

22.0 Environment, Social & Governance
P22.14 Sustainable Sourcing Policy
Vardhman Group

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22.14.1. Objective

We are committed to ensuring that all sourcing practices support the broader goals of environmental stewardship, fair labor, and community well-being. This policy applies across the full spectrum of our supply chain, from raw material producers to intermediaries, ensuring a seamless approach to responsible sourcing throughout the organization.

Our ultimate goal is to align with global best practices in sustainability, with the understanding that responsible sourcing is an ongoing process that evolves as new technologies, methodologies, and standards emerge.

22.14.2. Scope & Applicability

This policy covers the sourcing of raw materials for all group units of Vardhman Textiles Limited including lint cotton, other natural fibers, man-made fibers, etc.

The policy's objective is to ensure that all materials procured by the company are aligned with responsible sourcing principles, sustainability standards, and ethical guidelines.

These practices reflect our corporate values regarding environmental protection, fair labor practices, and the minimization of our carbon footprint.

22.14.3. Environment Sustainability

One of our primary goals is to prioritize environmental sustainability not only within our manufacturing facilities but also across the entire supply chain. We recognize that environmental challenges extend beyond our immediate operations and must be addressed holistically. As part of our long-term vision, we are committed to increasing the share of sustainable raw materials in our overall portfolio each year to meet our sustainability goals.

Aligning with its ESG commitments, Vardhman prefers to source from suppliers for production- and office-related procurement who have obtained relevant product- and process-related certifications and Eco labels, ensuring reduced environmental, biodiversity, and ecosystem impacts. Furthermore, we value suppliers who uphold ethical labor practices, promote diversity and inclusion, and ensure the overall development and well-being of individuals both within and beyond their organizations.

22.14.4. Our Sustainable Material Portfolio

1. **Organic Cotton** – Organic cotton is produced using farming methods that promote biodiversity, regenerate soil health, and completely restrict the use of synthetic fertilizers and pesticides. Organic cotton is not only better for the environment but also benefits farmers by providing access to premium markets. In organic cotton production, only non-GMO seeds are used.
2. **Better Cotton**– Better Cotton aims to make cotton production more sustainable by promoting water efficiency, reducing pesticide use, and enhancing the livelihoods of cotton farmers.

3. **Regenerative Cotton** – Produced using regenerative agricultural techniques, which help restore ecosystems, improve soil health, and increase biodiversity. Regenerative cotton is a key part of our strategy to create positive environmental impacts beyond reducing harm.
4. **Recycled Cotton Fiber** – Recycled cotton reduces the demand for virgin cotton, limits textile waste, and conserves water and energy. Going forward, we will incorporate post-consumer cotton waste for recycled cotton production. Utilizing recycled cotton fibers not only promotes sustainability but also helps address the issue of cotton waste in landfills.
5. **Fairtrade Cotton** – Fairtrade-certified cotton ensures that farmers receive fair wages and adhere to rigorous social, economic, and environmental standards. This approach not only helps farmers but also contributes to the overall sustainability of the cotton supply chain.
6. **CMIA Cotton** – a sustainable cotton initiative that aims to improve the livelihoods of African smallholder cotton farmers while promoting environmental and social standards in cotton cultivation.
7. **Recycled Polyester**- Polyester made from recycled plastic materials, such as used PET bottles, textile waste, post-consumer waste, or other polyester products. It helps reduce the need for petroleum-based raw materials, minimizes waste, and contributes to a circular economy in the textile industry.
8. And Man-made fibers such as Bamboo, Ecovera, Ecoliva, etc.

22.14.5. Ethical Labour Practices

We believe that ethical labor practices are fundamental to creating a fair, safe, and sustainable textile industry. We are committed to upholding fair labor standards, safety, and health standards across our entire supply chain. This commitment extends to all of our suppliers, partners, and contractors, ensuring that every individual involved in our supply chain is treated with dignity, respect, and fairness.

This approach helps not only mitigate risks for Vardhman but also ensures that the entire supply chain is aligned with the company's commitment to social responsibility.

We want our supplier to:

- Follow the laws of land
- Policy to prohibit the use of forced labor, bonded labour, and child labour in their facilities and to ensure the implementation of policy at their facilities.
- Ensuring no violations in terms of working hours, Wages, Health, and Safety.

