

Double Materiality Report

Double Materiality

At Arvind, 'Fundamentally Right' has always been our credo. In addition to the strong economic performance, stakeholders now demand that organizations to be environmentally and socially more sustainable. As the world is moving towards Double Materiality, we recognize its vital importance in today's rapidly changing world. We have embraced the concept of double materiality because we understand and believe that our success is intertwined with the well-being of the environment and society. The concept of Double Materiality focuses on the impact driven by the organization on the environment and society and the impact driven by the environment and society on the organizations. This is the first financial year i.e. FY 2022-23 where we have adopted the approach of Double Materiality which builds on our last materiality assessment which focused on the impact of material issues on business and the importance to stakeholders.

Impact Materiality

Impact materiality is a concept that refers to the information that is necessary for stakeholders to understand the actual or potential impacts of a company's activities on the environment and society. We are equally committed to understanding both the potential and actual impact on the environment and social from our operations and the value chain.

Financial Materiality

The concept of financial materiality, in its broad sense, focuses on socio-environmental issues that affect financial performance.

By understanding the dynamics between Impact and Financial Materiality, informed decisions can be made by us as well as our stakeholders to drive our business forward while ensuring financial stability and growth for our stakeholders.

Frequency

The frequency of conducting or reviewing the materiality assessment is defined as at least once every 2 years.

Our Double Materiality Approach

Arvind Limited's approach to double materiality goes beyond compliance; it reflects our values and long-term vision. The materiality assessment process is shown figure below:



Preliminary Identification of Material Issues

As a first step of the assessment process, we developed a preliminary list of possible material topics based on the last materiality assessment conducted, SASB list of material topics and industry specific topics. In this step, issues affecting our financial and sustainability performance were identified. These issues ranged from financial risks to environmental and social concerns.

Grouping of Similar Issues

Grouping of issues is important in double materiality because it allows us to better understand the interconnectedness of various non-financial risks with each other as well as with financial risks. When issues are considered in isolation, it can be difficult to understand the full impact they have on the company. When issues are group together, we can start to see how they interact with each other and how they can amplify or mitigate each other's impact.

Climate Change

Grouping Level 1

Grouping Level 2

Individual Topics

Climate Change	Energy	GHG Emissions
Climate Change	Energy	Energy Use and Efficiency
Climate Change	Energy	Air Pollution
Climate Change	Climate Change Adaptation & Mitigation	Climate Change Adaptation
Climate Change	Climate Change Adaptation & Mitigation	Climate Change Mitigation

Pollution

Grouping Level 1	Grouping Level 2	Individual Topics
Pollution	Chemicals	Substances of very high concern i.e Hazardous Chemicals
Pollution	Chemicals	Water Pollution
Pollution	Chemicals	Soil Pollution
Pollution	On-Site Air Emissions	Air Pollution
Pollution	Fibre	Micro Fibres

Water

Grouping Level 1	Grouping Level 2	Individual Topics
Water	Water	Water Withdrawals
Water	Water	Water Consumption
Water	Water	Water Discharge

Biodiversity

Grouping Level 1	Grouping Level 2	Individual Topics
Biodiversity	Fibre	Loss, Degradation and Fragmentation of Habitat
Biodiversity	Fibre	Overexploitation of Biological Resource
Biodiversity	Fibre	Excessive Nutrient Loads (especially nitrogen & phosphorous) & other forms of Pollution
Biodiversity	Fibre	Climate Change
Biodiversity	Fibre	Invasive Alien Species impacts on Ecosystems

Circular Economy

Grouping Level 1	Grouping Level 2	Individual Topics
Circular Economy	Resource Inflow including Resource Use	Fibre (Natural, Synthetic and Recycled)
Circular Economy	Resource Inflow including Resource Use	Water
Circular Economy	Resource Inflow including Resource Use	Chemicals
Circular Economy	Resource Inflow including Resource Use	Packaging
Circular Economy	Product Lifecycle Impact	Circular Product Design
Circular Economy	Product Lifecycle Impact	Products Manufactured by Efficient Use of Resources
Circular Economy	Waste	Waste Generated
Circular Economy	Waste	Waste Recovery

