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ASSURANCE STATEMENT

ESG REPORT 2024-25



VST Industries Limited is proud to release its fourth ESG (Environmental, Social, and Governance) report for the reporting period FY 2024-25. We recognize the growing importance of non-financial reporting in providing clear and timely insights into our efforts to address key environmental and social risks that impact both our business and our stakeholders. In this report, we outline our sustainability goals and the progress we've made in improving our environmental, social, and governance performance in relation to set targets.

Reporting Period and Principle:

This report has been prepared in alignment with the Global Reporting Initiative (GRI) Standards for FY 2024-25. To determine the relevant topics and ensure the integrity of this report and quality of the information presented, we have applied the following GRI principles:

- a) For content determination, we have adhered to the GRI's core principles: Materiality, Stakeholder Inclusiveness, Sustainability Context, and Completeness.
- b) For ensuring the quality of disclosures, we have applied the GRI's principles of: Accuracy, Balance, Clarity, Comparability, Timeliness, Verifiability, and Reliability.

In addition to this report, we disclose our performance related to business responsibility and sustainability on an annual basis through Business Responsibility and Sustainability Report (Part of 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 is limited to Toopran and Azamabad (houses our corporate office) in Telangana, India, as well as the leaf cultivation regions distributed across Telangana, Andhra Pradesh, Karnataka, and Gujarat.

Restatement

During FY24-25, no material restatement was identified.

External Assurance:

To enhance the credibility of the information presented in our ESG report, we engaged an independent assurance provider. Société independently assured the report and its contents in accordance with the International Standard on Assurance Engagements (ISAE) 3000(Revised), (assurance for non-financial information). Details of the independent assurance are provided in the Assurance Statement included in this report.





Message from the Chairman

(GRI 2-22)



We firmly believe that sustainability and responsible business go hand in hand. As we navigate through an ever-evolving global landscape, our focus remains on driving positive change - through innovative solutions, impactful community engagement, and unwavering commitment to ethical governance. We aim to lead by example in the realm of ESG, integrating sustainability at the core of our operations to build a resilient, inclusive, and prosperous future for all.

Dear Stakeholders,

As we reflect on another impactful year, I am honored to present the ESG Report of VST Industries for FY 2024-25. This year has been a pivotal one in advancing our sustainable, ethical, and responsible business approach, reinforcing our leadership in corporate responsibility practices.

In an evolving sustainability landscape, we continue to advance purposefully, and I am proud of our efforts to consistently integrate Environmental, Social, and Governance (ESG) principles into our business operations. This report showcases the tremendous work done across our value chain, where our comprehensive ESG framework serves as the foundation for managing risks, identifying opportunities, and tracking our progress.

Through our 2030 sustainability goals, we remain steadfast in our commitment to transparency, accountability, and continuous improvement.

Our progress is evident in many areas. From expanding our solar energy capacity—now accounting for ~30% of our electricity consumption—to achieving Gold certification for water stewardship at our Toopran facility, we continue to lead with purpose. We have also taken a significant step forward in material innovation by transitioning fully to biodegradable BOPP in our packaging. These milestones reflect our belief that success and sustainability go hand in hand.

Our contributions towards sustainable agriculture have been equally commendable. We are glad to share that 100% of our contract farmers are now a part of our Grower's Management System (GMS) compliant systems aligned with Sustainable Tobacco Programme (STP). During the reporting period, we have made investments to enhance their livelihoods by taking noticeable steps to enhance their yield. All farmers have mechanized their field preparation activities, while 80% of farmers have adopted modern practices for stubble removal. Around 10% of farmers cultivating Talmari and Oriental crops now have access to drip irrigation facilities and use biofertilizers as Crop Protection Agents (CPA). Also, more than 70% of farmers are now having access to CPA boxes for safe storage of chemical containers and are trained in the safe disposal of materials.

At the heart of it all, this journey is about people. It is their passion and resilience that fuel our purpose. We foster a work environment that is both inclusive and safe. Committed towards zero incidents, we uphold the highest standards of safety management systems. We promote a work environment where every employee feels valued and receive equal opportunities in career growth and development.

Responsibility is a core value that drives our business ethos, and we are setting a benchmark in corporate social responsibility by actively contributing to community development and improving infrastructure.

As part of this, we have broadened our community engagement efforts through a range of initiatives focused on sanitation, rural development, education, and environmental sustainability. In FY 2024-25, we launched several significant projects, including the introduction of electric vehicles (EVs) for food transportation, menstrual hygiene programs and mobile dispensaries, all aimed at improving the quality of life for underserved communities

These initiatives have positively impacted a million families, reflecting our ongoing commitment to making a positive difference in the communities we serve.

Our journey thus far has been both fulfilling and rewarding, and we are more committed than ever to shaping a future that is sustainable, innovative, and resilient.

I extend my deepest thanks to all our stakeholders for their continued support and engagement.

Together, we will continue to drive positive change and create a lasting legacy.

Thank you for being part of this incredible journey.

NARESH SETHI

Non-Executive Chairman

ESG REPORT 2024-25

The Year at a Glance

Environment

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

6.83 GJ/MNC **Energy Intensity**

6.49 KL/MNC **Water Intensity**

1.2_{MW} **Renewable Energy Capacity**

Governance

17% Of female diversity in Board

50% Proportion of the Board is Independent

Social

Zero **Incidents at Workplace**

17,246

CSR Expenditure

*MNC - million cigarettes

farmers

1 Million

Lives benefitted through our **CSR** programmes

15,000

women reached through menstrual hygiene awareness programmes

5,000

children supported through Mid-day meals for school

Organisational Profile

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

Who We Are

GRI (2-6, 2-7, 2-8, 2-28)

VST Industries Limited is a trusted and responsible Indian cigarette manufacturer, with a a rich legacy that spans over nine decades. Founded on November 10, 1930, the company produces and markets several well-known cigarette brands and also trades in unmanufactured tobacco.

