



Vardhman

VARDHMAN TEXTILES

Double Materiality Assessment Report

2024

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Sustainability at Vardhman

Forged in deep-rooted values, excellence at Vardhman fuels actions that go beyond business solutions. With the impact of fashion on environment and community at the forefront of global discussions, we address sustainability challenges with the same proficiency and priority as we do to other key business challenges. Our institutionalised sustainability framework 'PRO' captures this urgency and guides business decisions.

BEING PROACTIVE

For us at Vardhman, it translates to anticipating problems before they occur and implementing preventive solutions. We want to stay ahead on the sustainability curve and be an active participant in shaping a world we want and will be proud to bequeath to future generations.

BEING RESPONSIBLE

Taking charge and creating positive outcomes for all stakeholders, honouring our commitments, and being dependable in times of need, is how we decode being responsible. Abiding by the law and a self-imposed criterion for ethical behaviour, are ingrained conditions.

The Vardhman Sustainability Framework

Our framework focusses on a holistic, balanced and practical approach for addressing all three facets of sustainability:

Environmental: Proactively protect the environment and all its constituents.

Social: Be responsible for the prosperity of all stakeholders

Economic: Provide a strong organisational thrust to proliferate the green product portfolio

Our framework embodies a holistic, balanced, and practical approach to sustainability.

Double Materiality Assessment at Vardhman Textiles

Vardhman Textiles recognizes the importance of sustainable business practices and their impact on both financial performance and societal well-being. As part of its commitment to sustainability, Vardhman Textiles has undertaken a double materiality assessment to identify and address the most significant environmental, social, and governance (ESG) issues that affect its operations and stakeholders.

Vardhman Textiles has made a major advancement by integrating double materiality into the sustainability strategy. Traditional materiality only focused on impact (i.e. how our operations affect environment and society). Double materiality focuses on impact as well as financial materiality (financial materiality covers impact of environmental, social, and governance (ESG) factors on our business in terms of risks & opportunities and its financial impact.

By adopting this dual perspective, we obtain crucial insights into the sustainability issues that are most important to our stakeholders. This enables us to address their concerns effectively and secure the long-term viability of our business.

Assessment Methodology:

The double materiality assessment process began with the crucial step of defining its scope. We initiated this phase by outlining the boundaries of the assessment, identifying relevant ESG material topics throughout our extensive value chain that are significant to our stakeholders. This approach allowed us to cover the intricacies of the supply chain, and operational aspects.

Our methodology drew from various sources and incorporated meticulous analysis, including a thorough review of internal and external documentation, industry insights, regional trends, and challenges. We also scrutinized existing commitments and adherence to industry-leading frameworks such as the GRI Sustainability Reporting Standards, SASB, and Task Force on Climate-related Financial Disclosures (TCFD), to ensure alignment with best practices and industry standards.

Outside-In Analysis

- Identified Key Material Topics mapped by industry **peers**
- **Benchmarking:** Analysed the material topics identified by peer organizations in the industry.
- Identified Key Material Topics for Key **ESG Standards and Frameworks**
- **Reviewed Standards and Frameworks:** Examined the requirements and guidelines of key ESG standards and frameworks such as CSRD, GRI, BRSR, SASB, DJSI and MSCI.
- **Mapped Topics:** Mapped the material topics from these standards and frameworks to our preliminary list.

Preliminary Identification of Material Issues

- **Initial data gathering:** Collected information on potential material issues from internal reports, industry publications, and ESG standards and frameworks.
- **Developed a preliminary long list of topics:** Developed a comprehensive list of 92 potential material topics relevant to Vardhman Textiles.

Rationalization of Topics into 20 Key Material Topics

- **Consolidated and Rationalized Topics:** Combined insights from the preliminary identification and outside-in analysis to rationalize and narrow down the list to 20 key material topics.
- **Prioritization of the Topics:** Prioritized these topics based on their relevance and impact on the organization and stakeholders.

Stakeholder Identification and Discussion

- **Identified Stakeholders** for each material topic
- **Internal Stakeholders:** Identified key internal stakeholders such as employees, management, and board members.
- **Mapped External Stakeholders:** Mapped external stakeholders through internal proxies, including suppliers, investors, and community representatives.

Stakeholder Engagement – Inside Out Analysis

- **Conducted Discussions:** Engaged with identified stakeholders through workshops, surveys, and focus groups to gather their perspectives on the material topics.
- **Recorded Impact (Positive and Negative Impact)** across all 20 material topics: Evaluated the positive and negative impacts of each material topic on the organization and stakeholders.
- **Documented Findings:** Recorded the findings in a structured format for further analysis.
- **Recorded Financial Risks and Opportunities** across all 20 Material Topics
- **Identified Financial Implications:** Assessed the financial risks and opportunities associated with each material topic.
- **Documented Financial Impact:** Recorded the financial implications in a structured format for further analysis.
- **Developed Evaluation Criteria:** Created criteria to evaluate the significance of each material topic based on impact and financial implications for Vardhman Textiles

Review and finalization of double materiality assessment results

- The results were **reviewed and finalized** by Vardhman leadership team.
- The results of this assessment provide a **strategic roadmap** for Vardhman to integrate sustainability into its core business practices, enabling the company to address its most significant challenges and opportunities in a manner that supports long-term value creation.

