

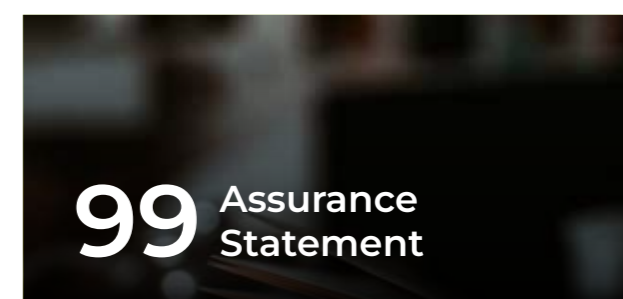
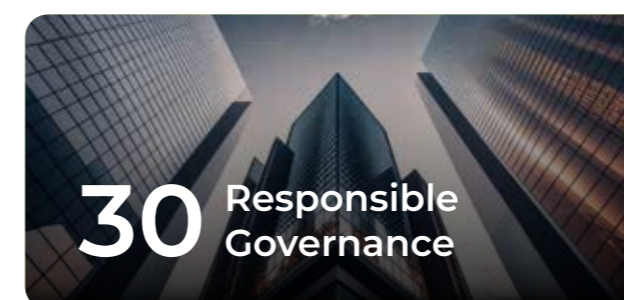
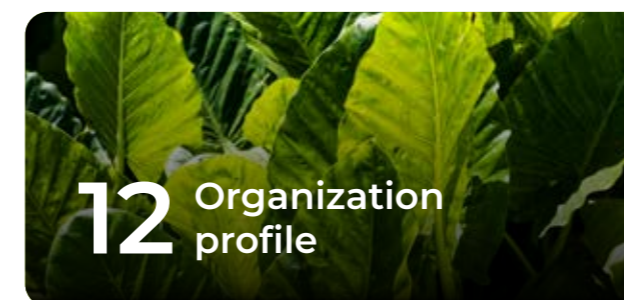
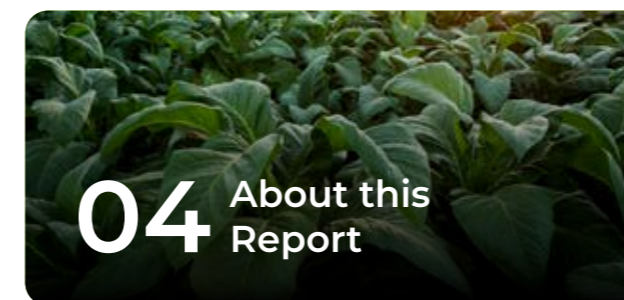


RISING ABOVE CHALLENGES

**RESILIENT. INNOVATIVE.
RESPONSIBLE.**



Contents





About this Report

(GRI 2-1, 2-2, 2-3, 2-4, 2-5)

VST Industries Limited is pleased to present its second comprehensive ESG (Environmental, Social, and Governance) report. We understand that non-financial reporting is important for providing accurate and timely information about our actions to mitigate key environmental and social risks that impact not only our business, but also our stakeholders. Accordingly, this report provides an insight into the ESG progress for the fiscal year 2022-23.

Reporting Period and Principle:

This Report has been prepared “in reference” with GRI standards. We have applied the following aspects to determine relevant topics that define the report content and ensure quality of information:

- a) GRI guiding principles for defining the content: Materiality, Stakeholder Engagement, Sustainability Context and Completeness
- b) GRI guiding principles for defining the quality: Balance, Clarity, Accuracy, Timeliness, Comparability and Reliability.

This report includes our performance on select environmental, social and governance parameters for FY 2022-23 and dives into our strategy, goals, and targets for upcoming ESG

initiatives by the Company. Inputs from our stakeholders, both external and internal, have been taken and incorporated as part of the development of this report.

We disclose our performance on business responsibility and sustainability aspects on annual basis through our Annual Report. All our reports for the previous years are available on our website at <https://www.vsthyd.com/mainsite/>

Reporting Boundary:

The report boundary includes both our manufacturing facilities located at Toopran and Azamabad (including our corporate office) in Telangana, India and leaf growing areas spread around Telangana, Andhra Pradesh, Karnataka and Gujarat.

External Assurance:

We have also sought external assurance on our ESG report to provide authenticity of the information presented in this report. Ernst & Young Associates LLP has provided independent assurance of the report and its contents using International Standard on Assurance Engagements (ISAE) 3000 (assurance for non-financial information), as set forth in the Assurance Statement included in this report.



Message from the Chairman



Our unwavering commitment to responsible business practices is evident in our dedication to corporate social responsibility. Through community interventions and infrastructure improvements, we aim to lead by example in the realm of ESG, setting a high standard for sustainable business conduct.

Dear Stakeholders,

I am delighted to present to you VST Industries' annual ESG report, showcasing our unwavering dedication to sustainable and responsible business practices. As we navigate through a rapidly changing world, I am proud to witness our ongoing commitment to our stakeholders and the environment.

At VST Industries, we have always believed in integrating ESG principles into our decision-making processes. Our longstanding support for agriculture in the arid region of Telangana is a testament to this commitment. Since last year, we have formally embarked on a journey to integrate ESG principles into our overall business strategy across the entire value chain. To achieve this, we have developed a comprehensive ESG framework, encompassing material aspects that are essential not only to our operations but also to our internal and external stakeholders. This framework provides a solid foundation for identifying risks and opportunities, establishing action plans, and measuring progress through relevant key performance indicators. We are dedicated to sharing our progress on ESG objectives and targets for 2030, ensuring transparency and accountability.

This year, we have bolstered our commitment towards renewable energy through further capacity addition to onsite solar and also increased usage of cleaner fuel in our own operations, which has led to reduction of our GHG emissions significantly.

Responsibility is at the core of our business practices, and we aim to lead by example in corporate social responsibility through community interventions and infrastructure improvements. As a part of our commitment, we have deepened engagements with our community through multipronged interventions encompassing around rural development, health and sanitation, education, and environmental sustainability. These projects are designed in collaboration with relevant stakeholders, addressing community needs and ensuring their long-term sustainability.

I am glad to share that on embracing the ESG principles our journey has been fulfilling and has enabled us to meet our aspirations. We remain dedicated to building a capable, sustainable, and scalable company, guided by our commitment to the principles of ESG.

I extend my heartfelt gratitude to all of you for your unwavering support, which has bolstered our resilience during these challenging times. Your input and feedback on this report and our progress are highly valued and encouraged.

Together, we will continue to drive positive change and create a sustainable future for generations to come.

Thank you.

Naresh Sethi

Non-executive Chairman



Message from the MD & CEO



Our corporate purpose puts sustainability, front, and centre, with key focus on fostering the growth of systems that protect and restore the environment, enhance the livelihood of farmers, and bolster the resilience and well-being of farming community

Dear Stakeholder

Today, it has become a business imperative and ethical obligation to prioritize sustainability. Considering the same, we are delighted to unveil our second ESG report. This outlines our significant strides in sustainable development and our aspiration to be acknowledged as one of the most responsible and innovative organizations. Drawing upon our long-standing commitment to corporate responsibility and sustainable practices since our inception, we are actively working towards forging an inclusive and regenerative future for all our stakeholders.

Responsible governance

We have established transparency as a cornerstone for our business decision-making, by creating rigorous policies and practices for fostering system and processes with integrity, accountability, and compliance. In line with this, we have implemented a robust and comprehensive risk management framework that proactively addresses ESG challenges throughout our operations and value chain. We strive to mitigate potential risks and seize opportunities for sustainable growth. Furthermore, we nurture a culture of innovation that fuels our pursuit of breakthrough ideas. By fostering an environment that encourages creative thinking, we aim to drive meaningful and impactful outcomes. Our goal is to continually push the boundaries, inspiring our team members to think differently and contribute to positive change.

Care for people

We are committed to cultivate a high-performance culture consequently contributing to our business growth and excellence. Embracing equal opportunity, we have consistently endeavoured

to nurture a diverse and inclusive workplace. Our focus is on creating unique and rewarding career paths, all while upholding the highest standards of occupational health, safety, and human rights. This is demonstrated through the newly inculcated “Gold Star” programme, through which we aim to recognize achievements and desired behaviours and also ensure fairness and transparency in recognition. We aim to maintain the current momentum and expand this initiative, which will support our transformative journey by ensuring employee engagement and motivation.

Furthermore, we are committed to investing significant resources in the development of talent, focusing on enhancing their skills and fostering their leadership capabilities. The well-being and safety of our employees remain our utmost priority, and we are committed to maintaining a “zero accident” environment.

Sustainable operations

As a conscientious corporate entity, we abide to take responsibility for our social and environmental impacts. We not only comply with statutory acts and rules, but we also strive to go above and beyond them. We proactively identify and adopt technologies that reduce resource consumption and greenhouse gas emissions. Moreover, we actively seek opportunities to promote the reuse, recycling, and utilization of eco-friendly materials across our operations.

Recognizing the concerns surrounding water stress in our community, we have focused on rainwater harvesting and initiatives to promote efficient water uses and conservation. Furthermore, both of our manufacturing units has successfully achieved Zero Liquid Discharge (ZLD), reflecting our commitment to environmental stewardship.

As a climate-conscious organization, we have enhanced our reliance on renewable energy and built on existing measures to improve our energy efficiency. Through such measures we have not only reduced our energy intensity by 2.33%, but also reduced our emission intensity within own operations by 18.46%. While we remain vigilant in mitigating our climate change risks due to our operational emissions, we have also initiated the process of estimating our Scope 3 emissions to understand the impact of the value chain. We actively engage with suppliers including contract farmers to identify the challenges faced at the grassroots level due to climate change and explore viable solutions to mitigate those challenges.

Sustainable agriculture

Our approach to sustainable development revolves around creating shared value. We persistently strive to promote the development of systems that protect and restore the environment, enhance the livelihoods of farmers, and fortify the resilience and well-being of the farming community.

We invest in farming community with the aim to improve the farm productivity through various measures such as spreading awareness on soil quality management, seed quality, and mechanization of field activities. We also ensure that pesticide residue levels and TSNAs (Tobacco Specific Nitrosamines) are within international standards. We have taken substantial measures to prevent any form of human rights violations and ensure sustainable and fair working conditions.

Additionally, in collaboration with our contracted farmers, we have done some significant work on barn structure upgradation discouraging them from deforestation activities. We are also working towards replacing conventional chemicals with biochemicals across the supply chain to the extent feasible, adoption of drip irrigation, and micro-sprinkler use in nurseries.

Inclusive growth


We strive to fulfil our responsibility towards all our stakeholders to the best of our capabilities. Our commitment to promote consumer welfare is exemplified by our adherence to COTPA guidelines and other applicable regulations. We actively foster continuous social dialogue with our stakeholders and the regulatory community through various policy advocacy measures that benefit both the industry and the community. Recognizing the vital role of strong community relations, we consider it the backbone of our successful and responsible business operations. We are actively involved in various community development initiatives to protect environment, promote education, and improve access to health and sanitation.

During the year, we have supported treatment of around 300 cancer patients through 'Chitranjan Cancer Hospital' as per part of 'VST care'. We have installed solar lights as part of 'Swachh Roshni' which benefited around 300 villagers. We have provided infrastructural support to schools which positively impacted life of 1000+ children including visually challenged children as part of project 'Gyaandeep'. Additionally, as part of 'Swacch Ghar Mission' we have constructed household toilets for 850 families.

I hereby thank all our stakeholders for their continued support and faith in us. We look forward to your feedback and valuable inputs. Through your support and our dedicated efforts, we are confident that we can achieve our sustainable development ambitions.

Aditya Deb Gooptu
Managing Director & CEO

Key Highlights



Environment


0.53 tCO₂eq/MNC*
GHG Intensity (Scope 1+2)

4.38 GJ/MNC
Energy Intensity

3.92 KL/MNC
Water Intensity

1.2 MW
Renewable Energy Capacity


*MNC.- million cigarettes



Governance

17%
Gender diversity in Board

50%
Proportion of the Board is Independent



Social

Zero
Incidents at Workplace

7,000+
Number of contract farmers

821 Lakhs
CSR Expenditure

300 villagers benefited
Solar streetlights installation

850 families benefited
Household toilets constructions

25,000
children impacted
Mid-day meals for school children



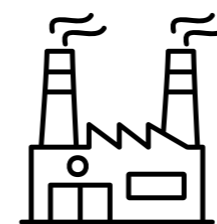
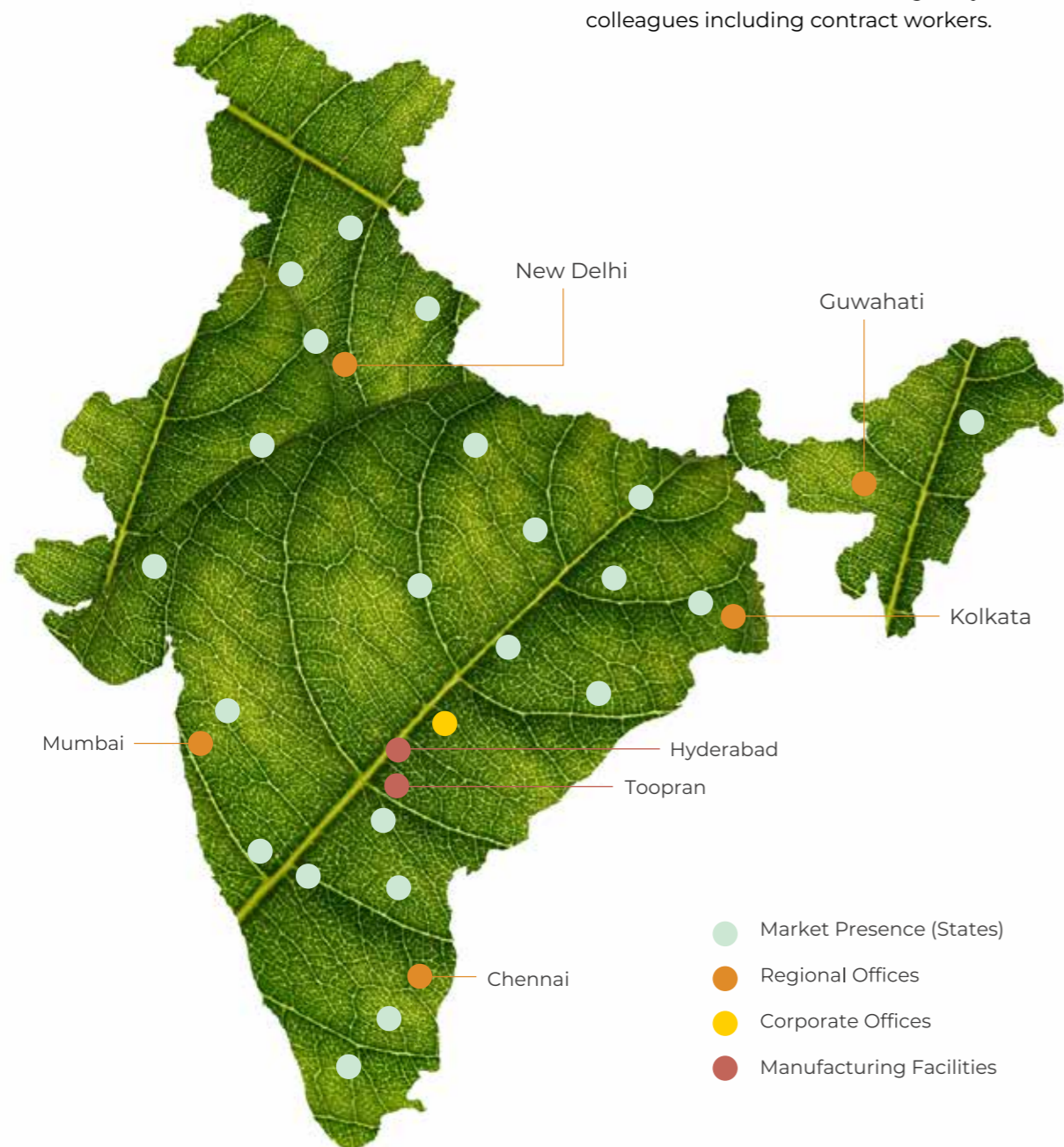
Organization Profile

Who We Are

GRI 2, 2-1, 2-2, 2-6, 2-7,2-8

VST Industries Limited (formerly known as Vazir Sultan Tobacco Company Limited) is one of India's most seasoned cigarette companies with over nine decades of operation. Incorporated on 10th November 1930, we are involved in manufacturing and marketing several renowned brands, as well as trading in unmanufactured tobacco.

We are an associate undertaking of British American Tobacco Plc., global leader in combustibles. We are a publicly listed company, headquartered in Hyderabad, India, catering to market requirements covering 80% of the geographical footprint in India through the support of a reliable and trusted network of distributors, wholesale dealers and retailers and our manufacturing facilities located at Toopran and Azamabad, which is managed by 750+ of our colleagues including contract workers.



02 Manufacturing facilities located at- Azamabad and Toopran



06 Regional offices in Hyderabad, Mumbai, Delhi, Kolkata, Chennai and Guwahati



835 Wholesalers



11 Lakh+ Retail Outlets



People Strength
768
Employees and Workers



Net Revenue
INR
1,67,018.04



Products sold
6,350
MNC*

*MNC- million cigarettes

Products and Brands

VST meets market demands through numerous brands, customized to meet the tastes of adult consumers in India. Our robust brand portfolio satisfies diverse adult smoker groups across the socio-economic strata. This serves our decades long promise for quality and enjoyment. Our portfolio consists of both Growth Heritage Brands (e.g., Total, Editions) and New Age Brands (e.g., Charms, Special, Moments).

Our Value Chain

GRI 2-6

Sourcing

Our primary ingredient for manufacturing is the tobacco leaf. We source cured tobacco leaves directly from contract farmers located at Andhra Pradesh, Telangana, Karnataka, Gujarat and Maharashtra. We also source tobacco through suppliers who participate in auctions held across the year.

Most of the contracted farmers we are engaging with in our supply chain are smallholder farmers. Our long-term contracts with them ensure sustenance in livelihood as well as ensuring reliability in our supply chain.

To produce our end product we require product materials like paper and filters. These are sourced from domestic and international markets.

Operations

Primary Manufacturing Division (PMD) operations involve threshing of the procured leaf into stems and laminas. The stems and laminas in their individual lines undergo blending with the different grades and a series of mechanical operations including sieving, cutting, and drying are carried out. The blended lamina and stem are appropriately treated before storing in humidified condition.

The cut tobacco is then utilized in Secondary Manufacturing Division (SMD) operations which involves making, packing, wrapping and parcelling.

Serving Markets

Our end products are distributed to more than 80% of the Indian geography with the help of our trusted distributors.

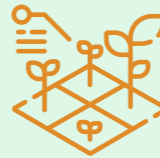
The distributors provide VST products and brands a marketplace for consumers through wholesale dealers and retailers.

A portion of the unmanufactured tobacco is exported to buyers in the international market.



Tobacco


7000+
Contracted farmers


20000+
Metric Tons
Tobacco procured

Non-Tobacco


39 Suppliers


INR 180.06 Cr
spent on non-tobacco suppliers


Curing barn


PMD facility
(Toopran)


SMD facility
(Azamabad)

Exporting unmanufactured tobacco

Catering to domestic market


11 Lakhs+
Retail outlets




835
Wholesalers

Memberships and Associations

GRI 2-28

VST is an active member of key industry associations and industry platforms. As members of these associations, we interact with various professional bodies and organizations to understand new perspectives and keep ourselves abreast of the latest industry trends. Our participation on these forums, helps us implement sectoral best practices and strengthens our alignment with applicable standards. We are a part of the following industry associations.