As an associate of British American Tobacco Plc., a global leader in the tobacco industry, VST Industries is a publicly listed company based in Hyderabad, India. The company serves a market that covers around 80% of India's geographic area, supported by a network of distributors, wholesalers, and retailers. The Company employs over 696 people for its business operations.



People Strength

696

employees and workers



Products Sold

7,697



₹1,80,943.4





Products and Brands

GRI 2-6

VST offers a diverse portfolio of brands designed to meet the varied preferences of adult consumers in India. Our well-established brand range caters to a broad spectrum of socio-economic segments, reflecting our enduring commitment to quality and adult consumer satisfaction. This portfolio comprises Growth Heritage Brands such as Charms, Special, and Moments, alongside New Age Brands like Total and Editions.



Brand Launches in the Recent Year

Editions Trio offers an innovative 3-in-1 flavour experience in a stylish super kings format. It is gaining traction among adult consumers seeking a combination of flavor and style. Editions Trio is currently available in 22 states across the country.



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Our Value Chain

GRI 2-6)

Sourcing

The primary raw material used in our manufacturing process is tobacco leaf, which is predominantly sourced directly from contract farmers located in the states of Andhra Pradesh, Telangana, Karnataka, Gujarat, and Maharashtra. In addition to direct sourcing, a portion of our tobacco requirement is fulfilled through suppliers participating in annual auctions, along with limited imports from Zimbabwe.

A significant proportion of the farmers in our supply chain are smallholders. Our long-term contractual engagements with these farmers provide them with a stable source of income while ensuring continuity and reliability in our supply chain.

Furthermore, the production of our finished products necessitates the procurement of other critical materials, such as paper and filters, which are sourced from both domestic and international markets.

Operations

Within our Primary Manufacturing Division (PMD), the procured tobacco leaves are processed through a series of steps beginning with threshing, which separates the leaves into stems and laminas. These components are then blended with various grades and subjected to mechanical processes such as sieving, cutting, and drying. Post-processing, the laminas and stems are conditioned and stored in a controlled, humidified environment to preserve quality.

The processed tobacco is subsequently transferred to our Secondary Manufacturing Division (SMD), where it undergoes further stages including making, packing, wrapping, and parcelling to produce the final product.

Serving Markets

Our finished products are distributed across more than 80% of India through a robust network of wholesale dealers. They play a pivotal role in ensuring the widespread availability of VST's products and brands and retail outlets. In addition to domestic distribution, a portion of unmanufactured tobacco is also exported to international markets.

Memberships and Associations

(GRI 2-28)

VST maintains active engagement with leading industry associations and professional platforms, fostering collaboration with a wide range of organizations to remain informed on evolving perspectives and emerging trends. These associations serve as valuable forums through which we stay updated on the latest industry developments, best practices, and innovative technologies, thereby enhancing our environmental and social performance.

Certifications and Recognitions

Acknowledgements and accolades serve as a testament to our commitment to the stakeholders we serve and reinforce confidence in our ability to consistently deliver excellence. Presented here are the notable awards and recognitions conferred upon us.





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The world today faces several interconnected challenges—ranging from climate change and resource depletion to rapid population growth and shifting demographics—that place increasing pressure on environmental and social systems. In response, we are deepening our commitment to sustainability, acknowledging our role as a responsible organization promoting environmental sustainability, social equity, and good governance. We also recognize the growing complexities in the geopolitical landscape and the impact of discriminatory trade tariffs amongst countries, which can pose risks to global trade and sustainability efforts. We firmly assert that the most efficient means to create lasting and sustainable, sustainable value for our stakeholders is by promptly acknowledging and addressing their

Stakeholder Engagement

GRI (2-29 3-1, 3-2, 3-3)

At VST, we place strong emphasis on building and maintaining meaningful relationships with our stakeholders. Recognizing these connections are essential to our long-term success. We actively engage with all parties impacted by our operations, with the goal of understanding their needs and concerns and achieving mutually beneficial outcomes. Transparency and integrity are central to our stakeholder interactions and have played a key role in our growth journey. As we move forward, we remain dedicated to embedding sustainability considerations into our stakeholder engagement processes, enabling us to better identify emerging risks and opportunities.



Stakeholder	Mode of Engagement	Frequency of Engagement			
Employees	 Town hall meetings Employee trainings Seminars/webinars Quarterly newsletter Collective bargaining process Health & Safety committee meetings 	Annually, Quarterly and Monthly			
Investors	 Annual general meeting Interim financial statements Director's report Board meetings Corporate disclosures Press releases 	Annually, Quarterly and Need basis			
Farmers	Seminars/ webinars/Field visits	Annually			
Wholesalers	In-person/virtual meetingEmails	Annually			
Local Communities	Training and awareness building programmesCSR activities	Annually			
Suppliers	In-person/virtual meetingVendor meetingsCapacity buildings	Annually			
Regulatory Bodies	Official notificationsPress releasesMeeting with Govt. body as per requirement	As and when required			

Materiality Assessment

(GRI 3-1, 3-2)

Our material topics encompass issues that pose significant risk to our organization's capacity to create, uphold, or diminish economic, environmental, and social value for the business and our stakeholders. Through materiality assessments, we aim to enhance the relevance, transparency, and effectiveness of our ESG disclosures.