Scale

Impact, Risk & Opportunity

Score	Severity Categories	Description
1	Critical	Grave Impact with extensive scope and irreversible consequences
2	High	Significant Impact with broad scope, maybe difficult to fully remediate
3	Moderate	Noticeable impact, affects fewer people/ areas but still requires intervention
4	Minor	Limited impact, localized and manageable with standard measures
5	Negligible	Minimal impact, no significant harm or disruption

Score	Probability
1	Highly Likely
2	Likely
3	Possible
4	Unlikely
5	Never

Score	Magnitude: Potential financial impact on performance, position, cash flow and cost of capital
1	Highly Likely (90% +)
2	Likely (70 - 90%)
3	Possible (30 - 70%)
4	Unlikely (10 - 30%)
5	Never (< 10%)

Double Materiality Analysis

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#	Material Topics
1	Climate Change
2	Water Stewardship
3	Responsible Sourcing
4	Waste Management
5	Customer Satisfaction
6	Product Stewardship
7	Human Capital Development
8	Pollution
9	Health & Safety
10	Biodiversity
11	Business Ethics and Conduct
12	Corporate Governance
13	Human Rights & Labour Practices
14	R&D and Innovation
15	Product Quality and Product Safety
16	Data Privacy & Security
17	Diversity, Inclusion and Equal Opportunity
18	Resource Efficiency
19	Community Engagement
20	Policy, Law & Regulation Influence

Results:

Double materiality assessments evaluate both the financial materiality (how sustainability issues affect a company's financial performance) and impact materiality (how a company's operations affect the environment and society).

Here are some key results and insights from recent double materiality assessments with stakeholders:

Topic	Sub-Topic	Impact	Risk	Opportunity
Climate Change	Energy & GHG Emissions	<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Reducing reliance on fossil fuel-intensive processes and shifting to renewable energy helps decrease greenhouse gas emissions, thereby mitigating climate change. 2. Climate change adaptation helps communities better prepare for and respond to climate-related events, while mitigation efforts protect natural ecosystems and improve public health outcomes. <p>Negative Impact:</p> <ol style="list-style-type: none"> 1. Textile production is energy-intensive, often relying on fossil fuels, which leads to significant greenhouse gas emissions and contributes to climate change. 	<ul style="list-style-type: none"> • Cotton manufacturing is vulnerable to climate risks such as water scarcity due to temperature changes, which can affect crop yields and production stability. • Stringent regulations in dyeing process due to climate-induced water shortages • New regulation might impact business i.e. Eco-design Sustainable Product Directives & CBAM • Supply chain disruptions leading to higher operational costs and delays • Rise in compliance costs due to emerging climate related regulations • Risk of losing business from customers who demand high sustainability standards 	<ul style="list-style-type: none"> • Cost saving by switching to Renewable energy sources • Commitment to decarbonization and setting MCAP (Manufacturer Climate Action Program) Science-Align targets for emission reductions. • Expansion of green energy initiatives to increase the share of renewable energy in operations up to 50% by 2030 • Innovating low-carbon products meets demand for sustainable products creating new market opportunities • Demonstrating a commitment to



		<p>2. Adverse effects of climate change, such as extreme weather events, can lead to significant economic and social disruptions, harm ecosystems and biodiversity, disrupt supply chains, and negatively impact public health.</p>	<ul style="list-style-type: none"> Higher costs due to increased damage from natural disasters, higher insurance premiums, and loss of productivity Exposure to climate-related regulatory changes and market shifts towards sustainability 	<p>sustainability can enhance brand value</p> <ul style="list-style-type: none"> Position as a preferred supplier and market leader in climate change adaptation and mitigation practices Attract investors who prioritise making sustainability focussed investments Carbon credit generation and monetization
Water Stewardship	Water Withdrawals	<p>Positive Impact:</p> <ol style="list-style-type: none"> Implementation of advanced water resources, protect aquatic life, and maintain biodiversity. Access to safe drinking water reduces waterborne diseases and fosters positive relationships with local communities. <p>Negative Impact:</p> <ol style="list-style-type: none"> Releasing untreated wastewater harms aquatic life, disrupts ecosystems, and makes water unsafe for consumption. Inefficient water use depletes local resources, leading to water scarcity and serious health issues from contaminated water. 	<ul style="list-style-type: none"> Operational disruptions due to water scarcity in water stressed areas like Baddi, Ludhiana. Inefficient water use and waste management can lead to higher water bills and treatment costs, reducing overall profitability Increased cost of sourcing raw materials and production Harm the company's reputation, leading to loss of customers and decreased sales Additional capex investment required in ZLD Increased regulatory costs due to legal actions from government, affected communities or environmental groups 	<ul style="list-style-type: none"> Efficient water use and recycling can significantly reduce water bills and treatment costs Enhancing operational resilience and community relations through effective water management. Effective water stewardship can enhance the company's reputation Reduction in overall operational costs
	Water Consumption			
	Water Discharges			
	Water Conservation			