The Federation of Telangana Chambers of Commerce and Industry



Tobacco Institute of India



All India management association



The Confederation of Indian Industry (CII)

Certifications and Recognitions

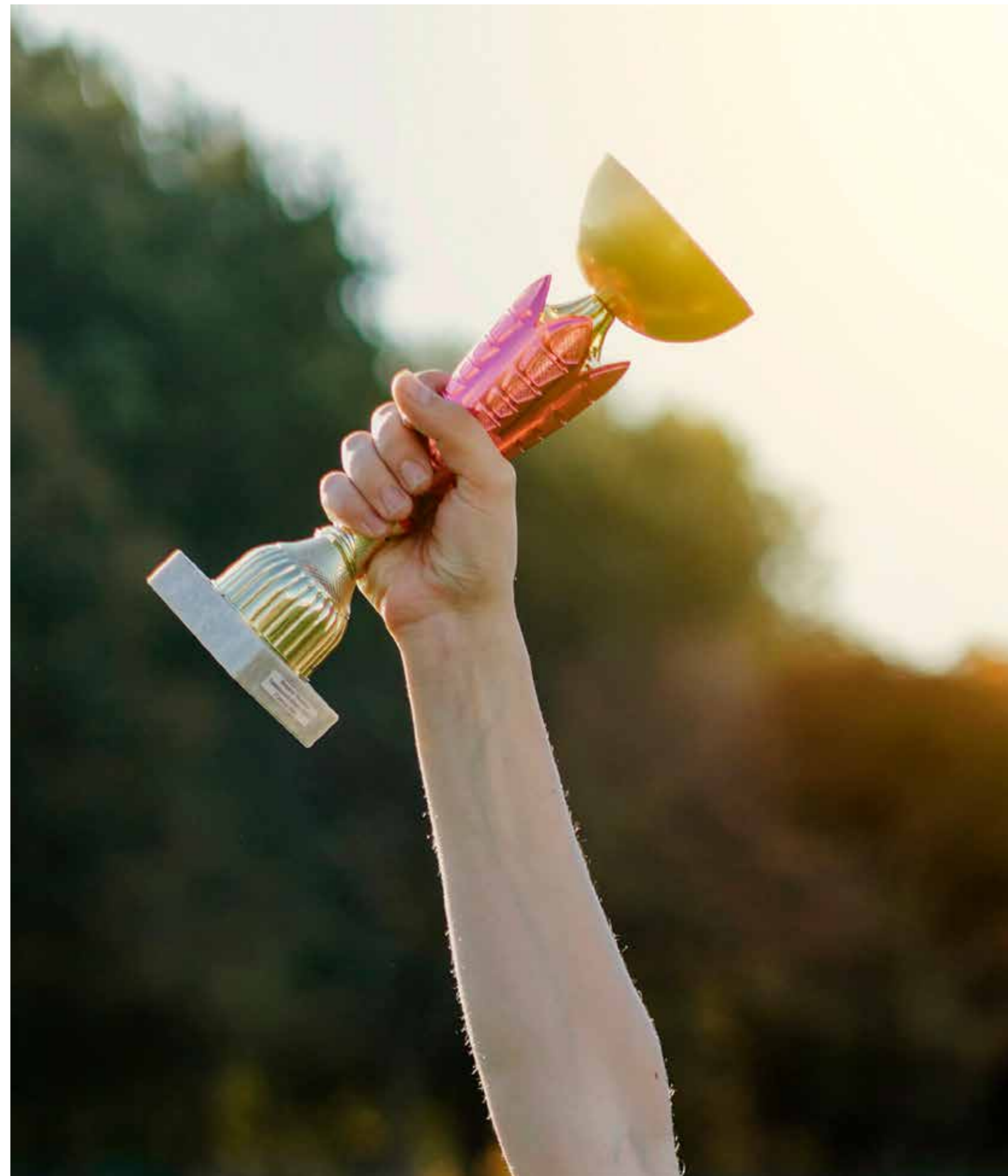
Awards and recognitions not only validate our deep commitment to the stakeholders we cater to but also instil confidence amongst us to win consistently. The major awards and recognitions received during the reporting period are given below.



Achieved Platinum Rating IGBC Green factory building Certification from CII,IGBC Hyderabad – For the Toopran Unit



Achieved Commendation Certificate for Safety Innovation Award from M/S. The Institution of Engineers, Safety and Quality forum, New Delhi





Sustainability Strategy

Globally, there are many issues that people and the environment are dealing with, including the effects of climate change, the shortage of resources, population expansion, and demographic shifts that have an influence on both the environment and society.

While we continue to accelerate our own transition towards a more sustainable business environment, we are conscious of our role as a responsible corporate entity to contribute to an environmentally sound, socially inclusive, and well-governed society. We strongly believe that our endeavour to create long term value for our stakeholders can be best achieved through recognizing our stakeholders' interests and addressing them promptly.








Stakeholder Engagement

GRI 2-29, GRI 207-2, GRI 207-3

At VST, our stakeholder engagement approach is centred around cultivating and nurturing strong relationships to achieve success in business. We recognize that inclusive growth of our stakeholders is imperative, and thus, we prioritize stakeholder engagement. We aim to comprehend the requirements, interests, and expectations of all parties with a direct or indirect influence on our business operations, as well as those impacted by them, in order to create mutual value.

We at VST strongly believe in maintaining open and transparent communication with our stakeholders. This dialogue has been instrumental in contributing to our growth. Moving forward, we plan to integrate sustainability aspects into our regular communications with stakeholders at every level, thereby reinforcing our capacity to recognize challenges and opportunities.



| Our Stakeholder | Mode of Engagement | Frequency of Engagement |
|--|--|--|
|  Employees | <ul style="list-style-type: none"> Town hall meetings Employee trainings Seminars/webinars Quarterly newsletter Collective bargaining process Health & Safety committee meetings | Ongoing, Annually, Quarterly and Monthly |
|  Investors | <ul style="list-style-type: none"> Annual general meeting Interim financial statements Director's report Board meetings Corporate disclosures Press releases | Annually, Quarterly and Need basis |
|  Farmers | <ul style="list-style-type: none"> Seminars/ webinars/ Field visits | Ongoing |
|  Wholesalers | <ul style="list-style-type: none"> In-person/ virtual meeting Emails | Ongoing |
|  Local Communities | <ul style="list-style-type: none"> Training and awareness building programmes CSR activities | Ongoing |
|  Suppliers | <ul style="list-style-type: none"> In-person/ virtual meeting Vendor meetings Capacity buildings | Ongoing |
|  Regulatory Bodies | <ul style="list-style-type: none"> Official notifications Press releases Meeting with Govt. body as per requirement | As and when required |

Materiality Assessment

GRI 3-1, GRI 3-2, GRI 3-3

Our material topics are those that could have a direct or indirect impact on our organization's ability to create, preserve or erode economic, environmental, and social value for our organization, our stakeholders and society at large. The focus on 'materiality' is expected to make our ESG reports more relevant, more credible and more user friendly. Materiality assessments assist in creating real value for business and society by identifying, prioritizing the most relevant topics and strategy development through devising action plans, and setting targets.

Materiality Determination Process

We engage in a continuous process of evaluating material topics that are an integral part of our inclusive business strategy. This process involves identifying the common issues across the business and adopting best practices to determine the material topics.



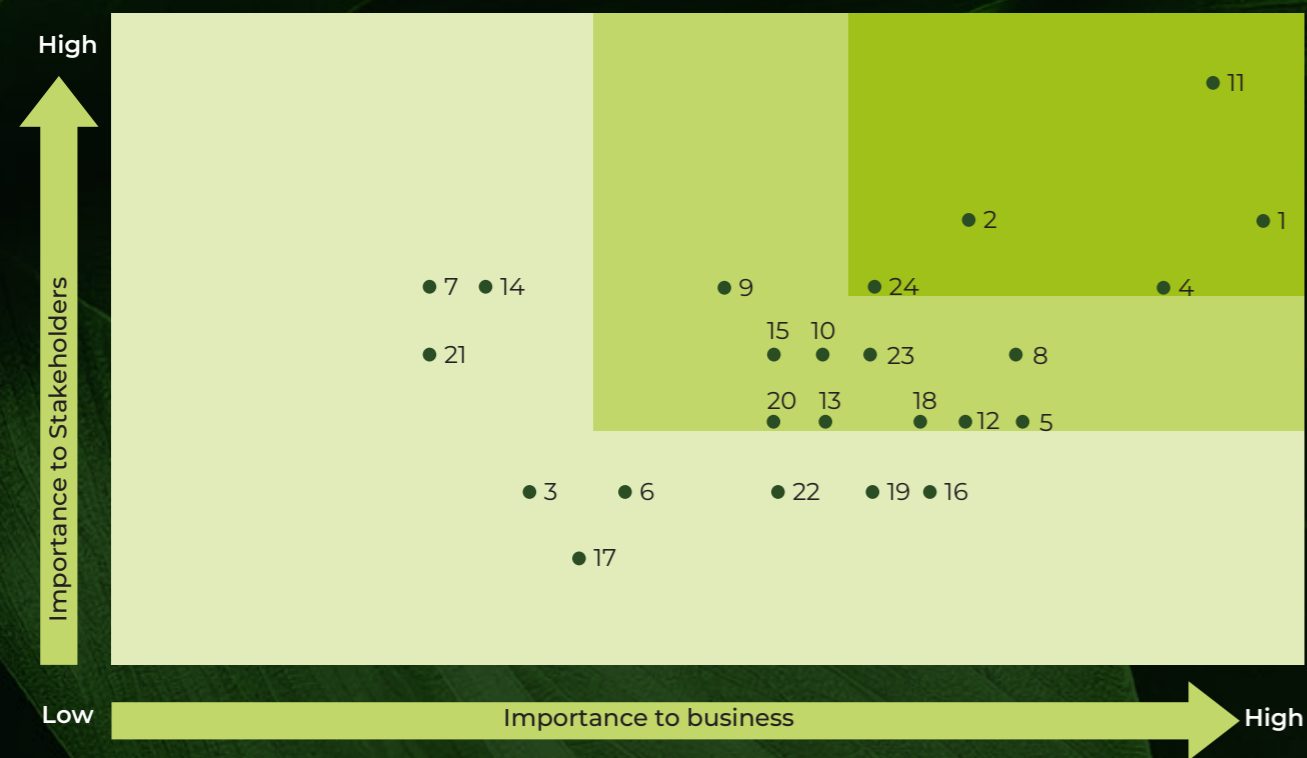
In FY 2021-22 we carried out a detailed materiality assessment exercise in collaboration with our stakeholders to identify and prioritize the material topics. A comprehensive analysis of each topic was undertaken considering its impact on the value chain and its risk to business.

This year we have revisited our material topics, however since there was no significant change in our business operations, no further changes were observed in our material topics.

Our Materiality Matrix

The materiality matrix presented below, plots the ratings of each ESG material topic with x-axis representing importance to business, and the y-axis representing the importance to stakeholders. The relative positioning of each material topic signifies priority assigned to the

respective material topics. At VST, we consider all these topics under consideration as material, however priority has been assigned for devising a more effective time-bound topic specific action plan and address the material topics in a phase wise manner.



Material Topics

The material issues have been segregated into five strategic pillars considering the nature of impact and boundary. Further, as a progressive

business, we have set short-term and long-term goals for the identified material topics as part of our sustainability strategy.

VST's strategic ESG pillars and identified material topics



Transforming towards a sustainable future

| S. No. | Identified Material Topics | ESG Pillar | Impact Boundary |
|--------|----------------------------|---|--|
| 1. | Energy | Sustainable Operations | Manufacturing Facilities & Corporate Office |
| 2. | Emissions | Sustainable Operations | Manufacturing Facilities & Corporate Office |
| 3. | Climate Resilience | Sustainable Agriculture | Suppliers |
| 4. | Water | Sustainable Operations Sustainable Agriculture | Manufacturing Facilities, Corporate Office, and Supply Chain |
| 5. | Waste Management | Sustainable Operations Sustainable Agriculture | Manufacturing Facilities, Corporate Office, and Supply Chain |
| 6. | Sustainable Material | Sustainable Operations | Manufacturing Facilities & Corporate Office |
| 7. | Biodiversity | Sustainable Operations | Manufacturing Facilities, Corporate Office and Society |
| 8. | Farmer Livelihood | Sustainable Agriculture | Suppliers |
| 9. | Circular Economy | Sustainable Operations | Manufacturing Facilities, Corporate Office, and Supply Chain |
| 10. | Human Rights | People & Culture | Manufacturing Facilities, Corporate Office and Supply Chain |
| 11. | Health & Safety | People & Culture | Permanent and Temporary workforce and Nearby Communities |

| S. No. | Identified Material Topics | ESG Pillar | Impact Boundary |
|--------|--|------------------------|---|
| 12. | Employment | People & Culture | Permanent and Temporary workforce, Nearby communities and Society |
| 13. | Consumer Welfare | Inclusive Growth | Consumer |
| 14. | Littering Prevention | Inclusive Growth | Consumer and Society |
| 15. | Labour-Management Relations | People & Culture | Permanent and Temporary workforce |
| 16. | Training and Education | People & Culture | Permanent and Temporary workforce |
| 17. | Diverse and Inclusive Work Environment | People & Culture | Permanent and Temporary workforce |
| 18. | Community Initiatives | Inclusive Growth | Permanent and Temporary workforce, Nearby communities and Society |
| 19. | Regulatory Compliance | Responsible Governance | Management |
| 20. | Business Ethics | Responsible Governance | Management and Employees |
| 21. | Illicit Tobacco trade Prevention | Responsible Governance | Management, Employees and Suppliers |
| 22. | Policy Advocacy | Responsible Governance | Management and Employees |
| 23. | Innovation | Responsible Governance | Management and Employees |
| 24. | Responsible Sourcing | Responsible Governance | Management, Employees and Suppliers |









Our ESG Roadmap: Onward to 2030

Recognizing that sustainability is integral to business resilience and growth, we believe that our size, scale, and influence can drive significant positive change and contribute to making the world a better place. Leveraging our history of corporate responsibility and sustainable practices, we are entering a new era of sustainability, working collaboratively with all stakeholders to co-create a future that is equitable and regenerative.

Our Environmental, Social and Governance (ESG) targets reflect our enduring commitment to sustainability and value creation for all. We strive to sustain a high level of performance across our ESG pillars and achieve our ESG goals and targets.

The performance against our targets is verified by independent assurance providers and our progress is reported annually through the ESG report and SEBI's Business Responsibility and Sustainability Report to ensure balanced and transparent communication with our stakeholders.





In line with our commitment to contribute towards the United Nations Sustainable development goals (UNSDGs), our sustainability targets are projected to be achieved by the year 2030.

| ESG Pillar | Material topic | Target for FY 2030 |
|------------------------------------|--|---|
| Sustainable operations (Technical) | Energy  | 50% renewable energy in overall energy mix (subject to regulatory environment) Aim to operate 100% of fleet (owned and third-party passenger vehicles) on electric vehicles by 2030 |
| | Emissions  | Carbon neutrality/offsetting: 100% carbon offset for VST's own operations (scope 1+2 emissions) by 2030 |
| | Water  | Rainwater Harvesting Potential equivalent to over 3 times the Net Water Consumption in own operations |
| | Waste  | 100% of packaging to be reusable, recyclable, or biodegradable by 2030 100% offsetting of plastic packaging (plastic neutrality) through post-consumer plastic waste collection and processing under Extended Producer Responsibility (EPR) |
| Sustainable agriculture (Leaf) | Climate resilience  | 30% of contracted farmers (for Talmari & Oriental crops) to use drip irrigation by 2030 30% of crop protection agents used by contracted farmers to be biofertilizer/biochemicals based by 2030 20% improvement in soil organic matter by 2030 through green manuring crops for better water holding capacity |
| | Farmer livelihood  | "We have zero tolerance towards child labour or forced labour. We shall continue to have adequate measures in place to identify and mitigate such risks within the leaf supply chain" "We shall continue to ensure minimum legal wage is provided to farm workers" Implement mechanization of field preparation and removal of stubbles for 100% of area under tobacco by 2030. Also, explore and implement mechanization of other farm operations (harvesting & plantation) for at least 20% of tobacco area by 2030. |

Our continuous endeavours

Since inception, it has been our continuous endeavour to make our company a better place, provide safe working environment, promote an inclusive work environment, and upgrade

our employee's knowledge. Adhering to our commitment, we continue to act and build our organization.

| ESG Pillar | Material topic | Our commitment |
|------------------------|--|---|
| Care for people | Diverse and inclusive work environment  | Promote an inclusive work environment by: <ul style="list-style-type: none"> Being an equal opportunity employer and provide equal opportunity to all employees based on merit and ability Provide inclusiveness training to management staff to promote a work environment free from discrimination, sexual harassment and undue biases in compensation, training and employee benefits based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status, or affiliation with a political, religious, or union organisation or majority/minority group |
| | Employment  | Continue to invest in employee engagement and conduct the employee engagement survey at regular intervals to track for any course correction, track relevant KPIs for the workforce |
| | Health & safety  | Zero accident in own operations |
| Responsible governance | Regulatory compliance  | Continue to comply with applicable regulatory requirements |





Responsible Governance

We strongly hold the belief that responsible governance is necessary for fulfilling the needs and ambitions of all stakeholders. This can be accomplished by ensuring transparency in transactions, establishing stringent policies and practices for crucial processes and systems, maintaining clear accountability, integrity, transparent governance practices, and adhering to the highest standards of compliance.

8 DECENT WORK AND ECONOMIC GROWTH



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Board Oversight

GRI 2-9, 2-16, GRI 2-17, GRI 2-18

Our commitment to responsible governance starts with the Board of Directors (hereafter referred to as Board). Their insights and feedback play a key role in ensuring business resilience and continuous improvements.

The Board comprises of six members, chaired by Mr. Naresh Kumar Sethi who is a non-executive director. The members of the Board demonstrate diversity in subject matter expertise, skills, achievements, and competencies.

The Board enforces policies and procedures and expresses confidence to the business strategy on economic, environmental, and social topics through different committees. The committees instituted by VST includes:



Audit Committee

The committee is entrusted with the responsibility to supervise the internal controls and financial reporting process.



Risk Management Committee

The committee is entrusted with the responsibility of monitoring and reviewing the risk management plan



Nomination and Remuneration Committee

The committee is entrusted with the responsibility to identify and appoint suitable candidates for representing the Board based on qualification criteria and recommend remuneration for the Board



Stakeholder Relationship Committee

The committee manages shareholder grievances and resolves immediately



Corporate Social Responsibility Committee

The committee is entrusted with the responsibility to monitor the implementation of the CSR projects / programmes / activities and approve the annual CSR budget for implementing CSR projects



Mr. S. Thirumalai
Non-Executive Director



Mr. Aditya Deb Goptu
Managing Director & CEO



Ms. Rama Bijapurkar
Independent Non-Executive Director



Mr. Naresh Kumar Sethi
Non-Executive Director & Chairman Of The Board



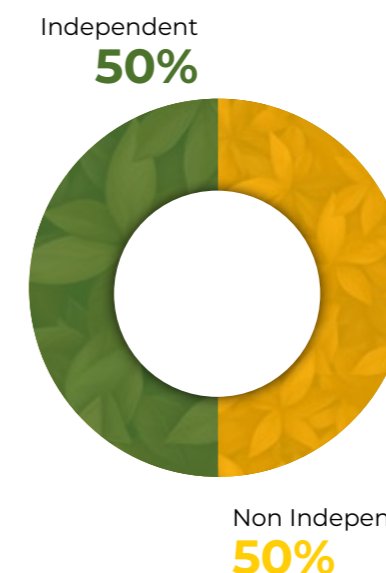
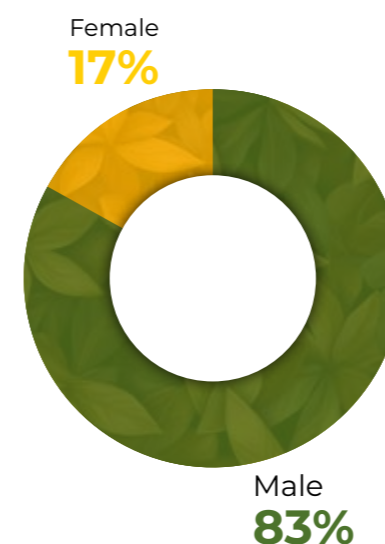
Mr. Sudip Bandyopadhyay
Independent Non-Executive Director



Mr. Rajiv Gulati
Independent Non-Executive Director



Board Diversity - Snapshot



- 1 Audit Committee
- 2 Risk Management Committee
- 3 Nomination and Remuneration Committee
- 4 Corporate Social Responsibility Committee
- 5 Stakeholder Relationship Committee
- Chairperson

ESG Governance

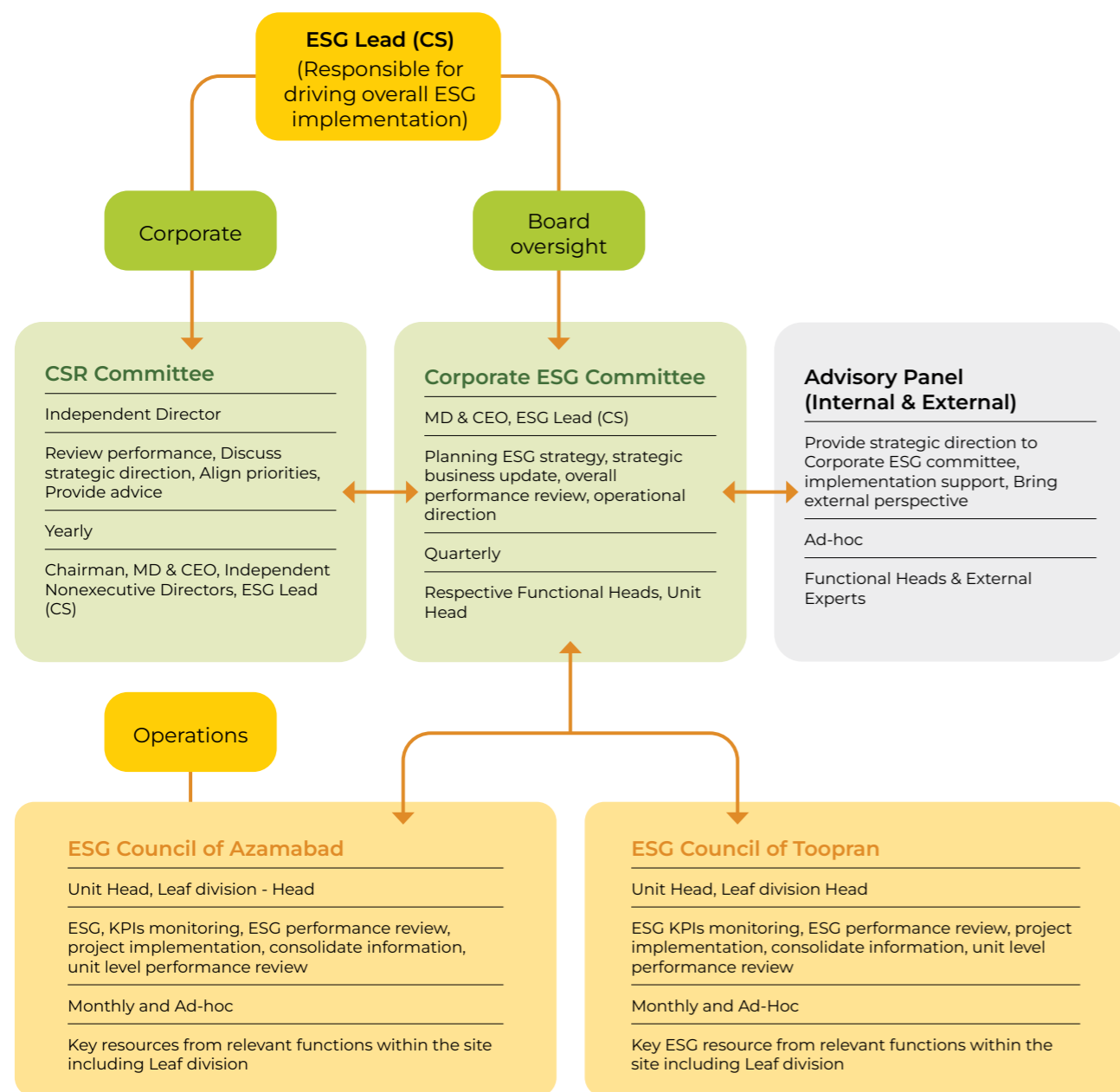
We have established a three layered ESG governance structure at the Board level, Corporate level and Unit level.

