

# Business Responsibility Report

## About Vardhman

Vardhman Textiles Limited (VTXL) is the flagship company of Vardhman Group with diverse operations across sectors. Vardhman's humble beginning dates back to 1965 when the Group started its first manufacturing unit at Ludhiana in the state of Punjab with 6000 spindles and is today one of the largest textile companies of India manufacturing Cotton Yarns & Fabrics with a capacity of over 1.1 million spindles, constituting about 2% of the country's yarn production, 1,482 looms for weaving of fabrics and 146 lakh meters per month of fabric processing capacity.

Through its integrated operations across textile value chain from Cotton to Fabric and to Garments, it touches lives of millions of people and assures quality product and services to its customers.

## About This Report

The Securities and Exchange Board of India (SEBI) as per its (Listing Obligations and Disclosure Requirements) Regulations, 2015 has mandated the inclusion of a "Business Responsibility Report" (BRR) as part of Company's Annual Report for top 500 listed entities based on market capitalization at the Bombay Stock Exchange Ltd. (BSE) and the National Stock Exchange of India Ltd. (NSE). The reporting framework is based on the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs)' released by the Ministry of Corporate Affairs, Government of India, in July 2011 which contains 9 Principles and Core Elements for each of those 9 Principles. Following is the Business Responsibility Report of our Company based on the format suggested by SEBI. Detailed Business Responsibility Report for 2018-19 (available at: [www.vardhman.com](http://www.vardhman.com)) is based on the 9 Principles enshrined in the NVGs.

## SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company	: L17111PB1973PLC003345
2. Name of the Company	: Vardhman Textiles Limited
3. Registered address	: Vardhman Premises, Chandigarh Road, Ludhiana- 141010.
4. Website	: <a href="http://www.vardhman.com">www.vardhman.com</a>
5. E-mail id	: <a href="mailto:secretarial.lud@vardhman.com">secretarial.lud@vardhman.com</a>
6. Financial Year reported	: 2018-19
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	: Textiles, NIC Code 131
8. List three key products/services that the Company manufactures/provides (as in balance sheet)	: Yarn and Fabric
9. Total number of locations where business activity is undertaken by the Company	
(a) Number of International Locations (Provide details of major 5)	: The Company has 2 liaison offices at Hong Kong and Bangladesh
(b) Number of National Locations	: 17
10. Markets served by the Company – Local/State/National/International	: National / International

## SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital (INR): ₹ 57.48 crore
2. Total Turnover (INR): ₹ 6,414.58 crore
3. Total profit after taxes (INR): ₹ 695.88 crore
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%): 1.75%
5. List of activities in which expenditure in 4 above has been incurred: Refer to Summary of CSR initiatives on page 58-62

### SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies? Yes
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s): No
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]: No

### SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR: The Board Business Responsibility Committee is responsible for the implementation of the BR policies.

- (a) Details of the Director/Director responsible for implementation of the BR policy/policies

1. DIN Number: 00340459
2. Name: Mr. Neeraj Jain
3. Designation: Joint Managing Director

- (b) Details of the BR head

S. No.	Particulars	Details
1.	DIN number	00340459
2.	Name	Neeraj Jain
3.	Designation	Joint Managing Director
4.	Telephone number	0161-2228943
5.	Email id	neerajjain@vardhman.com

#### PRINCIPLE - 1

Corporate Governance for Ethics, Transparency and Accountability

#### PRINCIPLE - 2

Sustainability of Products & Services across Life-cycle

#### PRINCIPLE - 3

Employee Well-being

#### PRINCIPLE - 4

Stakeholder Engagement

#### PRINCIPLE - 5

Human Rights

#### PRINCIPLE - 6

Protection and Restoration of the Environment

#### PRINCIPLE - 7

Responsible Advocacy

#### PRINCIPLE - 8

Supporting Inclusive Growth and Equitable Development

#### PRINCIPLE - 9

Providing Value to Customers and Consumers

## 2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

Sr. No.	Questions	P1 Ethics, Transparency & Sustainability Accountability	P2 Sustainability in life-cycle of products	P3 Employee Well Being	P4 Stakeholder engagement	P5 Promotion of human rights	P6 Environment Protection	P7 Responsible Advocacy	P8 Inclusive Growth	P9 Customer Value
1.	Do you have policies for:	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national /international standards? If yes, specify?	NA	Y ISO 14001:2015 OHSAS 18001:2007	Y OHSAS 18001:2007	Y OHSAS 18001:2007	Y OHSAS 18001:2007	Y ISO 14001:2015 OHSAS 18001:2007	N	Y	N
4.	Is it a board approved policy? If yes, has it been signed by MD /owner /CEO /appropriate Board Director?	Y, BOD	Y, CEO	Y, BOD	Y, BOD	N	Y, CEO	N	Y, BOD	N
5.	Does the Company have a specified committee of the Board/Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	N	Y	N
6.	Indicate the link for the policy to be viewed online	Refer Below								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the company have an in-house structure to implement the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy to address stakeholders' grievances related to the policy?	Y	Y	Y	Y	Y	Y	N	Y	Y
10.	Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	N	Y	Y	N	Y	Y	N	N	N

**(b) If answer to the question at serial number 1 against any principal, is 'No', please explain why: (Tick up to 2 options)**

S. Questions No.	P1	P2	P3	P4	P5	P6	P7	P8	P9
1. The company has not understood the Principles									
2. The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3. The company does not have financial or manpower resources available for the task									
4. It is planned to be done within the next 6 months									
5. It is planned to be done within the next 1 year									
6. Any other reason (please specify)									

**3. Governance related to BR**

- (a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

**Annually**

- b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

Yes. The hyperlink for viewing the same is \_\_\_\_\_. It is published annually in the Annual Report.