Materiality Approach

Our approach to materiality involves proactive engagement with stakeholders and careful analysis of our operating context, drawing on best practices across the industry. The process is designed to identify, assess, and prioritize issues that are critical to our business strategy and stakeholder interests, ensuring that our disclosures reflect both internal priorities and external expectations.

We undertake regular materiality assessments to:



Identify emerging and evolving risks and opportunities across the value chain;



Align business objectives with stakeholder concerns;



Guide strategic decision-making through the development of targeted action plans and measurable objectives.

(15) ESG REPORT 2024-25 ESG REPORT 2024-25 (16



This dynamic and structured approach enables us to respond to the changing operating environment and continuously improve our performance on the issues that matter most. In FY 2022-23, we carried out a comprehensive materiality assessment in collaboration with our stakeholders to identify and

prioritize the issues most relevant to our business. Each topic was thoroughly evaluated for its potential impact across the value chain and associated business risks. The step-by-step process is elaborated below:

Our operational review for the year revealed no major changes to our business model or stakeholder expectations. As a result, there were no revisions to the previously identified material topics. The outcomes of the assessment are illustrated in a materiality matrix, which maps each topic based on two key dimensions: its significance to external stakeholders and its importance to the business. This structured approach enables us to systematically address material issues and integrate them into our strategic planning.

Identification

We developed an initial list of material topics by analyzing our peers and consulting global and national standards for sector-specific material topics.

Stakeholder Consultations

We actively engaged key internal and external stakeholders through a structured consultation process and documented their response on impact and influence of each material topic.

Prioritisation

Feedback from relevant stakeholders was examined and validated by inputs from senior management, and issues were then ranked in order of priority, taking into account the company's business strategy and sustainability goals. Following the review by senior management, the CSR Committee and formally approved the final list of material

Key External Stakeholder Groups

Investors

Farmers

Wholesalers

Local Communities

Suppliers

Regulatory Bodies

Key Internal Stakeholder Groups

Employees

Contractual employees

Senior Management



Importance to Business



Impact Boundary

VST's strategic ESG pillars and key material topics

The identified material issues have been categorized into five strategic pillars based on their impact and scope. As part of our forward-looking approach, we have defined clear short- and long-term targets for each material issue to guide our sustainability roadmap.

Strategic ESG Pillars



Transforming Towards a Sustainable Future

Sustainable Operations Manufacturing Facilities & Corporate Office Energy **Emissions** Sustainable Operations Manufacturing Facilities & Corporate Office Climate Resilience Sustainable Agriculture Suppliers Water Manufacturing Facilities, Corporate Office, Sustainable Operations Sustainable Agriculture and Supply Chain Waste Management Sustainable Operations Manufacturing Facilities, Corporate Office, 5. Sustainable Agriculture and Supply Chain 6. Sustainable Material Sustainable Operations Manufacturing Facilities & Corporate Office Biodiversity Sustainable Operations Manufacturing Facilities, Corporate Office and Society 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** 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 Labour-Management People & Culture 15. Permanent and Temporary workforce Relations Training and Education People & Culture Permanent and Temporary workforce Diverse and Inclusive Work 17. People & Culture Permanent and Temporary workforce Environment Community Initiatives Inclusive Growth Permanent and Temporary workforce, Nearby communities and Society **Regulatory Compliance** Responsible Governance 19. Management 20. **Business Ethics** Management and Employees Responsible Governance 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 Responsible Sourcing Responsible Governance Management, Employees and Suppliers

ESG Pillar

ESG REPORT 2024-25 ESG REPORT 2024-25

S.

Identified No. Material Topics



ESG Roadmap: Onward to 2030

GRI 3-

Our ESG objectives reflect our long-term commitment to sustainable practices and creating value for all stakeholders. We remain dedicated to achieving strong performance within established ESG frameworks, working towards the attainment of our defined goals and benchmarks. Our progress is independently verified by assurance providers, and we report

annually on our ESG performance through our ESG report and SEBI's Business Responsibility and Sustainability Report (BRSR), ensuring transparent and consistent communication with stakeholders. In alignment with our commitment to the United Nations Sustainable Development Goals (UNSDGs), we have charted a path towards achieving our sustainability targets by 2030.

ESG Pillar	Material topic	Target for FY 2030				
Sustainable operations	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	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				

ESG Pillar	Material topic	Target for FY 2030
Sustainable agriculture	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.
Care for People	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 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 Health & safety	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 Zero accident in own operations
Responsible Governance	Regulatory compliance	Continue to comply with applicable regulatory requirements

ESG REPORT 2024-25 **22**



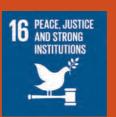
Leading with integrity, innovation, and a commitment to ethical practices

Contents of this Section

- **Board Oversight**
- **ESG Governance**
- Policies, Principles and Standards
- Risk Management
- **Policy Advisory**
- **Responsible Sourcing**
- Innovation

SDGs Impacted





A responsible governance framework is crucial to fulfilling the needs and expectations of all stakeholders. This encompasses ensuring transparency in transactions, enforcing stringent policies and practices for key processes and systems, fostering accountability and integrity, and steadfastly adhering to the highest standards of compliance and governance.



Board Oversight

GRI (2-9, 405-1)

Our dedication to meticulous governance practices commences with the Board of Directors (referred to as the Board). Their guidance and input are pivotal in fostering business resilience and driving ongoing enhancements.

The Board comprising of six members, is led by Mr. Naresh Kumar Sethi, serving as a non-executive director. The Board members exhibit a diverse range of expertise, skills, accomplishments, and competencies.

To ensure that independent directors are well-versed in their roles, rights, and responsibilities, the Company conducts a familiarisation program, where they are introduced to key areas of the business.