At the Board level, the CSR Committee is tasked with reviewing performance, discussing strategic directions, aligning priorities, and providing feedback to the Corporate ESG Committee.

The Corporate ESG Committee is responsible for planning the ESG strategy, setting up the business mandate, reviewing the overall ESG performance and providing operational direction to the ESG Council at the Unit level. The Committee receives advise on strategic directions and receives implementation support from the Advisory Panel as per requirement.

The ESG Council monitors the relevant ESG KPIs, reviews ESG performance against targets and implements programmes.

Our Company Secretary (CS) has been entrusted with the role of leading the overall ESG agenda of the organization, who in turn reports to the CSR committee.



Policies, Principles and Standards

GRI 2-23, GRI 2-24, GRI 2-27, GRI 205-1, GRI 205-2

Business ethics and integrity are integral parts of our business operations. We operate at highest standards of ethics and integrity in dealing with our stakeholders and comply with the applicable laws, rules and regulations, as a responsible corporate citizen.

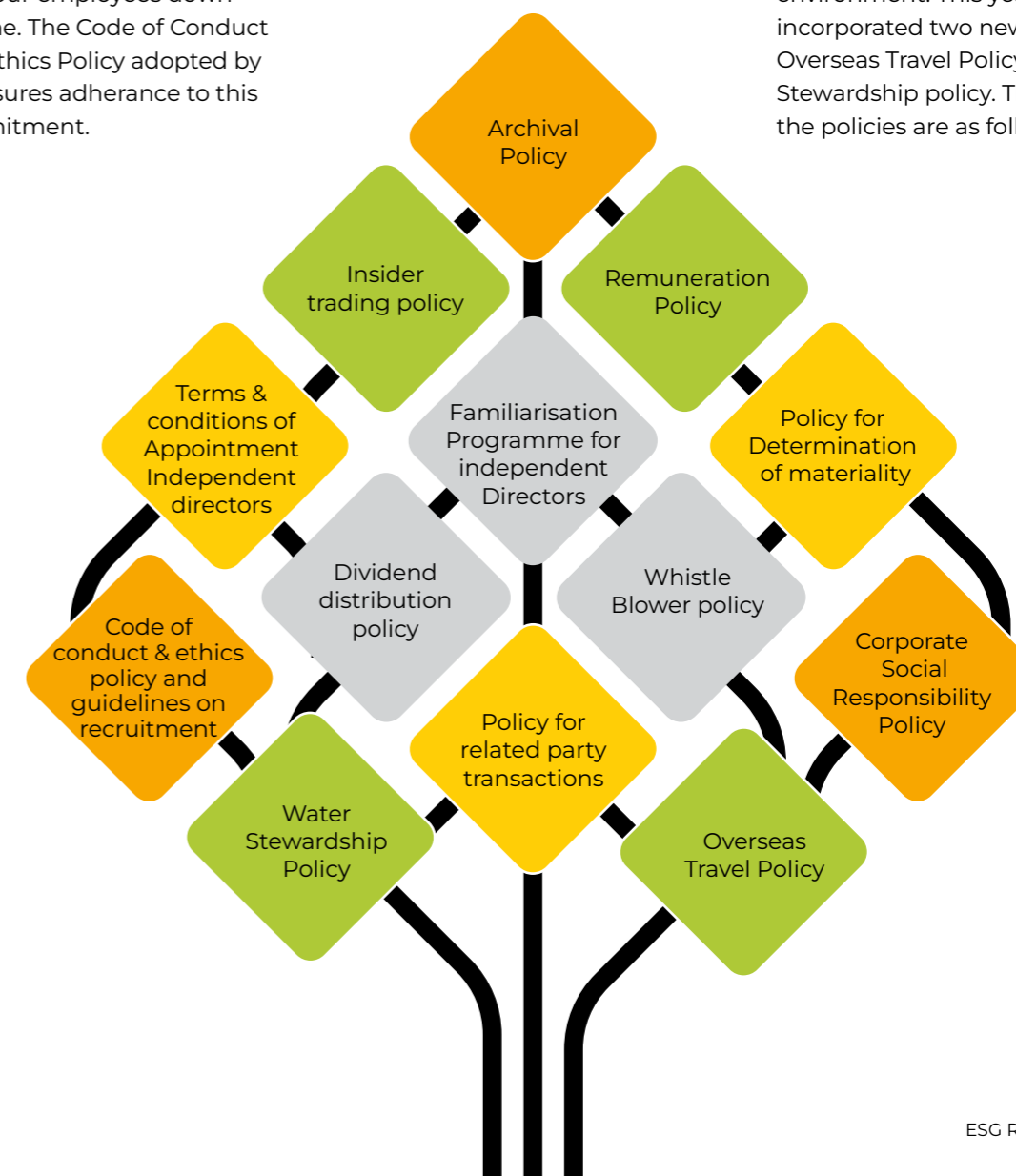
Our leadership is responsible for setting the tone at the top and demonstrates our commitment towards ethics, integrity, transparency and accountability through their behaviour and actions. The same is expected from our employees down the line. The Code of Conduct and Ethics Policy adopted by us ensures adherence to this commitment.

To further ensure the Policy is embedded into the culture of our organization, all our employees regardless of their individual role and designation affirm that they have read and understood the Policy. The affirmation also highlights the responsibility of our employee to speak up in case of any violation against the principles defined in the policy.

The Whistleblower Policy empowers the complainant to bring to the attention of the

management any concern pertaining to suspected misconduct, unethical behaviour, suspected fraud, bribery, corruption or violations that undermine the reputation of the organization without the fear of punishment or unfair treatment.

We have established a set of corporate guidelines that form our policy framework and help us preemptively identify, manage and mitigate business risks. We at VST, regularly review and adapt new policies in order to create a better working environment. This year we have incorporated two new policies i.e. Overseas Travel Policy and Water Stewardship policy. The list of all the policies are as follows.



Risk Management

GRI 207-2, GRI 207-3, GRI 414-2

Your Company has constituted the Risk Management Committee as mandated by Listing Regulations to frame, implement and monitor the risk management plan for the Company. The Committee comprises of Directors and Senior Management as its Members as prescribed under Regulation 21 of the Listing Regulations as amended. The Company Secretary is the Secretary of the Committee. The Committee is responsible for monitoring and reviewing the risk management plan and ensuring its effectiveness.

Pursuant to the amendments notified by SEBI in its circular dated 5th May, 2021, the Board at its meeting held on 27th July, 2021 revised the terms of reference of Risk Management Committee to include the Business Continuity Plan (BCP), sustainability and reviewing the risk management policy at least once in two years.

Your Company has always endeavoured to bring together elements of best practices for risk management in relation to existing and emerging risks faced by it at both strategic and operating level. The Company faces a variety of risks from external and internal sources. However, the objective is to be aware of different kinds of risks affecting the

business. Rather than eliminating these risks, the decision making process at your Company considers sensible risk taking, and thereby proactive steps are taken to ensure that business is undertaken in an environment which encourages a reasonable amount of risk taking and enables the Company to leverage market opportunities effectively.

The Board is responsible for determining the nature and extent of the principal risks that your Company is willing to take to achieve its strategic objectives and for maintaining sound risk management system. With the support of the Audit Committee, it carries out a review of the effectiveness of your Company's risk management process covering all material risks including strategic, financial, operational and also compliance levels. Your Company has substantial operations all over the country and competes on the basis of brand appeal, loyalty, price value connotations and strong trade relationships. The Company's position is influenced by the economic, regulatory and political situations both nationally and at a state level and of the competitors. The principal risks impacting your Company's business and steps undertaken to mitigate them are as under:



Our geographical presence attracts variety of risks from economic and regulatory situations and from the competitors. The principal risks impacting VST's business along with the risk mitigation plans are as follows:

i Regulatory restrictions could have an impact on long term revenue growth of the Company.

The Company operates under increasingly stringent regulatory regime (COTPA guidelines on packaging and labeling, advertising and promotion). This further gets complicated with adoption of differing regulatory regimes in different states and/or lack of consensus on interpretation/application. Such restrictive regulations which are subjected to interpretation could result in not only penalties being imposed/ loss of reputation, but also impair the Company's ability to communicate with adult smokers and/ or to meet consumer expectations through new/ innovative brand launches or geographic expansion. The Company addresses this risk by engaging in continuous social dialogue with stakeholders and regulatory community through industry bodies. At the same time, it works on developing strategies and capabilities to effectively launch competitive and consumer acceptable brands within the changing regulatory environment.

ii. Taxation changes could have an impact on short-term revenue growth of the Company. The Company's business is subjected to GST, excise and other cesses as may be made applicable, which could require the Company to take up product prices and in absence of such action, impact its business. The impact increases when due to changes in economic situation, consumer's disposal income reduces, resulting in down-trading to cheaper cigarettes including non-duty paid illicit cigarettes or alternative tobacco products. Such risks are addressed by the company through: (a) engagement with tax authorities at levels where appropriate; (b) regular management review to build a well laddered brand portfolio across new segments including new brand creation; and (c) capability buildup through investments in distribution infrastructure to increase geographical spread.

iii. Geopolitical tension could have a short-term impact on company's revenue growth and profitability. The Company's supply chain and normal business processes are exposed to the risk of disruption. Such disruption could be caused through geopolitical tension, civil unrest, economic policy changes, health crisis, violent weather conditions or other natural disasters, This could result in potential loss of assets and increased costs due to more complex supply chain arrangements and/ or maintaining inefficient facilities. Such risks are mitigated through a robust business continuity planning process and having multiple sourcing / delivery (supply chain) strategy.

iv. Illicit Trade could have a risk to Company's long term revenue growth and profitability. Non-Duty Paid (NDP) Cigarettes in the form of counterfeit product, contraband (genuine smuggled product) and locally manufactured products on which applicable taxes are evaded, represents a significant and growing threat to the legitimate cigarette industry. Factors such as increased product prices (either for retailer or consumer) and economic downturn among others encourage consumers shift to cheaper cigarettes which results in commoditisation of the Product and erosion of brand value resulting in undermining company's investment in trade marketing and distribution. As part of its mitigation plan the company both directly as well as through trade bodies engages with key external stakeholders including periodical interaction with law enforcement agencies in pursuit of priority targets.

v. Infringement of Intellectual property could have a short term impact on revenue growth and profitability. The Company relies on its registered designs, trademarks and copyrights under which it sells its products to get competitive advantage. Risk of Infringement happens due to delay in identification and action taken including limitation of judicial protection. In addition, as third-party rights (registered trademarks) are not always identifiable, there may be claims against the company for infringement of their intellectual property rights. Such infringement of trademarks results in reputational impact due to inability to protect its trade marks, disruption to normal business processes resulting in potential loss of revenue, unnecessary protracted litigation. Such risks are mitigated through constant training to all team members to recognise misuse of Company's trademarks and report to take legal protection, Further, process is in place to ensure new trademarks do not infringe with trademarks belonging to others.

vi. Cyber Security – the company's operations place high reliance on its digital data. Loss or misuse of any such sensitive information, or its disclosure to outsiders, including competitors and trading partners could potentially have a significant adverse impact on the Company's business operations and/or give rise to legal liability. For this purpose, the Company has put in place cyber security policies and procedures which are reviewed regularly. In addition, for continuity of the operations we perform periodic assessment of information technology controls implemented like data back-up mechanism, Disaster recovery centre, authorisation verification, firewalls, etc.

Policy Advocacy

Collaboration with industry associations and trade organizations has fuelled our journey of sustaining a responsible business model. We regularly participate in industry events to gain from mutual learning and actively contribute to policy advocacy for common cause. Through such platforms, our senior leadership collaborate with other industry leaders and share their insights and put forth noteworthy propositions to policy makers.

Responsible Sourcing

GRI 308-2

Our supply chain ethos is deeply intertwined with our sustainability strategy. In order to satisfy the expectations of our adult users, as well as meet quality and regulatory standards, we are dedicated to guiding our supply chain partners towards sustainability with excellence, agility, and innovation. By doing so, we aim to generate value not only for ourselves but also for our suppliers.

Supply Chain Philosophy

We at VST, consider quality, price and delivery time as critical parameters that is intrinsic to supply chain strategy of the company. However, we recognize that the responsibility to minimize the environmental and social impact is not limited to our operations but also extends to our value chain partners to further optimize the impact of their own business operations.

We evaluate suppliers based on their capability to deliver required quality along with appropriate certifications within stipulated time. Additionally, we encourage our value chain partners to minimize their environmental footprint, uphold human rights, and adhere to relevant regulations. As we move forward, we aim to incorporate more extensive Environmental, Social, and Governance (ESG) criteria into our vendor onboarding process to ensure a more thorough evaluation and selection of our partners to make our supply chain more reliable, resilient and above all responsible.

Integrating ESG in our Tobacco Supply Chain

Our procurement practices for tobacco leaf are commensurate with the Sustainable Tobacco Programme (STP). The programme defines minimum standards to be met by the contracted farmers. It facilitates continuous improvement through a measurement framework involving a combination of self-assessment and third-party review. Through cross-industry dialogue and identification of the best practices, the programme has been designed to facilitate supply of tobacco leaf that meets future environmental sustainability challenges, and uplift labour standards.

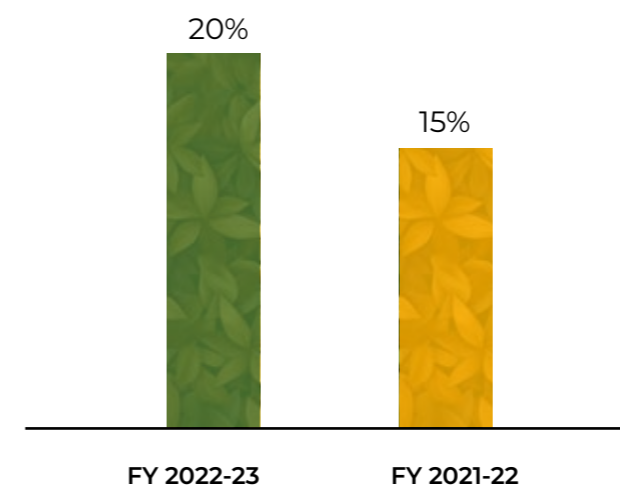
All our agreements with farmers reflect the criteria defined by STP. Moreover, the agreements are made in vernacular language as well to ensure effective implementation of Good Agriculture Practice (GAP) and safeguard the wellbeing of farm workers through the Agricultural Labour Practices (ALP) Code.

We have deployed field technicians to proactively monitor and manage implementation of the programme. Field technicians are equipped and trained in using GMS, an online mobile application that helps monitor farm practices including seedbed management, transplanting, use of Crop Protection Agents (CPAs), topping, curing, bulking, bailing, marketing and compliance with Agriculture Labour Practices (ALP).



As of now, we have covered 20% of our contracted farmers through GMS application and we plan to gradually increase coverage of this application to all our contracted farmers in a phase wise manner. With the support of the field technicians, we are able to provide constant guidance to the farmers and recommend the good practices, which take into consideration the financial ability of the farmers. Thus, through this intervention, the gap on sustainable farming is addressed and bridged.

Coverage of contracted farmers on GMS application



Enhancing Local Procurement

At VST, beyond establishing a robust system we foster socio-economic development by partnering with diverse and local suppliers. Localization of our supply chain results in short lead time between order placement and delivery and also reduces our climate change impact associated with emissions from our value chain. In FY 22-23, the local procurement comprised 6.68 % of the total procurement.

In collaboration with the local flavour houses we have developed some new flavours that are currently being utilized in our products. This achievement has prompted us to switch our flavour sourcing from Hamburg, Germany to Hyderabad, India, thereby allowing us to benefit from more convenient logistics, cost-effectiveness and significantly lesser GHG footprint as well.



Innovation

As adult smokers' tastes and preferences continue to evolve, they are increasingly seeking for innovative products and are moving beyond traditional brand preferences. Our strategic focus on being the first-to-market with successful innovations has enabled us to establish a platform that helps us maintain a strong position in the market.

Innovation at VST is based on the following criteria:

- **New Product Development:** Develop innovative product feature(s) and/or creative taste profile(s) leading to consumer delight.
- **Product Quality Excellence:** Achieve best in class quality which shall enhance product image and thereby build competitive edge in market for our products within the regulatory regime

We continue to explore possibilities for collaboration with technical specialists in order to develop a robust product portfolio and upscale our R&D facilities that is ISO 17025:2017 certified. One such notable collaboration during the reporting period was our association with M/s China National Tobacco Corporation. As part of the association, we participated in an International Collaborative Study related to ISO NP 4906: 2022 standard for determining filling power of cut tobacco.

Our relentless focus on product innovation has been the key enablers for our business growth, some of which have been highlighted in the following sections.

Product Innovation

On being recognized as a pioneer in the segment within India through our "Total" brand and upon completing the successful introduction of Indian flavours like "anise" and "saffron" in our product mix during the previous reporting period, we are in the process of testing out different profiles of smoke, new flavours, new materials and new varieties of products.

While product integrity is a key focus area for us in making our products, we put equal impetus on reducing the negative impacts on the environment due to product packaging. Last year, we initiated a program to test the viability of biodegradable packaging as a substitute for BOPP packaging. We are pleased to announce that this pilot program has been successful, and we have now replaced all BOPP packaging with 100% biodegradable packaging.

Process Innovation

We firmly believe that leveraging technology to bring in structural changes will not only help the organisation grow significantly, but it will also offer us a sustainable competitive advantage by reducing wastage and optimising resources. Process innovations at VST are focussed at improving the fill power of the tobacco blend which will lead to reduction in the density of cigarettes.

Some of the key achievements during the reporting period includes:

Achieved 100% Improvement in productivity and flavor application consistency in one of our key flavored blend process

Achieved mirror finish Pack wrapping quality and good formation of outers

The case study in the next section is an illustration of one of the many achievements during the reporting period.

ZFT Blend - Efficiency & Quality Improvement Project

ZFT blend has been one of the most popular brands in the market. However, rising demand for the blend in recent times have been difficult to meet, considering the high dependence on manual intervention and inconsistency in quality and flavour of the blend.

