

17th May, 2019

The Manager,
Listing Department,
National Stock Exchange of India Ltd,
Exchange Plaza,
Plot No. – C – 1, G Block,
Bandra – Kurla Complex,
Bandra (East),
Mumbai – 400051

The General Manager,
Department of Corporate Services,
BSE Ltd.,
1st Floor, New Trading Ring,
Rotunda Building,
P.J. Towers,
Dalal Street, Fort,
Mumbai – 400001

The Secretary,
The Calcutta Stock Exchange Ltd,
7, Lyons Range,
Kolkata – 700001

Dear Sir,

Sub:- Sustainability Review - 2018

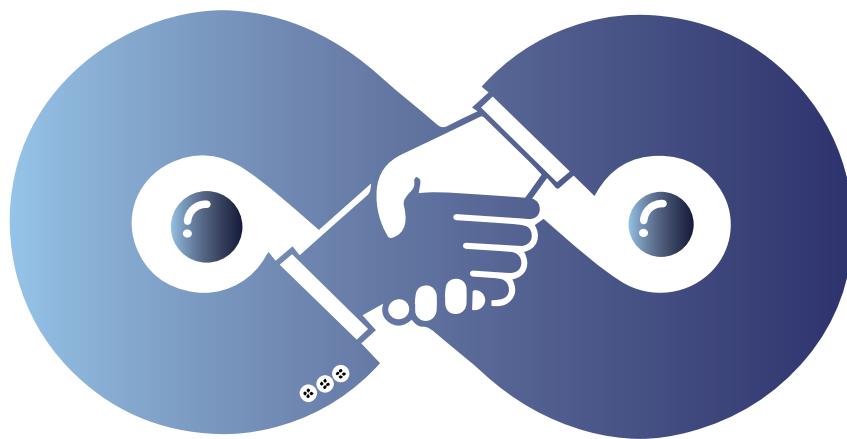
We are pleased to furnish herewith the Sustainability Review of our Company for the year 2018.

Kindly take the same on record and oblige.

Yours faithfully,
For **PHILLIPS CARBON BLACK LIMITED**


K. Mukherjee
Company Secretary & Chief Legal Officer

Encl: As above



SHARED VISION **SHARED VALUE**

Touching Lives in more ways than one

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Closer look at our performance in FY18



Reducing specific energy consumption

4%



Sustainable manufacturing - Improving utilisation rates

95.1%



About this review

This review is a concise and comprehensive depiction of our progress on our sustainability priorities as a global player. The document presents our management approach towards being environmentally and socially responsible.

Going beyond the limited purview of generally recognised frameworks for disclosures, this document presents our philosophy, actions and the outcomes achieved.

We welcome your suggestions and encouragement, as we accomplish new milestones in our journey.

Please write to us at: pcbl.sustainability@rp-sg.in

RP-Sanjiv Goenka Group

The RP-Sanjiv Goenka Group, one of India's leading business conglomerates, has diverse interests, spanning across Power & Natural Resources; Carbon Black; Retail & FMCG; Media & Entertainment; Infrastructure and IT, Education & Sports. The Group has assets worth over ₹ 40,355 crore, an employee strength of 45,000+ and 3,00,000+ shareholders.

We are Phillips Carbon Black Limited (Phillips Carbon)

Tracing our legacy to the illustrious RP-Sanjiv Goenka Group, we are India's largest producer and exporter of carbon black. In 1960, our Company was set up in collaboration with the US oil company, Phillips Petroleum. Over the decades, we have emerged as one of the most acclaimed carbon black brands, on the strength of our global repute, product customisation, quality excellence and timely delivery. Our business practices reflect our ethical conduct, transparency and customer commitment that have earned us the trust and confidence of our stakeholders.

Corporate overview

KNOW MORE ABOUT US

Although our business strategy evolves with industry realities and a changing marketplace, sustainability remains integral to our foundational values, defining not only what we do, but how we do it.

Tribute to our founder



Dr. Rama Prasad Goenka (1930 – 2013)

Dr. Rama Prasad Goenka, our Founder, sowed the seeds of being environmentally and socially responsible into our foundation and culture, the rewards of which we continue to reap today. His passion for

building the Group with the ethos of responsible corporate citizenship empowers us every day and contributes to our business sustainability, while we create value for all our stakeholders.

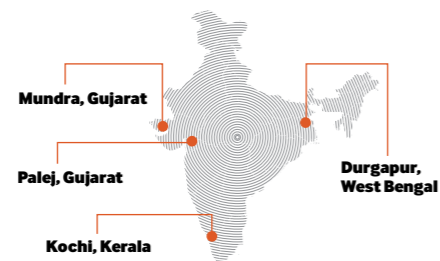
What we make

We produce carbon black that serves a wide range of rubber and non-rubber related applications. Carbon black is the pure elemental carbon that takes the form of a black granule and is primarily used as a reinforcing agent in rubber. Besides, it finds use in plastics, coatings, printing, inks, fibres and batteries, among others.

We help reduce our carbon footprint by co-generating power from the tail gas recovered from carbon black production. This power is primarily used for captive consumption and any surplus is wheeled externally.

Where we operate

We operate state-of-the-art integrated manufacturing plants across India as well as NABL* accredited laboratories for Research & Development and Quality Control.



*National Accreditation Board for Testing and Calibration Laboratories

Each manufacturing facility is characterised by several strategic advantages, such as:

- Seamless ability to switch between alternative feedstocks, ensuring raw material flexibility
- Proximity to ports that enables easy access to raw materials and international customers, optimising logistics cost
- Well-planned multiple locations that minimises risk and ensures better supply chain management
- Easy grid connectivity that helps the sales of surplus energy



Sanjiv Goenka

“We are inspired by the transforming business landscape and are extremely excited to be among the forerunners in leading this change.”

55+ YEARS

Rich experience in the carbon black industry

60+ GRADES

of carbon black, ranging from rubber to specialty blacks

5,71,000 MTPA

Carbon black capacity

76 MW

Green power capacity

RP-Sanjiv Goenka Group

Vision

**Inclusive Growth fired by
free-spirited Entrepreneurship**

Core Values

Customer Happiness

Bring a smile on the face of your customer

Credibility

Instill trust and confidence with your actions

Humaneness

Be caring and respectful to all

Execution Excellence

Put your heart and soul into your actions

Speed

Move ahead of time

Risk Taking

Dare to go beyond

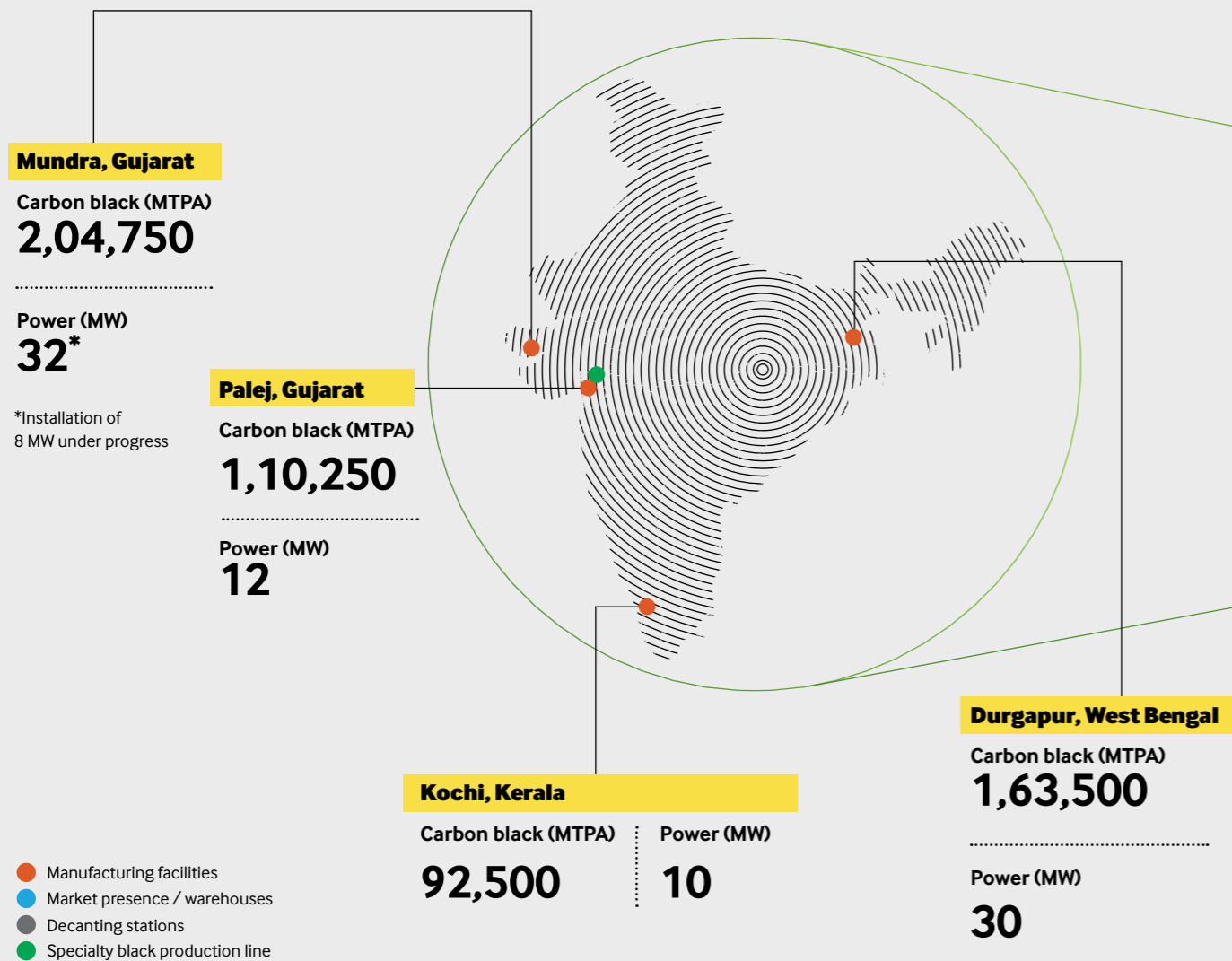
Our Vision

**A trusted Global player providing
cutting edge solutions to our Partners
and an exciting workplace to our People**

Our presence

INDIA TO THE WORLD

We enhanced our presence in 30+ countries through focussed strategies. We enjoy a robust network of supply chain partners in multiple global markets that help in improved understanding of regional markets, better customer relations and building trust and long-term partnership.