This includes orientation programs conducted by departments such as Legal & Secretarial, Marketing, Finance, and Technical, covering important aspects like the company's history, business model, industry position, production processes, and financial structure. The program also includes plant tours and visits to tobacco growing areas to help directors gain a comprehensive understanding of the company's operations.

The Board implements and oversees policies and procedures, endorsing confidence in the business strategy concerning economic, environmental, and social matters through various committees.

VST has established several committees, including:

- 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 the Board and Senior Management based on qualification criteria and recommend their remuneration.
- 4 Stakeholder Relationship Committee: The committee manages shareholder grievances.
- 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. Naresh Kumar Sethi Non Executive Director Chairman



Mr. Sudip
Bandyopadhyay
Independent Non
Executive Director



Mr. Sanjay WaliWhole Time Director



Mr. S Thirumalai

Non Executive Director



Mr. Rajeev Bakshi
Independent Director

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ESG Governance

GRI (2-9, 2-11, 2-12, 2-14 405-1)

We have established a three-tiered ESG governance structure at the Board, Corporate, and Unit levels.

Corporate Social Responsibility (CSR) Committee and Environmental, Social, and Governance (ESG):

This committee operates at the Board level and is led by an Independent Director. Its role includes assessing performance, offering strategic guidance, and providing essential feedback to the Corporate ESG committee.

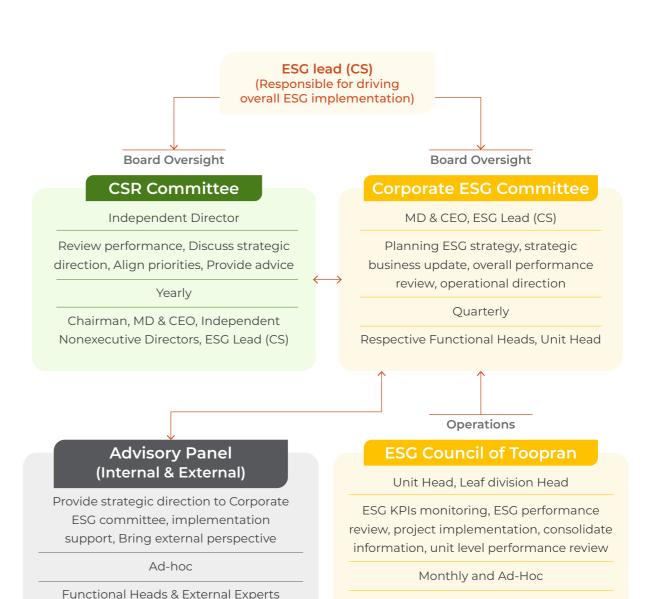
ESG Strategy Committee:

Headed by our Executive
Director, this committee is
responsible for formulating the
ESG strategy, conducting a
comprehensive performance
evaluation, offering strategic
updates, and providing
operational direction.

ESG Council:

At the unit level, this committee, led by the respective unit heads, oversees the monitoring of ESG Key Performance Indicators (KPIs), conducts performance evaluations specific to the unit's ESG efforts, and manages the implementation and monitoring of projects.

Additionally, our Company Secretary(CS) leads the overall ESG agenda of the organization, reporting to the CSR committee.



Key ESG resource from relevant functions

within the site including Leaf division



Regulatory Compliance

Policies, Principles and Standards

GRI (2-19, 2-23, 2-24, 2-26, 2-27, 205-2, 205-3, 206-1)

Business ethics and integrity are core to our operations, shaping our interactions with stakeholders and ensuring compliance with relevant laws and regulations as a responsible corporate citizen

Our leadership sets the standard for ethics, integrity, highest standards of transparency and governance, and accountability, demonstrating these values through their actions. We expect all employees to uphold the highest standards, as outlined in our Code of Conduct & Ethics Policy, which emphasize each individual's responsibility to report any breaches of the policy.

In support of our commitment to ethical practices, our Whistle Blower Policy provides a secure and confidential platform for employees and directors to report any unethical behavior, suspected fraud, or violations of the Code of Conduct. The policy ensures that whistleblowers can raise concerns without fear of retaliation or discrimination, with strict protection

against unfair treatment, harassment, or victimization. Employees can report their concerns to designated personnel, including the Audit Committee, via email or in person. All reports are investigated thoroughly, and appropriate corrective actions are taken.

The Whistle Blower Policy guarantees the confidentiality of the whistleblower's identity, fostering an environment where employees feel supported in reporting misconduct. Furthermore, the policy ensures that no employee will be penalized for good-faith disclosures, reinforcing our commitment to transparency and integrity within the organization.

We have established a comprehensive set of corporate guidelines forming our policy framework, aiding in the proactive identification, management, and mitigation of business risks. Regular reviews and updates to our policies, reflect our commitment to foster a positive work environment.

Insider **Archival** Remuneration **Trading Policy Policy** Policy Terms and **Familiarization** Policy for conditions of programme for determination appointment of Independent Independent of materiality Directors Directors Code of Dividend Conduct and Whistle-blower distribution ethics policy **Policy** and guidelines Policy on recruitment Water **Related Party** stewardship **Transactions CSR Policy** Policy Policy Prevention Of Sexual **Environment** Harassment

Policy

(POSH) Policy

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Risk Management

At VST Industries, we are committed to integrating best practices for risk management at both the strategic and operational levels. The Risk Management Committee plays a crucial role in identifying and assessing risks that could impact the company's ability to meet its strategic objectives. We've implemented a robust risk management system to proactively address current and emerging risks.