To ensure accountability and monitoring, the Board has constituted various committees such as: Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility (CSR) Committee and Stakeholders' Responsibility Committee. The committees meet periodically during the year to supervise, review performance and advice on the necessary direction to be taken.

**Code of Conduct:** Vardhman has its Code of Conduct which extends to all directors and senior employees of Vardhman which aims at maintaining highest standards of business conduct in line with the Ethics of the Company, provides guidance in difficult situations involving conflict of interest & moral dilemma and ensures compliance with all applicable laws. All senior employees have to read and understand this code and agree to abide by it.

The Code of Conduct is available at the Company's website link [https://www.vardhman.com/investor-desk#!company\\_information](https://www.vardhman.com/investor-desk#!company_information) under the title '**Policies- Code of Conduct.**'

**Vigil Mechanism/ Whistle Blower Policy:** The Vigil Mechanism of the Company, which also incorporates a whistle blower policy in terms of the Uniform Listing Agreement aims to provide a channel to the employees and Directors to report to the Management concerns about unethical behavior, actual or suspected fraud or violation of the Codes of Conduct or policy. The mechanism provides for adequate safeguards against victimization of employees and Directors to avail of the mechanism and also provide for direct access to the Chairman/ Chairman of the Audit Committee in exceptional cases.

**SECTION E: PRINCIPLE-WISE PERFORMANCE****Principle 1: Corporate Governance for Ethics, Transparency and Accountability**

We are committed to adopting the best corporate governance practices as manifested in the Company's functioning to achieve business excellence by enhancing the long term shareholder's value. Efficient conduct of the business of the Company through commitment to transparency and business ethics in discharging its corporate responsibilities are hallmarks of the best practices being followed at Vardhman.

The composition of the Board of Directors of the Company is governed by the Companies Act, 2013 and SEBI Regulations 2015. As on March 31, 2019, the Company has 12 directors on its Board (including the Chairman), of which 7 are independent, 3 are non-independent, 2 are non-executive non-independent directors.

The vigil Mechanism/ whistle blower policy is available at the company's website link [https://www.vardhman.com/investor-desk#!company\\_information](https://www.vardhman.com/investor-desk#!company_information) under the title '**Policies- Vigil Mechanism.**'

## **Principle 2: Sustainability of Products & Services across Life-cycle**

The Sustainable Business Model and the framework driving towards identifying and implementation of strategies that add value to the lives of numerous people linked, directly or indirectly, with the organization is a core strength of Vardhman. The image of Vardhman Group and its position in the society has been developed by proactively and effectively fulfilling our responsibility towards the world around us. The three facets of sustainability namely – social, environmental and economic play a pivotal role in formulating our plan of action. A blueprint developed in compliance with national and international standards for the industry, emphasising on initiatives towards sustainable growth and development maps our journey.

The s works with a long-term perspective, objectivity and apt understanding of the impact of choices made. Vardhman's Sustainability Drive, backed with innovation, is one of several initiatives to broaden the perspective towards Sustainable development.

### **Responsible Sourcing of Raw Material**

Cotton is a natural fibre grown in the farms. Cultivating cotton involves skill as well as preparation. Testing soil for fertility, climatic conditions, geographic factors etc. is crucial to the production of this natural fibre. What is more challenging is to retain the fertility of the land where it is produced and ensure quality of the yield with every produce.

To combat these challenges, initiatives like Better Cotton Initiative, Organic Cotton, Fair-trade Cotton, Cotton made in Africa, Recycled Cotton, Artificial fibres etc. are on-going with the goal to improve the yield, introduce modified cultivating practices, reduce production cost, minimize the use of harmful pesticides and inorganic fertilizer, conserve natural resources like soil and water, provide decent working conditions and the right price of produce to the farmers.

### **Rural Development**

The spirit of India lies in its villages and without the development of rural India, the growth of the country can only be partial. Project Pragati is one of the primary rural development programs run under Better Cotton Initiative

under which several villages have been adopted and thousands of farmers trained to increase the yield. The project not only offers livelihood to people in these villages but also an opportunity to connect with mainstream economy. Women and childcare is also an aspect of this project and every year we aim at bringing further improvements under this initiative. We constantly strive to offer healthcare facilities, education, hygienic living conditions and ample opportunities to people living in villages.

For encouraging and promoting the cultivation of Extra Long Staple (ELS) cotton in Madhya Pradesh (M.P) which in turn would empower farmers, financial contribution was made to the Cotton Collaborative Project of Confederation of Indian Textile Industry - Cotton Development & Research Association (CITI-CDRA) to conduct research and identify better practices to increase the yield of ELS.

As a part of several sustainable cotton programs, run by global stakeholders, Vardhman consciously ensures that more than 15% of cotton sourcing is done from the sustainable cotton programs.

### **Better Cotton Initiative**

BCI is an approach to make cotton a sustainable commodity. The initiative aims at ensuring optimum use of resources, profitability for the producers and maintaining soil's fertility. The quality of cotton fibre relies highly on the crop management practices as contamination at initial level can prove to be harmful. This initiative caters to the agricultural, social, environmental and economic aspects besides promising prosperity to the textile industry.