“The future of the global carbon black market looks attractive, with a growing demand for specialised grades of the product. Phillips Carbon is well-positioned to meet this increased demand.”



Kaushik Roy



7th Largest carbon black company in the world	10% Market share in Asia excluding China	#1 Exporter of carbon black in India	30+ Countries where we are present
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Application areas

TOUCHING LIVES IN MORE WAYS THAN ONE

We, at Phillips Carbon, serve our customers with a comprehensive portfolio spanning multiple grades as classified by the American Society for Testing and Materials (ASTM) standards, alongside customised, high-performance products under the brand name 'Orient Black'.

We cater to our customers' specific requirements across tyres and moulded rubber goods, plastics, coatings, inks and other niche industries.

Depending upon the application, carbon black is classified into two categories: rubber black and specialty black. Gradually moving up the value chain, we have expanded our value-added offerings for both rubber and specialty black applications.

We market our specialty black under the brand 'Royale Black'. Each of our specialty black products has its own personality and functionality. We are one of the world's three carbon black

producers that meet the stringent United States Food and Drug Administration (USFDA) requirements for direct / indirect food contact plastics applications such as plastic trays and cutlery.

We developed medium and high colour blacks under the brand *Bleumina*. The *Bleumina* series has been developed to cater to the markets of automotive, consumer electronics, home appliances and coatings.

Rubber black

Categories

Improving mechanical properties of rubber for technical and moulded **rubber goods**

Increasing durability, efficiency and reducing rolling resistance of tyres and enhance overall **fuel economy**.

Applications

- Conveyor belts
- Construction
- Damping elements
- Hoses
- Transmission belts
- Mats, shoe soles
- Moulded goods
- Seals
- Rubber-to-metal bonding
- Unvulcanised sheets
- Adhesives
- Tubing
- Passenger vehicle tyres
- Truck and bus tyres
- Off-highway tyres
- Agricultural tyres
- Motorcycle and scooter tyres
- Three-wheeler tyres
- Cycle tyres



Specialty black

Categories

Advanced technology driven customised grades for colour, conductivity and UV protection for **non-rubber black**

Applications

- Fibres
- Wires and cables
- Mulch / silage film
- Geotextile / geomembrane
- Engineering plastics
- Adhesives and sealants
- High-pressure pipes
- Food contact plastics
- Drip irrigation pipe system
- Printing inks
- Paints / coatings
- Battery



Features of carbon black

Carbon black's performance in rubber products depends mainly on its specific surface area, particle size and structure. Proven to improve abrasion resistance and tensile strength, lower tyre rolling resistance and enhance overall fuel economy, it remains the pre-eminent filler for automobile tyres and industrial rubber products. The use of carbon black in plastics, printing inks and coatings ensures UV stabilisation, conductivity and colouring properties of goods.

Milestone moments

A SUSTAINABLE JOURNEY OF GROWTH



Sustainability overview

PARTNERING FOR PROGRESS

Our approach to sustainability is important to all stakeholders we work with. We are inspired by our Vision and the responsibility is shared by all our stakeholders to create wide-ranging impact that matters.



● **Collaborating** with customers to provide them differentiated, safe, environment-friendly and reliable solutions.

10% market share in carbon black in Asia, excluding China.

● **Growing** with our partners by fostering deep, trusted relationships.

Sustainable procurement policy ensures our suppliers follow sustainable and ethical practices.

● **Empowering** employees by providing a culture that celebrates diversity and meritocracy.

Young and dynamic team with average age of 35 years.

● **Meeting** regulatory priorities by taking appropriate steps with speed and precision.

We are certified with ISO9001:2015, IATF16949:2016, ISO14001:2015 and OHSAS18001:2007.

● **Supporting** communities in the realms of healthcare, education and infrastructure.

Corporate social responsibility (CSR) expenditure stood at ₹ 1.61 crore in FY18.

● **Enriching** investors by creating and preserving value with a long-term approach.

Return on Equity (ROE) almost doubling y-o-y from 6.1% in FY17 to 16.7% in FY18.

At the end of the day, the value that we create is the outcome of our collective sustainability initiatives that benefit all.

Although we have covered considerable ground in our journey, we know there is much more to do.

And we will, together, with our credo of shared vision for shared value.

Chairman's review

SUSTAINABILITY A BUSINESS IMPERATIVE

I am pleased to share our Sustainability Review for the year 2018. This is an attempt to disclose to all our stakeholders the sustainability pillars of Phillips Carbon. We are one of the world's leading carbon black producers and exporters; and our sustainability priorities are deeply intertwined with our business imperatives.

Investing in sunrise technologies

In FY18, we unveiled our new state-of-the-art R&D centre in Palej, Gujarat (India) and, at present, are working towards commencing another research and innovation centre outside India. Our R&D centres serve as an effective platform to collaborate with our customers and develop differentiated solutions for now and for the future. We are expanding our specialty carbon black portfolio. For tyre manufacturers, one of our key customer segments, we are looking at different carbon black offerings that are aligned to the evolving demands of modern mobility solutions.

Collaborating with customers

We consciously engage with our customers so that we can be true collaborators in their supply chain, tailoring products to meet their unique requirements. We also invite third-party audits on our environmental and social practices, at regular intervals.



“Our R&D centres serve as an effective platform to collaborate with our customers and develop differentiated solutions for now and for the future.”

Strengthening a culture of safety and sustainability

Safety is a high priority for us at Phillips Carbon. We implement a host of health and safety policies and procedures that are in line with internationally recognised standards. At the same time, we constantly strive to cultivate a work environment that promotes a mindset for innovation, curiosity and problem-solving while nurturing an extensive pool of diverse talents, skills and experiences.

We are trying to harness the opportunities associated with a circular economy operating model and imbibe its essence into our own value chain. As a result, we are relentlessly pursuing more efficient production processes that minimise leakages and waste. This involves lowering energy consumption, air emissions and effluents.

We regularly review our sustainability priorities, challenges and progress in collaboration with our investors, customers and academics. We also listen to non-governmental advocacy organisations and end consumers of our products, and perhaps most importantly to our employees, who are key to our sustainable growth.

Warm regards,



Sanjiv Goenka

Message from the Managing Director

PROGRESSING WITH SHARED VALUE

Sustainability is an important aspect of our growth journey. We continue to be facilitators of sustainability by touching people's lives in more ways than one: whether it be powering today's mobility or making innumerable end-use products healthier and safer through the provision of improved high-quality grades of specialty black and rubber black.

In the Sustainability Review 2018, we present to you a comprehensive assessment of the value we create and share with all our stakeholders. We have consistently grown our specialty carbon black portfolio to cater to diverse customer requirements across sectors. We now offer a wide basket of specialty black products. FY18 saw substantial increase in the offtake of our specialty black products. This is in line with our enhanced focus on expanding our share in our tyre markets – the core customer segment.

Our top-most priority remains to ensure the highest level of customer satisfaction. We have been successful in delivering a faster response to all our customer concerns with cross-functional coordination between our marketing and service teams.

Aligned to our growth aspirations, our brownfield expansion project at Palej is likely to commence in the FY20, increasing our total capacity to 6,03,000 MTPA. We have also planned a greenfield expansion project in South India. We are also maximising productivity and yield and conserving natural resources while implementing management systems



“Our overarching strategy is geared to co-create value sustainably.”

standards such as ISO9001:2015, IATF16949:2016, ISO14001:2015 and OHSAS18001:2007.

Our people are driving our success, with their rich industry experience supported by a time-honoured tradition of integrity and ethical business practices.

We work with customers to fulfil our collective responsibilities towards the environment and society. Besides, we participated in CSR assessment conducted by EcoVadis, helping monitor our progress on ethical business practices and sustainable procurement policies. We also took part in globally-recognised surveys such as CDP (formerly the Carbon Disclosure Project), joining the movement in helping mitigate the impact of climate change. We have formulated our procurement policy in a manner that integrates our sustainability principles, enlisting key environmental and social criteria.

This review will present to you more details on each of these initiatives. I invite all our stakeholders to share their suggestions and feedback on the document, as we seek to sustain the enduring bonds of commitment, transparency and trust on this journey to realise green outcomes.