Circular Economy	Waste	Waste Disposal
------------------	-------	----------------

Own Workforce

Grouping Level 1	Grouping Level 2	Individual Topics
Own Workforce	People	Secure Employment (Recruitment and Retention)
Own Workforce	People	Working Time
Own Workforce	People	Adequate Wage / Minimum Wage
Own Workforce	People	Living Wage
Own Workforce	People	Collective Bargaining and Social Dialogue
Own Workforce	People	Freedom of Association
Own Workforce	People	Health & Safety
Own Workforce	People	Child Labour
Own Workforce	People	Forced Labour
Own Workforce	People	Gender Equality and Equal Pay for Work of Equal Value
Own Workforce	People	Diversity
Own Workforce	People	Training and Skill Development
Own Workforce	People	No Discrimination (Employment and Inclusion of Persons with Disabilities)
Own Workforce	People	Violence and Harrasment in Workplace

Employees in the Value Chain

Grouping Level 1	Grouping Level 2	Individual Topics
Employees in Value Chain	People	Secure Employment (Recruitment and Retention)
Employees in Value Chain	People	Working Time
Employees in Value Chain	People	Living Wage
Employees in Value Chain	People	Adequate Wage / Minimum Wage
Employees in Value Chain	People	Collective Bargaining and Social Dialogue
Employees in Value Chain	People	Freedom of Association
Employees in Value Chain	People	Health & Safety
Employees in Value Chain	People	Child Labour
Employees in Value Chain	People	Forced Labour
Employees in Value Chain	People	Gender Equality and Equal Pay for Work of Equal Value
Employees in Value Chain	People	Diversity
Employees in Value Chain	People	Training and Skill Development
Employees in Value Chain	People	No Discrimination (Employment and Inclusion of Persons with Disabilities)
Employees in Value Chain	People	Violence and Harrasment in Workplace

Communities

Grouping Level 1	Grouping Level 2	Individual Topics
Communities	Communities' Economic, Social, and Cultural Rights	Water and Sanitation
Communities	Communities' Economic, Social, and Cultural Rights	Housing, Food and Education
Communities	Communities' Economic, Social, and Cultural Rights	Cultural Rights

	Cultural Rights	
--	-----------------	--

Consumers and End-Users

Grouping Level 1	Grouping Level 2	Individual Topics
Consumers and End-Users	Product Safety	Chemical
Consumers and End-Users	Product Safety	Physical
Consumers and End-Users	Product Safety	Biological
Consumers and End-Users	Privacy	Data Privacy & Security
Consumers and End-Users	Communication & Engagement	Ethical Marketing & Advertisement
Consumers and End-Users	Communication & Engagement	Access to Products and Services
Consumers and End-Users	Communication & Engagement	Transparency & Traceability
Consumers and End-Users	Customer Satisfaction	Communication & Engagement
Consumers and End-Users	Customer Satisfaction	Product Quality

Business Conduct

Grouping Level 1	Grouping Level 2	Individual Topics
Business Conduct	Long Term Viability of Core Business (Money)	Board Structure & Independence
Business Conduct	Long Term Viability of Core Business (Money)	Supplier Relationship Management, including payment practices
Business Conduct	Long Term Viability of Core Business (Money)	Substitution of existing products and services with lower emissions options
Business Conduct	Long Term Viability of Core Business (Money)	Change in Customer Behaviour
Business Conduct	Long Term Viability of Core Business (Money)	Risk Governance and Culture
Business Conduct	Long Term Viability of Core Business (Money)	Material Sourcing
Business Conduct	Regulatory and Legal Challenges	Current and Emerging Regulations
Business Conduct	Policy Influence	Political engagement and lobbying activities
Business Conduct	Policies, Standard and Code of Conduct	Protection of Whistleblower
Business Conduct	Policies, Standard and Code of Conduct	Corruption & Bribery
Business Conduct	Policies, Standard and Code of Conduct	Anti-Competitive Behaviour
Business Conduct	Policies, Standard and Code of Conduct	Codes of Conduct: Systems/ Procedures