Responsible Sourcing	Sustainable and responsible Raw Materials sourcing	<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Sustainable procurement and value chain management practices help reduce the environmental and social footprint. 2. Responsible sourcing ensures suppliers adhere to ethical labour practices, improving working conditions. <p>Negative Impact:</p> <ol style="list-style-type: none"> 1. Poor labour practices, including low wages and unsafe conditions, exacerbate economic inequality and limit local economic advancement. 2. Unsustainable sourcing and large-scale land acquisition can disrupt ecosystems, displace communities, and pose health risks due to pollution. 	<ul style="list-style-type: none"> • Costs associated to supply chain disruptions and delays leading to less reliant supply chain • Reputational damage • Negative impact on brand value • Rise in legal and regulatory costs and compensations in case of non-compliance • Lack of traceability and credibility on sustainable sourcing claims leading to possible litigation • Loss of market share to competitors who have better sourcing practices due to public awareness on sustainable sourcing • Negatively impacted biodiversity and ecosystem services contribute to increased operational cost (cost of procurement) due to fall in crop yield 	<ul style="list-style-type: none"> • Leveraging influence to improve supplier practices, monitoring and auditing can mitigate costs related to resource scarcity and legal regulations, while preserving investor value • Supply chain traceability helps verifying the sustainability of products, and managing potential risks • Certified raw materials provide credibility on responsible sourcing • Meet the demand for sustainable products • Emerge as market leader for sustainable products providing end-to-end traceability for customers
	Sustainable Packaging & waste management			
	No Deforestation			
	Regenerative Agriculture			
	Supply Chain traceability			
Health & Safety		<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Ensuring a safe work environment reduces accidents and boosts employee well-being, enhancing the company's reputation. Providing fire brigades ensures 	<ul style="list-style-type: none"> • Legal actions related to non-compliance can lead to increased regulatory costs, employee stress, and reduced productivity due to low morale. • Workplace injuries contribute to higher healthcare costs and lost productivity, while a high employee turnover rate 	<ul style="list-style-type: none"> • The introduction of behaviour-based safety training and the development of a comprehensive safety manual for risk identification are proactive steps that have

		<p>rapid emergency response and builds community trust.</p> <p>2. Training communities for emergencies fosters swift action and resilience, while safe storage compliance reduces hazards and shows regulatory commitment. Mutual aid agreements improve emergency response and promote collaboration</p> <p>Negative Impact:</p> <p>1. Overburdened healthcare systems and soaring medical expenses lead to longer wait times, diminished care quality, and financial strain on individuals.</p> <p>2. Major accidents at units, like leaks or explosions, can devastate the environment and disrupt communities through forced evacuations and habitat destruction.</p>	<p>escalates hiring and training expenses.</p> <ul style="list-style-type: none"> • Increased insurance and compensation claim costs, coupled with poor safety records, hinder the company's ability to attract skilled labour. • Vardhman's customer retention and attraction are influenced by compliance with pre-audits and audits based on codes that customers use to assess the suitability for business engagement. 	<p>led to a decrease in workplace accidents.</p> <ul style="list-style-type: none"> • Vardhman is further committing to safety by developing a Contractor Safety Policy and requiring a No Objection Certificate from the safety team for any changes that could impact health and safety, ensuring a thorough risk assessment process • The company's commitment to employee health is demonstrated through medical check-ups, although challenges such as remote plant locations and ensuring food safety in canteens require ongoing attention to compliance with health regulations. • Effective safety and health practices help retain employees and reduce costs associated with recruiting and training new staff, while also enhancing the brand's image and generating positive media coverage.
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				<ul style="list-style-type: none"> • Reduced healthcare expenses, fewer workers' compensation claims, and minimized operational downtime due to accidents. • Proactive safety measures and compliance with regulations help avoid legal issues and the financial burden of potential fines.
Waste Management	Waste Generation	<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Establishment of 'Vardhman ReNova,' a fibre recycling plant to produce sustainable recycled yarn. 2. Initiatives to minimize, reuse, and upcycle waste, reducing landfill burden. 3. Using plastic cone for reuse in yarn production. 4. Minimizing the release of harmful substances leads to a cleaner and healthier environment, preserving biodiversity and ecosystems. 5. Effective waste management practices, such as waste-to-energy technologies, significantly reduce 	<ul style="list-style-type: none"> • Rise in regulatory fines and penalties • Higher disposal costs and need for additional waste handling infrastructure • Rise in legal costs due to lawsuits from environmental groups or affected communities • Negative publicity from poor waste management • Investor withdrawal • Loss of customer trust 	<ul style="list-style-type: none"> • Reduction in disposal costs and minimization of the need for raw materials by promoting recycling and reuse • Generate additional revenue by selling recycled materials or creating new products from waste, tapping into the growing market for sustainable goods • Enhanced brand reputation and market leadership as a sustainable brand • Access to new markets • Rise in customer trust and favourable for
	Waste Recovery			
	Waste Disposal			
	Waste-to-Energy			

		<p>greenhouse gas emissions and improve public health.</p> <p>Negative Impact:</p> <ol style="list-style-type: none"> 1. Improper disposal of waste contaminates water bodies and soil, affecting aquatic life, plant growth, and making water unsafe for consumption. 2. Burning waste or mishandling hazardous materials releases toxic gases, contributing to respiratory problems and other health issues, and poses risks to public health facilities. 		<p>investors sensitive to sustainability practices</p> <ul style="list-style-type: none"> • Reduced cost of energy due to implementation of waste-to-energy technologies
<p>Product Stewardship</p>		<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Durable products tend to last longer, providing an economic benefit to the end consumer by reducing the need for frequent replacements. 2. Efficient use of natural resources fosters a culture of sustainability in consumers and encourages a shift in industry trends towards more sustainable practices. 	<ul style="list-style-type: none"> • Non-compliance with environmental and labour regulations can result in hefty fines and legal penalties • High operational cost due to inefficient use of resources • Increased costs associated with waste disposal and managing pollution • Impact on company's reputation leading to loss of customer & community trust • Supply chain disruptions due to unsustainable sourcing practices 	<ul style="list-style-type: none"> • Reduce waste and lower costs associated with raw materials and energy consumption • Decrease disposal costs and generate additional revenue from recycled materials (ReNova) • Consumers are increasingly favouring brands that prioritize sustainability • Brand differentiation from competitors, attracting environmentally