Our risk management process is comprehensive, covering a wide range of material risks including strategic, financial, environmental, social, governance, operational, and compliance risks. Through regular reviews, the Committee ensures that risks are managed efficiently and in line with the company's overall business objectives.









Develop risk mitigation plan



Risk Monitoring



Risk Control

Our geographical footprint exposes us to various risks stemming from economic, regulatory, political, and competitive landscapes. Here are the principal risks affecting VST's business and their mitigation strategies:

- I Regulatory restrictions pose a threat to long-term revenue growth. We operate under stringent regulations such as the COTPA Act, with varying interpretations across states. To address this, we engage in ongoing dialogue with stakeholders and regulatory bodies while developing strategies to launch competitive brands within evolving
- II Taxation changes may impact short-term revenue growth. Compliance with GST, excise, and other taxes could lead to price adjustments or absorb additional costs. To mitigate this, we engage with tax authorities, diversify our brand portfolio, and invest in distribution infrastructure.

- III Regional disruptions can affect revenue and reputation. State-level trade restrictions or political unrest may disrupt operations. We address this through secure supply chain strategies, insurance coverage, and business continuity planning.
- IV Counterparty risk could affect capital and profitability. Delay or default in settlements with financial institutions may lead to liquidity issues. We mitigate this risk by investing in institutions with strong ratings and adhering to SLR principles.
- **V** Data risks pose a threat to sensitive information. To prevent loss or misuse, we enforce IT policies, regularly review controls, and implement measures like data backup and disaster recovery.





Responsible Sourcing

GRI (204-1, 308-1, 308-2, 414-2)

Our commitment to sustainability is embedded throughout our supply chain, ensuring adherence to the highest quality and regulatory standards to meet the expectations of adult consumers. We proactively guide our supply chain partners towards sustainable practices, focusing on excellence, agility, and innovation. Our objective is to create value not only for ourselves but also for our suppliers.



Supply Chain Philosophy

At VST, we are dedicated to promoting sustainable practices and ethical standards across our supply chain. We recognise that managing supply chain risks involves more than just preventing disruptions; it also requires seizing opportunities to drive positive impact. To achieve this, all of our suppliers are required to adhere to agreements that set minimum sustainability and ethical criteria, ensuring a responsible and resilient supply chain.

Supplier Assessment Process

Our supplier assessment process starts with the identification of key suppliers. This process evaluates suppliers based on sector-specific risks to ensure that the most critical suppliers are included in the evaluation. The goal is to establish clear evaluation criteria that address both business and environmental, social, and governance (ESG) risks.

Conduct replants assessment Process ESG Screening Evaluate suppliers using ESG criteria. Identify Suppliers Select suppliers based on procurement value and risks. FSG screening: Potential suppliers will be evaluated.

Identification of critical suppliers: We plan to undertake assessment of critical suppliers or high risk suppliers comprising 75% of our total procurement spent amongst other parameters such as availability of alternative suppliers, environmental and social risks, and geographic location.

ESG screening: Potential suppliers will be evaluated using a questionnaire focused on ESG criteria, based on which contracts will be awarded.

Ongoing Evaluations: Existing suppliers will undergo assessments, with more frequent evaluations planned if recurring issues arise. Remote assessments and teleconferences may also be conducted.



Scoring Criteria

Suppliers Scoring >90: Treated as partners; assessment not required.

Suppliers Scoring 80-90: Assessed every two years.

Suppliers Scoring 70-80: Assessed annually.

Suppliers Scoring <70: Ordered to stop until improvements are shown.

Suppliers Scoring <60: Dropped from the approved list.

By working on implementing this process, we aim to cultivate a network of high-performing suppliers who are committed to sustainable and ethical practices.

Integrating ESG in our Tobacco Supply Chain

Our procurement practices for tobacco leaves align with the Sustainable Tobacco Programme (STP), which establishes minimum standards for contracted farmers and encourages continuous improvement through self-assessment and third-party reviews. Developed through cross-industry collaboration, this program is designed to address future environmental sustainability challenges while improving labor standards.

All agreements with farmers are based on STP criteria and are translated into local languages to ensure the effective implementation of Good Agricultural Practices (GAP) contained in the

TraceX

Farmers' Handbook. We also prioritize farm workers' well-being through the implementation of Agricultural Labour Practices (ALP) Code.

Starting with 2024 crop, VST has transitioned its GMS data collection to the Tracex platform, which enhances data collection capabilities for agricultural practices, improving both efficiency and accuracy. The GMS mobile application has now been fully implemented across all tobacco varieties, with the new traceability feature recently launched. This transition is designed to improve crop management and ensure higher compliance with industry standards.

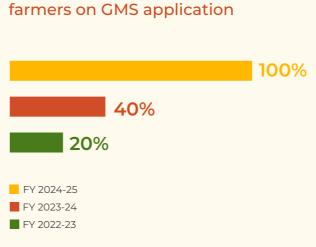
28.89% inputs were sourced sustainably

Additionally, coverage for farmers under the GMS program has increased to 100% in FY24-25, expanding the reach of sustainable farming practices. This shift aims to enhance overall crop management, optimize tobacco quality, and ensure better compliance with STP implementation. Field technicians are deployed with mobile access to the GMS platform, enabling real-time monitoring of farm practices, ensuring compliance with ALP standards, and providing guidance to farmers on sustainable practices that align with their financial capacities. Thus, incorporating the GMS mobile application has streamlined operations from farm

to procurement, enhancing operational efficiency and traceability.

Aligned with our sustainable sourcing strategy, have maximised procurement from assessed and certified sustainable suppliers during the reporting year. This includes farmers monitored through the TraceX platform and vendors covered under the Forest Stewardship Council (FSC). Collectively, these sustainable purchases account for approximately 28.89% of our total procurement spend, reinforcing our commitment to traceable, responsible, and environmentally conscious sourcing practices.