Innovation Management

Grouping Level 1	Grouping Level 2	Individual Topics
Innovation Management	Research & Development	Research & Development
Innovation Management	Research & Development	Circular Product Design

Identification of Potential and Actual Impact, Risks & Opportunities

After the grouping of sustainability issues, the identification of potential, actual, positive and negative impact was carried out by examining the direct and indirect implication of our operations, value chain, products and services on the society and environment. Apart from this, the risks and opportunities associated with these sustainability issues were also assessed. By comprehensively evaluating these aspects, the company can make informed decisions and strategies. A few examples of the assessed impact, risk and opportunities are given below:

Energy

Topic	Level 1	Climate Change
	Level 2	Energy
	Level 3	GHG Emissions, Energy Use and Efficiency, Air Pollution
Impact Materiality	Positive Actual Impact	<p>We have increased our use of renewable energy, which has reduced our greenhouse gas emissions.</p> <p>We have switched to biomass and other low-emission energy sources to reduce our reliance on coal.</p> <p>We have replaced older, less efficient machines with new, more energy-efficient machines.</p> <p>We are promoting sustainable agriculture practices in our supply chain, which is further reducing our greenhouse gas emissions.</p> <p>We are transparently reporting on our greenhouse gas emissions, energy use, and air pollution performance to our stakeholders. This helps us to hold ourselves accountable and to make progress on our sustainability goals.</p>
	Negative Actual Impact	Although Arvind Limited has taken steps to reduce its environmental impact, its operations still contribute to climate change as it still relies on non-renewable energy sources which is harmful to the environment.
	Positive Potential Impact	<p>By continuing to invest in renewable energy and energy efficiency initiatives, we can reduce our greenhouse gas emissions and energy footprint.</p> <p>Setting a science-based target for our emissions reductions will improve our transparency and accountability to stakeholders.</p> <p>These initiatives can also help us attract customers who value sustainability and improve our public image.</p>
	Negative Potential Impact	<p>Reliance on fossil fuels and non-renewable energy sources can negatively impact local communities and the environment through greenhouse gas emissions and climate change.</p> <p>Climate change can cause extreme weather events, such as floods and droughts, which can damage infrastructure, disrupt supply chains, and harm human health.</p> <p>Failure to take pollution prevention measures can pollute the environment and pose a risk to human health.</p> <p>Failure to take mitigation measures or report transparently to stakeholders can lead to lost markets and reputational damage.</p>
Financial Materiality	Risks	<p>Physical risks: Increased frequency of extreme weather events, changing precipitation patterns, and rising sea levels could disrupt supply chains, damage infrastructure, and increase costs.</p> <p>Transitional risks: New regulations, such as carbon taxes and emission reporting obligations, could increase costs and reduce profitability.</p> <p>Impact of risks: Reduced revenue, increased capital expenditures, increased costs, and reputational damage.</p>
	Opportunity	<p>Environmental opportunities: Using lower-emitting sources of energy, new technologies, and decentralized energy generation could reduce our costs, improve our environmental performance, and position us to meet the growing demand for sustainable products and services.</p> <p>Market opportunities: Accessing new and emerging markets and increasing the reliability of our supply chain could help us to grow our business and improve our competitive position.</p>