### **Global standards, practices adopted by BCI farmers help**

- minimizing the harmful impact of crop protection practices
- promoting water stewardship
- caring for health of the soil
- enhancing biodiversity and using land responsibly
- caring for and preserving fibre quality
- promoting decent work
- operating an effective management system

### **Project Pragati**

While BCI came into being in 2010, the adoption of villages by Vardhman started as early as 2003. Researchers and experts from Junagarh University and Krishi Vigyan Kendras were engaged to educate farmers about cultivating cotton crop

long before BCI was formed. Punjab Agriculture University also came forward for the cause. In 2015, the initiative was given a proper framework and project Pragati was launched. The implementation of BCI's crop management practices was first done in Gujarat. Starting with one Producer Unit (PU), 9 villages, 1758 farmers and 3787 hectares of land, this project witnessed significant growth over the years.

Year	2015	2016	2017	2018
Producer Unit	1	3	3	3
Villages	9	47	48	51
Farmers	1758	8327	9456	10047
Learning Groups	47	223	252	268
Land	3787	14719	15973	18254
	hectares	hectares	hectares	hectares
Licence	1 year	3 year	Undergoing	Undergoing
Production of BCI Bales	23,000	60,000	75,000 - 80,000	85,000 - 90,000

The activities implemented under this project are:

1. Creating awareness among the farmers and training them on various subjects like sowing techniques and optimum use of water etc.
2. Testing soil to understand the actual requirement of fertilizers/pesticides for the land.
3. Field demonstrations to show the difference between the yield from conventional methods and BCI methods.
4. Training the farmers to use personal protective equipment (PPE) to prevent any hazardous effect of pesticides.
5. Involving women in mainstream economy and spreading awareness about the importance of education, child labour etc.
6. Keeping the environment clean and green by planting trees and painting the walls with beautiful messages in villages.
7. Distributing cotton bags to farmers to reduce contamination while picking the crop in fields.

### Organic Cotton

Other than BCI, we source organic cotton that is grown without using any chemical fertilizers or pesticides, on land where the use of chemicals is abandoned for at least three years and

from plants which have not been genetically modified. We have Organic Yarn certifications such as

- GOTS (Global Organic Textile Standard)
- OCS (Organic content Standard)
- GRS (Global Recycle Standard)

### Recycled and Manmade Fibres

Cotton, Polyester and other fibres are recycled to minimize the waste. In addition to the fibres purchased from outside, we have processed more than 1350 tons of waste in FY 2018-19 to create recycled products.

Quality	In Metric Tons	Basic Value (In Lac)
Organic	Approx. 11000	Approx. 12500
BCI	Approx. 28800	Approx. 35000
Recycled Cotton	Approx. 2	1.3
Recycled Polyester	Approx. 2000	Approx. 2230

Artificial fibres like Lenzing Modal and Tencel are renewable fibres made with an efficient close-loop technology. These fibres have negligible impact on environment as compared to their alternatives. Committed to sustainable forestry, these fibres are made with green technology and mark themselves as the future of textile industry. Major benefits of these manmade fibres are:

1. These fibres are made with wood pulp from trees which have the potential to rejuvenate themselves.
2. No chemical fertilizers or artificial irrigation facility required.
3. The raw material is sourced from sustainably managed semi-natural forests which become home to bio-diversity.
4. Low Chemical and Carbon footprint.
5. Fully biodegradable and compostable fibre.
6. Enhanced durability and lifetime of product.
7. Minimal Waste.

### Water

Water being a resource without which life cannot survive on Earth, remains our major priority in terms of sustainability measures undertaken by us. To ensure proper treatment of waste water and its safe discharge, we monitor the effluent quantities and keep them well-within the standards set by Central and State Pollution Control Boards.

## Water Treatment

We have 2 Effluent Treatment Plants (ETPs) and 8 Sewage Treatment Plants (STPs) which utilize advanced technology to annually treat about 2.65 million KL and 0.9 million KL of water respectively. The treated water is recycled and reused, saving about 2.25 million KL of fresh water annually. 3.29 million KL of effluent from three units - Auro Textiles 1, Auro Textiles 2 and Auro Dyeing - is sent to Common Effluent Treatment Plant (CETP) for treatment at Baddi location.

## Water Recycle and Reuse

**99% Water Recovery and Zero Chemical Treatment:** At our largest integrated facility at Budhni, we have installed a Zero Liquid Discharge (ZLD) System with an Effluent treatment capacity of 11000 KLD. This treatment plant at Vardhman Fabrics, Budhni works solely on Bio-oxidation process. Despite the fact that there is no chemical treatment performed, the COD and BOD removal efficiency of the plant is 90-92% & 96-98% respectively. 6000 KLD of this biologically treated effluent is recycled through RO & MEE for reuse in the process. Rest of the ETP treated water is utilized for Green Belt Development. The recovery rate through RO & MEE is 99.0% and MEE recovered salt is disposed of at government authorized TSDF.

We have put to use 100% of our STP treated water at all our units. Along with meeting the prescribed standards of treated water, we have started using all of the STP treated water in plant operations, irrigation and horticulture. 36% of the process water is reused in fabric processing and acrylic washing. It is our constant endeavor to improve this figure by continuously monitoring and researching on potential water saving opportunities.

## Water Recharge

It is our earnest desire to replenish ground water and we have been continuously investing in water conservation initiatives. Since 2005, we are working on ground water recharge and have till now installed 52 Rain Water Harvesting Systems (RWH) within our premises. These rain water harvesting systems have the capacity to recharge 1.75 million KL water annually.