Best regards



Kaushik Roy

Corporate Governance

LEADERSHIP DRIVING SUSTAINABILITY

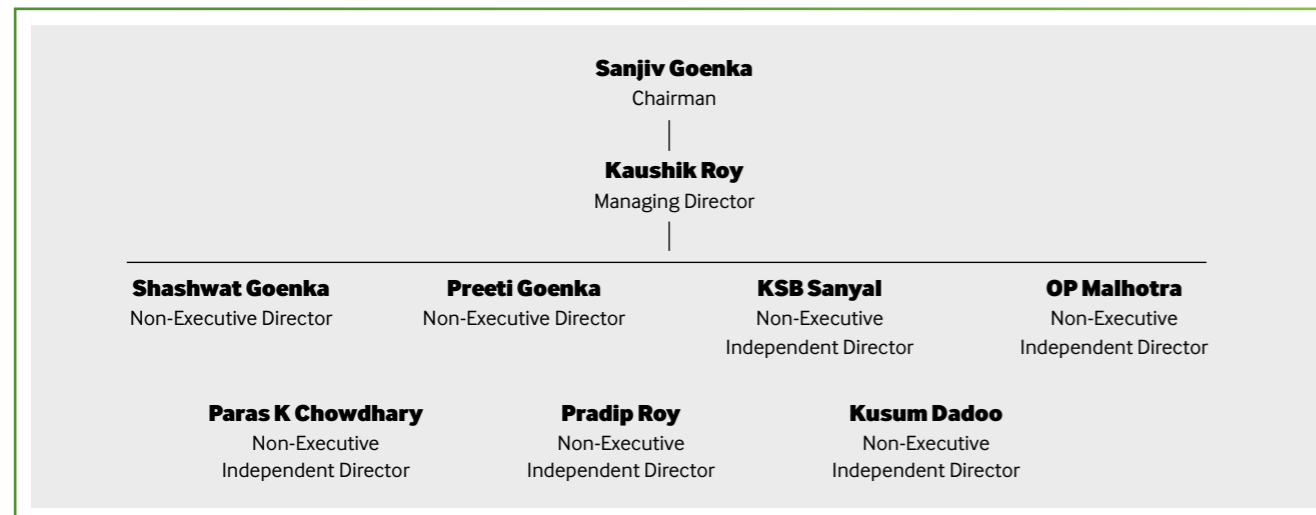
Our long-term sustainability is closely linked with our governance framework. We believe in cascading good corporate governance practices across the entire organisation, emphasising on the intrinsic value of attaining the highest levels of accountability, awareness and equity.

Sustainability is now central to corporate competitiveness and our continued licence to operate. Strong corporate governance imbues transparency in all operational aspects, sustaining investor confidence and lowering capital cost. The Board of Directors is in a unique position to connect sustainability with corporate purpose and strategy and drive 'sustainable thinking' from the top. Careful consideration of the needs of a broader universe of stakeholders ultimately provides Directors with an opportunity to promote more effective engagement with investors.

Our governance framework seeks to design and improve the flow of Board activities in a manner that generates value for the business as well as our stakeholders. Our Board of Directors function either as a full Board or through various Committees constituted to oversee specific operational areas. Our management provides the Board with detailed reports on a periodic basis.

Board of Directors

The Board of Directors has the primary objective of protecting the interests of shareholders by seeking opportunities for growth in our core business. It oversees financial performance and strategy, capital allocation and market exposure, as well as the Company's overall risk profile. The Board comprises three Non-Executive Directors, including Chairman, five Non-Executive Independent Directors and Managing Director.



Board Committees

The Board Committees play a crucial role in the organisation and are constituted to review and deal with specific concerns and impact areas. The Board supervises the execution of its responsibilities through the Committees and is responsible for their actions. The Chairman of the respective Committees informs the Board about the summary of the discussions held in the Committee Meetings. The minutes of each such Committee meeting is placed before the Board for review, at regular intervals. Currently, there are six Committees of the Board.

Key
responsibility
area

Audit Committee

Oversees the Company's financial reporting process and the disclosure of financial information to ensure that the financial statement is correct, sufficient and credible

Nomination and Remuneration Committee

Identifies persons qualified to become Directors or hold senior management positions and advises the Board for such appointments/removals where necessary

Stakeholders Relationship Committee

Takes care of redressal of grievances of shareholders and other security holders such as transfer/ transmission of shares, issue of duplicate share certificates and other related matters

Corporate Social Responsibility Committee

Formulates and recommends to the Board, a CSR policy, which shall indicate the activities to be undertaken by the Company

Independent Directors Committee

Assesses the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform its duties

Risk Management Committee

Overviews and monitors the overall risks to the operations of the organisation, understanding the potential threats to the organisation and the likelihood of their occurrence. It then enables appropriate actions to address the most likely threats and risks

Performance evaluation

The performance evaluation criteria for Non-Executive Directors, including Independent Directors, laid down by the Nomination and Remuneration Committee, includes:

- Attendance and participation in Board Meetings
- Preparedness for these Meetings
- Understanding of our Company and the external environment in which we operate
- Contribution to strategic direction
- Raising of valid concerns to the Board and constructive contribution to issues and active participation at meetings
- Engaging with and challenging the management team without being confrontational or obstructionist

Compliance responsibilities

As part of good corporate governance practices that guide our work, we adhere to the mandatory requirements of the Stock Exchanges, Securities and Exchange Board of India (SEBI) and other statutory authorities on all matters related to capital markets. No penalties or strictures were imposed by SEBI, Stock Exchanges, or any statutory authorities on any matter related to capital markets during the last three years.

In keeping with the SEBI Regulation on Prohibition of Insider Trading, we implement a comprehensive code of conduct for our Directors, senior management officers and designated person. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made while dealing with the shares of our Company.

We also have a whistle-blower policy in place that provides for adequate safeguards to defend the members of senior management as well as employees and other personnel who avail the vigil mechanism. The policy provides direct access to the Chairperson of the Audit Committee.

Sustainability priorities

BUSINESS ENVIRONMENT FOR CARBON BLACK

Sustainability is dependent on issues that matter most to the business both for the short term and the long term. Therefore, our strategy aims to address those issues with diligence and speed.



Nature of production

Traditionally, carbon black (~95%) is produced through partial combustion or thermal decomposition of liquid hydrocarbons (FCC bottom oil and others) under controlled conditions, with an average input of 1.85 kg of oil to produce 1 kg of carbon black.

Off-gases containing CO₂, CO, CH₄, C₂H₂ and others also generated during carbon black manufacturing process is used for power generation and drying of pelletised carbon black; CO₂ is vented in air at a height more than 100 meter.

CO₂: Carbon Dioxide, CO: Carbon Monoxide, CH₄: Methane, C₂H₂: Acetylene

Efficiency in the operative life of end-product

The bulk of carbon black is used by the tyre industry. The grade of carbon black to a very large extent determines the efficiency throughout the operating life of tyres. It helps to improve abrasion resistance, which in turn increases mileage / life of tyre, reduces rolling resistance, and thereby improves fuel economy. Similarly, in other rubber products, carbon black is added as a reinforcing agent to improve rubber properties like abrasion resistance, tensile properties and more. In plastics, carbon black is used for ultra violet resistance in addition to coloring and electrical conductivity.

Disposal of end product

Newer technology, such as pyrolysis and devulcanisation has made tyres recyclable. Advanced resource recovery technology helps profitably recover oil, gas and carbon black from waste tyres. By decreasing reliance on virgin material and eliminating tyre burning and land disposal, the impact of carbon black's shift into the circular economy will be profound. For certain pyrolysis-based technologies, it is estimated that every tonne of carbon black recovered saves two tonnes of oil from being used to produce virgin material. Recycling of scrap tyres is used to produce crumb rubber for different rubber products.

Advent of specialty black applications

Increasingly, specialty black is finding use in diverse products applications, opening doors for carbon black to positively impact lives of our customers and the society at large.

Sustainability priorities

DEFINING WHAT MATTERS

We have identified material concerns based on stakeholders' perceptions and the impacts these topics may have on our ability to generate lasting value for them.

STAKEHOLDERS



Customers

Over the years, we have established ourselves as one of the reputed carbon black brands owing to our product customisation, quality excellence and on-time delivery. We work with leading tyre companies within India and around the globe such as MRF, CEAT, JK, Apollo, TVS, Bridgestone, Goodyear, Michelin, Pirelli, Continental, Toyo, Yokohama, Nexen, Kumho and Loadstar. Similarly, our non-rubber customers include prominent names across the globe.

See page 36



Shareholders

We adopt a holistic and responsible approach to business, a commitment by being transparent in our disclosures.

See page 38



Employees

We attract and retain top talent from around the world, enriching our workforce with employees from diverse backgrounds.

See page 40



Supply chain partners

Our supply chain partners (both upstream and downstream) are critical to ensure quality, continuity, efficiency and mitigation of risks. Our strong worldwide network of channel partners enables us to leverage their knowledge of local market trends.

See page 46



Regulators

We proactively evaluate our impact and improve our performance, conforming to prevailing environmental, social and corporate governance regulations – be it local, national or global.

See page 48



Communities

We are strengthening a sustainable ecosystem around our manufacturing units through strategic interventions in areas such as education, health and community development.

See page 50

MATERIAL ISSUES AND THEIR BUSINESS RELEVANCE



Compliance

We are committed to 100% compliance across all our operations. From macro issues like climate change, water stress to local concerns such as emission norms, we work to stay ahead of regulations, proactively futureproofing our business.



Energy

We are rationalising our energy consumption and reducing our carbon footprint.



