



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

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

Score	Magnitude: Potential financial impact on performance, position, cash flow and cost of capital
5	Highly Likely (90% +)
4	Likely (70 - 90%)
3	Possible (30 - 70%)
2	Unlikely (10 - 30%)
1	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