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		<p>Negative Impact:</p> <ol style="list-style-type: none"> 1. Pollution of water, air, and soil can lead to contamination of natural resources, adversely affecting communities and ecosystems. 2. High carbon footprints, exploitation, and health issues of vulnerable communities, along with unfair labour practices and lack of investment in local communities, can perpetuate economic disparities. 	<ul style="list-style-type: none"> • Increased litigation costs associated with legal actions from affected communities, workers, or environmental groups • Loss of market share to environmentally and socially responsible competitors 	<p>conscious consumers, and investors</p> <ul style="list-style-type: none"> • Aim to use 35-40% sustainable input materials (Including recycled fibres) by 2030 • Increase in recycled fibre inputs in the short term by collaborating with 5-7 aggregators • Global recycling standards (Textile Exchange) require a fabric to contain 20% or more recycled fibre to be classified as recycled – Vardhman textiles thus has a large capacity of producing recycled fabric by meeting these criteria. • Achieving certifications for sustainable products can enhance marketability and access to markets • Proactively addressing environmental and social issues help avoid legal costs
<p>Human Capital Development</p>		<p>Positive Impact:</p>	<ul style="list-style-type: none"> • Inadequately trained employees can lead to operational inefficiencies, increasing costs 	<ul style="list-style-type: none"> • Vardhman enhances its competitiveness by fostering high employee engagement and

		<ol style="list-style-type: none"> 1. Upholding human rights curtails exploitative labour practices, promoting ethical industry standards. 2. Gender equality is advanced through equal opportunities for women, enhancing societal empowerment and supply chain resilience. <p>Negative Impact:</p> <ol style="list-style-type: none"> 1. Social inequity persists when career advancement opportunities are scarce, hindering employability and skill development, which in turn negatively affects the economy 2. A lack of innovation in products and services can result from a failure to cultivate a skilled workforce and invest in employee potential. 	<p>and contributing to higher employee turnover.</p> <ul style="list-style-type: none"> • A lack of innovation due to insufficient skills development can result in fewer new products and services, diminishing the company's competitive advantage. • Reputational damage from inefficacy and poor performance can make it challenging to attract and retain both top talent and customers. • Low employee morale and productivity can further erode a company's market position, especially for firms like Vardhman, where product differentiation is closely tied to human capital and technological proficiency. • Overall, these issues can negatively impact organizational culture, leading to a cycle of inefficiency and loss of market share. 	<p>retention, which reduces hiring costs and bolsters productivity through increased morale and confidence.</p> <ul style="list-style-type: none"> • The company's commitment to innovation is fuelled by fresh perspectives and the continuous development of new products and services, contributing to a skilled and motivated workforce that provides a significant market advantage. • Vardhman's reputation for social responsibility helps attract top talent, customers, and investors, further strengthening its market position and profitability. • Collaborations with leading textile institutions for skill development not only enhance national branding but also build capabilities among emerging professionals in the industry. • Leadership engagement with new hires
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				exemplifies Vardhman's proactive approach to boosting employee morale and retention, solidifying its status as an industry leader.
Pollution	Pollution of Air	<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Improved public health and enhanced ecosystem health. 2. Adoption of Zero Discharge of Hazardous Chemicals (ZDHC) practices to eliminate harmful chemical use 3. Implementation of advanced effluent treatment plants to treat wastewater effectively <p>Negative Impact:</p> <ol style="list-style-type: none"> 1. Dyeing and finishing processes release toxic chemicals, and synthetic textiles shed microfibers, causing water and air pollution. 2. Disposal of waste in landfills and emission of harmful gases contribute to soil contamination and respiratory issues. 	<ul style="list-style-type: none"> • Reputational Damage • Inability to meet sustainability standards of customers may lead to loss of business • Rise in legal costs due to failure of meeting environmental norms • Operational disruption in case of shut down of non-compliant facilities leading to production halts • Rise in cost of insurance due to rise in environmental hazards • Reduced access to capital • Restrictions in certain markets in case of non-compliance 	<ul style="list-style-type: none"> • Energy-efficient processes and waste reduction strategies can lead to significant cost savings • Access to green financing • Enhanced brand reputation • Demonstrating a commitment to sustainability can enhance brand value • Position as a preferred supplier and market leader in climate change adaptation and mitigation practices • Attract investors who prioritise making sustainability focused investments
	Pollution of Water			
	Pollution of Soil			
	Pollution of Noise			