An Efficiency & Quality Improvement Project was conceived during the reporting period that aimed at improving the productivity and flavor consistency through process innovations, such as modifying the feed system and automating the flavor application system in collaboration with a third-

party vendor. The project thus resulted in doubling the productivity per day and improving flavor consistency in blend.





Care for People

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



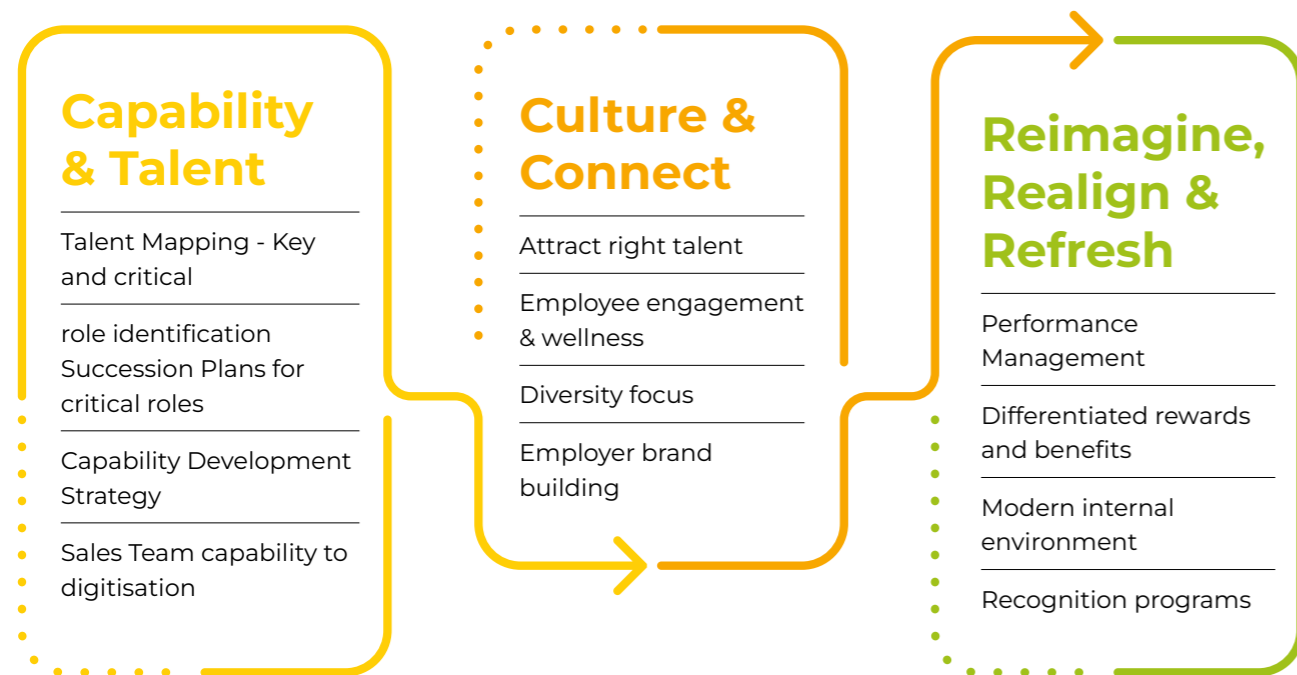
10 REDUCED INEQUALITIES



At VST, our primary focus is to foster a high-performance culture and prepare our organization for exceptional business growth. Throughout this endeavour, we harness the pride, passion, and resilience of our dedicated employees, which form an integral part of our organizational culture.

The Head of HR works closely with the Managing Director and Chief Executive Officer to develop the Human Capital strategy. The finalization and implementation of these strategies are carried out by the Corporate Executive Committee (CEC), led by the Managing Director.

The three levers of our Human Capital Strategy that will enable us in achieving our commitment are:



| Material Topic | Commitment |
|---|---|
| Diverse and inclusive work environment | Promote an inclusive work environment by - being an equal opportunity employer and provide equal opportunity to all employees based on merit and ability Provide inclusiveness training to management staff in order to promote a work environment free from discrimination, sexual harassment and undue biases in compensation, training and employee benefits based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status or affiliation with a political, religious or union organisation or majority/ minority group. |
| Employment | Continue to invest in employee engagement and conduct the employee engagement survey at regular intervals to track for any course correction, track relevant KPIs for the workforce. |
| Health & Safety | Zero accident in own operations |

Employment

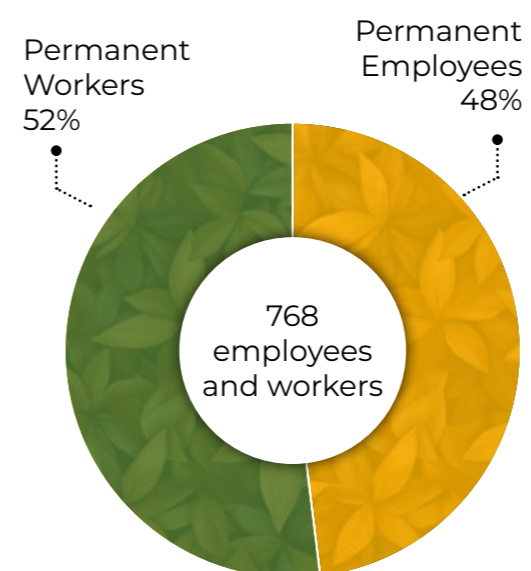
GRI 401-1, GRI 401-2

At VST, we value the efforts of our employees and recognize that the role they play in setting new benchmarks has enabled us to win consistently and generate long-term value with our stakeholders. The contributions of our employees are most valued, and we acknowledge their efforts in setting the highest standards while creating long term value for our stakeholders at large. Our objective is to create an excellent work

environment and provide exciting career prospects, making our organization an attractive place to work. We understand that our employees' diverse experience and perspectives are essential for broadening our viewpoints. Moreover, we prioritize the wellness of our employees, as we believe that a healthier and happier work environment is fundamental to our collective success.

The employee strength as on 31st March 2023 is 768 including both permanent employees and workers.

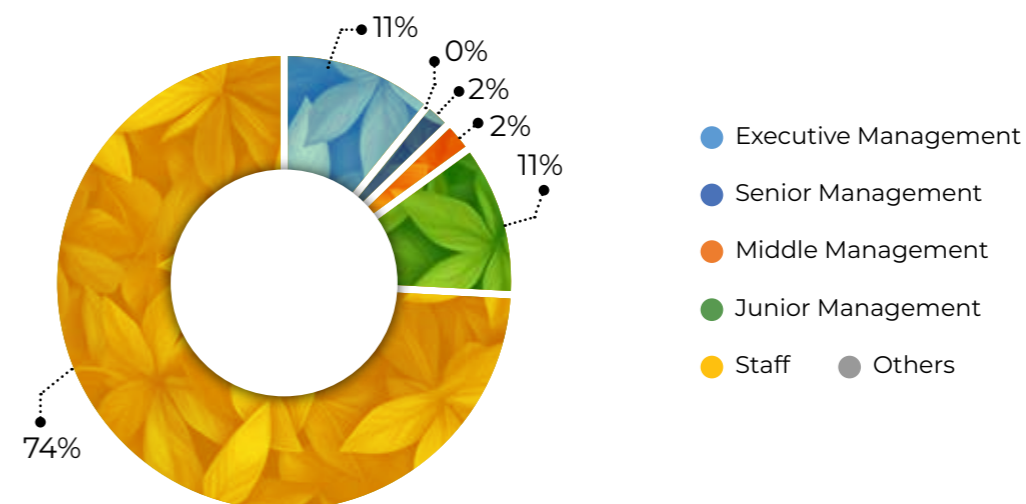
Employee -Worker Classification



Gender diversity



Employee Categorization

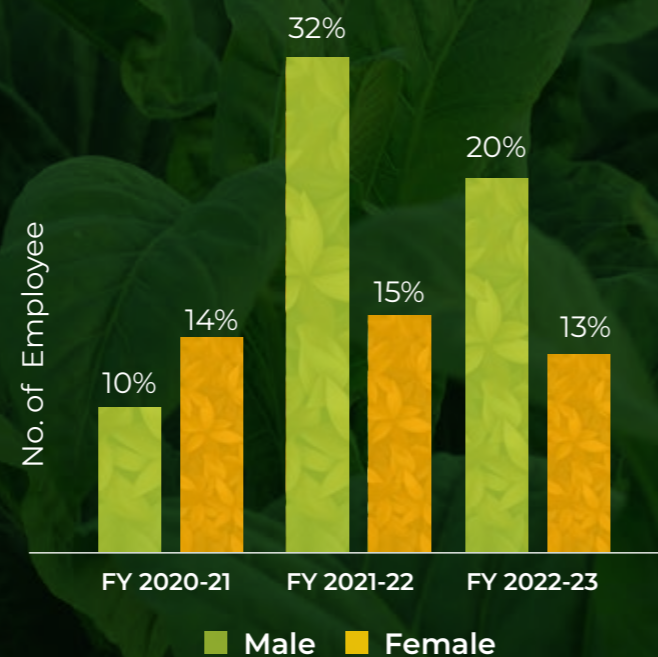


Attracting the right talent

Our distinctive career opportunities allow us to present an appealing value proposition. We recognize ourselves as an equal opportunity employer, by virtue of our fair recruitment procedures which do not discriminate potential employees on the basis of caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status, or affiliation with a political, religious, or union organisation or majority/ minority group.

| New Employees Hired | | | |
|---------------------|------------|------------|------------|
| | FY 2022-23 | FY 2021-22 | FY 2020-21 |
| Male | 71 | 52 | 33 |
| Female | 2 | 5 | 2 |
| Total | 73 | 57 | 35 |

Employee hiring rate



Employee wellbeing

The well-being of our employees is a central element in fostering happiness, enhancing competence, and ensuring overall satisfaction in the workplace. We are committed to providing a comprehensive range of health and wellness benefits that are competitive within the region to cater to the diverse needs of our workforce. These benefits encompass medical insurance, personal accident insurance, maternity leave benefits, and corporate partnerships focused on health, education, and well-being.

Additionally, our compensation and benefits programs are designed to be equitable, competitive, and aligned with industry standards,

taking into account various priorities tied to business growth. At the end of each appraisal cycle, employees receive incentives and bonuses, while also enjoying entitlements such as provident fund, gratuity, and long-service rewards, which are in addition to their basic pay.



Ratio of median compensation for male and female
Female: Male = 1.053

| Employee Category | Male | | Female | |
|---|--------|----------------------------|--------|----------------------------|
| | Number | Median remuneration in INR | Number | Median remuneration in INR |
| Key Managerial Personnel (other than BoD) | 2 | 1,06,35,543 | - | - |
| Employees other than BoD and KMP* | 350 | 10,74,717 | 14 | 11,31,946 |
| Workers | 402 | 10,37,718 | 0 | 0 |

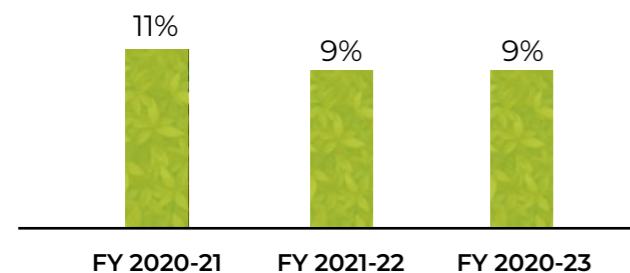


100% of employees & workers are covered under health insurance



100% of employees & workers are covered under accident insurance

Worker Turnover Rate



overall work environment. Our aim is to foster trusted relationships with our employees and their feedback is instrumental in shaping our strategies.

Performance Management

We believe in a goal-based approach, which factors in both organization level achievements and individual achievements. Goal setting is undertaken at the beginning of the year. The targets based on the strategic objectives set by the management team are communicated to everyone, based on which Key Result Areas (KRAs) are defined and set in the system.

At the end of each appraisal cycle, employees are evaluated against their performance in the defined KRAs while adhering to the organization's values.

The process enables us to evaluate the internal capabilities and skills of our employees and assess opportunities for succession planning and internal job transfers. The functional heads are responsible for identifying and mapping high-potential employees for managerial and leadership roles, based on meritocracy and the horizontal nature of profiles. A development plan is then devised, taking into account individual profiles and the qualifications and competencies required for the desired position. The candidate is subsequently groomed to develop competencies in areas that need improvement and assessed for their readiness to take on a higher role.



Employee engagement

We recognize the invaluable contributions of our employees' experience and expertise in driving business success. At the heart of our organization, we cultivate a culture of openness and inclusivity through various engagement programs, which are crucial for fostering a positive work environment.

The current reporting period witness turnover rate of 9%. Taking into cognizance such challenges, our management is reviewing existing policies and procedures in order to retain the best talent pool and make VST one of the most sought-after organizations in the long run.

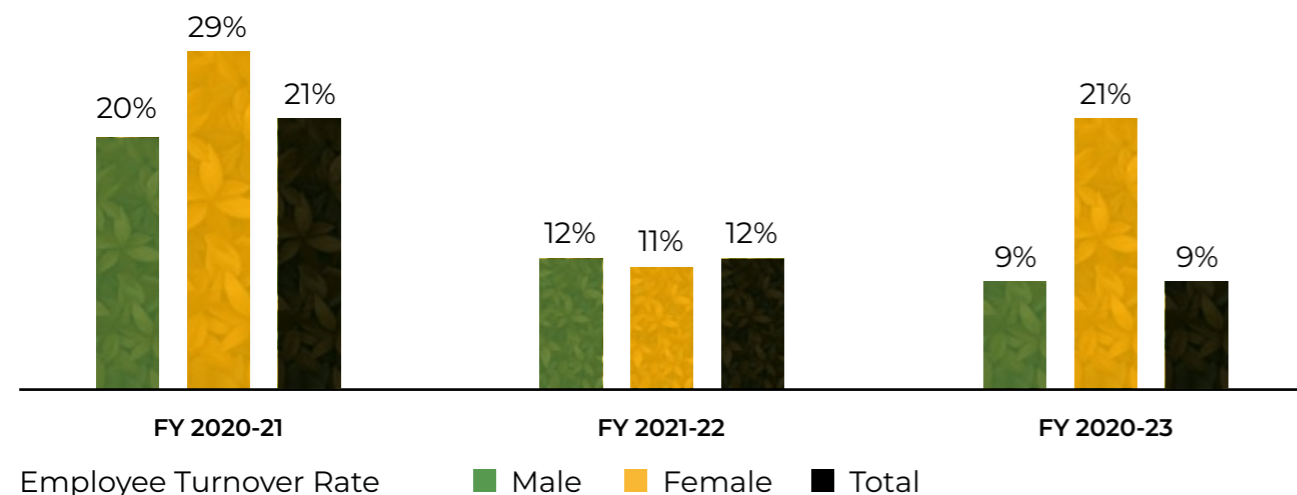
To ensure continuous improvement, we regularly engage with our employees through satisfaction surveys. These surveys serve as a valuable tool for gauging their perception of the workplace and gathering their opinions on enhancing the

Rewards and recognition



Star Programme has been established as one of the flagship events of VST. Through this programme we continued to motivate our employees through quarterly events, during which winners are honoured with tokens of appreciation such as mementos, certificates of recognition, and gift vouchers by our Managing Director and member of Board. This would also pave the path for "Excellence" going forward and make the awards aspirational for the employees.

Employee Turnover



We believe that rewarding and recognizing the efforts of our employees not only motivates and enhances their commitment but also enables building a strong employer brand. Appreciation of good behaviour and work creates happiness while promoting teamwork, competitiveness, and loyalty towards the Company. It also enables the organization to direct focus on the right behaviours & objectives.

With this intent "Gold Star – a Recognition Programme" was launched in January 2022. The

inaugural programme witnessed participation of employees nominated by the departmental heads, who contested for the following five categories.

- Encouraging team achievements,
- Innovation,
- Customer Centricity,
- Digital skills
- Encouraging new joiners to seamlessly integrate into the Organization.

On receiving an overwhelming response from the employee fraternity last year, the Gold



100%

Percentage of employees receiving regular performance and career development reviews



100%

Diverse and Inclusive Work Environment

VST promotes diversity and inclusion across all levels of the organization, valuing people from diverse cultural and demographic backgrounds. Cultivating diversity and inclusion is a top priority for us, which is reflected in our strategy for developing teams across various levels within the organization.

We foster diversity and inclusion by creating an open culture and providing equal opportunities for career growth and development, regardless of background. We strive to create a supportive

environment where people from diverse backgrounds can collaborate, share their concerns, and participate in decision-making.

Our goal is to provide the necessary infrastructure and support to create a workplace that is inclusive, equitable, and welcoming to all. All our workplaces are accessible, even to people who are differently abled. These include provision of ramps and wheelchair facilities for ease in navigation at the workplace.



How we empower women

VST is committed towards enhancing women participation in the Company. Lean in Groups have been formed with the aim to provide better support and guidance among women employees. The Group organizes several programmes including Women's Day celebration and Knowledge sharing sessions to provide career development support and celebrate achievements at work. The initiative was well received by the women community in our workforce.



Training and Education

GRI 404-1, GRI 404-2

Our talent management approach aims at providing a work environment that attracts top talent and supports their ongoing development and growth within the organization. Additionally, we strive to create a workplace culture that is both fulfilling and challenging, allowing our employees to thrive both personally and professionally.

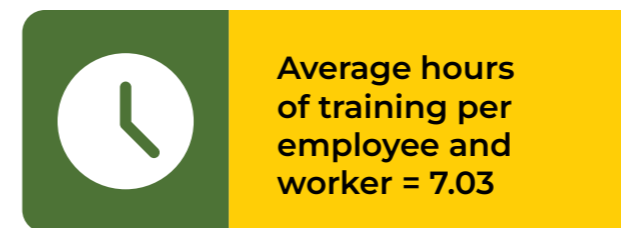
Training needs assessment are undertaken annually based on a feedback conversation between the employee and their reporting manager. The training needs are mapped, and such trainings are imparted accordingly based on an annual training calendar.

Every year we review and update our training modules and introduce new courses with the aim of constantly evolving ourselves as an organization. We collaborate with external trainers to enhance the skills of our employees and make them adaptable to the changing ecosystem. During the reporting period, we have engaged with external partners such as Upgrad for skill enhancement programs in the leaf function and have invited external consultants to conduct "Raise Workshop" for our Marketing Managers.

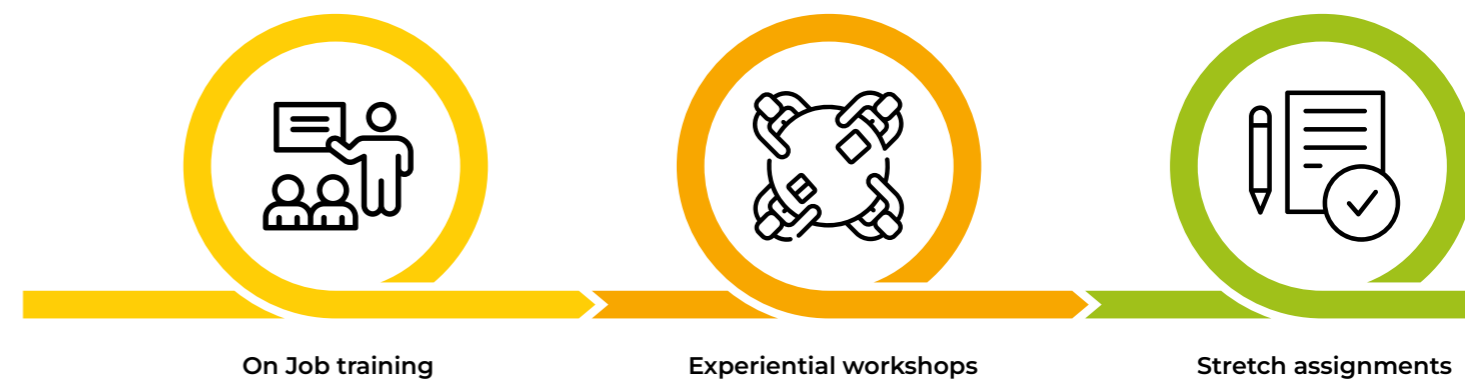
Our objective to be acknowledged as one of the best workplaces is not solely centred around the success of our employees, but also their overall well-being. We strive to create an environment that promotes prosperity and prioritizes the physical and emotional wellness of our workforce.

Talent Development

At VST, we emphasize on nurturing talent and enhancing the skills and leadership capabilities of our employees. To achieve this goal, we invest significant resources into providing training and development opportunities. Our new recruits are introduced to the values and culture of the organization through a comprehensive induction program. We also offer training programs that are tailored to the different levels of the organization, allowing our employees to acquire the specific skills and knowledge required to excel in their roles.