Fibre

Topic	Level 1	Biodiversity
	Level 2	Fibre
	Level 3	Loss, Degradation, and Fragmentation of Habitat, Overexploitation of Biological resources Nutrient Loads (especially nitrogen & phosphorous) & other forms of Pollution, Invasive Alien Species impacts on Ecosystems, Climate change
Impact Materiality	Positive Actual Impact	<p>We have adopted sustainable sourcing practices to reduce our impact on the environment. For example, sourcing of sustainable cotton like Organic and Regenerative helps ensure that synthetic chemicals or genetically modified seeds are not being used and thus the biodiversity is preserved.</p> <p>We have adopted Zero Liquid Discharge that helps us curb the discharge of pollutants, including excessive nutrients like nitrogen and phosphorus, from manufacturing processes or wastewater that lead to water pollution and harm aquatic ecosystems and biodiversity.</p> <p>As part of promoting sustainable agriculture we promote tree plantation that helps us counter the loss, degradation and fragmentation of habitat.</p> <p>We are using recycled materials that would have gone to landfill which reduces pressure on existing landfills – thereby reducing pressure on conversion of natural habitats.</p> <p>We have established a recycling unit which reduces our dependence on virgin cotton. In addition, we are also exploring options to use alternate natural fibers like Kapok and Hemp which are resource efficient in comparison to cotton.</p>
	Negative Actual Impact	<p>We do not source 100% of sustainable cotton, the conventional cotton sourced has negative impact on the biodiversity due to use of synthetic chemicals and pesticides.</p> <p>Apart from cotton, we also use synthetic fibres like polyester whose raw materials cause damage to the biodiversity due to pollution.</p>
	Positive Potential Impact	<p>Increasing our sourcing of sustainable cotton and other sustainable materials has the potential to reduce the impact on biodiversity.</p> <p>Increasing the use of recycled material have the potential to reduce the waste going to landfill and reduce pressure on conversion of natural habitats.</p>
	Negative Potential Impact	<p>Increase in demand of cotton based textiles, could lead to increase in area expansion of cotton, which could result in loss, degradation and fragmentation of natural habitats. It could also negatively impact food security, particularly where it may compete with food crops in food insecure regions.</p>
Financial Materiality	Risks	<p>High demand for sustainable raw materials can result in price volatility and increased procurement costs, impacting profit margins.</p> <p>Unsustainable sourcing practices may lead to higher input costs, resource depletion, and reputational damage, affecting financial performance.</p>
	Opportunity	<p>We see an opportunity to build resilience by substituting existing resources with more sustainable options, adopt advanced technologies to reduce the nutrient load and reduce water treatment costs.</p>

Water

Topic	Level 1	Water
	Level 2	Water
	Level 3	Water Consumption, Water Withdrawal, Water discharge
Impact Materiality	Positive Actual Impact	<p>We have reduced our fresh water consumption and minimized the discharge of polluted water by installing systems like Sewage Treatment Plant and Zero Liquid Discharge. This has helped to protect local water bodies and ensure that our operations are sustainable.</p> <p>We have also adopted various machines and practices that help reduce, recover and reuse water in our manufacturing operations.</p>
	Negative Actual Impact	Not Applicable
	Positive Potential Impact	<p>Reduced or no competition with other water users in the watershed.</p> <p>Collaborative partnerships with other stakeholders can promote water resource management at a watershed level, as well as also enhance company’s performance by reducing operational expenses.</p>

	Negative Potential Impact	We operate in geographic locations which are in high stress as per WRI Aqueduct, continuing to operate in these regions can attract negative publicity. Thus it is imperative that we transparently communicate about our water related initiatives to all stakeholders.
Financial Materiality	Risks	Poor water management may result in higher water expenses, supply chain interruptions, and regulatory fines, negatively affecting the company's bottom line.
	Opportunity	Increased reliability of Arvind and better ability to operate under various conditions will provide us an opportunity to reflect customer needs centred on their sustainability commitments.

Stakeholder Engagement

Engaging with stakeholders, including employees, customers, investors, and communities, is crucial. Through dialogue and feedback, the company gains insights into stakeholders' expectations, concerns, and aspirations. This engagement process ensures that the company's strategies align with stakeholders' needs, enhancing trust and collaboration this is the first year of our double materiality process so we started with internal stakeholders only.