## Energy Conservation

We keep investing in energy-efficient technologies and renewable energy to improve energy security. With an emphasis on green energy and alternative sources of energy, we have successfully achieved a downward trend in energy consumption per unit of produce. In 2018-19, total energy consumption per unit of produce was 8.30 Kwh/kg.

Electricity is a major requirement for the industry and so is looking for measures to make optimum use of electric energy. With an approach for "Less input, more output", we constantly strive to minimize the energy consumption and maximize the output.

## Energy Saving Measures implemented during 2018-19

- Replacement of high pressure compressors with energy efficient lower pressure compressors.
- Replacement of screw compressors with new centrifugal compressors.
- Replaced 36W & 28W conventional fluorescent tube fittings with 18W LED tube fittings.
- Reducing the speed of fans in Humidification plant.
- Installation of energy efficient pumps and motors in H-plant.
- Replacement of old/defective distribution 11KV/433V transformers.
- Laying of additional LT cables for reducing voltage drop.
- Installation of timer on LED fixtures on looms.
- Replacement of conventional tape with energy efficient ones in ring frame machines.
- Installation of VFDs at Fongs dyeing machines and suction fans of Ring Frames.
- Reducing compressed air requirement by eliminating leakage points.

## Renewable Energy

Two major initiatives towards green energy undertaken by us are:

### • Biogas plants

For solid waste management and generation of energy from renewable sources, we have established Biogas plants with a total capacity of 7MT/day at two of our locations - Auro Textiles, Baddi and Vardhman Fabrics, Budhni. Altogether, both plants have a capacity to generate 120 kg/day of biogas from organic waste. This gas is put to use at canteens and mess facilities for cooking, while the residual is used as manure for horticulture.

### • Composting

The composting system set up at Ludhiana for kitchen waste generates manure and is used for management of green areas at our premises.

### Solar Power

The ongoing project of installation of 8.75 MW of solar energy is expected to generate around 170 million KWh of green power. The installation of 7.5 MW ground mounted and 1.25 MW roof mounted solar panels will enhance the share of green energy in our energy mix. As of now, solar powered kitchen automation equipment has been installed in four of our units. Along with saving on LPG, we utilize solar energy in water heaters at several of our hostels and residential campuses.

### Air

Climate change, emissions of greenhouse gases, depletion of ozone etc. are indicators of the deteriorating quality of air. As fashion industry is responsible for 10% of global greenhouse emissions, we execute our responsibility towards restricting emissions by enhancing the energy efficiency of our processes as well as investing in low-carbon technologies. Over the years, a focused drive to improve the efficiencies of our operations has resulted in managing emissions to a significant extent. Some major initiatives taken are:

- Reduction in GHGs: Practices are adopted to reduce the emission of greenhouse gases such as Methane, water vapour, Nitrous oxide etc.
- Sequestration: Trees, plants and other forms of vegetation play a great role in reducing the Carbon dioxide levels. For effective sequestration of Carbon dioxide, we promote afforestation, tree plantation and planting of any kind of vegetation. Saplings are distributed free of cost and development of green belt around our units is a regular practice.

Plantation of trees and developing green belt remains our focus every year. Not only we maintain green areas within our premises, but also take the responsibility of generating awareness in masses about the need of planting more and more trees. Our employees are equally inclined for the cause and we have, till date, planted over 4 lakh trees to combat air pollution.

### Principle 3: Employee Well-being

In a world where everything else is equal, human effort makes all the difference. We place immense value on our workforce and consider it our biggest, most valuable asset. At Vardhman, we have a culture of empowerment that values and respects individual potential and helps each one achieve it to the

fullest. Our people own their jobs and not just perform them. We continuously strive to improve quality of work-life for total job satisfaction and social harmony for the employees.

1. Total number of employees. – 25,715 (including contractual manpower)
2. Total number of employees hired on temporary/contractual/casual basis. - 3422
3. Number of permanent women employees. – 5393 (does not include 423 contractor female employees)
4. Number of permanent employees with disabilities- 31
5. Do you have an employee association that is recognized by management. – No
6. What percentage of your permanent employees is members of this recognized employee association? – N.A.
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

S. No.	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
1.	Child labour/ forced labour/ involuntary labour	Nil	Nil
2.	Sexual harassment	Nil	Nil
3.	Discriminatory employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

- (a) Permanent Employees- 82.62%
- (b) Permanent Women Employees- 86.98%
- (c) Casual/Temporary/Contractual Employees- 85.78%
- (d) Employees with Disabilities- 64.29%



The policies on the principle of Employee well-being are available on the Company's website at the following link:-

Child Labour - [https://www.vardhman.com/user\\_files/investor/Policy%20on%20Prohibition%20of%20Child%20Labour.pdf](https://www.vardhman.com/user_files/investor/Policy%20on%20Prohibition%20of%20Child%20Labour.pdf)

Anti-Sexual - [https://www.vardhman.com/user\\_files/investor/Anti%20Sexual%20Harassment%20Policy.pdf](https://www.vardhman.com/user_files/investor/Anti%20Sexual%20Harassment%20Policy.pdf)

Bonded Labour - [https://www.vardhman.com/user\\_files/investor/Forced%20Bonded%20Labour%20Prohibition.pdf](https://www.vardhman.com/user_files/investor/Forced%20Bonded%20Labour%20Prohibition.pdf)

#### Principle 4: Stakeholder Engagement

Vardhman recognizes employees, Local communities surrounding our operations, business associates (marginalized farmers, network of suppliers, agents and dealers), customers and shareholders/investors as our key stakeholders.