Coverage of contracted farmers on GMS application



Enhancing Local Procurement

At VST, we prioritize socio-economic development by fostering partnerships with diverse and local suppliers. Localizing our supply chain not only reduces lead times but also minimizes our climate change impact by cutting emissions associated with our value chain. In FY 24-25, local procurement accounted for 92% of our total procurement.

Collaborating with local flavour houses, we have developed new flavours for our products. This success has led us to transition flavour sourcing from Hamburg enabling us to enjoy more efficient logistics, cost savings, and significantly reduced greenhouse gas emission.



Innovation

As adult smokers' preferences evolve, there is a growing demand for innovative products beyond traditional brands. Our strategic focus on driving successful innovations has allowed us to maintain a strong market position. We continually explore collaborations with technical experts to enhance our product portfolio, with product innovation serving as a key driver of our business growth. Below are some of our notable innovations:

Our R&D division focused on driving product innovation to meet evolving preferences of adult consumer during FY2024-25. The demi slim format Tri Sensate product, offering unique sensory experiences through innovative flavour combinations introduced last year was very well received by the adult consumers. Additionally, we have re-engineered the heritage brands product construct and blend to enhance taste satisfaction, which has been received well in markets.

VST continuously focuses on testing various smoke profiles, flavours, materials, and product varieties while prioritizing product integrity and minimizing environmental impact. In FY2025-26 we plan to launch new formats and flavours cater to the emerging needs of adult smokers.

Understanding brand health is paramount as it plays a crucial role in developing new products by offering a clear understanding of adult consumer preferences, brand strengths, and areas needing improvement. Every year we proactively conduct a brand health survey across our operating markets, specifically for brands like Total, and Charms through quantitative research in selected towns. This provides crucial intelligence on brand equity and market performance, enabling us to anticipate and effectively address any potential brand equity challenges or opportunities.

Innovation at VST is guided by two main criteria:

New Product Development: Our focus on developing innovative features and taste profiles is key to enhancing adult consumer satisfaction and fostering brand loyalty.

unwavering commitment to top-quality standards not only enhances our product image but also provides a crucial competitive edge while fully adhering to all regulatory requirements.

Process Innovation

FY 2024-25, our process innovation efforts were focused on improving the efficiency and cost-effectiveness of our tobacco blending operations. By refining blend and process parameters, we achieved a 2% improvement in cut tobacco blend fill power, reduced cigarette density by 2 points, and this led to an annual cost saving of ₹90 lakh in blend operations. This optimization has contributed significantly to tobacco utilization and cost savings. We also collaborated with an international expert to align our processes with the latest global trends, implementing additional cost-saving measures that further enhanced operational efficiency. At VST, we continue to leverage cutting-edge technological advancements and implement structural improvements to drive sustainable growth. Our focus on resource optimization, waste reduction, and process efficiency ensures we maintain a competitive edge while fostering long-term sustainability.



ESG REPORT 2024-25 ESG REPORT 2024-25



Empowering our workforce and fostering a healthy, inclusive environment

Contents of this Section

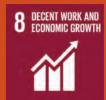
- **Employment**
- Diverse and Inclusive Work Environment
- Training and Education
- Health and Safety

SDGs Impacted











At VST, fostering a high-performance culture that drives sustained business growth is a key priority. Central to this effort is the dedication and expertise of our people, which forms the foundation of our organizational values.

We follow a collaborative approach wherein the Head of Human Resources works in close partnership with the MD and CEO to shape effective workforce management strategies. The implementation and oversight of these strategies are carried out by the Corporate Executive Committee (CEC), under the guidance of the Managing Director.



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



Talent Mapping – Identifying essential and pivotal positions.

Developing succession strategies for these positions.

Strategy for enhancing skills and capabilities

Enhancing the digital proficiency of the sales team.



Culture & Connect

Attract suitable candidates.

Promote employee well-being

Strengthen diversity and inclusion

Cultivating the company's employer reputation



Reimagine, Realign

Managing employee performance

Tailored rewards and benefits

Contemporary in-house atmosphere and facilities

Recognition programs

Material Topic

Commitment

Diverse and inclusive work environment

Promote a diverse and inclusive workplace by ensuring equal opportunity for all employees, with decisions based solely on individual merit and capabilities. Provide inclusivity training for managerial staff to help foster a work environment free from discrimination, sexual harassment, and unfair biases in areas such as compensation, career advancement, and employee benefits. These training sessions aim to address and eliminate prejudices based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status, political or religious affiliation, union membership, or association with any majority or minority groups.

Employment

Continue to invest in fostering employee involvement and regularly conduct engagement surveys to assess workforce sentiment, enable timely adjustments, and monitor key performance indicators relevant to employee experience and organizational effectiveness.

Health & Safety

Strive to ensure zero accident in our own operations.

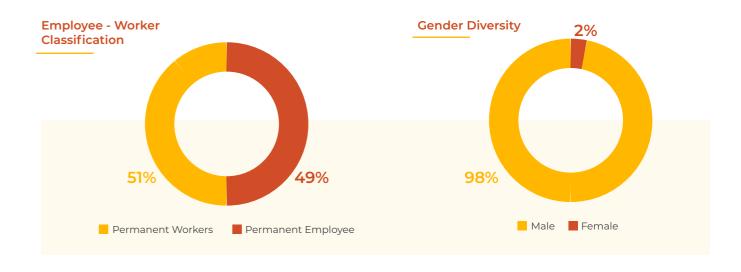
Employment

GRI (2-8, 401-1, 401-2, 404-3, 405-1, 405-2)

At VST, we greatly value the contributions of our employees, recognizing that their commitment to excellence has been a driving force behind our continued success and the creation of long-term stakeholder value. We respect and appreciate their

dedication to upholding the highest standards, which plays a vital role in our collective progress. Our goal is to foster an exceptional workplace environment and provide rewarding career opportunities, positioning VST as an employer of choice.