Biodiversity (Cotton Farming)	Overexploitation of Biological Resource	<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Protecting ecosystem services and adopting regenerative agricultural practices enhance supply chain resilience, reduce operational risks, and improve water retention, carbon sequestration, and biodiversity. 2. No deforestation commitments preserve the livelihoods of indigenous communities and protect biodiversity. 	<ul style="list-style-type: none"> • India's BT seed technology is considered outdated, and there is a need for new, advanced seed varieties to improve yields. • Quality Control Orders (QCOs) and Bureau of Indian Standards (BIS) standards on polyester and viscose filaments have restricted textile imports (down by 65%), leading to increased procurement costs and causing dependency on the single largest viscose supplier in India. • The unavailability of ecosystem services reduces crop yields, leading to a shortage of quality raw materials and higher regulatory costs due to environmental violations. • Supply chain disruptions and negative sentiment on environmental harm can result in loss of customer and investor confidence, impacting market share and investments. 	<ul style="list-style-type: none"> • Customer base has increased for sustainable products since the past 3-5 years • Enhancing customer trust by fulfilling the demand for sustainable products can boost credibility through certified fibres. • Opens access to new markets with growing demand for sustainable products and ensures compliance with emerging green product regulations.
	Invasive Alien Species impacts on Ecosystems			
	Excessive Nutrient Loads (especially nitrogen & phosphorous) & other forms of Pollution	<p>Negative Impact:</p> <ol style="list-style-type: none"> 1. Cotton farming requires extensive water, pesticides, and fertilizers, leading to soil degradation and potential eutrophication. 2. Cotton farming competes with food crops for arable land, impacting local food supply and potentially leading to deforestation. 		
	Biodiversity Loss, Degradation and Fragmentation of Habitat			
	Land-use change, fresh water-use change sea-use change, soil sealing			
Business Ethics & Conduct		<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Ethical businesses contribute to the social fabric by ensuring fair labour practices, 	<ul style="list-style-type: none"> • Non-compliance can result in substantial financial losses stemming from increased regulatory costs and legal actions. 	<ul style="list-style-type: none"> • Fostering better investor trust translates to more stable and potentially increased investment, as investors are more likely

		<p>community engagement, and respect for human rights, leading to a more equitable society.</p> <p>2. Companies committed to ethical conduct often adopt sustainable practices, reducing their ecological footprint and preserving natural resources for future generations.</p> <p>Negative Impact:</p> <p>1. Unethical business practices can exacerbate social inequalities, exploit workers, and erode community trust, leading to societal unrest and degradation.</p> <p>2. Neglecting ethical standards often results in harmful environmental practices, such as pollution and resource depletion, which can have long-term detrimental effects on ecosystems and human health.</p>	<ul style="list-style-type: none"> • Reputational damage can occur when investors, customers, and employees develop negative sentiments towards the company. • Loss of stakeholder trust can erode the long-established goodwill of the company, impacting future business prospects. • Failure to address malpractices promptly can lead to both financial loss and further reputational harm. • The absence of structured and transparent practices for protecting whistleblowers can discourage the reporting of unethical behaviour, perpetuating issues within the organization. 	<p>to support companies they perceive as reliable and ethical.</p> <ul style="list-style-type: none"> • Customer loyalty and trust are strengthened when a company consistently delivers on its promises and maintains high standards of service and product quality. • Enhanced supplier relations can lead to more favourable terms and a reliable supply chain, which is crucial for meeting customer demands and maintaining operational efficiency. • High staff morale often results in increased productivity and a positive workplace environment, which can also reduce turnover and associated costs. • The goodwill of a company acts as an intangible asset that can bolster its reputation and provide a competitive edge in the marketplace.
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<p>Corporate Governance</p>		<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Companies with strong corporate governance are more likely to engage in socially responsible activities, contributing positively to community development and social welfare. 2. Good governance often includes a commitment to environmental sustainability, leading to practices that minimize negative environmental impacts and promote conservation efforts. <p>Negative Impact:</p> <ol style="list-style-type: none"> 1. Inadequate governance can result in unethical business practices that harm workers and communities, such as ignoring labour rights or engaging in corrupt activities. 	<ul style="list-style-type: none"> • Ineffective corporate governance can result in ethical misconduct, regulatory non-compliance, and a lack of strategic focus and risk management, undermining the company's integrity and stability. • Financial instability often arises from mismanagement and inadequate financial oversight, which can jeopardize a company's long-term viability. • A company's reputation may suffer significant damage due to governance failures, leading to a loss of trust among investors, customers, and other stakeholders. • Proper documentation of required policies is essential for ensuring transparency, accountability, and adherence to regulatory and ethical standards. • Board diversity is a critical aspect of robust corporate governance, as it brings varied perspectives and experiences that can enhance decision-making and company performance. 	<ul style="list-style-type: none"> • Strong corporate governance and ethical leadership contribute to investor attraction and confidence by signalling a company's commitment to transparency and accountability. • Enhanced decision-making, streamlined operations, and robust risk management practices driven by effective governance led to operational efficiencies and potential cost savings. • A company's reputation and brand strength are bolstered by good governance, as it reassures stakeholders of the company's integrity and reliability. • Sustainable growth and longevity are more achievable for companies that prioritize ethical practices and governance, as these principles support long-term strategic planning and resilience.
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				<ul style="list-style-type: none"> Ethical leadership is the cornerstone of corporate governance, fostering a culture of transparency that permeates throughout the organization and builds trust with all stakeholders.
Human Rights and Labour Practices		<p>Positive Impact:</p> <ol style="list-style-type: none"> Upholding human rights curtails exploitative labour practices, promoting ethical industry standards. Gender equality is advanced through equal opportunities for women, enhancing societal empowerment and supply chain resilience. <p>Negative Impact:</p> <ol style="list-style-type: none"> Upholding human rights curtails exploitative labour practices, promoting ethical industry standards. Gender equality is advanced through equal opportunities for women, enhancing societal empowerment and supply chain resilience. 	<ul style="list-style-type: none"> Legal costs due to non-compliance with labour laws and human rights requirements Violation of human rights can significantly damage the brand reputation leading to loss of trust from customers and investors Losses due to strikes and lockouts by employees and worker's unions High turnover rates and employee replacement costs Operational losses due to low employee morale and productivity 	<ul style="list-style-type: none"> Products certified on responsible sourcing (including human rights considerations) can differentiate the brand in a competitive market Enhanced brand reputation as a fair and ethical employer Rise in employee trust and lower turnover rates leading to increased productivity and reduced absenteeism Attract customers leading to access to new markets Enhance investor trust and attract investments