We have a strict policy of not engaging in business with entities that fail to uphold the aforementioned ethical labor practices at their facilities. This approach also helps not only mitigate risks for Vardhman but also ensures that the entire supply chain is aligned with the company's commitment to social responsibility.

22.14.6. Non Sourcing from High-Risk Region

Our organization maintains a strict policy against sourcing cotton from countries having documented labor rights violations, such as Turkmenistan and China (Xinxiang Region). By excluding these regions from our supply chain, we ensure that our products remain free from the taint of labor exploitation and that we are aligned with global standards for ethical labor practices.

22.14.7. Energy Efficiency and Carbon Footprint Reduction

Energy efficiency is a key aspect of our sustainability strategy. Our organization is actively transitioning towards renewable energy sources such as solar and biomass. We are committed to reducing our reliance on fossil fuels throughout our operations, recognizing that energy consumption is one of the primary drivers of carbon emissions in the textile industry. In addition to renewable energy adoption, we are in the process to reduce energy consumption related to our Scope 3 emissions.

22.14.8. Supplier Due Diligence and Capacity Building

We believe that responsible sourcing extends beyond simply procuring materials; it also involves working closely with our suppliers to ensure they are capable of meeting standards as per our sourcing policy.

The vetting process for suppliers includes the following steps:

1. A thorough evaluation of financial health and resourcefulness, ensuring that our suppliers are financially stable and able to maintain high standards of operation.
2. An assessment of the supplier's capability to meet our sourcing standards, including their ability to implement sustainability initiatives and adhere to ethical labor practices.
3. Verification of the supplier's legal identity, ensuring compliance with local laws and regulations.
4. Ongoing capacity building for suppliers, with regular training on responsible cotton sourcing practices, sustainability standards, and ethical labor requirements.
5. By investing in the capacity building of our suppliers, we aim to create a supply chain that is resilient, transparent, and sustainable. We work collaboratively with our suppliers to ensure continuous improvement and to help them adopt practices that meet expectations.

22.14.9. Traceability and Transparency

1. Achieving full traceability and transparency throughout our supply chain is a fundamental goal. Now consumers, as well as our downstream partners, expect full visibility into the origin and production processes of the materials we source. In response to these expectations, we are committed to collaborating closely with our suppliers to provide the necessary transparency and traceability within their operations.

2. Through our material management systems and supplier engagements, we have procedures that all raw materials can be traced back to their origin. This level of traceability not only allows us to verify the sustainability and ethical standards of the materials we use but also helps us build trust with our stakeholders.

22.14.10. Community Engagement and Farmer Capacity Building

1. We understand that the well-being of the farming communities that produce our raw materials is also a key part of responsible sourcing. We are deeply committed to engaging with these communities and promoting sustainable farming practices through a variety of initiatives.
2. Our community engagement programs are our efforts to support farmers by providing access to technical knowledge, training, and resources that help them make informed decisions about sustainable cotton production. Through capacity-building initiatives, we work closely with farmers to reduce the negative environmental and social impacts associated with cotton cultivation.
3. By promoting sustainable farming practices, we not only improve the livelihoods of farmers but also contribute to the long-term sustainability of the textile industry.
4. Our efforts are focused on helping farmers adopt practices that protect natural resources, improve soil health, and reduce water usage, ultimately benefiting both the environment and the communities that depend on cotton production for their livelihoods.
5. As a responsible organization, we will continue to strive in these areas, ensuring that our sourcing practices remain aligned with the evolving demands of sustainability, corporate responsibility, and the global community.
6. We actively include female members from farming and other communities in all activities, ensuring they have equal access to capacity-building initiatives and other programs aimed at their empowerment and development.

22.14.11. Governance

- The Environment, Social & Governance (ESG) Committee of the Board shall govern the Sustainable Sourcing policy.
- This committee shall oversee the implementation and adherence to this policy.
- This committee is responsible for periodic assessments and reporting compliance to the management.

22.14.12. Policy Review

This policy will be reviewed As & When needed, to ensure that the materials and products a company procures are done so in a way that promotes environmental stewardship, social responsibility, and ethical business practices.