Our employee strength as on 31st March 2025 is 696 including both permanent employees and workers.











Building a Future-Ready Workforce

To strengthen our position as an employer of choice, we offer distinctive career opportunities that enhance our attractiveness in the job market. We are firmly committed to equality and take pride in maintaining fair and unbiased recruitment practices. Our hiring process ensures that no candidate is discriminated against on the basis of caste, religion, disability, gender, sexual orientation, race, colour, ancestry or marital status.

As part of this commitment, we have introduced the Campus Connect program—an initiative aimed at bridging the gap between academic knowledge and professional growth. By engaging with emerging talent from diverse educational backgrounds, we not only benefit from fresh perspectives and innovative thinking but also reinforce our commitment to equal opportunity. This approach supports our long-term success and contributes meaningfully to the well-being of all our stakeholders.

	FY 2024-25	FY 2023-24	FY 2022-23
Male	83	93	71
Female	0	0	2
Total	83	93	73

Hiring Programmes

VST focuses on building a future-ready workforce by attracting high-calibre talent through fair, inclusive, and opportunity-driven hiring practices. We take pride in maintaining a recruitment process that is free from discrimination based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, or marital status.

Our Campus Connect Program plays a strategic role in strengthening our talent pipeline by engaging with students from diverse academic backgrounds. This initiative not only helps bridge the gap between academic learning and professional expectations, but also ensures the inflow of fresh perspectives and innovative thinking into the organization. While the focus of campus hiring may evolve with business needs, our long-term engagement with educational institutions remains integral to our talent strategy.

In addition to campus recruitment, we continue to invest in lateral hiring across functions and levels. Our structured recruitment process, supported by trusted talent partners, enables us to attract seasoned professionals who bring domain expertise and leadership experience contributing meaningfully to our sustained business growth.

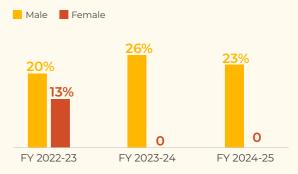
Employee Onboarding

Our onboarding process is designed to offer a seamless and enriching experience to all new hires—whether campus recruits or lateral joiners. Every new employee is welcomed with a joining kit and introduced to the organization through a structured induction program. This includes tailored modules that cover business operations, workplace culture, policies, and functional overviews.

To support early integration, each new hire is paired with a buddy who provides guidance during the initial weeks. This approach helps employees acclimate quickly and fosters a sense of belonging from day one.

By combining robust hiring programmes with thoughtful onboarding, we aim to cultivate a diverse, engaged, and high-performing workforce that is aligned with our values and vision for the future.

Employee Hiring Rate





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Employee wellbeing

We view employee well-being as a cornerstone of workplace happiness, enhanced capability, and overall satisfaction. Our commitment is reflected in a comprehensive suite of health and wellness benefits tailored to meet the diverse needs of our workforce. These include medical insurance, personal accident coverage, maternity leave, and collaborations with organizations dedicated to health, education, and holistic wellness.

In addition, our compensation and benefits programs are structured to be fair, transparent, and competitive, aligning with industry standards. Following each appraisal cycle, employees are rewarded with performance-based bonuses and incentives. They also enjoy benefits such as provident fund contributions, gratuity, long-service awards, and other entitlements beyond their basic salary.

Employee Category		Male	Female		
	Number Median remuneration in INR		Number	Median remuneration in INR	
Key Managerial Personnel (other than BoD)	2	1,29,37,831	-	-	
Employees other than BoD and KMP*	330	10,38,856	10	11,85,890	
Workers	353	9,55,872	-	-	

Ratio of median compensation for male and female

Female:Male 79:1000 = 0.079

100% of employees & workers are covered under health insurance.

100% of employees & workers are covered under accident insurance.

Employee engagement

We recognize that the knowledge, skills, and experience of our employees are integral to VST's success. We are dedicated to cultivating a welcoming and inclusive work environment, supported by a variety of engagement initiatives that play a vital role in nurturing a positive and collaborative workplace culture.

The goal is to continue making VST one of the

most sought-after organizations in the long run, driving employee satisfaction and organizational growth.

Additionally, we have taken several initiatives throughout the reporting period, such as the introduction of new modules for frontline sales, a campus-connect program and a new sales incentive policy called Pragati.

Pragati: Sales Incentive Policy

The Pragati Sales Incentive Policy was launched to align employee performance with business objectives by offering incentives for Territory Managers (TMs) and Circle Managers (CMs) based on Sales Quantity Based (SQB) achievements. The goal is to provide employees with higher earning potential and timely recognition. Since its introduction, the Pragati policy has led to increased motivation and consistent target achievement

across regions. The policy has boosted job satisfaction, driven sales performance, and encouraged healthy competition through a transparent payout system that aligns individual goals with company objectives. The Pragati Sales Incentive Policy has successfully linked employee performance with clear and achievable rewards, resulting in improved sales and enhanced employee engagement.



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VST drives continuous improvement by actively seeking employee feedback through regular satisfaction surveys. These surveys serve as a valuable tool for understanding employee perspectives on the work environment and gathering suggestions for its enhancement.