Vardhman identifies communities (with a focus on women and children from these communities) around our manufacturing facilities and small farmers in our inbound supply chain as disadvantaged, vulnerable & marginalized stakeholders.

Vardhman regularly undertakes initiatives to serve the interest of its disadvantaged, vulnerable and marginalized stakeholders. These are briefly described below:

Stakeholder group	Initiatives
Employees	<p>Our Employee policies safeguard employees against any kind of discrimination based on caste, creed, religion, geography, educational or social background, gender, age, family status, citizenship, disability, etc.</p> <p>We believe in the continuous people development through investment in the training &amp; development of our employees even in adverse business times.</p> <p>Women who form 25% of our workforce are given ample opportunities to accept greater roles at work and are treated with utmost respect. Ensuring the safety of women employees is a top priority for Vardhman.</p>

Stakeholder group	Initiatives
Local Communities around our manufacturing Locations	<p>Development and deployment of need-based community programs in the areas of health, education, skill development, sanitation, livelihood etc. as part of Corporate Social Responsibility (CSR) initiatives.</p> <p>Direct engagement with small and marginal farmers and providing free technical advice to them for improving yield of their cotton crop through deploying better farming methods. This provides an avenue for sustainable livelihood generation and capacity building for small farmers.</p> <p>We educate our agents about the new products and industry scenario and engage them in both formal and informal ways as they are the extended arms of Vardhman.</p> <p>Once in every two years we invite our dealers in customer meet and recognize their efforts in growing sales.</p>
Business associates	<p>Direct engagement with small and marginal farmers and providing free technical advice to them for improving yield of their cotton crop through deploying better farming methods. This provides an avenue for sustainable livelihood generation and capacity building for small farmers.</p> <p>We educate our agents about the new products and industry scenario and engage them in both formal and informal ways as they are the extended arms of Vardhman.</p> <p>Once in every two years we invite our dealers in customer meet and recognize their efforts in growing sales.</p>
Customers	<p>We provide a dedicated sales team to ensure pre to post sale services to our customer. Post sale service ensures smooth usage of our products and problem solving through a partnership approach has helped us forge long lasting relationships with our customers</p>

#### Principle 5: Human Rights

We subscribe fully to the basic tenets of human rights as defined in our Constitution. We adhere to the human rights principle of dignity of workforce regardless of the nation, location, language, religion, ethnic origin or any other status of an individual.

We have placed grievance redressal mechanisms in every manufacturing unit and we try to ensure a harassment free work environment along with workplace health and safety. A Labour Welfare Officer is placed in every manufacturing unit who is available in the plant round the clock to take care of ensuring the basic amenities to workers. Communication meetings between workers and senior officials are regularly conducted to redress the grievance of workers and maintain harmonious relations between the management and workers.

Prime importance is given towards maintaining better working conditions in the plants to take care of the health & safety of employees. We are certified under OHSAS 18001 by NSAI.

No complaint was received pertaining to human rights violation during the past financial year.

#### **Principle 6: Protection and Restoration of the Environment**

1. Vardhman has implemented stringent standards and policies for Environment, Health and Safety in all its manufacturing units.
2. Changes in climatic conditions, issues like global warming and degradation of environment owing to over exploitation of resources are threats to the existence of life on the planet. These challenges, however, are seen as opportunities to create sustainable products and manufacturing mechanisms at Vardhman. We invest heavily in developing future-ready technology and innovative solutions to minimize the strain textile industry puts on the environment. Alternative energy, optimum consumption and replenishment of natural resources are some of the initiatives to back our goal of sustainable development. A dedicated team has been deployed to devise and implement strategies to manage the environmental risks. In our endeavor to protect and restore environment, following steps have been initiated:
  - a) Treatment of industry effluent : We have established independent ETPs in major units and at other units, the effluent is treated at CETPs.
  - b) Zero Liquid discharge (ETP, RO, MEE) system is installed at one of our units to recycle all the treated water and make it fit for use in industry process.
  - c) Sewage Treatment Plants have been installed for the treatment of domestic sewage at all the sites.
  - d) Treated ETP and STP water is consumed in process, gardening and flushing.
  - e) Disposal of hazardous solid waste generated at the units is done only through CPCB/SPCB authorized disposal facilities.
  - f) Ground water recharge through Rainwater Harvesting Systems.
  - g) Passing the boiler flue gases through filter bags, ESP's or scrubber units.

These steps help in the reduction of raw water consumption, emission of greenhouse gases, generation of solid waste, effluent and other hazardous substances. Initiatives like these are effective in reducing the impact of industry on our natural resources and environment.

3. We accord first priority to the safety of human lives. Visitors as well as employees are given security instructions before entering the premises to ensure workplace safety and minimize the probability of accidents.
4. All the hazardous waste generated is stored and maintained as per the statutory requirement. Each unit has facilities for proper management of e-waste, spent oil and ETP sludge. The disposal of such waste is carried out through CPCB/SPCB authorized recyclers.
5. We have not registered ourselves under any project for Clean Development mechanism but have undertaken several initiatives at our own level for clean, eco-friendly and sustainable growth.