We follow a three-pronged approach to impart our trainings. These include



Health and Safety

GRI 403-1, GRI 403-2, GRI 403-5, GRI 403-6, GRI 403-7

We are committed towards maintaining a safe and healthy workplace for all our employees, with the ultimate goal of preventing any accidents. We understand that building a safety culture within the organization is the key to achieving excellence in safety.

Our own manufacturing facilities are ISO 45001: 2018 certified, which lays emphasis on improving our health and safety performance by setting targets and monitoring the progress made (against the targets) on a continual basis.

Our Vice President (Technical Division) has been assigned responsibility for driving our organization level health & safety management programs. As a practice, our organizational safety performance is reported on a quarterly basis to the Board. Through our health and safety management system, we comply with the local regulations, deploy a robust risk management process, undertake the necessary safety training and measure performance.

Managing Compliance

We maintain proper licenses and documentation as per requirements of the Factories Act and Management Standards. This is ensured through periodic internal and external audits. Non-conformities identified during such audits are addressed with immediate corrective actions followed by a set of preventive measures.

Risk Management

The establishment of an effective Risk Management System is based on identification of hazards, the qualitative and quantitative assessment of risks associated with such hazards, planning and implementation of the corrective and preventive measures. In line with our commitment towards 'Zero Accidents' (in our operations), we conduct 'Hazard Identification and Risk Assessment' (HIRA) as well as 'Job Safety Analysis' (JSA) for routine and non-routine jobs.

Through such assessment procedures we are able to identify the right set of risks associated with our operations and accordingly classify them under high, moderate, or acceptable categories. For the identified set of risks, we develop appropriate risk control and minimization measures to bring down the risk level to the minimum possible extent.

In addition to the risk assessment procedures conducted on annual basis, we, also empower our employees to bring forth to the management any near-miss cases, to ensure requisite corrective and preventive actions are taken on priority through investigation of the root causes.

We undertake several measures to mitigate our health and safety risks. Some of these initiatives include -

- Up-gradation / replacement of old machineries
- Periodic health survey and check-up for our workforce
- Provision of adequate personal protective equipment (PPE) that are routinely tested in an endeavour to mitigate harm from probable risks

Apart from the above initiatives we also undertake routine safety trainings which are equally important for risk mitigation by developing awareness among our workforces.

Health and Safety Training

Inculcating a safety culture within an organization requires the vital components of sensitizing employees to health and safety risks associated with their job activities, as well as providing comprehensive training on essential safety protocols and emergency preparedness plans. We carry out daily shop floor trainings and toolbox talks for both our permanent and contractual workers in the workplace. Through such measures, we inculcate safety culture within the organization and gradually enhance capabilities of our workforce to proactively identify unsafe acts and unsafe conditions. Some of our other trainings are as given below.

EHS trainings conducted in FY 2022-23

| | | | | |
|---|---|--|---|--|
|  Induction training |  SMD operator training |  PMD operator training |  Shipping and WMS safety training |  Chemical safety training |
|  Apprentice training |  Good safety practices training |  Electrical safety training |  Forklift safety training |  Welding safety training |
|  Safety training to contract w/m |  Fire safety training |  Work at height safety training |  Canteen safety and LPG handling |  Housekeeping and gardening safety training |



Safety Performance

We continuously measure our health and safety performance using a set of leading and lagging indicators and monitor our progress against a set of internal benchmarks; this has helped us to improve upon our performance in this domain.

Health & Safety awareness initiatives:

- Encouraging employees for safety suggestions for improve the Safety culture
- Involving employees in shop floor safety discussions and Safety committee meetings
- Conducting Safety Day competitions for employees and giving rewards for recognition



**Zero Lost Time Injuries
Zero Fatalities**



Human Rights

GRI 2-26, GRI 2-30, GRI 406-1, GRI 401-1, GRI 408-1, GRI 409-1, GRI 410-1

We acknowledge the fundamental importance of upholding and respecting human rights. Our unwavering commitment to human rights is enshrined in our Code of Conduct and Ethics Policy, which is reflected in all our employee contracts and third-party agreements. As part of our human rights commitment, we adhere to applicable regional laws and international

standards, including the Universal Declaration and the Fundamental Human Rights Conventions of the International Labour Organization (ILO). We are dedicated to promoting a safe work environment and protecting the human rights of every individual through stringent monitoring systems and the systematic implementation of policies and procedures.

No Child Labour

Our recruitment and security practices ensure zero tolerance towards child labour. The recruitment guidelines specify the minimum age as 18 years for employment opportunities. We scrutinize essential documents to verify person's age during the recruitment process.

Our security personnel are also sensitized and trained to check and verify the age and identity of third-party contractual workers entering the premise.

No Forced Labour

We strictly prohibit recruitment based on individual bond, debt or obligations towards the Company or its representatives. We do not accept cash deposits or a recruitment fee to secure employment. Our people are hired on the grounds of merit and competency only.

Non- Discrimination

Recruitment and career development opportunities are consistent, transparent and unbiased preventing any form of discrimination against any caste, race, religion or gender as prescribed under Indian regulations.

Working Hours and Fair Wages

Our people are provided fair and equal compensation, based on their skills and experience. We provide wages and statutory benefits on a timely basis to ensure social and economic security. Wage documentation is maintained for each individual, illustrates the wage calculation based on working hours with transparency on overtimes, bonuses, incentives and deductions received for the month. This is in compliance with the minimum wages mandate as per local laws and regulations.

Our people are entitled to weekly offs and holidays based on local customs and days of national significance.

Freedom of Association and Collective Bargaining

We recognize the participation of trade union (which is supported by 100% of our permanent workers) in the decision-making process for employee welfare. Our permanent workers are encouraged to voice their concerns collectively vide the union representative.

We maintain harmony at workplace and ensure unhindered operations. We recognise the needs of the workforce and address their concerns proactively through long-term solutions post interactions and discussions with the Union.



Sustainable Operation

| | | | | |
|--|---|---|---|---|
| 6 CLEAN WATER AND SANITATION  | 7 AFFORDABLE AND CLEAN ENERGY  | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION  | 13 CLIMATE ACTION  | 15 LIFE ON LAND  |
|--|---|---|---|---|

The environment provides us with an abundance of gifts in the form of natural resources and it has its own mechanisms to replenish the natural resources being used. However, overexploitation of these resources resulting from rapid urbanization, excessive deforestation, industrial emissions is gradually resulting in depletion of these natural resources at an alarming rate, higher than nature can replenish itself and reconstitute those resources. Over usage of natural resources is also a major cause for climate change and global warming which is far and wide becoming a major threat to our sustenance and its impacts are being felt across the world.

This calls for a concerted effort amongst nations to adapt and mitigate the climate change impacts. Today, climate change is part of the agenda for every government, business and civil society and the expectation from stakeholders is nothing less than Net Zero. India too is committed to achieving net zero emissions by 2070, and as a responsible corporate citizen, VST has also made a commitment to support this national objective by achieving carbon neutral operations by 2030- amongst other environmental targets. The following table delineates our 2030 targets along with their progress.

| Target | Target Year | Status as of FY 2022-23 | Material Topic |
|--|-------------|-------------------------|----------------|
| 50% renewable energy in overall energy mix (subject to regulatory environment) | 2030 | 17.88% | Energy |
| Aim to operate 100% of fleet (owned and third-party passenger vehicles) on electric vehicles by 2030 | 2030 | On-track | Energy |
| Carbon neutrality/offsetting: 100% carbon offset for VST's own operations (scope 1+2 emissions) by 2030 | 2030 | No offsets yet | Emissions |
| Rainwater Harvesting Potential equivalent to over 3 times the Net Water Consumption in own operations | 2030 | 2.76 | Water |
| 100% of packaging to be reusable, recyclable, or biodegradable by 2030 | 2030 | 100% | Waste |
| 100% offsetting of plastic packaging (plastic neutrality) through post-consumer plastic waste collection and processing under Extended Producer Responsibility (EPR) | 2030 | 100% | Waste |

At VST, we take significant effort to integrate sustainability practices into our operations across all relevant stages. Our manufacturing facilities strive towards minimising their environmental footprint and associated impact. We continue to optimize natural resource use in our processes and products as we aim to further improve our environmental performance aligned with technology-related advancement and evolving stakeholder expectations. Our Environment, Health & Safety (EHS) Policy establishes and showcases our vision to go beyond the required compliances,

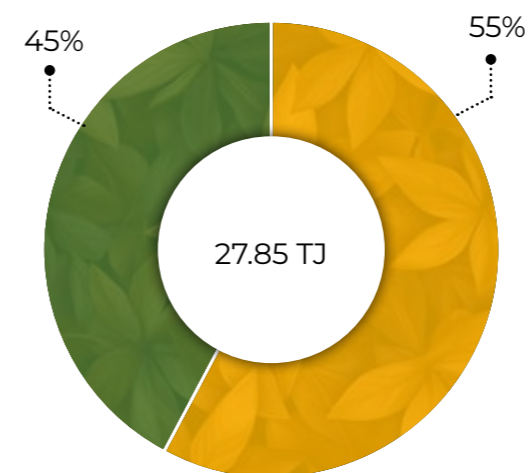
legislations, and regulations. The management and employees jointly work together to accomplish our common goal towards achieving a safe, healthy, and environment-friendly workplace.

We conduct regular reviews of our operational and environmental performance to ensure compliance with our EHS Policy, and we collaborate with stakeholders to mitigate environmental and ecological risks and challenges. Both of our manufacturing facilities have a well-established environment management system which are also ISO 14001:2015 certified.

Energy & emissions

GRI 302-1, GRI 302-2, GRI 302-3, GRI 302-4, GRI 302-5

Energy consumption by source



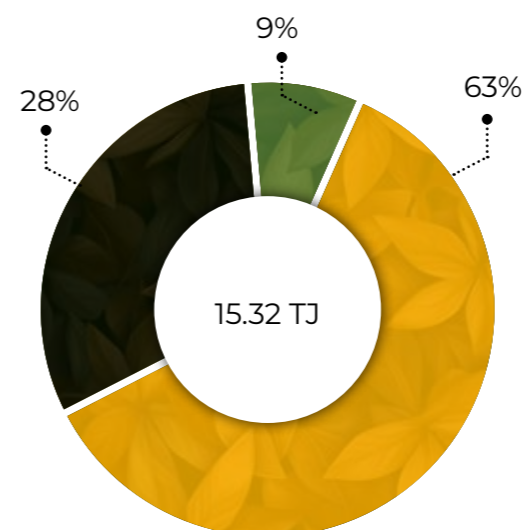
- Indirect Energy consumption
- Direct Energy consumption

Our energy transformation strategy aims at improving our operational efficiency through adoption of innovative practices and energy efficient technologies and building reliance on alternative fuels and energy. Presently, we depend on the following two energy options in our operations:

- Electricity purchased from utilities (Indirect energy)
- Fuels (such as natural gas, diesel) for our boiler operations, DG sets and onsite renewable energy (Direct energy)

In FY 2022-23, indirect energy (purchased grid electricity) contributed to 45% of the total requirements as compared to previous year which was 55%.

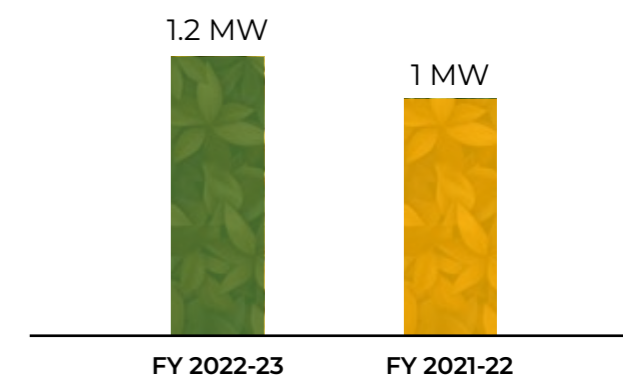
Categorization of direct energy consumption by type



- HSD
- PNG
- RE (Solar energy)

In FY 2022-23, of the total direct energy consumed, fossil fuel including HSD and PNG contributed to approximately 71% of the requirements whereas the onsite solar plants contribute to 28% of the energy requirements. The increase in renewable energy consumption is owing to the additional 200 KW solar plant installed to our existing 1 MW solar capacity during the reporting period. This increase in capacity has taken our tally upto 1.2 MW.

Renewable energy capacity (MW)



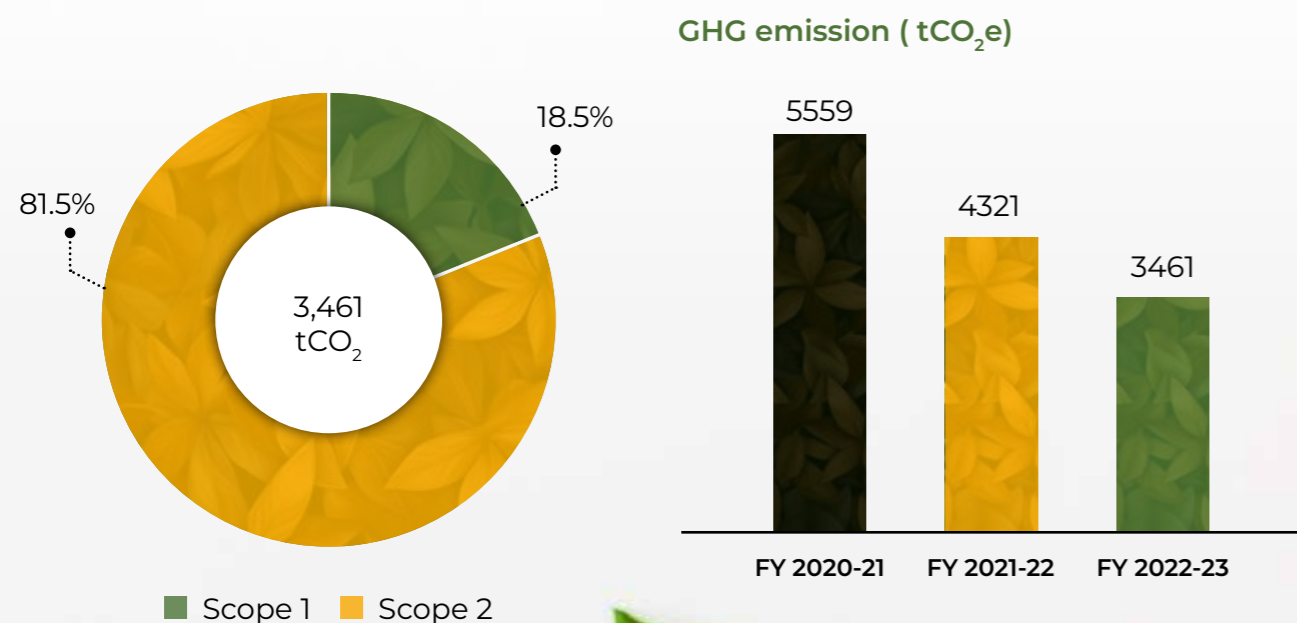
The below table represents our energy consumption for the three financial years:

| Financial Year | Direct Energy Consumption (TJ) | Indirect Energy Consumption (TJ) | Total Energy Consumption (TJ) |
|----------------|--------------------------------|----------------------------------|-------------------------------|
| FY 2022-23 | 15.32 | 12.53 | 27.85 |
| FY 2021-22 | 12.8 | 16.2 | 29 |
| FY 2020-21 | 11.6 | 18.6 | 30.2 |

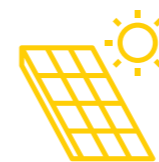
We are cognizant of our accountability towards all three types of GHG emissions (Scope 1, Scope 2 & Scope 3) arising out of our operations and both upstream & downstream value chain. However, at present we are measuring and monitoring our Scope 1 & Scope 2 emissions. We are strengthening

our data monitoring system focusing on relevant scope 3 emission sources in our value chain and accordingly plan to disclose our Scope 3 emission going forward. The below table and graphs represent GHG emissions profile of the organization for the three financial years:

| Financial Year | Scope 1 (tCO ₂ e) | Scope 2 (tCO ₂ e) | Total GHG emission (tCO ₂ e) |
|----------------|------------------------------|------------------------------|---|
| FY 2022-23 | 642 | 2,819 | 3461 |
| FY 2021-22 | 762 | 3,559 | 4,321 |
| FY 2020-21 | 866 | 4,693 | 5,559 |



The following levers have contributed to the reduction of the carbon footprint and subsequently our path towards, achieving carbon neutrality.



Low carbon alternatives
Addition of onsite rooftop solar capacity and adoption of electric vehicles



Fuel substitution
Replacement of High-Speed Diesel (HSD) with Piped Natural Gas (PNG) in boiler operations and incineration at Toopran



Internal **energy efficiency** initiatives

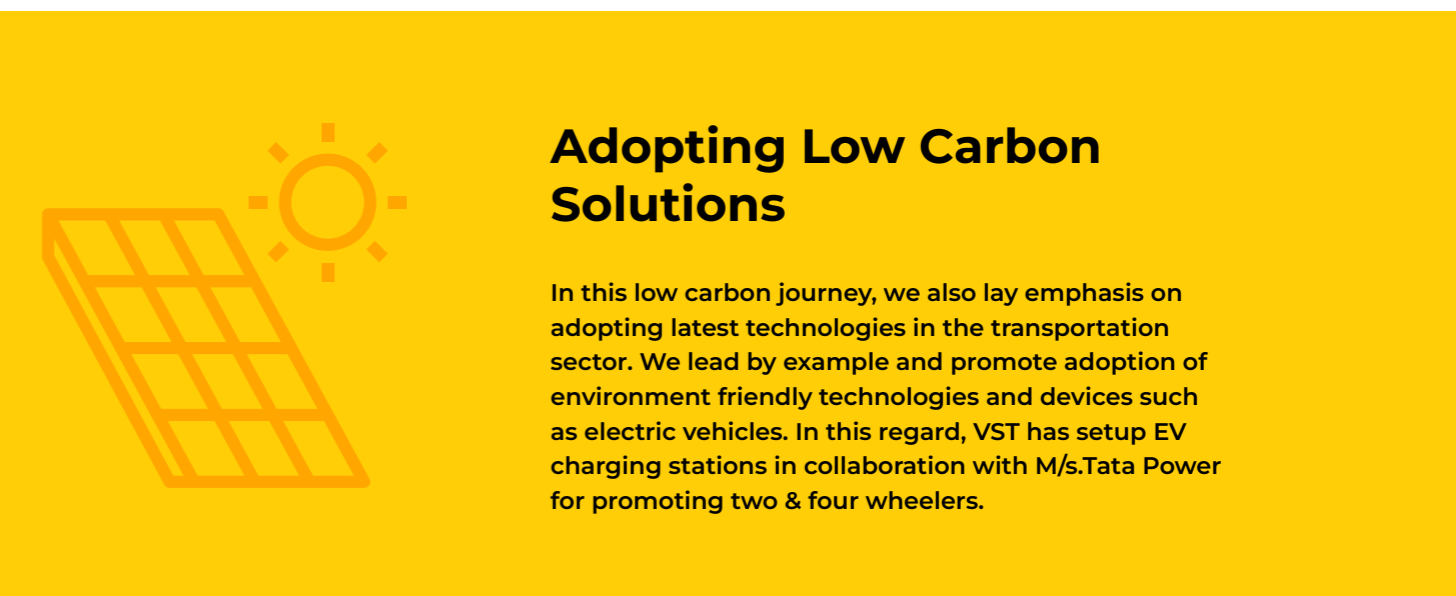
Low carbon alternatives

We are committed to sourcing 50% of our energy requirements from renewable energy sources by 2030. In this endeavour we have additionally installed a 200 KW solar power plant to our existing installed solar rooftop capacity of 1 MW at our manufacturing plants and corporate office, taking the total to 1.2 MW.

The total renewable energy consumption for VST during the reporting period was 4.33 TJ.

This initiative has contributed to not only building our reliance on non-conventional energy sources, but also avoiding 980.26 tCO₂ emissions during the reporting period.

While we integrate renewable energy in our operations we are also exploring and identifying the various means for accessing low carbon intensive sources of energy that are economical and involve no capital investments.

Adopting Low Carbon Solutions

In this low carbon journey, we also lay emphasis on adopting latest technologies in the transportation sector. We lead by example and promote adoption of environment friendly technologies and devices such as electric vehicles. In this regard, VST has setup EV charging stations in collaboration with M/s.Tata Power for promoting two & four wheelers.

Fuel substitution

We had initiated the process of replacing the use of High-Speed Diesel (HSD) with Piped Natural Gas (PNG) in our boiler operations at Toopran in the last financial year with an aim to transition ourselves to more climate friendly and cost-efficient business. During the reporting period, we made notable progress in this journey resulting in significant reduction of the proportion of HSD consumption to the total direct energy consumption from 48% to 9%, thereby resulting in reduction of 85 tCO₂e.