Once the impacts, risk and opportunities were assessed, we engaged with the stakeholders by conducting a workshop. This workshop focused on explaining the impacts, risks, and opportunities to the stakeholder and understanding their feedback on the assessment. In addition to this, after explaining each sustainability issue, we asked the stakeholders to rate the Scale, Scope and Remediability to score various issues on Impact Materiality and also to rate Financial Materiality of each issue. This scoring was done with the help of Google Forms. Once the scoring was done the result was analyzed and shared with the stakeholders in the same session. The rating criteria is defined below:

Rating Criteria

Scale	Score	Scope	Score	Irremediable	Score	Financial Materiality	Score
None	0	None	0	Very Easy To Remedy	0	Minimal	0
Minimal	1	Limited	1	Relatively Easy To Remedy Short-Term	1	Low	1
Low	2	Concentrated	2	Remediable With Effort (Time & Cost)	2	Informative	2
Medium	3	Medium	3	Difficult To Remedy Or Mid-Term	3	Important	3
High	4	Widespread	4	Very Difficult To Remedy Or Long-Term	4	Significant	4
Absolute	5	Global / Total	5	Non-Remediable/Irreversible	5	Critical	5

Finalization of Key Materiality Issues

Once the stakeholders rated the material issues on the various criteria as defined above, we calculated an average score of Scale, Scope and Remediability for each material issues by averaging all the rating provided by stakeholders. Once the average scores were calculated, we summed the Scale and Scope rating for Positive Impacts and we summed the Scale, Scope and Remediability score for Negative Impacts for each topics. These summed figures were then averaged to derive an impact materiality score for each topic. The impact materiality scores where then classified as per the rating scale show in the table

Scale	Score
Minimal	< 3
Low	[3,7)
Informative	[7,8)
Important	[8,10)
Significant	[10,12)
Critical	≥ 12

The threshold for prioritization of material issues for Impact Materiality is that the issues is Important, Significant or Critical (i.e. a score of 8 and above) and for Financial Materiality is Significant or Critical (i.e. a score of 4 and above). For calculating the key material issues, we multiplied the Financial Materiality Score and the Impact Materiality Score and ranked them, the combined threshold was selected by multiplying impact score of 8 and financial score of 4 i.e. 32. Any issues, which is above the threshold of 32 is material to issues. Of the 12 material issues, the top 3 issues are the key material issues. The ranking of material issues is shown below:

S.No	Topics	Impact Materiality	Financial Materiality	Impact x Financial	Ranking
1	Water	9.6	4.6	44.3	1
2	Energy	9.6	4.6	43.9	2
3	Fiber	9.4	4.6	43.3	3
4	Chemical	9.1	4.7	42.7	4
5	Employee in the value chain (People)	8.5	5.0	42.4	5
6	Own workforce (People)	8.4	4.5	38.0	6
7	Policies, Standard and Code of Conduct	9.1	4.0	36.6	7
8	Long Term Viability of Core Business (Money)	9.2	3.9	36.0	8
9	Customer Satisfaction	8.6	4.2	35.7	9
10	Regulatory and Legal Challenges	8.7	4.0	35.1	10
11	Waste	9.0	3.9	35.0	11
12	Communication & Engagement	8.3	4.0	33.0	12
13	Product lifecycle impact	7.2	3.1	22.2	13
14	On-Site Air Emissions	6.3	3.1	19.5	14
15	Climate Change Impact	5.9	3.3	19.5	15
16	Resource Inflow including Resource Use	6.1	2.9	17.8	16
17	Policy Influence	5.8	2.9	16.9	17
18	Communities' Economic, Social, and Cultural Rights	5.2	1.9	10.0	18
19	Privacy	5.2	1.9	9.9	19
20	Product Safety	5.0	2.0	9.8	20
21	Research & development	5.3	1.8	9.2	21

Sharing Results with ESG Committee

After the completion of the assessment and prioritization, the final results were shared with the ESG Committee for their feedback and signoff.