**Clean Technology:** By decomposing food waste generated from colonies, canteens, hostels etc., we have been meeting our cooking gas requirements through bio-gas plants at two of our locations – Auro Textiles, Baddi and Vardhman Fabrics, Budhni. These plants are capable of generating 120 kg/day of bio-gas. Solar water heaters have been installed at our hostels and campuses while Solar Kitchen Automation equipment is being used for cooking in four of our units.

**Energy Conservation:** Optimum utilization of resources as a principle is ingrained in all the processes at Vardhman. Energy conservation initiatives for reduction in power consumption and wastage, and increasing efficiency are at place.

**Reduction in water usage:** Treatment of wastewater and its utilization in gardening, process activities, flushing etc. results in reduction in the amount of usage of fresh water. For a limited natural resource like fresh water, conservation is a primary responsibility of the human kind. We make our contribution by regular metering, monitoring and controlling its consumption at all our sites.

**Water Conservation:** Our 52 Rainwater harvesting systems, ground water recharge initiatives and similar provisions allow us to conserve water. We have a capacity to recharge 1.75 million KL of water to the ground annually.

**Reduction in Office waste:** Our initiative to reduce waste generation at our offices include using jet hand dryers in washrooms to minimize usage of tissue rolls, printing on both sides of paper and generating awareness in employees to shift to paperless office model.

**Reduce Food waste:** Aaga system, an organic composter, is used to compost food waste from canteens, hostels and mess facilities. This compost is used as manure in the green belt development inside the premises.

**Awareness Programs:** To spread awareness about environmental protection measures, every year we celebrate Earth Day, Environment Day, Environment Week and Water Saving Week. The activities held during such programs include Tree Plantation, Drawing Competition, Slogan Competition, Speech Competition etc.

**Plantations:** Plantation drives are carried out every year by us. To increase the green area around our factories, we have till date planted about 4 lakh saplings in MP and HP region.

**Environment and Safety Certifications:** All units of the Company are ISO 14001:2015 and ISO 45001:2018 certified. The process of documentation and audit for upgrading OHSAS 18001:2007 to ISO 45001:2018 has since been initiated.

6. The emissions at our units are within the permissible limits of State and Central Pollution Control Boards.
7. Vardhman has not received any legal notices for causing any environmental issues. Company's EHS policy is available on the website at the link [https://www.vardhman.com/user\\_files/investor/EHS%Policy.pdf](https://www.vardhman.com/user_files/investor/EHS%Policy.pdf)

#### Principle 7: Responsible Advocacy

Vardhman is a member of several industrial and trade associations. These are listed as under:

- a. Confederation of Indian Industries (CII);
- b. Federation of Indian Chamber of Commerce and Industries (FICCI);
- c. PHD Chamber of Commerce and Industries (PHDCCI);
- d. Confederation of Indian Textile Industry (CITI);
- e. Texprocil

Being an industrial house, our major areas of concern are those public policies which deal with industry/business.

Therefore, most of the time, our submissions are related to economic policy changes and other issues, which affect the sustainability and competitiveness of the industry.

These platforms are utilized to update the industry concerns to the relevant government offices through seminars, delegations and memorandums. Through these forums, we also provide our inputs sought by the State & Central Governments related to the current problems faced by the industry, future prospects and policy imperatives required to overcome bottlenecks.

These forums are used to advance the cause of the industry and are not used to take up company specific issues.

#### Principle 8: Supporting Inclusive Growth and Equitable Development

Through CSR (Corporate Social Responsibility) initiatives as well as an ingrained mechanism for sustainable development in core business activities, Vardhman supports the principles of inclusive growth and equitable development. The Company has in effect, a detailed CSR policy monitored by a CSR committee appointed by the Board of Directors. CSR initiatives at Vardhman are developed with a key emphasis on promoting education, offering advanced healthcare facilities, contributing to rural development, conservation of environment etc. The areas of emphasis are covered in Schedule VII of the Companies Act, 2013.

A number of CSR programs are pursued within close proximity to our units to enable supervision and maximize the impact of these developmental activities. While we equally participate in offering services for national causes, an emphasis is laid on ensuring that the intended effect of the initiatives taken is received. Programs under this principle are developed and executed by:

##### a) In-house teams

Our in-house teams remains vigilant and active for spreading awareness and coming into contact of small and marginalized farmers and local communities.

##### b) Trusts

Community development initiatives are performed by inducing trusts and organizations dedicated for the cause. Close monitoring for the optimum utilization of resources invested helps in ensuring positive outcome from such drives. In the state of Punjab, Gujarat, Himachal Pradesh and Madhya Pradesh, we have trusted members that

carry out developmental activities as per the directions of the Board.

### c) Other organizations

For healthcare, education and such other benefits to reach the masses, we collaborate with public and private organizations like hospitals, schools etc. These initiatives aim at presenting underprivileged sections of society with the right to quality healthcare facilities and opportunity to learn and grow.

#### Women Empowerment and the Right to Equal Opportunity

Offering an equal opportunity to women employees; allowing them to share the responsibility of development of the nation is critical to the working culture at Vardhman. We see women as a human resource that if utilized to

its optimum potential can contribute a great deal to the development of nation and therefore, take initiatives to support women's participation in our workforce. However, bringing out women who never had a job before is not easy to come and requires tireless efforts. We reach out to them, counsel their families, offer favourable working conditions and healthy lifestyle in order to connect them to mainstream economy.

#### Impact Assessment

Vardhman, in order to ensure that the benefit of CSR initiatives reaches the people who need to be supported, internally performs an impact assessment at the end of each financial year. This assessment helps us in understanding the efficacy of the programs in terms of delivering desired benefits to the community and gaining insights for improving the design and impact of future initiatives.