Looking ahead, we remain committed to our sustainability goals and have set our sights on completely replacing HSD consumption with PNG by FY 2024-25. This ambitious goal will require continued effort and investment in innovative solutions, which we are confident of achieving with the support of our stakeholders.



Boiler fuel conversion from HSD to PNG

Energy efficiency measures

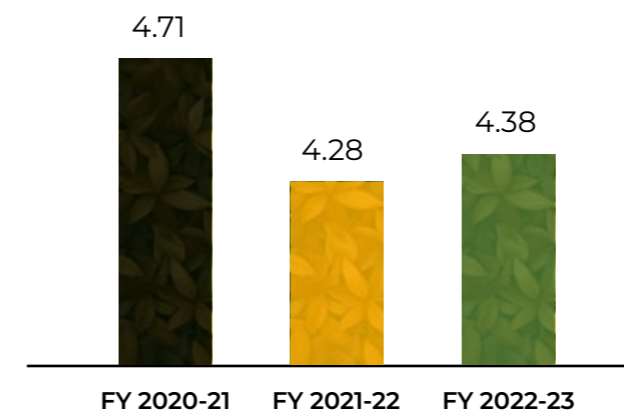
Improving energy efficiency is an integral part of our climate change strategy. We proactively engage with our stakeholders to innovate and identify emerging technologies that pave the pathway for reducing energy demand and fulfilling our climate goals. Some of the measures undertaken during the reporting year are as follows.

- 0.8%**
energy saved in DRF plant through differential pressure purging system
- 1.2%**
energy saved in lighting by installing all LED Light fittings with occupancy sensors
- 10%**
Specific energy consumption was reduced by improving machine productivity
- Conducted energy conservation awareness program for **339** employees.

We are in the process of implementing the ISO 50001:2018 standard at both our manufacturing facilities, thereby reaffirming our commitment to continual improvement in energy management and reducing our energy intensity over the period. Our Toopran facility, which is acknowledged as an IGBC 'Platinum Rated Green Factory Building' testifies this commitment by maintaining a 30% lower energy consumption compared to conventional buildings.

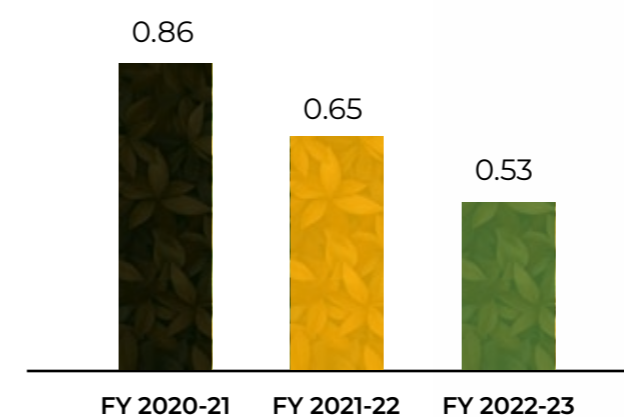
Through such measures over the reporting period, we have been able to reduce our energy intensity by 5% in FY 2022-23 compared to the previous financial year. We will continue to enhance the scale and coverage of the above levers across our operations in the coming years.

ENERGY INTENSITY (GJ/MNC)



Subsequently we have also reduced our absolute GHG footprint substantially by 21% in FY 2022-23 from previous financial year, which testify our aspirations towards achieving carbon neutral operations. Our Scope 1 emissions have reduced by 15.74% from 762 tCO₂e emissions in FY 2021-22 to 642 for Scope 1 tCO₂e emissions in FY 2022-23 while our Scope 2 emissions have reduced by 20.8% from 3,559.02 tCO₂eq emissions in FY 2021-22 to 2819 tCO₂eq emissions in FY 2022-23.

GHG intensity (tCO₂e/MNC)



Other Emissions

Preserving the air quality in and around our plants has been a priority for us. We monitor our stack emissions on a monthly basis through NABL accredited third party agencies and have taken proactive measures to arrest dust pollution through installation of bag filters at our DG set stacks and piped natural gas projects. Our air emissions during the reporting period are as follows.

41.03 MT
NOx emissions

33.67 MT
SOx emissions

9.77 MT
PM emissions





Water Management

GRI 303-5

We take cognizance of the water scarcity in different regions of our country and interconnectedness of water cycle with the impacts of climate change. Guided by the Water Stewardship Policy, we continuously monitor the water related risks and opportunities through periodic water audits and water balance studies, both internally and through third-party experts. Accordingly, we develop the action plan to mitigate the risks.

Embracing Alliance for Water Stewardship (AWS) for Sustainable Manufacturing in Cut Tobacco: A Path for VST Industries Limited

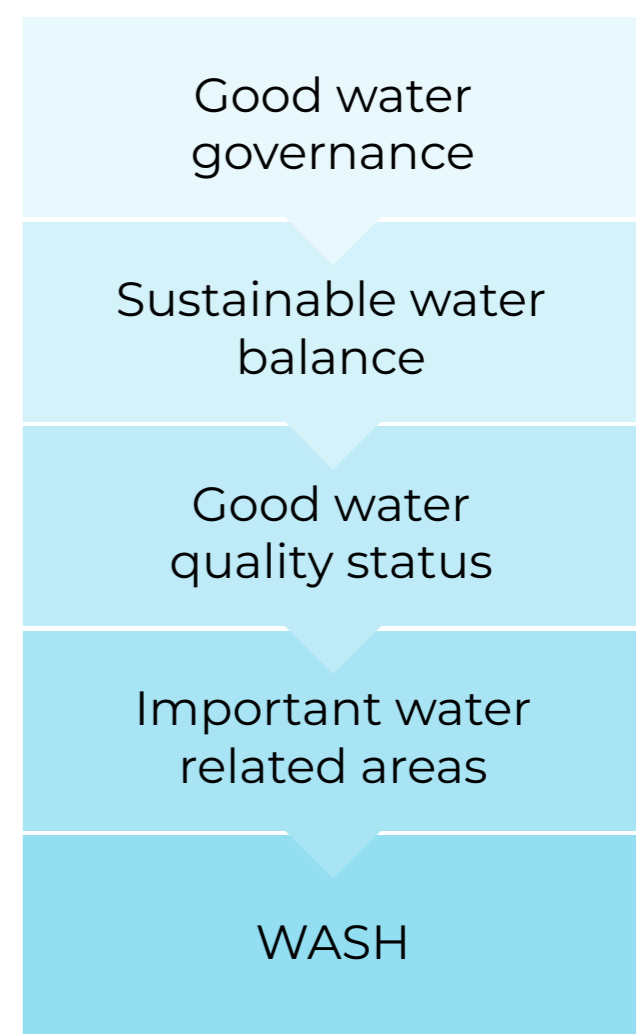
VST Industries Limited recognizes the significance of water stewardship as a crucial element of sustainable business practices. In pursuit of becoming a sustainable manufacturer, the company has adopted the Alliance for Water Stewardship (AWS) framework.

AWS is a globally recognized standard that offers a comprehensive framework for organizations to manage water resources sustainably. Its objectives include enhancing water governance, improving water quality, and ensuring responsible water use in industries and communities.

By aligning with AWS principles, VST Industries Limited has planned to integrate water stewardship into its core business strategy, cultivating a culture of responsible water use and conservation. With the help of this plan, we aim to take tangible actions toward sustainable water management.

In line with AWS principles, we have used tools such as the World Resources Institute's (WRI) Aqueduct tool to identify potential water risks. The identified risks were consulted with the relevant stakeholders to understand its impact on their livelihood and well-being. Through a thorough analysis, we have chartered our action plan focused on water reduction measures, enhancing water availability through harvesting and recycling, while creating awareness across the value chain members. This proactive approach not only mitigates water-related risks but also demonstrates our dedication to responsible water stewardship.

The key principles basis which our plan was formulated are as follows:



Implementation of AWS principles allow us to prioritize water stewardship and deliver positive impact. An initial audit was conducted for Tooproan in March 2023, the results of which are awaited

Water withdrawal:

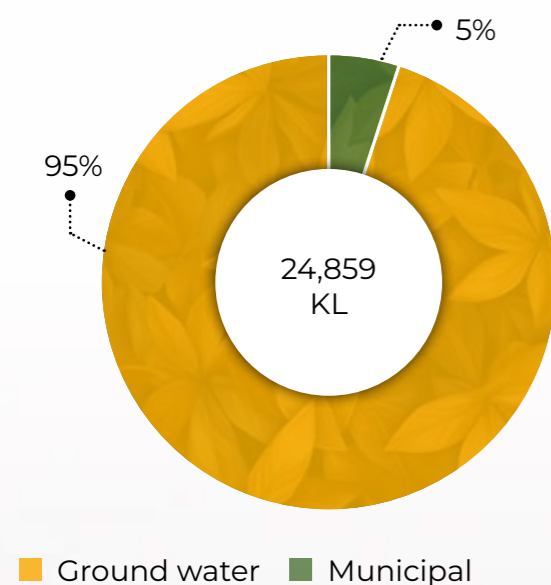
At VST, we withdraw water from varied sources including the ground water and the third-party municipal water as per the limits prescribed by regulatory authorities. Water is utilized primarily

for the handling and blending of tobacco leaf and stem. Apart from these processes, water is used for drinking and domestic purposes.

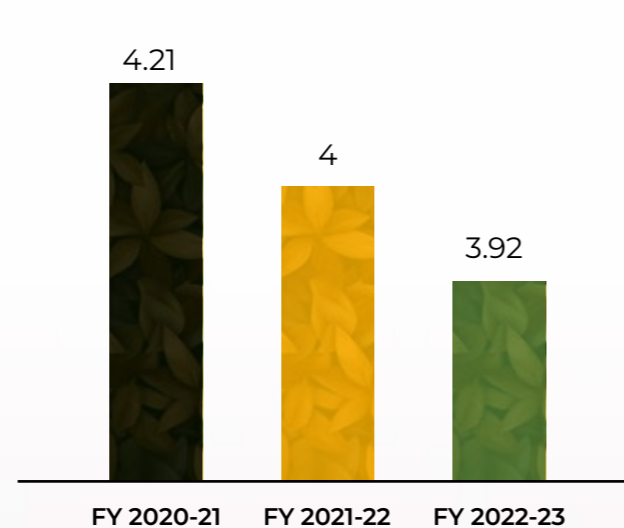
Water Withdrawal (KL)



Water withdrawal by source(KL)



Water intensity (KL/MNC)



Water Conservation Strategy

As a water steward, we strive to minimise our impact on freshwater sources while continually attempting to increase our water-efficiency, both of which are guided by our Water Stewardship Policy.

Our water management strategies are focused at optimizing our water consumption, identifying alternative water sources and ensuring all our sites maintain zero liquid discharge status.

Zero Liquid Discharge

Both our manufacturing facilities are zero liquid discharge facilities. Wastewater generated at the facilities is recycled for gardening purpose and it is ensured that no effluent is discharged outside facility boundary. To ensure responsible use of resources, we have implemented continuous monitoring of both ground water consumption and effluent treatment plant performance. Additionally, in compliance with relevant environmental regulations, we periodically share reports on ground water and effluent with pollution control boards.

This initiative along with various internal water optimization measures (in process and utility areas) have enabled us in reducing water intensity by 5% over the previous financial year, which is largely contributed through various internal water



optimization initiatives across our process and utility areas.

Rainwater Harvesting

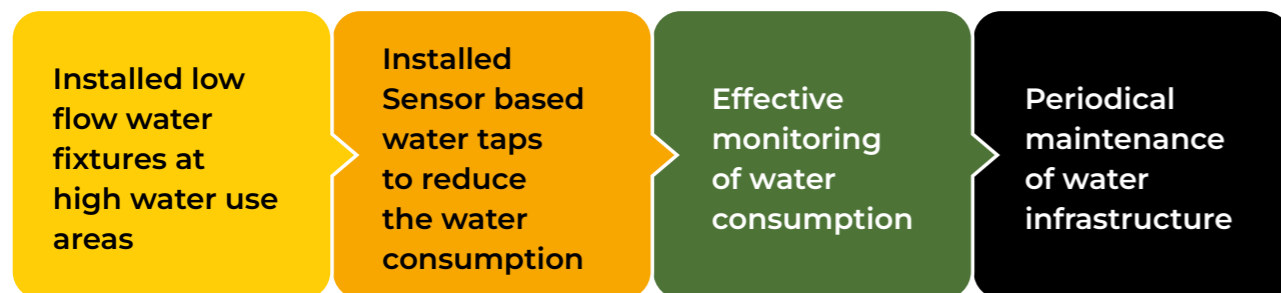
As part of our larger goal of achieving three times water positivity by 2030, we are actively constructing rainwater harvesting and recharging structures to maintain optimum ground water levels. Currently, we have constructed ten rainwater harvesting pits across our manufacturing

facilities, with a total capacity to harvest 1,37,606 KL of rainwater. These structures are utilized for recharging the ground water through percolation, as we remain committed to responsible water management.



Optimizing water consumption

As part of our commitment to sustainability and responsible resource management, we have implemented several initiatives to improve water management within our operations. These include:



Cleaning of Rooftop Solar Panels by Conserving Water

Rooftop solar cleaning is an important aspect for maintaining the efficiency and effectiveness of solar panels. Over time, solar panels can accumulate dirt, dust, leaves, bird droppings, and other debris, which can hinder their ability to generate electricity at maximum capacity. Therefore, regular cleaning is necessary to ensure optimal performance and energy production from rooftop solar installations.

Manual intervention was proving to be ineffective, and

the panels' location on rooftops posed risks for the personnel involved. Additionally, the cleaning schedule was getting disrupted on non-working days.

On implementing the automated cleaning system for the rooftop solar panels, we were able to utilize water more efficiently. This practice also eliminated any safety risk associated with working from height. Taking this approach forward, we have plans to expand and incorporate solar installations using this design.



Waste Management

(GRI 306-1; GRI 306-2, GRI 306-3)

At VST, we recognize the critical importance of responsible waste management in minimizing our environmental impact and promoting sustainability. By prioritizing waste management, we strive to contribute to a cleaner and healthier environment while aligning our operations with global environmental standards.

Our dedicated efforts involve segregating the waste produced by our factories into hazardous and non-hazardous categories, ensuring proper disposal through established and suitable mechanisms. Hazardous waste is disposed by State Pollution Control Board (SPCB) approved third party recycler, while non-hazardous waste is sold to scrap vendors.

| Particulars | FY 2022-23 | FY 2021-22 | FY 2020-21 |
|---|------------|------------|------------|
| Hazardous waste generated (Metric Tons) | 0.96 | NIL | 0.19 |
| Non-Hazardous waste generated (Metric Tons) | 35.8 | 40.45 | 41.31 |

Sustainable Material

GRI 301-1

At VST, our business practices are imbued with the 3R philosophy of efficient waste management, aimed at mitigating the impact of resource depletion and promoting efficient utilization. Furthermore, we place great emphasis on ensuring the recyclability of materials in our production processes. Through the implementation of effective shopfloor initiatives, technology upgrades, and process reengineering, we strive towards optimizing our resource consumption.

| Raw Material | Unit | FY 2022-23 |
|-----------------|----------------|------------|
| Filters | Million Nos | 1,716 |
| HLPS | Million Nos | 887 |
| Cigarette Paper | Million meters | 453 |
| PPCT | Million meters | 130 |
| Adhesive | Metric Ton | 152 |
| CFC | Million Nos | 1 |
| Bundling Paper | Million meters | 98 |
| Inner Frame | Metric Ton | 567 |
| Gay Wrapper | Million meters | 10 |
| BOPP | Metric Ton | 2,57,405 |

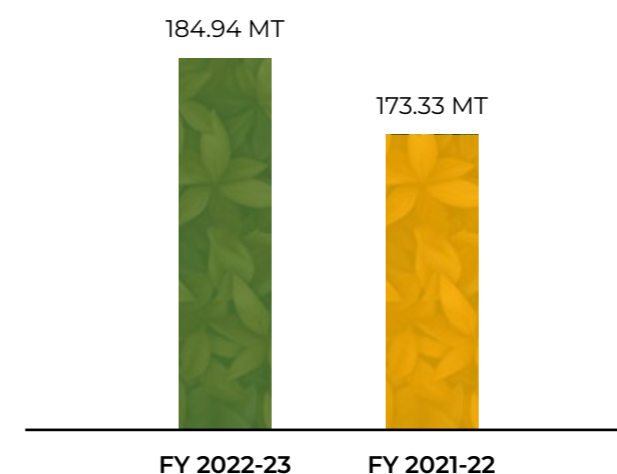
Circular Economy

At VST, we recognize that every material has an intrinsic value not only in its use phase but also at the end of life. The intrinsic value of waste material can be unlocked through efficient and responsible management of waste.

We employ processes that reclaim our packaging materials (particularly plastic waste) for safe disposal at the end of life. During FY 2022-23, we have increased recovery of our non MLP plastic waste from 173.33 MT to 184.94 MT, for recycling them through authorized recyclers.

Further, as part of our commitment to the Circular Economy, we have already transitioned to using 100% biodegradable BOPP overwrap instead of non-recyclable BOPP films. Additionally, all of our paper and paperboard packaging materials are recyclable.

Plastic waste




Biodiversity

As environmental stewards, we are deeply committed to the conservation of wild habitats, diverse flora and fauna species in the local communities. Our dedication lies in safeguarding the regenerative processes and promoting the harmonious coexistence of interactive ecosystems.

Additionally, we ensure that the tobacco leaves we procure are not linked to any potential deforestation of primary or protected forest lands. We encourage and promote the sustainable use of renewable sources (self-sufficient firewood and biomass) for tobacco curing by our contracted tobacco farmers. We also encourage our tobacco farmers to deploy efficient curing technologies that uses lesser fuel and reduced number of curing days.

At both the manufacturing facilities, we have taken conscious decisions of maintaining a green cover.



Our actions have resulted in procurement to the tune of 89.6% of tobacco leaf purchased cured from sources that have no risk of deforestation of primary and protected forests.



Sustainable Agriculture

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



VST's approach to sustainable development revolves around creating shared value. We strive to make decisions that are not only beneficial for our business, but also for society and the planet. One of the key pillars of our efforts is sustainable agriculture. This involves promoting responsible practices throughout our upstream value chain, such as implementing good agricultural practices on a larger scale. We work to develop systems that protect and restore the environment, improve the livelihoods of farmers, and enhance the resilience and wellbeing of farming communities.

The Farmer Handbook illustrates the good agricultural practices, that are leveraged to achieve our ambitions. We have also deployed a team of field-technicians who provide regular guidance to

farmers on the application of the good agricultural practices and keeps the farmers updated on the latest technologies and developments in farming. The field technicians are equipped with GMS, an online mobile application that helps monitor farm practices that include seedbed management, transplanting, use of Crop Protection Agents (CPAs), topping, curing, bulking, bailing, marketing and compliance with Agriculture Labour Practices (ALP).

On receiving data through the GMS, the leaf function analyzes field level data and reviews progress against our targets and goals. Our mid-term and long-term goals towards sustainable farming are detailed below.

| Target | Target Year | Status | Material Topic |
|---|-------------|---|--------------------|
| "We have zero tolerance towards child labour or forced labour. We shall continue to have adequate measures in place to identify and mitigate such risks within the leaf supply chain" | 2030 | No child labour/forced labour case reported | Farmer Livelihood |
| "We shall continue to ensure minimum legal wage is provided to farm workers" | 2030 | Ongoing | Farmer Livelihood |
| Implement mechanization of field preparation and removal of stubbles for 100% of area under tobacco | 2030 | On-track | Farmer Livelihood |
| Explore and implement mechanization of other farm operations (harvesting & plantation) for at least 20% of tobacco area | 2030 | On-track | Farmer Livelihood |
| 30% of contracted farmers (for Talmari & Oriental crops) to use drip irrigation | 2030 | On-track | Climate resilience |
| 30% of crop protection agents used by contracted farmers to be biofertilizer/ biochemicals based | 2030 | On-track | Climate resilience |
| 20% improvement in soil organic matter through green manuring crops for better water holding capacity | 2030 | On-track | Climate resilience |

Over the course of this section, you will be familiarized with our approach and interventions to mitigate the negative impacts of our upstream.



The Farmer Handbook illustrates the good agricultural practices, that are leveraged to achieve our ambitions. We have also deployed a team of field-technicians who provide regular guidance to farmers on the application of the good agricultural practices and keeps the farmers updated on the latest technologies and developments in farming.

