportation



Electric forklift for transportation goods within the facility



10% Reduction in firewood consumption.



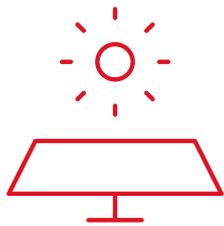
5% Reduction in electricity consumption

Solar-powered electricity consumption

To curb electricity-related emissions, we have taken actions to transition from thermal power to zero-emission power like solar energy. At our head office, solar panels were installed and the GHG emissions savings from this initiative were estimated to be 11 CO₂e metric tons. This year, we have initiated the process of transitioning to solar-powered energy in the facility as well.



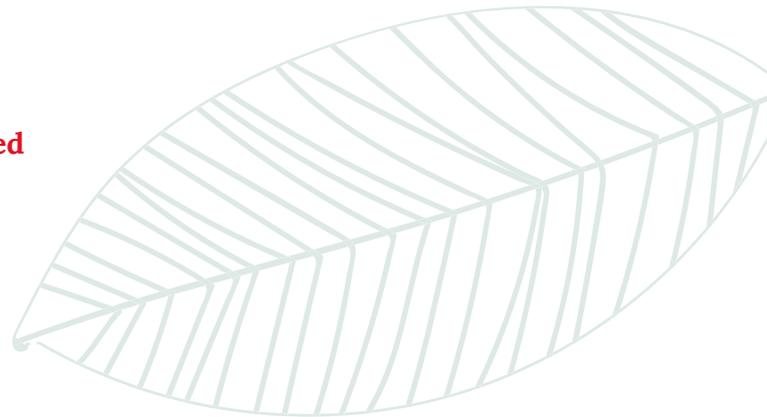
Solar power panels at the head office



By **2022, 80%** of our annual electricity consumption in the facility will be **solar powered**



In our head office **~75%** electricity was sourced from solar power in **2019-2020**



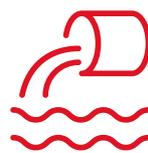
Application of green chemistry principles to the production process

We have adopted green chemistry principles which focus on eliminating waste and avoiding the use of toxic solvents. In the past, we have successfully incorporated these principles in our production process.

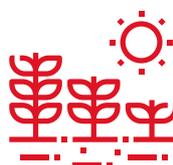
To expand our use of green chemistry principles, in 2019, we launched a five-year project in partnership with one of our largest customers. This project aims to produce extracts using green solvents instead of currently in-use solvents like methanol. By replacing the solvent mix used, we expect ~35% reduction in effluent quantity which would also reduce our energy consumption



Benefits



35% expected reduction in effluent quantity.



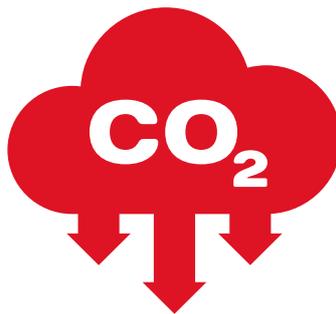
Green solvents expected to generate the **same yield** as chemical solvents.

LONG-TERM SUSTAINABILITY GOALS

Together, with our suppliers, customers and sustainability partners, we endeavour to maximize impact by:



Implementing **living wages**
for all our stakeholders by **2023**



Becoming **carbon neutral**
by **2025**



We want to be a **negative emission**
company by **2030**

PARTNERSHIPS AND CERTIFICATIONS

Over the years, we have developed strategic partnerships with global non-profit organizations to inform and support our sustainable business practices. With these partnerships in place, we have been able to accelerate progress towards our intended goals[1].



Carbon Disclosure Project (CDP) is a not-for-profit charity that runs global disclosure system for investors, companies, cities, states, etc. to manage their environmental impact. CDP disclosure has assisted us in driving our efforts towards implementation, monitoring and impact measurement of our sustainability actions. We believe that through periodic disclosure, we will be able to accelerate our sustainability agenda and derive long-term benefits for the business. Starting last year, we began our journey on reporting our sustainability actions through CDP disclosure.



Ecovadis is the world's most trusted sustainability ratings provider and it aims to enable all businesses to reduce risk, drive performance, and improve environmental and social outcomes. We completed our Ecovadis assessment in 2019 and received the silver sustainability recognition, the second highest percentile rank level.



Fairtrade certification certifies the social, economic and environmental aspects of production against Fairtrade Standards for Producers and Traders. In 2018, we partnered with Fairtrade Network of Asia and Pacific Producers (NAAP) for designing and implementing our sustainable sourcing practices for Boswellia Serrata. In 2019, these practices were audited, and fair trade certified by a global certification body, FLOCERT.



The Rainforest Alliance (RA) works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices, and consumer behavior. For our supply chain of Matcha Green Tea, we are Rainforest Alliance Chain of Custody certified by INDOCERT, a certification body that audits and certifies sustainable agricultural standards.



Union for Ethical and BioTrade (UEBT) is a non-profit association that promotes and helps businesses adopt ethical sourcing practices. We have been successfully driving our sustainable sourcing program for Centella Asiatica in partnership UEBT since 2016 and have received their Ethical Sourcing System (ESS) certification. As a member of the UEBT association, we continue to contribute and collaborate on ethical sourcing initiatives.

[1] Partner details have been sourced from the respective organization websites

Indfrag Biosciences

Indfrag – short form for Indian Fragrance – was started in 1989 in collaboration with Quest International’s facility in the South of France. We currently manufacture botanical extracts for the beauty industry and contract manufacture specific flavour ingredients for the food industry. Our cosmetic active ingredients are used by leading brands and companies in the EU, North/South America and Asia.

www.indfragbiosciences.com

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