### Contribution in CSR (2018-19)

Area	Initiatives
<b>Promoting Education</b>	<b>Infrastructure</b>
	<ul style="list-style-type: none"> <li>To improve the school environment, existing infrastructure and facilitate learning, we offered financial aid for the construction of Vardhman Block with 12 classrooms and 2 toilets at Govt. Sr. Sec. School, Kasabad, Ludhiana. The total amount allotted for this ongoing project is ₹ 182 lakh.</li> <li>With a similar intent, classrooms and toilets for Primary School, Bhattian-Khanna were constructed as the existing infrastructure was deemed unsafe by PWD. The project cost was ₹ 4 lakh.</li> <li>Construction of another Vardhman Block was initiated at Govt. High School, Lohara, Ludhiana with 15 Classrooms &amp; toilets. The amount allotted for this ongoing project is ₹ 194 lakh.</li> <li>Another ongoing project is construction of 16 well-equipped classrooms and toilets along with requisite furniture to Govt. Excellence Higher Secondary School, Obedullaganj, Madhya Pradesh at a project cost of ₹ 275.25 lakh.</li> <li>100 student's desks in various Govt. Schools near Vardhman Fabrics, Budhni are being provided at a cost of ₹ 3.70 lakh.</li> <li>In Sri Aurobindo Public School, Baddi, the parking is being refurbished and new Basket Ball &amp; Badminton Courts along with a Library being constructed at a cost of ₹ 37.47 lakh.</li> <li>At Government Middle School, Giaspura, Ludhiana, an investment of ₹ 2.5 Crores was made for the construction of classroom block with along with separate toilets for boys &amp; girls.</li> <li>Construction of 10 Classrooms &amp; 2 Toilets at Government Senior Secondary School, Sekhewal involving a cost of ₹ 175 lakh.</li> </ul>
	<b>Primary Education</b>
	<ul style="list-style-type: none"> <li>Financial aid of ₹ 20 lakh was provided to OELP (Organisation for Early Literacy Program) for implementation of Five Model Learning Centres in Govt. Primary Schools for demonstrating high quality classroom practice to teachers and students through exposure based training.</li> <li>Nobel Foundation was provided with financial assistance of ₹ 5 lakh to provide primary education to the children living in slum areas.</li> </ul>
	<b>Differently Abled Children</b>

Area	Initiatives
	<ul style="list-style-type: none"> <li>To encourage formal education and proper care of mentally challenged children, a sum of ₹ 5 lakh was granted to Nirdosh School, Ludhiana.</li> </ul>
	<p><b>Scholarships and Grants</b></p>
	<ul style="list-style-type: none"> <li>The sponsorship of 4 students of Auro-Mira Vidya Mandir School, Kechla, Odisha was continued as an initiative to prevent the deserving students from dropping out of studies owing to financial crisis.</li> <li>As an appreciation and an attempt to promote classical music, a musical festival organised by the SAPTAK School of Music, Gujarat was sponsored.</li> </ul>
	<p><b>Summer Camp</b></p>
	<ul style="list-style-type: none"> <li>Vardhman co-sponsored the Summer Camp of 300 students of Government Schools with an aim to develop skills in extra-curricular activities.</li> </ul>
<b>Promoting Sports</b>	<b>Infrastructure</b>
	<ul style="list-style-type: none"> <li>To encourage Sports in the country, indoor Badminton Hall at police lines, Ludhiana is being constructed at a cost of ₹ 120 lakh.</li> </ul>
	<p><b>Sponsorships</b></p>
	<ul style="list-style-type: none"> <li>Shooting World Cup organised by the National Rifle Association of India was sponsored with a contribution of ₹ 50 lakh.</li> <li>Financial support was provided to the participant representing India in Kickboxing Championship held from 10- 19 May 2018 in Mexico.</li> </ul>
<b>Promoting Art and Culture</b>	<ul style="list-style-type: none"> <li>With an aim to preserve the Heritage of Ludhiana city and promote cultural activities, a project for the construction and renovation of the Main Entrance of Guru Nanak Dev Bhawan at a cost of ₹ 23.5 lakh has been undertaken by the company.</li> </ul>
	<ul style="list-style-type: none"> <li>A grant of ₹ 15 lakh was provided to organize a gathering of eminent authors and scholars at Bhopal Literature Festival.</li> </ul>
	<ul style="list-style-type: none"> <li>Financial assistance of ₹ 1.5 lakh was provided to the Society for Culture and Environment, Chandigarh for organizing Military Literature Festival.</li> </ul>
<b>Promoting Livelihood</b>	<ul style="list-style-type: none"> <li>Financial support of ₹ 7.5 lakh provided to Sri Aurobindo Ashram-Delhi to promote Organic farming in village Ramagarh Talla, District Nainital (Uttarakhand).</li> </ul>
<b>Rural Development</b>	<b>Infrastructure</b>
	<ul style="list-style-type: none"> <li>Bus stops constructed at Budhni Bridge and Budhni - Rehti State Highway near Pilikarar Village, Budhni, Madhya Pradesh and to illuminate this State Highway, 25 Solar Street lights were installed at a total cost of ₹ 14 lakh.</li> </ul>
	<p><b>Drinking Water</b></p>
	<ul style="list-style-type: none"> <li>Handpumps and Borewells installed in Devgaon, Pilikarar and Holipura villages of Budhni to provide safe drinking water at a cost of ₹ 7 lakh.</li> </ul>
	<p><b>Research and Development</b></p>
	<ul style="list-style-type: none"> <li>For encouraging and promoting the cultivation of Extra Long Staple (ELS) cotton in Madhya Pradesh (M.P.) financial contribution of ₹ 10 lakh was made to the Cotton Collaborative Project of Confederation of Indian Textile Industry - Cotton Development &amp; Research Association (CITI-CDRA) to conduct research on practices to increase the yield of ELS.</li> </ul>
<b>PM relief Fund</b>	<ul style="list-style-type: none"> <li>Financial aid of ₹ 15 lakh for Rehabilitation of Kerala Flood victims was made through Prime Minister's National Relief Fund.</li> </ul>