Emissions

We constantly strive to observe local emission norms in our plants. Moreover, we are retrieving waste carbon from our emissions for greater cost-effectiveness. Emission control is also necessary to maintain healthy ambient air quality for our neighbouring communities.



Water

With local regulations around Zero Liquid Discharge (ZLD) changing in the areas we operate, we are in the process of establishing ZLD plants. At the same time, we are working towards conserving water in regions with increasing water stress.

Our water management programme is intended to reduce water consumption and replenish the water table through rainwater harvesting in our manufacturing locations.



Employee engagement health and safety

Being an employer of choice is a priority for us. Besides providing a stimulating work environment to our people, we also focus on their health and safety.



Suppliers' sustainability

Our business continuity depends on uninterrupted supply of various forms of feedstock required in the production process. Thus, we closely engage with our suppliers, develop solutions and collaborate to regularly upgrade our quality assurance.



Customer engagement/Product responsibility

Our products are meant to meet the differentiated needs of our customers. This is achieved through constant engagement with and periodic feedback from them. Our manufacturing facilities are strategically located near our domestic customers, with proximity to ports that enables easy transportation to international customers. Outside India, we have several warehouses and decanting stations at a close proximity ensuring efficient supplies to our international customers.



Community engagement

We believe our social licence to operate is closely linked with the nature and quality of our engagement with communities in our vicinity. Responsible corporate citizenship is embedded in our Group philosophy and we treat community members as equal stakeholders in our journey towards progress.



Economic value generated and distributed

Stakeholders expect us to deliver on our financial commitments by generating and distributing economic value. To address this, we are focussed on improving earnings growth while ensuring ethical and transparent business conduct.

Approach to sustainability

STRATEGY FOR SUSTAINABLE VALUE CREATION

Sustainability is the heart of our long-term approach to value creation, safeguarding our licence to operate. It outlines the factors that help us set benchmarks with responsible production practices. It articulates our efforts to developing new products and innovate new processes. Finally, it enables us to create a safe and exciting work environment for our employees.

WHAT ARE OUR STRATEGIC PRIORITIES?

Enhance capacity to meet rising demand

Adding capacity of 56,000 tonnes at Mundra and planning capacity addition of 32,000 tonnes at Palej; proposing greenfield plant in Southern India.

Along with capacity addition, enhancing focus on improving energy efficiency, emissions reduction and water consumption.

Increase share of value-added products (rubber and non-rubber black)

Expanding portfolio of non-rubber black, particularly 'clean' versions of conventional ASTM rubber grades that have lower residual levels of sulphur, ash and other contaminants.

Developing a stronger portfolio of high-end rubber products, which help in increasing durability, reducing rolling resistance of tyres and enhance overall fuel economy.

Grow market share in existing geographies and expand operations to new regions

Fostering long-term relationships with customers and being their preferred suppliers while adhering to internationally recognised environmental and social standards.

Sharpen research focus

Refining research and development (R&D) infrastructure for product development, customised solutions and yield efficiency through the deployment of advanced technology and equipment as well as launching new centres of research excellence.



Value-creation model

HOW WE CREATE AND SHARE STAKEHOLDER VALUE

INPUTS

Financial capital

We invest financial capital received from our equity investors to deliver capital appreciation on their investments, as well as income in the form of dividends. We also obtain financial capital from various debt funds.

See page 38

Manufactured capital

Our efficient manufacturing assets ensure optimum yield as one of the fundamentals of our business that enables capital appreciation.

See page 28

Human capital

The knowledge, aptitude and innovation of our people enable us to provide an exciting workplace.

See page 40

Intellectual capital

Our domain knowledge-led intangible assets are critical to our ability to sustain and grow the business.

See page 26

Natural capital

Our manufacturing processes primarily depend on natural resources and they also have significant impact on these resources. Efficient use of natural resources and minimising waste are essential for sustainability.

See page 30

Social and relationship capital

Our suppliers and customers are partners in our journey to provide solutions as part of our Vision. Managing the expectations of communities is a key for our social licence to operate.

See page 36,46,48,50

KEY ENABLERS OF VALUE CREATION

Innovation

Conducting research and building R&D infrastructure to enable new customised grades of carbon black and driving process improvements

See page 26

Manufacturing excellence

Equipping our facilities with advanced world-class technologies and complying with recognised quality standards

See page 28

Ensuring environmentally responsible operations

Maximising yield while conserving resources and minimising waste

See page 30

OUTPUTS

Total production of carbon black

5,71,000 MTPA

Total annual production of power

638 GW

VALUE CREATED



Customers

We deliver on customer expectations by leveraging our intrinsic strengths. At the same time, we are building an agile and a customer-centric organisation

See page 36



Shareholders

We constantly seek to maximise the value we create for our investors by deftly managing our capital.

See page 38



Employees

We are committed to providing safe and healthy work conditions with opportunities to achieve professional development goals.

See page 40



Supply chain partners

We work with our partners to fulfil our Vision and emerge as a trusted global player providing cutting-edge solutions.

See page 46



Regulators

We closely monitor the evolution of regulations affecting our operations and strive to meet these standards proactively.

See page 48



Communities

Our community outreach teams identify programmes through which benefits can accrue to neighbouring communities and the environment at large.

See page 50



Financial capital

Revenue: ₹ 2,600 crore in FY18
EBITDA: ₹ 424 crore in FY18
PAT: ₹ 230 crore in FY18

Manufactured capital

- Capacity addition of **56,000 MTPA** at Mundra
- Planned capacity addition of 32,000 MTPA at Palej
- Greenfield plant in South India. The site for the proposed greenfield expansion of 1,50,000 MTPA is being explored

Human capital

- Preferred employer for a highly qualified talent pool
- Employee base: **1,600+**

Intellectual capital

- Commercialisation of **14 new grades** of carbon black in the last three fiscals
- Strong portfolio of **34 specialty grades** of carbon black
- One of the few companies in the world to meet US FDA requirements for direct / indirect food contact applications like plastic food trays and cutlery

Natural capital

- Specific energy consumption: **349.12 KW/MT**
- Specific water consumption: **5.07 KL/MT**

Social and relationship capital

Total CSR expenditure in FY18: ₹ 1.61 crore

Innovation

WE REIMAGINE VALUE CREATION THROUGH INNOVATION



Innovation for a changing world has multiple facets in the context of our business. Our overall innovation approach encompasses manufacturing processes, product features and customers.

Manufacturing processes

- Improving margins by rationalising production costs and facilitating cross-functional coordination between operations and processing teams
- Augmenting process and machine technology, yield and feedstock efficiency
- Investigating the technical specifications of carbon black through in-process and post-process modification techniques that improve tyre sustainability and performance
- Ensuring that carbon blacks, through a judicious selection of raw materials rich in carbon, with appropriate processing conditions, are manufactured with the least amount of energy

Product features

- Improving existing carbon black grades that drive incremental purchases

- Exploring alternative materials using nanotechnology that can lower rolling resistance and improve durability, tensile and tear strength and hardness of composites

Customers

- Applying existing grades to new markets with needs similar to our core tyre manufacturing applications
- Identifying markets where existing grades might address a different need

New offerings and application areas

- Developing high grade carbon black, besides the ongoing characteristic features enhancement activities
- Exploring highly engineered products that meet the evolving customer requirements
- Finding new applications for existing markets



Matching global standards

We have four in-house R&D units that are recognised by the Department of Scientific and Industrial Research (DSIR). Our Quality Control (QC) and Central R&D Centre at Palej, Gujarat is accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL).

It is equipped with state-of-the-art-facilities and supported by a team of subject matter experts and experienced scientists. It serves as the seeding ground for ideation, innovation, emerging technology adoption, new product development, new application development and technology solutions.

The R&D Centre has comprehensive infrastructure and equipment facilities such as rubber, plastics and

ink formulations, compounding and processing, rubber process analyser, viscometers, physical and mechanical property analysis, elemental analyser, surface area analyser, aggregate size analyser, dynamic mechanical analyser, optical microscope, among others.

We are also investing in a new research hub outside India, to align our functional capabilities with global standards.

Black is better

Precipitated silica is used as an alternative to carbon black in some important tyre applications. While silica finds use in passenger car tyre applications, carbon black remains the preferred filler for truck tyres that typically require high durability rubber compounds.

Expanding specialty portfolio

Of the 60-plus grades of carbon blacks in our portfolio, 34 are specialty grades – manufactured using dedicated lines. We are the only carbon black manufacturer in India offering high-end MCF grades.