<p>Product Quality and Safety</p>	<p>Circularity in Product Design and Packaging</p>	<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Good quality textiles tend to last longer, reducing the need for frequent replacements and contributing to a more sustainable consumption pattern. 2. These textiles are less likely to contain harmful chemicals or allergens, ensuring better health and safety for consumers and the environment. <p>Negative Impact:</p> <ol style="list-style-type: none"> 1. Disruption in the supply chain can occur as yarn and fabric are essential input materials for garment manufacturing customers, potentially leading to delays and increased costs. 2. Low-quality textiles often end up in landfills where they decompose slowly, releasing harmful chemicals and dyes into the soil and groundwater, posing environmental hazards. 	<ul style="list-style-type: none"> • Addressing product quality and safety complaints increases operational costs due to resolution measures. • Recalling substandard products incurs direct costs, disrupts operations, and leads to additional expenses. • Legal disputes over product safety result in heightened regulatory costs, potential fines, and impact financial health. • Loss of consumer trust halts repeat orders, diminishing revenue and market share as customers turn to competitors. • Delays in fulfilling orders may drive customers to seek alternative suppliers, risking long-term business relationships. 	<ul style="list-style-type: none"> • Vardhman's commitment to high-quality products provides a competitive advantage, as consistent quality and safety increase the likelihood of repeat orders from satisfied customers. • Prioritizing product safety and quality not only builds consumer and investor trust but also reflects a commitment to employee safety, positively affecting workforce morale. • The company's focus on delivering consistently good quality products is key to attracting and retaining customers, thereby enhancing the brand's reputation. • The post-Covid shift of major brands to India has presented market opportunities for Vardhman, whose superior quality, aided by vertically integrated processes, has allowed

				<p>for market share expansion.</p> <ul style="list-style-type: none"> Brands like Hugo Boss and Ralph Lauren are bringing business from regions like Vietnam and Taiwan, recognizing Vardhman's quality excellence.
R&D and Innovation		<p>Positive Impact:</p> <ol style="list-style-type: none"> Reduction in the release of harmful chemicals and dyes into the environment leads to a lower carbon footprint and a healthier ecosystem. Enhancing better and safe labour practices, along with R&D driving job creation and economic growth, fosters new industries and benefits local communities. <p>Negative Impact:</p> <ol style="list-style-type: none"> Using outdated processes contributes to water, air, and soil pollution due to the release 	<ul style="list-style-type: none"> Higher operational costs related to Inefficient use of resources and technology Opportunity costs related to non-adoption of relevant technologies and Fall behind competitors who are adopting new technologies and processes, leading to a loss of market share Products not meeting evolving consumer preferences and market trends, reduce demand and sales Higher operational costs due to outdated technologies Compromised safety in case of lack of innovation in making processes safe 	<ul style="list-style-type: none"> Developing innovative products can open new markets and attract a broader customer base, leading to increased sale High-quality, innovative products can command higher prices Reduced operation costs due to efficient use of resources Continuous innovation helps maintain a competitive edge Garner investor interest Staying ahead of regulatory changes through innovation can help avoid fines and legal issues

		<p>of harmful chemicals and dyes into the environment.</p> <p>2. Over-extraction of natural resources due to inefficient resource use and higher volumes of textile waste from a lack of innovation in waste management can exacerbate environmental degradation.</p>		
<p>Data Privacy and Cybersecurity</p>		<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. By safeguarding personal information, organizations reduce the risk of identity theft and financial fraud, protecting individuals' financial well-being and privacy. 2. Economic stability is maintained through robust data protection, which prevents financial losses and protects vulnerable populations from exploitation and abuse. <p>Negative Impact:</p> <ol style="list-style-type: none"> 1. Data breaches can result in significant personal and financial harm, leading to 	<ul style="list-style-type: none"> • Frequent cyberattacks may necessitate the replacement of compromised hardware, contributing to electronic waste and associated costs • Non-compliance with data protection laws can result in substantial fines and legal penalties • Disrupt manufacturing processes, leading to production delays and increased operational costs • Data breaches can harm the company's reputation, leading to loss of customer trust and decreased sales • Legal actions from affected customers or partners can result in costly lawsuits 	<ul style="list-style-type: none"> • Protecting customer data, the company can build trust and loyalty, leading to increased sales and repeat business. • Companies known for robust cybersecurity can differentiate themselves from competitors • Compliance with international data protection standards can open new markets and business opportunities • Save significant costs associated with remediation, legal fees, and regulatory fines • Reduced downtime and smooth, uninterrupted business processes