Area	Initiatives
<b>Promoting Healthcare</b>	<p><b>Medical Equipment</b></p> <ul style="list-style-type: none"> <li>• Medical Equipment including echocardiography machine, Defibrillator and Colour Doppler ultrasound machine worth ₹ 75 lakh provided to Lord Mahavira Civil Hospital, Ludhiana.</li> <li>• Paediatric Auto Reflector Machine provided to Early Intervention Clinic J.P Hospital Bhopal, MP at a cost of ₹ 9.14 lakh.</li> <li>• Hasrat Haleema Charitable Hospital Malerkotla provided with Digital X-Ray Machine, Defibrillator and Cell Counter at a cost of ₹ 18 lakh.</li> <li>• In order to support the Neurosurgery Department of Christian Medical College (CMC), Ludhiana, installation of sophisticated brain surgery equipment and upgradation of the ICU in Neurosurgery Department was carried out involving a total cost of ₹ 3 Crores.</li> </ul> <p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>• Provided OTIS elevator at a cost of ₹ 12 lakh to Shree Durga Mata Charitable Dispensary, Ludhiana.</li> <li>• Basic amenities like furniture, fan, benches, were provided and toilets etc. were constructed in Government Ayurvedic Hospital, Mandideep at a cost of ₹ 8 lakh.</li> <li>• District (Govt.) Hospital, Hoshangabad, Budhni, MP provided with equipment worth ₹ 41 lakh</li> </ul> <p><b>Equipment and Infrastructure</b></p> <p>Infrastructural enhancement project undertaken at St. Joseph Hospital, Hoshangabad, Budhni, MP, at a cost of ₹ 75 lakh involving -</p> <ul style="list-style-type: none"> <li>• Construction of Canteen, Toilets etc.</li> <li>• Waiting area for Patients &amp; Attendants</li> <li>• Ambulance</li> <li>• Two Paediatric Ventilators</li> </ul> <p><b>Health Check-up Camps</b></p> <ul style="list-style-type: none"> <li>• Organized medical health check-up camps in 5 nearby villages of Budhni.</li> </ul> <p><b>Grants</b></p> <ul style="list-style-type: none"> <li>• Grant of ₹ 25 lakh was provided to Digestive Disease Care Foundation (DDCF), a registered non-profit voluntary organisation set up to eradicate Hepatitis B &amp; C among BPL families.</li> <li>• Grant of ₹ 25 lakh provided to Haematology Department of CMC, Ludhiana for Cancer Treatment of financially weaker section of society.</li> <li>• Financial support of ₹ 50 thousand provided to Red Cross Society, Nalagarh, Baddi for Trauma Patients.</li> </ul>
<b>Protecting Environment</b>	<ul style="list-style-type: none"> <li>• Financial assistance of ₹ 2 lakh was provided to a farmer Sardar Gurbachan Singh of Tarn Taran Village, to make the villagers aware about the environmental impact of burning crop stubbles and discontinuing this hazardous practice.</li> </ul>
<b>Environmental Sustainability</b>	<ul style="list-style-type: none"> <li>• An initiative to enhance the aesthetics of approach road and develop a green belt at Baddi, HP was undertaken at a cost of ₹ 39.38 lakh.</li> </ul>

At all our units, we strive to continuously engage with surrounding communities and offer aid by understanding the problems being faced. Regular meetings and surveys are carried out to gauge the needs, priorities and expectations of local community. Initiatives to be adopted are designed and delivered in a transparent manner, considering the inputs from the residents of the locality.

The Company's CSR policy is available online on its website at the following link: [https://www.vardhman.com/investor-desk#!company\\_information](https://www.vardhman.com/investor-desk#!company_information) with the title '**Policies-CSR and Amended CSR Policy 11.03.2016**'

#### **Principle 9: Providing Value to Customers and Consumers**

Adding value is not always about money or discounts. Understanding our customer is the key to add value. We try to understand what drives value for our customers and offer best quality products with a prime focus on developing memorable customer experience.

We take care of the expectations of our customers as well as other stakeholders. We implement practices to safeguard our environment and society. We consistently work to improve

customer satisfaction and deliver value proactively by anticipating changes in customer's needs.

1. Pending customer complaints at the end of the financial year were of a routine nature and constituted 2-3 % for yarn and fabric business.
2. We disclose all the information on our labels in compliance with the legal requirements so as to enable customers to make an informed decision.
3. There is no case pending against the Company regarding unfair trade practices.
4. As a part of our stakeholder engagement strategy, Vardhman engages with its customers and carries consumer surveys for different products every year to know the customer satisfaction level so that necessary steps may be taken to enhance the same. There is a designated market research department which carries out these surveys and gives inputs to respective business teams for undertaking new developments besides remedial action, as may be required.