These find use in:

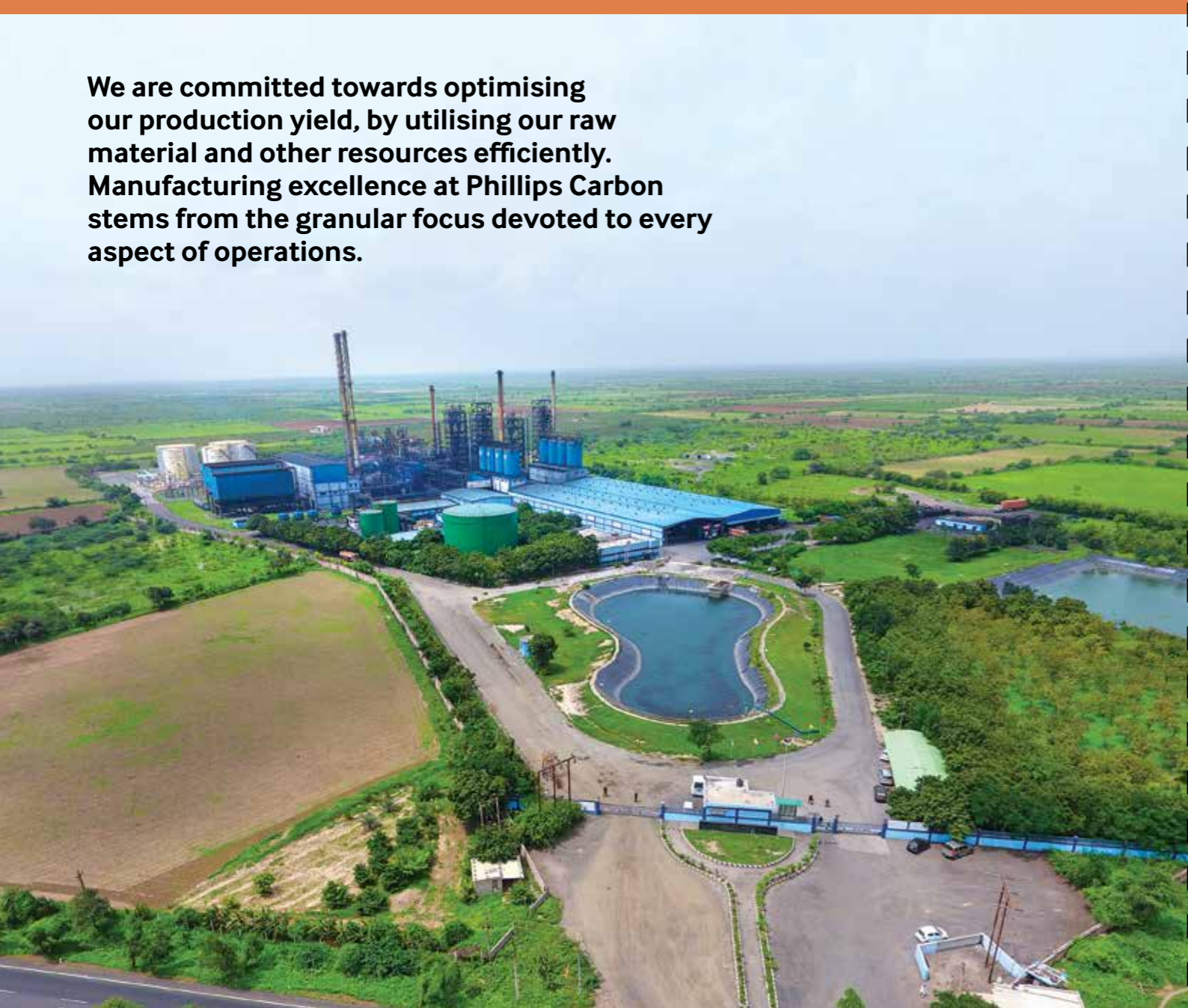
- Black colour pigments in plastics, paint coatings and inks
- UV stabilisers in polymers to avoid their degradation under the influence of visible and UV light
- To impart electrical conductivity to polymers for electrostatic dissipative and conductive applications

1MCF: Medium Colour Furnace

Manufacturing excellence

WE ARE BUILDING A SOLID FRAMEWORK FOR MANUFACTURING EXCELLENCE

We are committed towards optimising our production yield, by utilising our raw material and other resources efficiently. Manufacturing excellence at Phillips Carbon stems from the granular focus devoted to every aspect of operations.



Enhancing efficiency with best-in-class technology

Carbon black manufacturing is an intensively energy consuming process. We have put in place insulating, heat exchanging and steam generating equipment to help improve overall process efficiency.

The list of equipment installed includes the following:

- Industry benchmark air preheaters (APH) to provide best air preheat temperature in the industry
- Oil preheat exchangers to provide highest oil temperatures in the industry
- Waste heat recovery boilers to generate steam for plant use
- Latest technology bag filters with lowest emission level of 0.000055 GRAINS /ACF
- Use of waste gas for cogeneration plant, resulting in very low dependence on conventional energy sources
- Advance atomisation system to improve reactor yield

Implementing quality management standards

As a customer-centric organisation, we focus on implementing world-class standards, which help in establishing systems and procedures that further ensure consistency in our product quality. Each manufacturing facility has a Quality Assurance laboratory, which uses state-of-the-art equipment to test our products against stringent customer requirements.

Our quality testing procedure, which is in line with the ASTM standards, comprises assessment of quality parameters of the incoming raw material, in-process raw material, packed carbon black, as well as the packaging materials. Moreover, we have established Quality Assurance process in all four manufacturing units, which increases customer confidence, credibility and improves efficiency and overall work processes. The Quality Management Systems are integrated with various functions and are internally audited regularly. We also have application laboratories for performance tests of rubber, plastic and ink / coatings.

Driving process improvements

With our process technology interventions, we aim to bring to the fore our manufacturing and technology excellence with renewed vigour, and extend our focus beyond production outputs. This will have significant long-term impacts on our value-creation capability.

24%

Of our total energy requirement is recycled

Total energy requirement

47.0 million
BTU / hour / reactor

Recycled energy

11.1 million
BTU/ hour/reactor

Key process technology interventions

Yield improvement

- Improved atomisation for supporting feedstock at Mundra
- New reactor design to improve yield and productivity and reduce carbon footprint

Equipment life

- Improved longevity of refractory and filter bags with design intervention
- Introduction of venturi coolers to improve filter bag life

Energy usage

- Improved control logic of process air blower to reduce power consumption
- Use of high efficiency equipment and drives

Product quality

- Introduction of blending system to ensure homogeneity of feedstock to improve product quality consistency
- Implementation of new nozzles to increase yield, reduce sieve residues and improve 'tint strength'

Enhancing our capacities

Across our four plants, we currently have a capacity of 5,71,000 MTPA (after capacity addition of 56,000 MTPA at Mundra) of carbon black and 76 MW of green power. Our carbon black capacity is expected to go up to 6,03,000 MTPA by FY20 after the completion 32,000 MTPA expansion, at our Palej plant.

We have also proposed ₹ 600 crore greenfield project in south India with a plant capacity of 1,50,000 MTPA.

We expect the share of value-added and specialty carbon black to be 15% of its total production capacity in the next two years from the current 8%.

Green operations

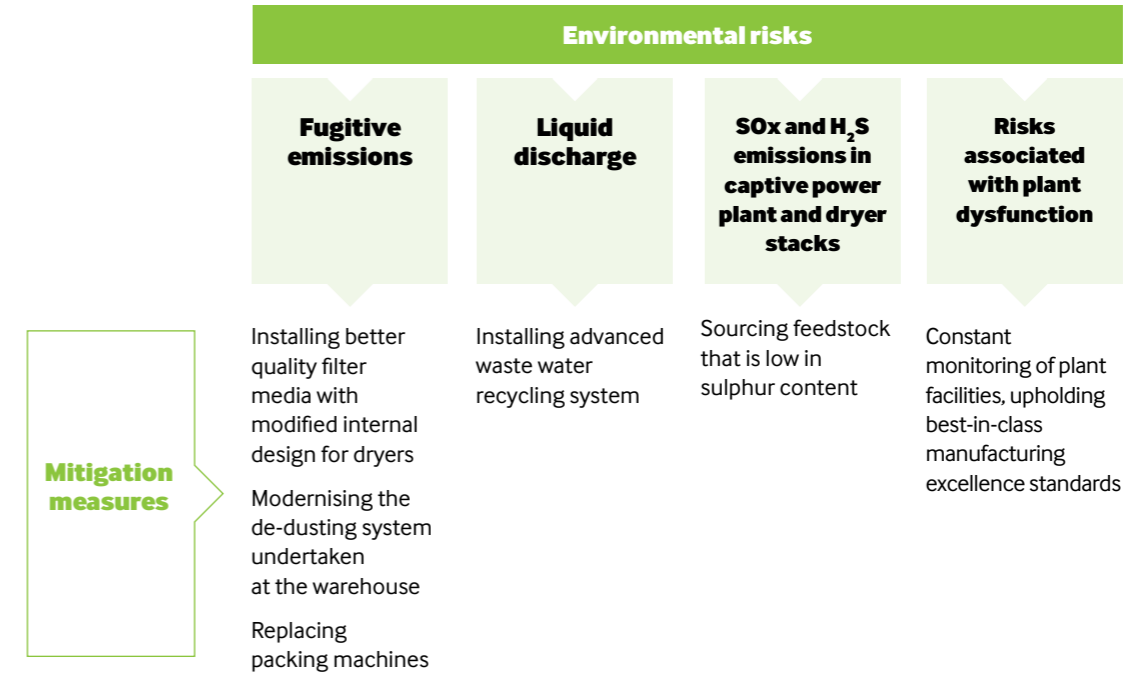
WE ARE TURNING GREENER IN VARIED WAYS

We are conscious of the impact of our business on the environment and are committed to conduct our operations responsibly. We recognise the necessity of preserving the environment and reducing emissions and wastes.



Addressing our environmental risks

We believe being cognisant of the risks that our business faces, provides us the right opportunity to be prepared for mitigating the risks and being proactive in managing the related environmental aspects.



Product innovation leading to environmental compliance

The changing market dynamics and environmental regulations are driving us towards product innovation that will prepare us for future:

- We are producing grades that are 'clean' versions of conventional ASTM

rubber grades, which are engineered to have lower residual levels of sulphur, ash, and other contaminants.