		<p>identity theft, financial loss, and emotional distress for affected individuals.</p> <p>2. Inadequate cybersecurity measures not only undermine public trust but can also lead to inefficient data management, increasing energy consumption and the carbon footprint, while creating barriers that prevent equitable access to digital services.</p>	<ul style="list-style-type: none"> • Higher insurance premiums due to increased risk 	
<p>Customer Satisfaction</p>		<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Satisfied customers are likely to become repeat buyers and advocates for the brand, driving sales and revenue while improving operational efficiency through stable demand. 2. Upholding product quality and safety, as evidenced by certifications like ZDHC, directly contributes to customer satisfaction and trust in the brand. <p>Negative Impact:</p> <ol style="list-style-type: none"> 1. High customer dissatisfaction can erode trust and loyalty, 	<ul style="list-style-type: none"> • The non-renewal of contracts and lack of repeat orders from dissatisfied customers result in immediate revenue loss for the company. • There are significant costs associated with acquiring new customers to fill the gap left by those who have departed due to dissatisfaction. • Supporting unsatisfied customers often incurs extra operational costs, including additional service, communication, and potential compensation measures. • Unresolved complaints from dissatisfied customers can escalate into legal disputes, 	<ul style="list-style-type: none"> • High levels of customer satisfaction cultivate loyalty, which helps to minimize churn, and the costs associated with acquiring new customers. • Positive customer experiences can significantly enhance a brand's reputation, leading to word-of-mouth referrals and increased trust in the market. • A strong focus on customer satisfaction provides a competitive edge, differentiating the brand in a crowded marketplace. • Vardhman's nomination business model, which

		<p>leading to decreased sales and potentially harming the company's reputation.</p> <p>2. Unsubstantiated sustainability claims can lead to customer disillusionment, undermining confidence in the brand and causing a ripple effect of dissatisfaction throughout the value chain.</p>	<p>leading to increased legal fees and potential settlement costs.</p> <ul style="list-style-type: none"> The high competition in the textile industry, compounded by low entry barriers, means that non-traceability of sustainability claims can prompt customers to switch to competitors, resulting in lost sales, market share, and reputational damage. 	<p>supports customers in product development and compliance for new markets, ensures retention by aligning products and processes with customer needs, as reflected by a 93% satisfaction rate in surveys.</p> <ul style="list-style-type: none"> Comprehensive customer satisfaction surveys that evaluate pre-order, order, and post-order activities, as well as customer perceptions relative to competitors, provide valuable insights for continuous improvement and product traceability, backed by technical expertise and proactive leadership
<p>Diversity & Equal Opportunity</p>		<p>Positive Impact:</p> <p>1. Promoting equal opportunities within organizations plays a crucial role in diminishing social inequalities by ensuring that everyone has equitable access to employment and career growth.</p>	<ul style="list-style-type: none"> Low employee morale and lack of growth opportunities can result in inefficiency and increased costs due to high turnover rates. A negative brand image stemming from poor workplace practices can deter top talent from seeking employment with the company. 	<ul style="list-style-type: none"> Implementing effective workplace practices can lead to a reduction in recruitment and training costs by fostering higher employee retention rates. A supportive work environment typically results in increased productivity and reduced absenteeism, thereby



		<p>2. Companies that prioritize inclusivity tend to actively participate in community outreach, which strengthens community bonds and enhances overall societal welfare.</p> <p>Negative Impact:</p> <ol style="list-style-type: none"> 1. A lack of commitment to equal opportunities can exacerbate social disparities, as underrepresented groups may face barriers to employment and professional development. 2. Neglecting to provide adequate infrastructure and employment opportunities for people with disabilities not only marginalizes this group but also fails to tap into their potential, depriving society of diverse talents and perspectives. 	<ul style="list-style-type: none"> • Discrimination lawsuits not only incur direct costs but also damage the company's reputation, affecting customer and investor confidence. • Failing to meet Diversity, Equity, and Inclusion (DEI) standards can lead to missed business opportunities in markets that value these principles, potentially resulting in investor and customer attrition. • Limited regional diversity, with operations primarily in Punjab and surrounding areas, restricts access to a broader talent pool and can hinder the company's ability to engage with diverse perspectives and initiatives. 	<p>lowering overall operational costs.</p> <ul style="list-style-type: none"> • Adhering to diversity and inclusion initiatives ensures compliance with legal and regulatory requirements, avoiding potential fines and sanctions. • Cultivating an expansive and diverse talent pool enriches the organization with a variety of skills and perspectives, enhancing innovation and problem-solving capabilities. • Companies that prioritize social responsibility and inclusive practices are more attractive to consumers and investors who value ethical and equitable business operations.
<p>Resource Efficiency</p>	<p>Energy & Use Efficiency</p> <hr/> <p>Renewable Energy</p>	<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Minimizing waste and emissions leads to a lower 	<ul style="list-style-type: none"> • Increase in operating costs due to higher consumption and higher wastage 	<ul style="list-style-type: none"> • Investments in energy-efficient technologies and renewable energy sources, such as solar and