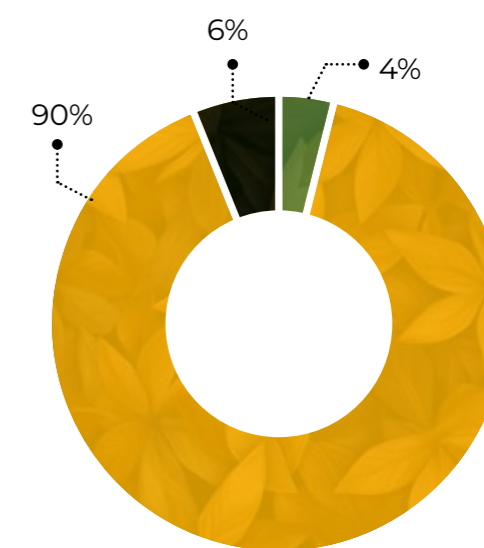
Farmer Livelihood

GRI 413-1

We view our contracted farmers as invaluable business partners who play a critical role in advancing our overarching sustainability objectives. While maintaining stable income could be challenging amid climate change, geopolitical tension, pandemic situations amongst other market forces, our continuous endeavour is to ensure sustainable livelihood for the farming community through various well-being initiatives.

practices. We have been successful in reducing monocropping practices. All our farmers practice crop rotation which is desirable for balancing soil nutrients.

% of farmers opting for farming practice



Investing in the Farming Community

At VST, we prioritize on investing in initiatives that improve farmer livelihoods resulting in increase in yield and subsequently their income. To accomplish this, we offer technical support and guidance on the most effective agricultural practices aimed at making agriculture more productive, profitable, and environmentally sustainable.

Improving soil quality

Soil plays a vital role in maintaining nutrient value and ensuring land is cultivable. We engage with farmers to sensitize them on the negative impacts of monocropping and intensive tillage

- Mono cropping
- Double cropping
- Multi cropping

In line with our target to improve soil organic matter, we encourage crop rotation practices among our farmers. This practice helps to balance soil nutrients and improve soil health, ultimately contributing to our goal of increasing soil organic matter.

Farm productivity

We have collaborated with the Tobacco Board to improve our tobacco production processes. As a result, we have implemented modern threshing plants and re-drying facilities to enhance yield and meet export quality standards. In addition, we support the use of seed varieties that promote high yield without compromising the health of the soil or the environment.

We are exploring options for introducing mechanization of field preparation, removal of stubbles and harvesting activities which will further improve profit margin of farmers by increasing farm productivity and reducing cost of produce.

Ensuring the highest quality

Quality is equally important as crop productivity in fetching higher income for farmers. We at VST, ensure the pesticide residue levels and TSNAs (Tobacco Specific Nitrosamines) are within international standards. To ensure good quality produce, we facilitate the farmers in identifying Non-Tobacco Related Material (NTRM) through sorting of the bales and subsequently cleaning them.

We firmly believe that the above interventions will help in enhancing farmer livelihood and will translate into providing better working conditions for the farming community.



Protection of Human Rights

As we continue to work on enhancing farmer livelihood and wellbeing, we also keep a vigilant watch on farm practices to identify and prevent human right abuses.

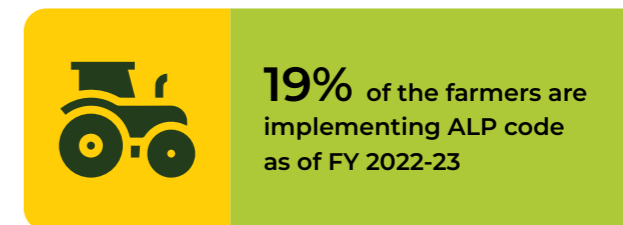
All farmer agreements are embedded with the ALP code which illustrates the various aspects of human rights the farmers are expected to abide by. On affirming to an agreement with VST, farmers agree to compliance with all local, state (provincial) and national laws and regulations in connection with labor standards, (which include minimum compensation, working hours, non-discrimination, fair treatment, safe working environment, freedom of association).

They specifically agree to

- not employing any child below the age of 14 in their farm
- not employing persons under conditions that demand work or service under the threat of any penalty and for which such person has not offered himself/ herself voluntarily, or as a means of repayment of debt
- strictly complying with the minimum wage provided by the applicable national law
- strictly prohibiting any form of discrimination
- ensuring provision of clean drinking water and adequate access to PPE kits
- providing workers their entitled breaks and rest periods

Field technicians are deployed to continuously monitor farm holdings and identify human right violations. Human right violations if any, are reported through the GMS application.

We understand that human rights issues are complex in nature and requires a thorough due diligence to conclude to any solution. Remediation requires cooperation and dialogue rather than confrontation. Hence, we are taking the necessary steps by sensitizing them on actions that can interfere with human rights, the requirements to adhere to the local laws and the means to report any challenges in executing the code.



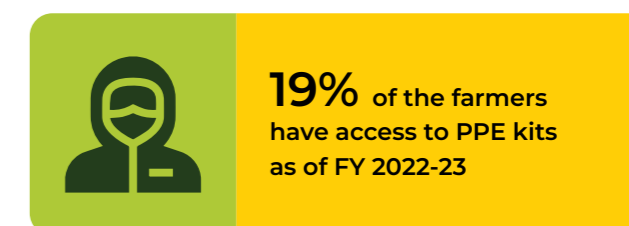
Our approach emphasizes on working with families of farmers and the community in which they reside to identify sustainable solutions that address their challenges and enhance social equity.

Growing Tobacco Safely

Cultivation of tobacco is associated with health and safety concerns at the upstream. Exposure to pesticides while handling wet green tobacco leaves during harvesting and stitching may lead to Green Tobacco Sickness (GTS).

We ensure the farmers, and the farm workers have access to adequate PPE kits. So far, we have made provisions for PPE kits for 19% of the workforce and going forward we aim to increase our coverage to 100% of the contracted farmers in a phased manner. Additionally, training sessions are arranged for the farmers to make them aware of the root causes of GTS occurrence and to demonstrate to them the usage of PPE kits on field days, once during the season and once on the commencement of the season.

The effectiveness of our measures is ensured by our field technicians who periodically visit each farm to monitor adequacy of PPE kits and its usage by farm workers.



Climate Resilience

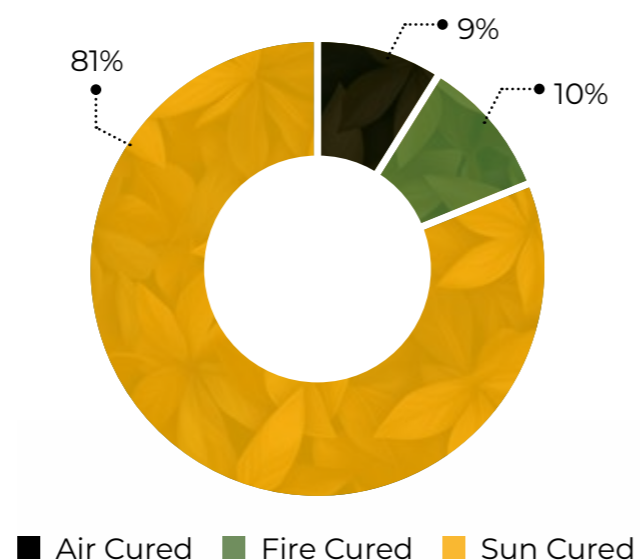
We consider securing resources in a climate-resilient supply chain as a vital component of our business strategy. In order to achieve this, we actively engage with farmers and raise awareness about the global climate concerns. Through such interactions, we also seek to identify the challenges faced by farmers at the grassroot level due to climate change and explore viable solutions to mitigate those challenges



and use agricultural waste such as tobacco stalks, maize husk, saw dust, sunflower head, groundnut shell and cotton stalks. However, these agricultural wastes produce biogenic emissions and addressing it is a part of our plan.

Further, the Company has also upgraded its existing barn structures, resulting in a 38% reduction in fuel requirements and a 40% decrease in curing time, thus improving resource efficiency in their value chain.

Curing practices in VST in FY 2022-23
(% of tobacco volume procured)



Sustainable Alternatives

We are aware that synthetic fertilizers and pesticides are widely used throughout the tobacco supply chain, leading to the production of nitrous oxide, a greenhouse gas that is 265 times more potent than carbon dioxide. While we understand that it may not be possible to completely replace conventional chemicals with biochemicals, we have launched a pilot program to introduce our farmers to biochemical suppliers and evaluate the impact of these alternatives. Our goal is to eventually adopt biochemicals on a larger scale and replace 30% of the Crop Protection Agents (CPAs) with these more sustainable alternatives.

Low Carbon Curing

Curing is a major source of emissions in the tobacco supply chain, if not sustainably managed. Our objective towards low carbon curing involves strong resentment towards deforestation and use of forest wood for curing purpose. Majority of our contract farmers indulge in sun curing, air curing

Water Stewardship

As climate change becomes prevalent, lack of precipitation over an extended period can result in depletion of water resources. Increase in water demand beyond availability results in water stress risks. At VST, we strive to understand the water stress in our value chain and engage with our stakeholders to explore sustainable ways to water crops while protecting the access of the local communities to water resources.

Tobacco is primarily a rain-fed crop and majority of our contracted farmers are dependent on rainfall for a good yield. We understand our responsibility to mitigate risk of water shortage due to insufficient rainfall and for this purpose we have been adopting various initiatives such as drip irrigation, micro sprinklers and green manuring.


As a water steward, we continue to monitor the implementation of such practices on a periodic basis and explore new ways to optimise water usage at the upstream. We at VST also prioritize on collaboration with stakeholders to ensure that the needs of local communities are met, and that water resources are managed in a way that balances environmental, social, and economic considerations. Additionally, our water stewardship policies encourage our farmers to adopt innovative solutions, such as precision irrigation technologies, that promote sustainable water use and improve agricultural productivity. By implementing a comprehensive water stewardship policy, we have taken the initial steps towards managing water

resources sustainably and mitigating the impacts of climate change on their operations.

Waste Management

The use of agrochemicals and crop protection agents is essential for enriching the soil nutrients and increasing the crop yield. Nonetheless, if these chemicals are not used and managed with care, they can pose a considerable threat to human health and other living organisms. Our contracts direct farmers to ensure safe disposal of the empty containers of crop protection agents. Upon emptying a CPA container, the farmer should rinse the container three times and pour the liquid into the spray tank. The container is then punctured to prevent re-use and is disposed/recycled in accordance with the CPA manufacturer's label recommendations and/or national regulations.

We continue to create awareness amongst the farmers on the use and safe disposal of agrochemicals and have initiated the provision of CPA boxes for safe storage of agrochemical.



19% of farmers trained on use of agrochemicals and safe disposal as of FY 2022-23





Inclusive Growth

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



16 PEACE, JUSTICE AND STRONG INSTITUTIONS





Our CSR policy and initiatives reflects our vision, mission, thrust areas and lists out various areas in which corporate entities are expected to deploy their CSR funds and implement programmes for social development.

We are dedicated to creating shared value and promoting inclusive growth for all our stakeholders throughout the entire value chain. Our commitment to fulfilling our responsibilities to our stakeholders is unwavering, and we strive to do our best. We work closely with the local communities around our manufacturing facilities, evaluate the direct and indirect impacts of our operations on these communities, and undertake development initiatives accordingly. Additionally, we continuously engage and support our tobacco farmers to adopt new, improved, and sustainable methods of tobacco cultivation.

Our CSR policy and initiatives reflects our vision, mission, thrust areas and lists out various areas in which corporate entities are expected to deploy their CSR funds and implement programmes for social development.

Additionally, as a responsible corporate citizen, we continue to adhere to COTPA guidelines, for packaging and labelling, advertising, and promotion. We engage in continuous social dialogue with our stakeholders and regulatory community through industry bodies.

Responsible Marketing

(GRI 417-1, GRI 417-2, GRI 417-3)

VST's marketing policy is governed by COTPA guidelines, enacted by Government of India (GoI). COTPA is aligned to the FCTC treaty by WHO. Article 11 of FCTC requires labelling & packaging to discourage by any means that are false, misleading, deceptive, or likely to create an erroneous impression about the product's characteristics, health effects, hazards or emissions and Article 13 pertains to advertising, sponsorship, promotion ban of tobacco products. Both article 11 & 13 are comprehensively covered under COTPA. Every new joiner is explained and trained on these guidelines by senior team members in the marketing team.

Our sales team sensitizes stakeholders in the value chain about applicable and relevant regulations to be abided under COTPA and if necessary, material support is also provided. "Not for Sale to Minors" signages as per COTPA guidelines are provided to the distributors/retailers for display outside their counters.

We have established a toll-free number on which distributors/ customers can register their complaints. The complaints are checked by grievance redressal executive and transferred to the concerned department. The relevant departments are required to take all the necessary efforts to resolve the issues on priority. Our sales team surveys retailers periodically on any servicing issues and also take stock of competition activity.

For consumer surveys, we only reach out to adult smokers above the age of 21 years though the mandated age as per law is 18 years. Consumer surveys in general are conducted to assess equity of brands and consumption pattern. We try to ensure exclusion of people below 18 years in tobacco related activities till our last point of contact (i.e., Territory Manager). In FY 2022-23, we haven't received any customer complaints.

Littering Prevention

VST is dedicated to reducing impact on the environment and has adopted the Circular Economy approach. This approach involves returning every product or component used in our operations and product lifecycle back into the economic stream to minimize our environmental impact throughout our value chain. To achieve this objective, we have collaborated with waste management companies to conduct clean-up drives to address the problem of littering plastic waste.

During the reporting period we have collected and safely disposed 184.94 MT of post-consumer plastic waste across 31 states and union territories in India through a SPCB approved recycler.

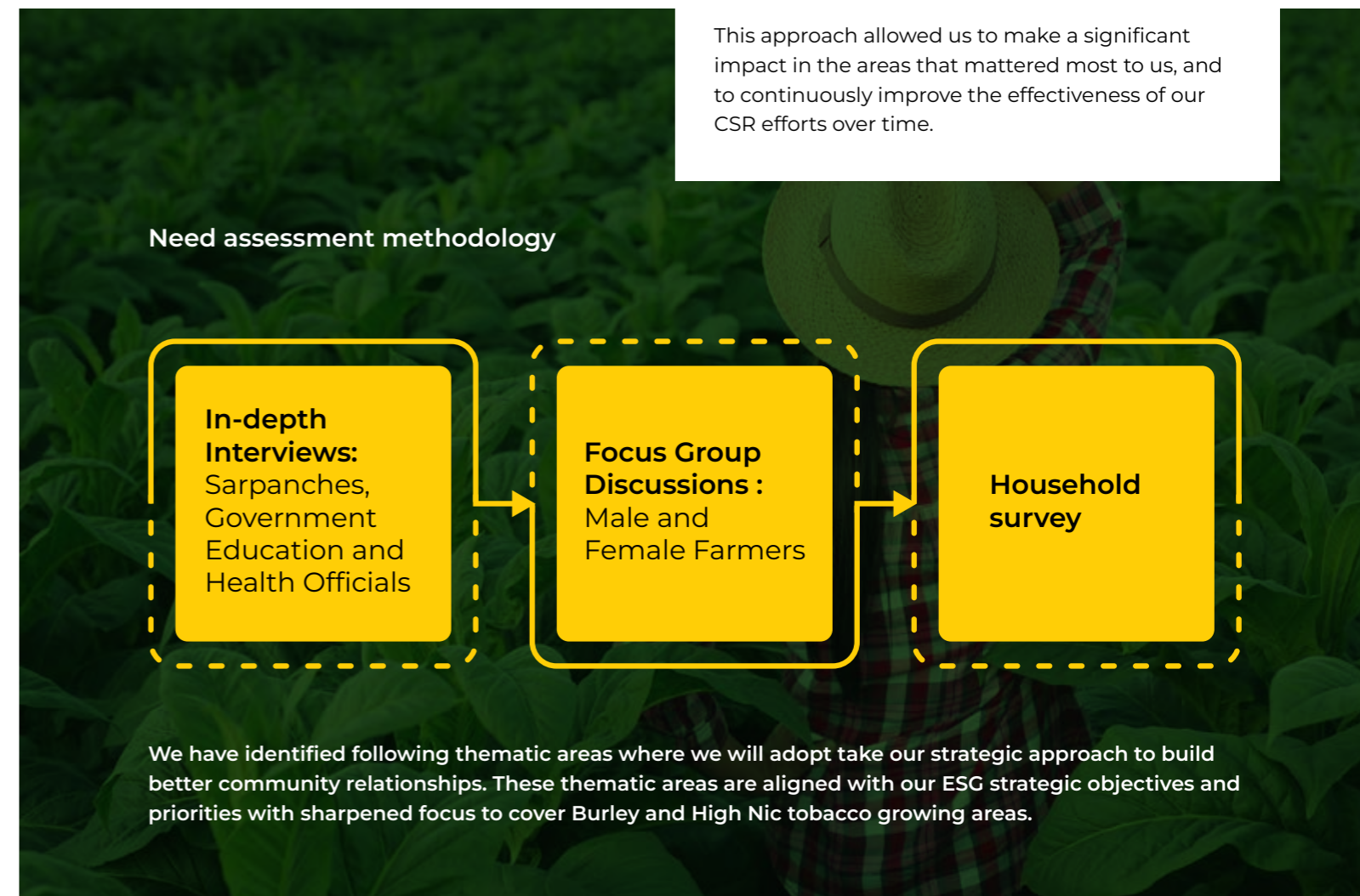
Community Initiatives

(GRI 413-1)

We at VST, have formulated a Corporate Social Responsibility Policy with the objective to promote inclusive growth and equitable development. We have identified our focus areas by contributing back to the society as per the Schedule VII of Section 135 of the Companies Act, 2013. Over the years, we have been involved in social activities focusing on the following thrust areas.

As part of our ongoing commitment to improving our CSR activities, we conducted need assessments to identify thematic areas where we could make a larger impact. This has allowed us to strategically invest in projects that aligned with our values and goals, while also defining both short and long-term success measures for each initiative.

This approach allowed us to make a significant impact in the areas that mattered most to us, and to continuously improve the effectiveness of our CSR efforts over time.



Thematic areas identified



8 DECENT WORK AND ECONOMIC GROWTH

Rural Development

Empowering Women through Menstrual Hygiene: Naari Shakti Initiative



3 GOOD HEALTH AND WELL-BEING

Health and Sanitation

Swachh Ghar Mission
Creation of Medical Infrastructure



4 QUALITY EDUCATION

Education

Project Gyandeeep
Mid day meals for students



13 CLIMATE ACTION

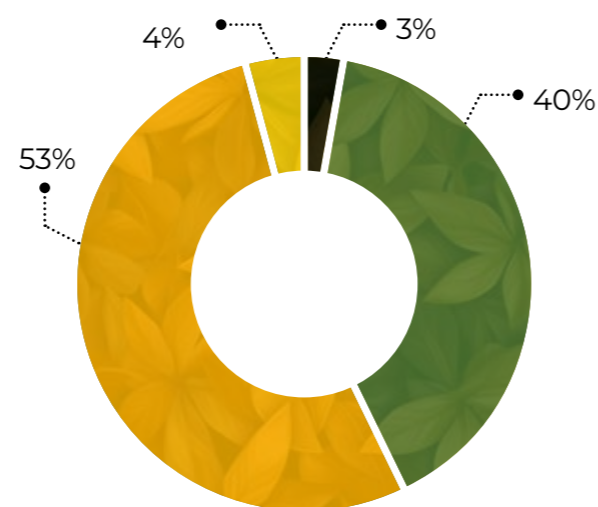
Environment & Sustainability

Solar energy solutions for irrigation pumps, street lights, Primary Health Care Centers and Schools under the VST Power banner

CSR Spent in FY 2022-23

| Core areas | Amount INR Crore |
|------------------------------|------------------|
| Rural Development | 0.2 |
| Health & Sanitation | 3.3 |
| Education | 4.38 |
| Environment & Sustainability | 0.33 |

FY 2023 (INR Cr)
CSR Amount spent



- Rural Development
- Health & Sanitation
- Education
- Environment & Sustainability

Overall Impact (Cumulative)

| Project Name | CSR Initiative | *Direct Impact | * Indirect Impact |
|---------------------|---------------------------------------|------------------------------|---------------------------|
| Naari Shakti | MHM Self Help Group | 3000 Women | 10,000 lives |
| | Skill building | 150 entrepreneurs | 1,000 lives |
| Swachh Ghar Mission | Household Toilet Constructions | 850 families | 3,500 lives |
| VST Cares | KIMS Clinical research | 10 families on a daily basis | 40 lives on a daily basis |
| | Chitranjan Cancer Hospital | 200-300 cancer patients | 1,000 lives in a year |
| Swachh Roshni | Solar Light Installation | 300 villagers | 1200 lives |
| Mid-day Meal | Mid Day Meal | 25,000 children | 100,000 lives |
| | School infra (Blind School) | 550 blind children | 2500 lives |
| | School infrastructure (Brahmanapally) | 200 children | 800 lives |
| Gayandeeep | School infrastructure - Hindi | 300 children | 1200 lives |
| | Maha Vidyalya | | |

26,660
lives are impacted directly

121,240
lives are impacted indirectly



FOCUS AREA 1: Health & Sanitation



Swachh Ghar Mission

Gramalaya, a non-profit organization focused on health, sanitation, and hygiene promotion, has played a crucial role in the collaboration with VST Industries Ltd in the 'Swachh Ghar' mission. Gramalaya's expertise in sanitation initiatives and community engagement has been instrumental in identifying the need for improved sanitation facilities in the Jogulamba-Gadwal district of Telangana. We have worked closely with Gramalaya to implement the construction of toilets in individual homes, particularly those belonging to farmers living in the area.