- We have European REACH registration for all our products.
- We have developed specialty products with very low Polycyclic Aromatic Hydrocarbons

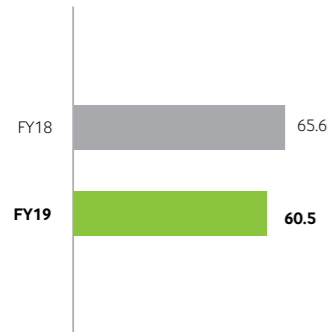
(PAH), which drives the 'Transformation Journey' from the grassroots.

Moreover, we are one of the leading manufacturers of USFDA compliant black, which falls under high purity furnace black category.

Green operations

Our environmental performance

SOx (mg/Nm³)



SPM emissions (mg/Nm³)



Specific energy consumption (KW/MT)



Specific water consumption (KL/MT)



We were among the first few carbon black manufacturers in India to have earned carbon credits through our co-generation power plant at Palej, under the CDM¹ mechanism of the UNFCCC².

¹CDM: Clean Development Mechanism

²UNFCCC: United Nations' Framework Convention on Climate Change

ETP at our plant

Our employees have undertaken plantation activities to increase the green cover around the Effluent Treatment Plant (ETP)

Before



After



Way forward

We embarked on the journey of environmentally responsible manufacturing long back, even before the regulatory landscape on environmental regulations started changing.

We now aim to continue on this journey of environmentally responsible production process with specific targets, which will help us achieve significant milestones and set benchmarks for ourselves.

Key environmental aspects	Key intervention areas	Timeline
Water management	<ul style="list-style-type: none"> Equip all manufacturing units with zero liquid discharge Extend rainwater harvesting system to reduce dependence on fresh water 	2021
Dust and fugitive emissions	<ul style="list-style-type: none"> Install bag filters with contemporary design in all greenfield and brownfield projects to minimise carbon black emissions, and thereby curb waste Introduced automatic leakproof packing machines 	2021
Air emissions (SO _x , H ₂ S and others)	<ul style="list-style-type: none"> Ensure sustained availability of low sulphur feedstock 	ONGOING



We co-create value by seeking a clear understanding of how our operations and products are interconnected with the evolving aspirations of our stakeholder fraternity.

Customers

▣ See page 36

Supply chain partners

▣ See page 46

Shareholders

▣ See page 38

Regulators

▣ See page 48

Employees

▣ See page 40

Communities

▣ See page 50

Customers



COLLABORATING WITH CUSTOMERS TO CREATE BETTER VALUE

Over the years, we have established ourselves as one of the reputed carbon black brands globally on the strength of product customisation, quality excellence and timely delivery.

We work with leading tyre companies within India and around the globe such as MRF, CEAT, JK, Apollo, TVS, Bridgestone, Goodyear, Michelin, Pirelli, Continental, Toyo, Yokohama, Nexen, Kumho and Loadstar. Similarly, our non-rubber customers include prominent international brands.

Globally preferred

'Product Responsibility' for us begins from the product development stage itself. Knowing the exact customer requirement, be it in India or our international customers, is the basis for us to develop the required grade of carbon black. We have established the process of 'being fit' for our customers' product, application and regulation requirements. We continually strive to establish an excellent relationship with our customers and proactively cater to their needs.

We are committed to manufacturing carbon blacks that comply with different food contact regulations across the globe, including the European Union, USA, India and China.

Collaborative effort towards product development

Best-in-class supply chain management



Constant engagement and servicing

Customised grades of carbon black to meet specific requirements

Listening to customers

We engage with customers on three broad levels:

Directly

We connect with customers to understand their requirements on technical, commercial and supply chain, while also developing new products by touching base with the concerned departments.

Supply chain partner

We rely on supply chain partners to understand the specific requirements of niche markets or geographies. The supply chain partner is our gateway to reach micro-level customers to meet their requirement with our advanced technological developments.

Global conferences

We participate in conferences and exhibitions across the world to foster alliances with existing customers; and at the same time, reaching out to prospective ones and communicating the evolving nature of our business.

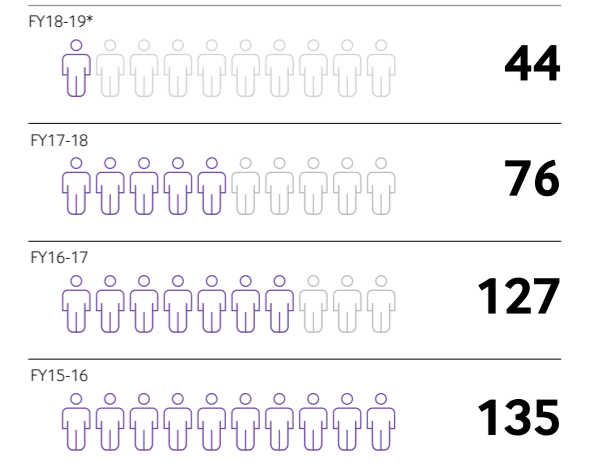
Addressing customer concerns

With every passing year, we are becoming more aware and systematic in our approach towards gathering customer feedback and addressing customer complaints and issues. We have put in place a robust

system for handling customer grievances. To address key customer concerns, we conduct a Root Cause Analysis (RCA) methodically and resolve customer complaints with utmost speed.

We also ensure compliance with quality standards like International Organization for Standardization (ISO) and the applicable regional regulations. We provide product information details in the packaging labels, facilitating transparency in communication.

Trend of customer complaints



*till February, 2019

Shareholders



SHAPING A CULTURE OF TRANSPARENCY AND OWNERSHIP



As owners of financial capital, investors are critical to sustaining the long-term momentum of our business. Additionally, robust investor confidence is a key differentiator in a competitive industry scenario.

We are pleased to report strong financial performance during the FY18 fiscal. This helps accelerate our contributions to the communities where we operate and thus, generate job opportunities, and adopt the latest technology to enhance resource use and utilise innovative materials to reduce our carbon footprint.

We believe in complete transparency and ethical business practices. Every quarter, we announce the audited results that are approved by the Board of Directors (or committees) and submitted to the stock exchanges. Once taken on record by the stock exchanges, the same information is disseminated to the media by way of press releases. The quarterly and half-yearly financial statements are published in newspapers and uploaded on our website.

We regularly organise investors meets and analyst congregations in India and abroad to update them about our progress and growth plans.

We also communicate the payment of dividend by e-mails and letters to all shareholders. In addition, we publish the voting results of the shareholders' meetings and make the same available on our website; while reporting it to the respective stock exchanges as well.

Multiplying shareholder value through a multi-pronged strategy

- Expanding our specialty carbon black portfolio, catering to diverse markets
- Expanding our global footprint
- Staying at the forefront of research and innovation
- Safeguarding value with sustainable business practices
- Exploring more opportunities to generate wealth for shareholders

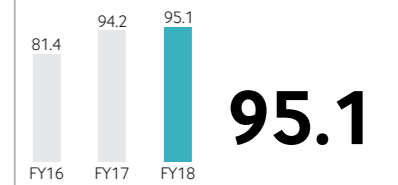
Communicating to investors our climate change preparedness

We disclose our plans to achieve carbon neutrality, and our efforts to reduce carbon emissions, by responding to the CDP questionnaire. We provide crucial data and insights to global investors, helping them make informed decisions.

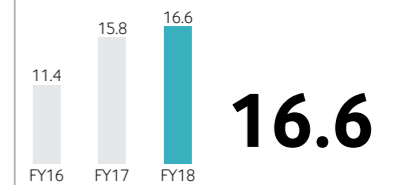
CDP (formerly Carbon Disclosure Project) is a not-for-profit charity that runs the global disclosure mechanism for investors, companies, cities, states and regions to manage their environmental impact. The CDP network caters to information requirement of investors and purchasers representing over US\$ 100 trillion of value.

A stronger balance sheet reflects our efforts towards value creation.

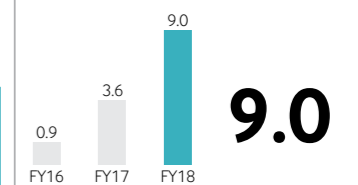
Utilisation rates (%)



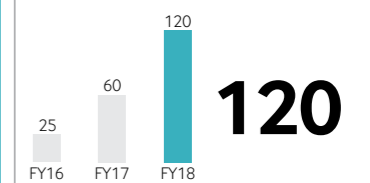
EBITDA margin (%)



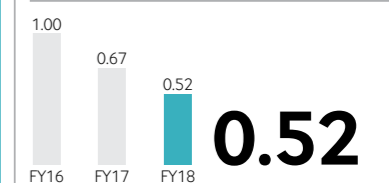
PAT margin (%)



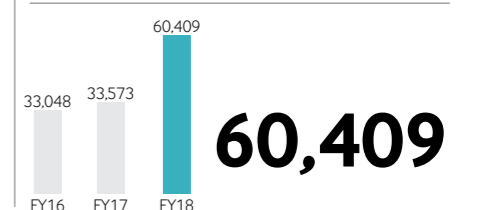
Dividend (%)



Debt/Equity ratio



Increasing shareholder base (Nos.)





NURTURING INNOVATIVE AND DIVERSE THINKING



We are committed to fostering a diverse, inclusive and safe environment where all people can not just achieve their best, but are encouraged to share their ideas. By honing each individual's skills, abilities and experiences, we can achieve superior business and personal outcomes.