	Fibre (Natural, Synthetic and Recycled)	<p>carbon footprint and conserves natural resources.</p> <p>2. Reduced pollution and waste contribute to cleaner air and water, improving public health and reducing healthcare costs.</p> <p>Negative Impact:</p> <p>1. Inefficient resource use leads to higher emissions of pollutants and greenhouse gases, contributing to air and water pollution and climate change.</p> <p>2. Depletion of essential resources and increased waste generation strain landfills, causing soil and water contamination and negative public health effects.</p>	<ul style="list-style-type: none"> • Regulatory risks related to stricter regulations on resource usage and waste management • Inefficient use of raw materials leads to supply chain vulnerabilities in cases of fluctuations in availability and price • Transition risks associated with shift towards operational efficiencies, sustainable processes and realignment of business models • Missed opportunity costs on savings innovation, and new revenue streams that could arise from sustainable practices and products. • Limit access to finance. 	<p>wind power & Biomass boiler</p> <ul style="list-style-type: none"> • Implementation of process optimization and circularity to reduce resource consumption. • Efficient use of resources reduces waste and lowers operational costs, having a positive impact on profit margins • Streamlined processes and optimized resource use can enhance productivity and lead to long-term cost savings and improved margins • Enhanced brand reputation • Efficient resource use can help companies meet international environmental standards, opening new markets • Improve access to capital
	Water Use and Efficiency			
	Chemical Use			
	Packaging			
Community Engagement		Positive Impacts:	<ul style="list-style-type: none"> • Without positive community relations, a company may be perceived as indifferent or 	<ul style="list-style-type: none"> • Vardhman Textiles' Project Nandini, which has reached over 50,000 females with menstrual

		<ol style="list-style-type: none"> 1. Good community engagement fosters strong relationships between businesses and local communities, leading to improved social cohesion and mutual support. 2. When companies actively engage with communities, they are more likely to address environmental concerns collaboratively, resulting in better conservation efforts and sustainable local development. <p>Negative Impact:</p> <ol style="list-style-type: none"> 1. A lack of community engagement can lead to alienation and mistrust between businesses and local populations, potentially causing social conflict and resistance to projects. 2. Without proper engagement, companies may overlook the environmental needs and values of the community, leading to practices that harm the local ecosystem and reduce the quality of life for residents. 	<p>harmful to local interests, leading to negative public sentiment and a tarnished brand image.</p> <ul style="list-style-type: none"> • Lack of engagement can result in community opposition to the company's operations, potentially leading to protests, delays in projects, or difficulties in obtaining necessary permits and approvals. • Good community relations are essential for building local support. Without it, a company may struggle to recruit and retain employees, and local businesses may be less willing to collaborate or provide services. • Engaging with the community can provide valuable insights into local needs and concerns, which can inform corporate social responsibility initiatives and operational improvements. Without this engagement, a company may miss opportunities to enhance its social impact and operational efficiency. • Poor community relations can lead to increased scrutiny from local authorities, resulting in stricter regulations, fines, or 	<p>hygiene education and resources, presents an opportunity to enhance the company's social impact and brand image, particularly as the initiative expands from Baddi to regions like Madhya Pradesh.</p> <ul style="list-style-type: none"> • The company's health initiatives, including medical camps, patient funding, and investment in medical equipment and infrastructure, account for 80% of its social efforts, positioning Vardhman as a leader in corporate healthcare responsibility. • Vardhman's commitment to environmental sustainability is exemplified by the creation of self-sustaining Miyawaki Forests, with the planting of over 10,000 trees near its operations in Baddi, showcasing a model for industry-led conservation. • The company's involvement in water
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			<p>legal challenges that can disrupt business and increase costs.</p>	<p>cleaning projects and the installation of RO purifiers in schools demonstrates a dedication to improving community health and environmental conditions, offering a competitive advantage in terms of corporate citizenship.</p> <ul style="list-style-type: none"> • Vardhman's patronage of cultural events like the Bhopal art and culture festival and Saptak Ahmedabad music festival, along with support for doctors and providing artificial limbs for persons with disabilities, reflects a broad and impactful engagement with community development and well-being.
<p>Policy, Law and Regulatory Influence</p>		<p>Positive Impact:</p> <ol style="list-style-type: none"> 1. Advocating for public policies that consider the needs of society, the environment, and industry can lead to tax, labour, and regulatory frameworks 	<ul style="list-style-type: none"> • Neglecting environmental and societal concerns can result in poor air and water quality, leading to health problems • Harm company's reputation • Risk of future legal actions and stricter regulations as public awareness and governmental 	<ul style="list-style-type: none"> • Building stakeholder trust and generating positive media sentiment are direct outcomes of a company's commitment to ethical practices and corporate responsibility. • A brand that actively advocates for

		<p>that foster sustainable and inclusive economic growth.</p> <p>2. By influencing policy in a balanced manner, companies can help create a business environment that benefits all stakeholders and contributes to long-term societal and environmental well-being</p> <p>Negative Impact:</p> <p>1. When corporations lobby for regulations that overly Favor industry at the expense of environmental and social considerations, it can lead to ecological degradation and increased social disparities.</p> <p>2. Corporate influence on government policies that result in reduced tax revenues or increased subsidies can strain public finances, potentially shifting the economic burden onto citizens and other sectors.</p>	<p>focus on environment and social issues increase.</p> <ul style="list-style-type: none"> • Perceived injustice and neglect of societal concerns can lead to social unrest, protests affecting their social license to operate. 	<p>environmental and social well-being positions itself as a market leader, setting industry standards and influencing consumer choices.</p> <ul style="list-style-type: none"> • Companies that support environmentally and socially responsible policies often gain access to funds, grants, and subsidies, which can further their initiatives and enhance their impact. • Vardhman enhances its industry influence and knowledge base by collaborating with other industry partners, both through trade associations and on an individual basis. • By conducting surveys and engaging with the community, particularly those upstream, Vardhman collects valuable data that can lead to initiatives like advocating for cotton import tax adjustments or supporting new seed development, ultimately
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Vardhman

				benefiting farmers and the agricultural sector.
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