Gramalaya's involvement includes providing technical support, conducting community awareness campaigns, and ensuring the sustainability of the sanitation project. They have worked with the beneficiary villages and neighbouring communities to raise awareness about the importance of health and sanitation.



850 families benefit from this initiative and an additional **3500** members nearby will benefit from the toilet construction

Through this partnership, Gramalaya has played a significant role in bringing about positive change and creating a healthier living environment for the communities in and around Jogulamba-Gadwal district. The joint efforts have not only improved sanitation facilities but also raised awareness about health and hygiene practices, ultimately contributing to the overall well-being of the beneficiaries and the surrounding communities.

Creation of Medical Infrastructure

Through this initiative, we collaborated with hospitals and private trusts to establish state-of-the-art medical facilities. This endeavour has effectively served the underprivileged communities and provided essential medical treatments to those who cannot afford them. By partnering with healthcare institutions, we have created a positive impact by ensuring access to quality healthcare for individuals in need, thereby improving their overall well-being.



On a daily basis at least **10** families are getting impacted with the ambulance



FOCUS AREA 2: Promoting Education

Project Gyandeeep

We firmly believe education is the right of every individual. VST's notable undertaking is Project Gyandeeep, which focuses on providing vital infrastructure support to schools. By constructing classrooms and supplying benches, the project aims to create conducive learning environments for students. Furthermore, Project Gyandeeep extends its support to differently abled children, particularly those who are blind, by constructing dedicated classrooms and procuring braille printing machines.

Further, as part of our efforts, we upgraded a government school near Brahmanpally Village, Medak district, by constructing three additional classrooms. We also supported the construction of a school building at Hindi Maha Vidyalaya School in Vidyanagar, Hyderabad. Additionally, we supported the Devnar School for Blind in Hyderabad by procuring six Braille printing machines, empowering visually impaired students. These initiatives enhance educational opportunities and foster inclusivity for students of all abilities.

Nutrition Support

In our commitment to addressing hunger and promoting nutrition among underprivileged children, we have partnered with the NGO M/s. Akshaya Patra to provide nutrition support. Through this collaboration, we have implemented the Mid-day Meal program, which aims to feed underprivileged children in government schools and Anganwadis in Medak district, Hyderabad.

By offering nutritious meals during school hours, we contribute towards eliminating classroom hunger and ensuring that children receive essential nourishment for their overall well-being and academic performance.



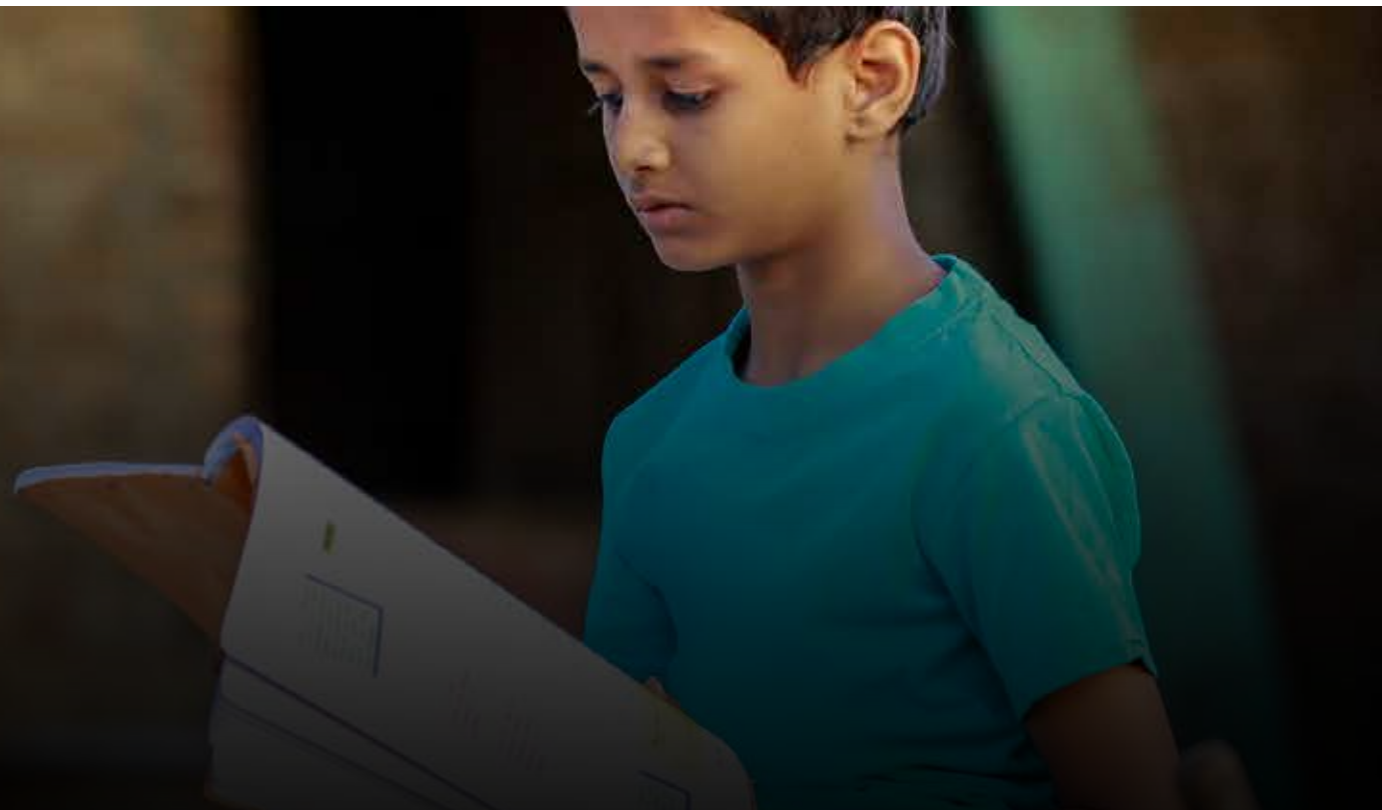
Directly impacted the lives of
25,000
children

As we strive to make a positive difference in the lives of underprivileged children, our efforts have ensured access to nutritious meals and a healthier future.

200
school children benefitted from Brahmanpally school infra project

300
students benefitted from Hindi Maha vidyala school project

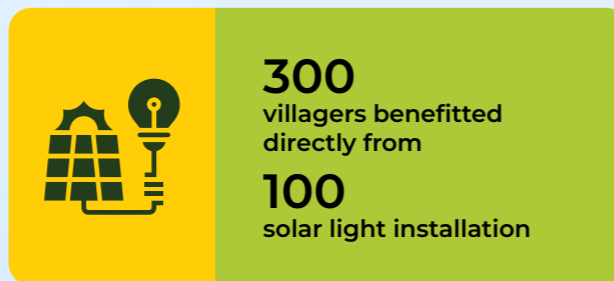
550
blind children have access to areading material from the braille machines



FOCUS AREA 3: Environment Sustainability

Promoting sustainability and preserving natural resources are integral to our commitment as a responsible corporate citizen. We have undertaken several initiatives to achieve these goals, focusing on renewable energy and conservation of natural habitats. In the Jogulamba-Gadwal district of Telangana, we have installed 100 solar streetlights in eight villages and towns, to enhance the quality of life for the local communities.

Additionally, we have installed solar panels on the rooftops of government schools, hospitals, and villages in the district, thereby creating a positive difference in the lives of individuals, promoting sustainable practices, and contributing to a greener and more resilient future for all.



FOCUS AREA 4: Rural Development

Empowering Women through Menstrual Hygiene: Naari Shakti Initiative

In the Undavally Mandal, limited access to affordable sanitary products poses challenges to women's menstrual hygiene, impacting their health and well-being.

To address this, our Naari Shakti Initiative was launched. The Naari Shakti Initiative focuses on promoting menstrual hygiene and empowering women in the Undavally Mandal of Jogulamba Gadwal District, Telangana. The objective of this initiative is to raise awareness about menstrual hygiene management and encourage the usage of reusable cloth pads, fostering sustainable and affordable solutions for women.



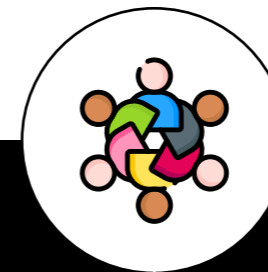
Approximately 3,000 women directly benefited from the initiative, gaining access to sustainable menstrual hygiene solutions. The impact extended beyond these women, positively influencing around 10,000 members of their families and communities. By providing training and resources, the Naari Shakti Initiative not only empowered women but also enhanced their health, dignity, and overall well-being.



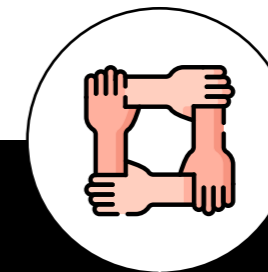
Employee Volunteering

We emphasise on the active participation of our employees in giving back and supporting the community through meaningful contributions. At the same time, we believe that their participation in these activities shall enrich the lives of the

communities. This shall provide satisfaction to employees by being able to give their best to the society. The following three-year annual action plan has been outlined considering this purpose.



In FY2023-24, our focus will be on community engagement, with CEC members actively participating in mid-day meal programs at government schools in Telangana and visiting leaf areas to inaugurate solar panels and donate benches. This will ensure our continued support for education and sustainable development initiatives.



Moving forward to FY2024-25, we will introduce community volunteering as a key component of our CSR efforts. All employees at the headquarters will dedicate a full day each year to volunteering activities, actively participating in project-specific volunteering opportunities. We will also encourage team involvement and engagement in generating ideas and executing them effectively.



Looking ahead to FY2025-26, we will establish a sustained CSR engagement model. This will involve imparting the necessary skills to maintain and sustain our CSR initiatives, promoting awareness drives, and actively involving and engaging teams in generating ideas and executing them effectively. Additionally, we will create CSR clubs to encourage the exploration and implementation of new ideas.

By implementing this forward-looking plan, we aim to strengthen our commitment to employee engagement and community development, making a positive and sustainable impact in the years to come.

GRI Index

| GRI STANDARD | DISCLOSURE | PAGE NUMBER |
|---------------------------------------|--|-------------|
| GRI 2: General Disclosures 2021 | 2-1 Organizational details | 12 |
| | 2-2 Entities included in the organization's sustainability reporting | 12 |
| | 2-3 Reporting period, frequency and contact point | 5 |
| | 2-4 Restatements of information | 5 |
| | 2-5 External assurance | 5 |
| | 2-6 Activities, value chain and other business relationships | NA |
| | 2-7 Employees | 45 |
| | 2-8 Workers who are not employees | 45 |
| | 2-9 Governance structure and composition | 32 |
| | 2-11 Chair of the highest governance body | 31 |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | 9 |
| | 2-14 Role of the highest governance body in sustainability reporting | 9 |
| | 2-16 Communication of critical concerns | 29,80 |
| | 2-17 Collective knowledge of the highest governance body | 29 |
| | 2-18 Evaluation of the performance of the highest governance body | 29 |
| | 2-19 Remuneration policies | 45 |
| | 2-21 Annual total compensation ratio | 45 |
| | 2-22 Statement on sustainable development strategy | 20 |
| | 2-23 Policy commitments | 33 |
| | 2-24 Embedding policy commitments | 33 |
| | 2-26 Mechanisms for seeking advice and raising concerns | 53 |
| | 2-27 Compliance with laws and regulations | 33 |
| | 2-28 Membership associations | 18 |
| | 2-29 Approach to stakeholder engagement | 22 |
| 2-30 Collective bargaining agreements | 53 | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 21 |
| | 3-2 List of material topics | 21 |
| | 3-3 Management of material topics | 21 |
| GRI 205: Anti-corruption 2016 | 205-1 Operations assessed for risks related to corruption | 33 |
| | 205-2 Communication and training about anti-corruption policies and procedures | 33 |
| | 205-3 Confirmed incidents of corruption and actions taken | NIL |

| GRI STANDARD | DISCLOSURE | PAGE NUMBER |
|---|--|-------------|
| GRI 207: Tax 2019 | 207-2 Tax governance, control, and risk management | 22, 34 |
| | 207-3 Stakeholder engagement and management of concerns related to tax | 22, 34 |
| GRI 301: Materials 2016 | 301-1 Materials used by weight or volume | 68 |
| | 301-2 Recycled input materials used | 69 |
| | 301-3 Reclaimed products and their packaging materials | 69 |
| GRI 302: Energy 2016 | 302-1 Energy consumption within the organization | 57 |
| | 302-2 Energy consumption outside of the organization | 57 |
| | 302-3 Energy intensity | 57 |
| | 302-4 Reduction of energy consumption | 57 |
| | 302-5 Reductions in energy requirements of products and services | 57 |
| GRI 303: Water and Effluents 2018 | 303-1 Interactions with water as a shared resource | 62 |
| | 303-2 Management of water discharge-related impacts | 62 |
| | 303-3 Water withdrawal | 62 |
| | 303-4 Water discharge | 62 |
| | 303-5 Water consumption | 62 |
| GRI 305: Emissions 2016 | 305-1 Direct (Scope 1) GHG emissions | 58 |
| | 305-2 Energy indirect (Scope 2) GHG emissions | 58 |
| | 305-3 Other indirect (Scope 3) GHG emissions | NA |
| | 305-4 GHG emissions intensity | 61 |
| | 305-5 Reduction of GHG emissions | 58 |
| | 305-6 Emissions of ozone-depleting substances (ODS) | NA |
| GRI 306: Waste 2020 | 306-1 Waste generation and significant waste-related impacts | 68 |
| | 306-2 Management of significant waste-related impacts | 68 |
| | 306-3 Waste generated | 68 |
| GRI 308: Supplier Environmental Assessment 2016 | 308-2 Negative environmental impacts in the supply chain and actions taken | 36 |
| GRI 401: Employment 2016 | 401-1 New employee hires and employee turnover | 43 |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 43 |

| GRI STANDARD | DISCLOSURE | PAGE NUMBER |
|--|--|-------------|
| GRI 403: Occupational Health and Safety 2018 | 403-1 Occupational health and safety management system | 50 |
| | 403-2 Hazard identification, risk assessment, and incident investigation | 50 |
| | 403-3 Occupational health services | NA |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | NA |
| | 403-5 Worker training on occupational health and safety | 50 |
| | 403-6 Promotion of worker health | 50 |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 50 |
| | 403-8 Workers covered by an occupational health and safety management system | NA |
| | 403-9 Work-related injuries | 52 |
| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | 49 |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | 49 |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | 47 |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 43 |
| GRI 406: Non-discrimination 2016 | 406-1 Incidents of discrimination and corrective actions taken | 53 |
| GRI 407: Freedom of Association and Collective Bargaining 2016 | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 53 |
| GRI 408: Child Labor 2016 | 408-1 Operations and suppliers at significant risk for incidents of child labor | 53 |
| GRI 409: Forced or Compulsory Labor 2016 | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | 53 |
| GRI 410: Security Practices 2016 | 410-1 Security personnel trained in human rights policies or procedures | 53 |
| GRI 413: Local Communities 2016 | 413-1 Operations with local community engagement, impact assessments, and development programs | 81 |

| | | |
|--|--|----|
| GRI 414: Supplier Social Assessment 2016 | 414-2 Negative social impacts in the supply chain and actions taken | 36 |
| GRI 417: Marketing and Labelling 2016 | 417-1 Requirements for product and service information and labelling | 80 |
| | 417-2 Incidents of non-compliance concerning product and service information and labelling | 80 |
| | 417-3 Incidents of non-compliance concerning marketing communications | 80 |

Assurance Statement



Ernst & Young Associates LLP
 Block - 'C', 3rd Floor,
 22 Camac Street, Kolkata-700016
 West Bengal, India

Tel: +91 33 6615 3400
 Fax: +91 33 6615 3750
 ey.com

Independent assurance statement

The Management and Board of Directors

VST Industries Limited
 1-7-1063/1065, Azamabad
 Hyderabad- 500020
 Telangana, India

Scope

We have been engaged by **VST Industries Limited** (hereafter "VST") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on the following ESG performance KPIs (the "Subject Matter") contained in VST's **ESG Report FY 2022-23** for the period **1st April 2022 to 31st March 2023** ("the report").

ESG Performance KPIs:

| S.No | GRI | Indicators |
|------|-----------|--|
| 1 | GRI 301-1 | Materials used by weight or volume |
| 2 | GRI 302-1 | Energy consumption within the organization |
| 3 | GRI 302-4 | Energy intensity |
| 4 | GRI 303-3 | Water withdrawal by source |
| 5 | GRI 305-1 | Direct (Scope 1) GHG emissions |
| 6 | GRI 305-2 | Energy indirect (Scope 2) GHG emissions |
| 7 | GRI 305-4 | GHG emissions intensity |
| 8 | GRI 305-7 | NOX, SOX, and other significant air Emissions |
| 9 | GRI 306-3 | Waste generated |
| 10 | GRI 401-1 | New employee hires and employee turnover |
| 11 | GRI 403-9 | Work related injuries |
| 12 | GRI 404-1 | Average hours of training per year per employee |
| 13 | GRI 404-3 | Percentage of employees receiving regular performance and career development reviews |
| 14 | GRI 405-1 | Diversity of governance bodies and employees |

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by VST

In preparing the ESG Report FY 2022-23, VST applied the Global Reporting Initiative (GRI) Standards, hereafter referred to as ("criteria"). GRI Standards were specifically designed for ESG disclosures; as a result, the subject matter information may not be suitable for another purpose.

VST's responsibilities

VST's management is responsible for selecting the Criteria, and for presenting the ESG Performance KPIs in the ESG Report FY 2022-23 in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records, and making estimates relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)'), and the terms of reference for this engagement as agreed with VST on 9th January 2023. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the ESG Performance KPIs in the ESG Report FY 2022-23 and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Checking of standard disclosures as per GRI Standards regarding the company's material sustainability aspects contained in the report;
- Checking of consistency of data / information within the report;

- Testing on a sample basis, (physically and remotely), underlying source information to check the accuracy of the data for the following sites, through consultations with the site team

| S.No. | Facility | Location |
|-------|----------------------------------|----------------------|
| 1 | Primary Manufacturing Division | Toopran, Telangana |
| 2 | Secondary Manufacturing Division | Azamabad, Telangana |
| 3 | Corporate Office | Hyderabad, Telangana |

- Execution of an audit trail of claims and data streams, on a selective test basis, to determine the level of accuracy in collection, transcription and aggregation processes followed;
- Conducting interview of select representatives of Company's management to understand the current processes in place for capturing sustainability performance data as per GRI Standards, the Company's sustainability vision and the progress made during the reporting period.
- Checking of the Company's plans, policies, and practices, pertaining to their social, environment and sustainable development, to be able to make comments on the completeness of the reporting and degree to which EY believes the report provides a fair and honest representation of the Company's activities.

We also performed such other procedures as we considered necessary in the circumstances. The assurance scope excludes:

- Data and information outside the defined reporting period-1st April 2022 to 31st March 2023;
- Data and information on economic and financial performance of the Company;
- Data, statements and claims already available in the public domain through Annual Report, or other sources;
- The Company's statements that describe the expression of opinion, belief, inference, aspiration, expectation, aim or future intention;
- The Company's compliance with regulations, acts, guidelines with respect to various regulatory agencies and other legal matters;

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the ESG Performance KPIs in the ESG Report for the period of 1st April 2022 to 31st March 2023, in order for it to be in accordance with **(or based on)** the Criteria.

Restricted use

This report is intended solely for the information and use of VST and is not intended to be and should not be used by anyone other than VST.

For and on behalf of Ernst & Young Associates LLP.



Saunak Saha
Partner
31 August 2023
Kolkata, India



Corporate Office

VST Industries Limited
Mr. Phani K Mangipudi,
VP - Legal & Secretarial
Tel: +91 040 2768 8000

Registered Address

VST Industries Limited
P. O. Box No. 1804 Azamabad
Hyderabad 500020,
Telangana, INDIA.