People philosophy

At Phillips Carbon, we respect each person's aspirations, motivations and career preferences. Cross-cultural sensitivity is one of the key aspects of our broad HR framework that empowers people in a wide variety of roles in a workplace culture that encourages transparency and trust.



Leadership



Building a 'Leadership' pipeline is critical for long-term growth and sustainability of an organisation. Phillips Carbon nurtures its future leaders, who can take the organisation to the next level.

- Building a robust performance management system (PMS) based on the concept of Big Idea, Business Theme, Methods, Obstacle and Measures (B2MOM). This PMS process empowers managers to drive teams' development, while instilling coaching as the inherent trait of a leader and imbuing accountability into the rewards decision
- Facilitating further education of budding managers in the organisation with fifteen months' programme through the Certified General Management Programme at the International Management Institute, Kolkata for honing skills of future leaders
- Creating a robust graduate engineer trainee scheme, which enhances the talent pipeline



Employees

Culture



At Phillips Carbon we firmly believe in fostering a culture that creates a safe and an exciting workplace. Our people are highly motivated, valued for their contributions and are provided with opportunities to develop through a collaborative and inclusive approach at the workplace. This enables us to deliver a greater value to our stakeholders.

We continuously drive our focus along three key strategic areas - ensuring safety first at the workplace, driving the right leadership behaviour and being process oriented.

One of the key interventions that focusses on driving these areas is the PCBLite Leaders – Leading the team workshop. This intervention concentrates on developing the capabilities of our leaders to enhance engagement, lead the transformation journey and drive the cultural change across Phillips Carbon, thereby helping us to achieve our vision.

Capabilities



We have embarked upon a journey of excellence across the entire organisation. And have steadily enhanced our investments to sharpen the capabilities of our people, through structured interventions across plants and regional offices, and ensured that our organisational goals are clear to every personnel in the team through various learning and development initiatives.

Virtual Gurukul

An online secured cloud-based self-learning platform for technical training.

PCBLite Leaders

A workshop that focusses on capability building through the empowerment of senior functional leaders and enhancing their coaching abilities.

Pragati

An intervention that is designed to align the mindset of the employees towards our Vision, strategic imperatives and People Philosophy. This is co-facilitated with the involvement of employees across the hierarchy, building a sense of ownership in learning and growing together. Pragati sessions are conducted across all our plants.

EMBARK PCBLite

A well-integrated, digitised onboarding programme for our new joiners, promoting awareness on our Group's legacy and values, our Transformation Journey, our stakeholder impact and the senior leadership's thought and ideas. This module takes the

new joiners through our ethics and code of conduct policies in a story-based format.

Training academy

We have a training academy at one of our manufacturing units, where since 2008 we drive a structured three-month curriculum to build technical capabilities of our trainees. Our objective is to develop and enrich the in-house talent pool with a holistic view of our business.

Safety, Health and Environment Policy

- Continuously monitor and improve our safety, health and environmental performance
- Comply with regulations and fulfil our obligations to community at large
- Improve awareness on safety, health and environment through effective training
- Constantly upgrade technology to improve safety and environment systems and conserve natural resources by efficient use of raw materials, water and energy
- Ensure that health of employees is monitored regularly as per health policy

Safety training and awareness

We promote a value-based concept that institutionalises safety by inculcating a sense of ownership at all tiers of the organisation. We conduct customised risk-based training programmes across our manufacturing units, thereby enabling an overall improvement in safety standards and inducing a behavioural change.

Conducting safety training at all manufacturing locations; and periodic safety audits to adhere to OSHAS 18001 standard:

- Ensuring visitors' safety with disciplined screening at entry gates, handing over of Personal Protective Equipment (PPE) and briefly demonstrating possible hazards, risks and safe practices that need to be undertaken in case of exigencies or outages
- Organising regular mock drills, safety pep talks with contract workers and awareness sessions on Hazard Identification and Risk Assessment (HIRA)
- Encouraging and fostering 'Behavioural Safety' through safety suggestion schemes, rewarding employees who identify unsafe work conditions and mitigating any associated risks

Progressing ahead

In the last 10 months, 801 employees attended our Pragati sessions across locations. The session is an initiative to develop their capabilities by aligning them with the Company's vision, and develop right mind-set to drive the 'Transformation Journey' from the grassroots.

Employees

Demography



Gender diversity at Phillips Carbon enriches our work environment and takes us further along the path towards being a truly global player.

Equal Employment Opportunity

At Phillips Carbon, we are providing equal employment opportunity to all qualified persons without discrimination on the basis of age; sex; race; differently-abled; marital status or religion, in accordance with applicable laws and regulations. Our commitment to providing a work environment where all individuals are treated with respect and dignity will remain steadfast, as always. We strongly focus on cultivating an atmosphere where individuals enjoy the right to work in a professional environment, which prohibits any form of harassment. Additionally, we are making reasonable job accommodation for persons with disabilities who can perform the essential functions of the position.

All employment and promotion decisions, at Phillips Carbon, are being solely based on the individuals' qualifications, experience, prior contribution and demonstrated capacity to perform at higher or improved levels of performance. These decisions are being taken in accordance with the principle of equal employment opportunity. We are also undertaking affirmative actions to attract and retain qualified persons.

The Equal Employment Opportunity policy will be successfully applied when all roles are filled by the right candidates. Equal Employment Opportunity policy is being applied to all policies and procedures relating to recruitment and hiring, compensation, benefits, termination and all other terms and conditions of employment. Our Human Resources Department is enjoying the overall responsibility for this policy; and addressing employee queries on it, along with undertaking disciplinary actions against willful violators of the policy.

Rewards



We believe that growth can be sustained only if our people are geared to take challenges and perform with pride. Our reward & recognition programmes are designed to encourage the spirit of excellence.

Our rewards programme is devised to propagate a culture of excellence, wherein the organisation gives due recognition to all such endeavours and spirited initiatives pursued by our colleagues.

We celebrate cross-functional and cross-locational team initiatives.

Protecting harmonious industrial relations

We recognise the right of our workers to form unions at our Durgapur and Kochi manufacturing facilities as well as at the head office, to collectively bargain with the Management. Moreover, compliance with Factories Act is ensured through annual factory inspections that are conducted under the supervision of the factory inspector. Conducive industrial relationships are further reinforced with the help of our 'Labour Relationship Policy' towards maintaining human rights and labour practices in line with India's applicable labour laws.

Amber

'Amber', an artificial intelligence enabled chatbot, helps create touchpoints with all employees. It provides the leadership team with a real-time dashboard, highlighting key concerns around employee satisfaction and engagement.



Brown Bag



The panel discussion helps to disseminate knowledge beyond the Carbon Black industry and equip our people with a holistic perspective.

The audio-visual magazine is circulated quarterly and helps in creating goal congruence across the organisation.

The leadership team hosts a 'townhall' and addresses the team members across all locations, connected electronically on a real-time basis. Besides, providing an update on the performance, they also enlighten the team on the roadmap and challenges ahead. Following the business updates, team members can ask questions, offer suggestions and seek clarity directly from the leadership team.

Live Sampark

The leadership team hosts a 'townhall' and addresses the team members across all locations, connected electronically on a real-time basis. Besides, providing an update on the performance, they also enlighten the team on the roadmap and challenges ahead. Following the business updates, team members can ask questions, offer suggestions and seek clarity directly from the leadership team.

WeQPCBL

The audio-visual magazine is circulated quarterly and helps in creating goal congruence across the organisation.

Supply chain partners



ENSURING EFFICIENT AND RESPONSIBLE SUPPLY CHAIN



Our upstream and downstream partners in the supply chain are critical to ensure quality, continuity, efficiency and risk mitigation. Our global supply chain partners also help us to understand the preferences of our customers.

Preserving the upstream value

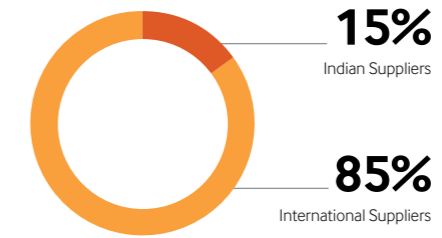
Producing 60+ grades of carbon black including 34 specialty grades, feedstock supply is critical to sustaining our business. Our manufacturing facilities are located near ports. This facilitates switching over to alternative feedstock according to the production requirement without interruptions. This strategy also reduces our freight cost and minimises uncertainty. Besides, this leads to lower diesel consumption, which in turn, reduces air pollution and helps conserve natural resources.

Also, key to our value chain are petroleum refiners and blenders. Our primary raw material is heavy residue from the fluid catalytic cracking (FCC) units of refineries or residue from naphtha cracker units of petrochemical plants. Blenders play a major role in collecting these residues from refineries and blending it to match our specific quality requirements, rationalising logistical expenses.

Securing raw material quality

We primarily use good quality Carbon Black Feedstock (CBFS) such as Fluid Catalytic Cracking (FCC) bottom oil, Ethylene bottom oil and Anthracene oil for developing various grades of rubber blacks and specialty blacks. We have broad-based our raw material sources by fostering partnerships with multiple vendors, both in India and abroad.

Raw material procurement



We have a prudent inventory management mechanism that ensures seamless operations across all our plants. Our incoming raw materials pass through stringent quality checks.

Sustainable logistical support

We have helped our logistics partners across road and waterways to adopt best practices and reduce in-transit losses. Better quality packaging, for instance, lowers chances of product damage, while enhancing customer satisfaction. At the same time, packaging efficiency is enhanced by loading products into bigger bags. In a freight-sensitive industry, we enjoy an advantage on our inbound and outbound materials, owing to the strategic location of our facilities.

We conduct annual meetings with major raw material suppliers (comprising 80-90% of our purchased value) and vessel owners located outside India. We also meet our domestic suppliers frequently. Our interactions focus on market intelligence, quality, pricing and areas of improvement. Besides, we also exchange thoughts at various levels through corporate events such as industrial fairs, conferences and seminars.

We encourage our suppliers to implement environmental and safety management practices. All our locations are ISO 9001, IATF 16949, ISO 14001 and OHSAS 18001 certified. These standards enforce performance evaluation against environmental, safety, quality and manufacturing performance across the length of the value chain.

Supplier audit and procurement: Our focus areas

Social parameters

- Fair and ethical labour practices in accordance with the applicable regulatory norms of the region
- Safety practices adopted at the location, including use of personal protective equipment (PPE), availability of Material Safety Data Sheet (MSDS) and health and safety conditions of workers
- Adequacy of emergency preparedness at the manufacturing facility

Environmental parameters

- Natural resource conservation measures
- Waste management compliance
- Assurance of CBFS procurement without heavy metals
- Use of non-asbestos gasket sheets
- Pine wood pallet procurement, instead of jungle wood pallets to discourage illegal logging and deforestation
- Use of plastic pallets wherever possible

Economic parameters

- Use of goods and services ensuring efficiency and reduction in operating cost
- Capital equipment procurement that achieves lower costs during the product lifecycle; for instance, through reduced annual operating and maintenance costs

Regulators



STAYING AT THE TOP OF THE COMPLIANCE CURVE

Our interaction with regulators and other law-enforcing bodies is not restricted to compliance. In our pursuit of excellence, we go beyond the given mandate.



We periodically evaluate and improve upon our benchmarks, conforming to prevailing environmental, social and corporate governance requirements – be it local, national or global.

Upholding good governance practices

Our commitment to ethical business conduct is demonstrated by every employee in our organisation. All new recruits across locations are informed about our 'Ethics and Code of Conduct Policy'. They are required to sign the document, which serves as an acknowledgement of their understanding and clarity on the same.

The key components that comprise this policy are listed here:

- Antitrust policy
- Conflict of interest
- Confidentiality and discretion
- Insider trading and stock tipping
- Non-competitive clauses
- Gift policy
- Policy against sexual harassment
- Code of conduct & ethics
- Integrity

The policy guides employees on key actions that should be taken to safeguard good governance and avoid any unethical conduct. We ensure strict adherence to the 'Whistle Blower Policy' and protect our employees by preserving utmost confidentiality.

Adhering to internationally recognised standards

Our processes and systems are guided by internationally recognised quality, environmental and social standards. These standards not only ensure adherence to the applicable regulatory norms but stay ahead of them as well. Since these standards and their applications are monitored through both internal and external audits, the veracity of relevant information and authenticity of practices and procedures are never compromised.

Besides manufacturing carbon blacks that ensure the best possible hygiene and safety standards, we adhere to different global food contact regulations. Some of these are listed here:

- Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), a European Union regulation that address the production and use of chemical substances, and their potential impacts on both human health and the environment
- Code of Federal Regulations (CFR) of the USFDA that certifies the use of colour additives in products, including product labelling
- Commission Regulation of the European Union, monitors plastic materials and articles that intends to come into contact with food
- European Standard EN 71 specifies safety requirements for toys
- Indian Standard (Fourth Revision) lays down requirements for high density polyethylene pipes used in buried water mains and services and for water supply above ground, both inside and outside building
- China's Hygienic Standards prescribes the use of additives in food containers and packaging materials

Our certifications

ISO 9001:2015

IATF 16949:2016

ISO 14001:2015

OHSAS 18001:2007

National Accreditation Board for Testing and Calibration Laboratories (NABL)

Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)



Communities



COLLABORATING FOR SUSTAINABLE COMMUNITY IMPACT



We are relentlessly strengthening a sustainable ecosystem around our manufacturing units through strategic need-based interventions in the areas of education, health and sanitation, environment sustainability and holistic community development. The needs of the community are assessed through periodic interactions with various stakeholder groups.

Education



We regularly contribute to infrastructure and playground development work at schools, school trip expenses, computer literacy programmes for underprivileged students, tuitions for budding scholars and distribution of school-aid materials. Besides, we also drive food distribution initiatives, cultural activities in schools for underprivileged students and delivery of uniforms to the community children.

Health and sanitation



We help construct household toilets under the Swachh Bharat Abhiyaan, sponsor infrastructure development at hospitals, provide medical aid (including diagnostic and consultation services) to the local community and organise pulse polio immunisation camps for rural children.

Each factory also focusses on driving safe workplace initiatives, which has resulted in zero fatal accidents at our plants.

Communities

Community development



We provide financial assistance to various external projects in backward areas. We also help construct temples and distribute food to the economically disadvantaged people in and around our Durgapur unit. We run our own socio-economic development initiatives in and around our manufacturing units. We lend support to the Chief Minister's Relief Fund for various social initiatives.

Environment sustainability



Our Environment, Health and Safety (EHS) Policy provides the necessary direction for the same. We plan to align ourselves with the National Action Plan on Climate Change (NAPCC) of the Government of India to mitigate the threats of global warming / climate change through continual improvement in every sphere of operations.

We have installed a facility for rain water harvesting to reduce raw water consumption. We are spearheading the recycling of waste water in all our factories, to achieve ZLD status. In addition, we fund the cleaning of rivers and ponds around our units. We also supply organic fertilisers, cow fodder and grass to the drought-prone villages located close to the plants. We plant saplings both inside and outside our factory premises, thereby developing green belts.

Risk management

FUTUREPROOFING OUR BUSINESS

We have devised a robust system to scan the risks landscape and formulate appropriate measures.



Our Identified Risks

Identified risks	Mitigation measures
Financial risks	
Credit risks, or the risk of financial loss to the Company if customers or counterparties fail to meet their contractual obligations	Credit profiling Regular monitoring of important developments, namely, payment history, change in credit rating, regulatory changes and industry outlook
Commodity price risk, or the risk that results from changes in market prices for raw materials (mainly carbon black feedstock, which forms the largest portion of the Company's cost of sales)	Maintaining inventory at optimum level through a highly probable sales quarterly forecast, as well as worldwide purchasing activities, diversifying the sources of raw material
Foreign currency risk, or the risk arising from foreign currency transactions that the Company deals in due to operations in international markets	Hedging of net foreign currency exposure at all points in time through foreign exchange forward contracts, vanilla option contracts and cross currency interest rate swaps
Supply-chain risks	
Increased dependence on limited number of raw material suppliers	Scouting for alternative raw material sources Building long-term partnerships with diverse suppliers
Fluctuations in crude oil prices	Linking price of raw material with the price of product
Emergence of alternate types of Carbon Black Feed Stock (CBFS)	Searching for alternative feedstock, taking trial and validating the product
Dependency on mode of transport	Alternative sources of mode of transport
R&D risks	
Gap in identifying future needs of customers	Proactive visit of technical representatives and interaction with customers to capture new requirements Quality Function Deployment Encouraging joint project with customer to develop new product
Technology risk	Hiring and retaining people having the experience of working in benchmark industries in the field Attending conferences / exhibitions to scan the changes in the technology landscape and to adopt newer technologies
Manufacturing Risk	
Generation of off-spec product (defect)	Implementation of Statistical Process Control to identify the cause of process variation and taking action before the generation of off-spec
Equipment breakdown	Adherence to Preventive / Predictive / Conditional monitoring programme and taking preventive action
Marketing risks	
Competition risk	Strengthening market intelligence and product differentiation
Availability of grades and quantities for respective customers	Detailed forecasting, inventory management
Customer support risks	
Reduced customer base on account of improper customer feedback analysis and poor assessment	Ensuring customer satisfaction through feedback collection at various levels at regular intervals and taking action to address the issue, if any
Non-availability of material	Maintaining safety stock, factoring in obsolescence Getting approval of different plants / lines for same grades Upgrading plan using Optimizer

Identified risks

Mitigation measures

Human resource risk

Employee disengagement	<p>Conducting focussed group discussions to understand employee perspective at the workplace</p> <p>Organising workplace surveys at regular intervals to gauge employee satisfaction through Amber and Live Sampark</p> <p>Ensuring safety of employees by strict adherence to safety rules as per OHSAS18001:2007 and use of personal protective equipment at plant</p> <p>Conducting programmes like 'Fun at Work' to create an exciting workplace for employees</p>
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Compliance risk

Fast changing laws and regulations	<p>Capturing regulatory requirements of different countries and complying with international regulations and norms</p> <p>Engaging an expert agency as 'ONLY REPRESENTATIVE' to help in REACH registration and meeting regulatory requirements for export of carbon black to European countries</p> <p>Emphasising continuously on updating domain knowledge, analysing and highlighting implications</p>
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Environment Risk

Environment pollution	<p>Using the process emission (off-gas) for power generation</p> <p>Preventive measures to arrest leakage</p> <p>Adherence to ISO14001:2015 (Environment Management System standard)</p>
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WE CONTINUE TO SHARE OUR VISION AND VALUE

As we continue to grow and move forward, we will continue our efforts of sustainable business practices. The common thread across all our growth strategies, is our indomitable focus on environmental and social responsibility, as well as our commitment towards creating a happy and safe work place for our employees. We would continue to tread the path laid by our Vision.





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