To further strengthen communication and connection, we continue to introduce several interactive platforms such as Quarterly Town Halls, Two-Way Talksand leaf hangouts. These platforms not only facilitate updates on company performance and our future direction but also highlight how every employee plays an important role in our collective journey.

Our Town Halls, held every quarter, provide a space to celebrate top performances, share success stories, and recognize the hard work and contributions of our employees. This also serves as an opportunity to align our workforce with the company's vision and goals.

Additionally, through our Corporate
Communication efforts, we have become more active on platforms like LinkedIn, ensuring that employees remain informed about CSR activities and employee milestones, while maintaining engagement with positive developments across the organization. By providing employees with multiple avenues for communication, we foster a culture of trust-based relationships and ensure that they are actively involved in shaping the company's strategic direction.





Performance Management and Talent Development

We follow a goal-oriented approach that recognizes achievements at both the organizational and individual levels. At the start of each year, goals are set in alignment with the strategic priorities defined by the leadership team and are communicated across the organization. Based on these objectives,

Key Result Areas (KRAs) are established and documented in the system.

At the conclusion of each appraisal cycle, employee performance is evaluated against the defined KRAs, with an emphasis on upholding the organization's core values throughout the process.

Succession Planning

This year, we have implemented a comprehensive succession management process for top-level management, reflecting our forward-thinking approach to ensure the long-term stability and growth of our organization. As part of this process, we have finalized the competency requirements to guide current leaders and systematically prepare future leaders for succession. This process is designed not only to refine the skills of the current incumbents but also to strategically groom high-potential individuals for future leadership roles.

Along with finalizing competency requirements, we have introduced a uniform competency framework that aligns with our talent development process. This framework ensures consistency across the organization, providing clarity on the skills and expectations needed for leadership roles.

In partnership with renowned consulting firm, we conducted an assessment center for top-performing sales managers to evaluate their leadership potential. Mentorship sessions were held with these managers twice during the year to provide guidance and prepare them for leadership responsibilities.

Through these initiatives, we are fostering a structured pathway for employee growth and leadership development, ensuring that our future leaders are equipped with the necessary skills to drive the company's success. We remain committed to refining and executing this process, cultivating a pipeline of capable leaders who will guide our organization into the future.

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Over the past year, the Company has redefined its managerial competencies to accelerate progress on its ESG initiatives. These enhanced competencies are built around five core pillars: strategic mindset, customer and consumer focus, execution excellence, change leadership, and people leadership.

Strategic Mindset

Align Business Performance

Customer/ Consumer

Consumer centric approach

Execution Excellence

Result Orientation
Organizing Ability

Change Leadership

Ability to influence and impact

People Leadership

Self-Motivated
Team Skills
Act with Integrity

Percentage of employees receiving regular performance and career development reviews



Female

Celebrating Excellence

We believe that recognizing and rewarding our employees' efforts not only enhances motivation but also strengthens our reputation as an employer of choice. Celebrating exceptional performance fosters a sense of accomplishment, promotes teamwork, and builds lasting loyalty toward the organization. It also helps align employee focus with the company's core behaviors and strategic goals.

In line with this belief, we launched the Gold Star – Recognition Programme in January 2022.

Following an overwhelmingly positive response, the program has become one of VST's most celebrated initiatives. This year, we expanded the program by introducing five new award categories, namely NPL Champs, Cost Optimization Leaders, Power Five, and Super Coach, to further recognize and reward diverse employee achievements. These categories were well received by employees, motivating them to reach new milestones and contribute even more to the organization's growth:

The Power Five

This category celebrates exceptional Territory Managers (TMs) who achieve superior business results based on Sales Quantity Based (SQB) achievements. By focusing on these areas, TMs are motivated to achieve results that drive both individual and company growth.

The Super Coach

This award recognizes individuals who excel in coaching and mentoring their teams, facilitating a culture of Learning and development. Recipients are evaluated based on their efforts in Training, Sales Process Training, Merchandising, and Consumer Connect, while also driving significant performance improvements through coaching. The focus here is on nurturing leadership and improving team performance.



Cost Optimization Leaders

This category recognizes individuals who promote a culture of cost-consciousness within their teams. The key focus is on efficiency in work processes, implementation of cost-saving ideas, and executing high-value projects with minimal cost. This award celebrates those who bring financial prudence to the forefront, not just within their own teams but across the organization.

This year, all our departments and business units participated in our rewards and recognition programs, demonstrating the broad engagement across the company. We held three major recognition events throughout the year, where employees were celebrated for their remarkable contributions. The Gold Star Recognition Programme continues to play a key role in enhancing employee motivation, fostering cross-functional collaboration, and strengthening employer branding.

Feedback from employees indicates a significant boost in employee happiness, satisfaction, and the drive to excel. These initiatives have successfully contributed to creating a culture where employees feel valued, engaged, and recognized for their hard work. Looking ahead, we envision continuing to expand and refine such programs to inspire, energize, and strengthen employee motivation and engagement across the organization.

NPL Champs

The NPL Champs category acknowledges employees across various departments (including TM&D, R&D, HO Brands, Supply Chain, and Technical) who consistently go above and beyond to drive impactful results. From effectiveness of product launches and material innovation to product quality and manufacturing excellence, these individuals are instrumental in improving productivity. They contribute significantly to the company's growth by delivering value in key areas such as product innovation, market execution excellence, and delivery speed.





Diverse and Inclusive Work Environment

At VST, building an inclusive culture where every individual, regardless of background, feels valued and empowered is a core organizational priority. Our approach centers around creating equal opportunities for all employees to thrive, irrespective of gender, ethnicity, age, disability, or socio-economic status. This commitment is woven into every aspect of our operations, from hiring practices to career development initiatives.

To promote an inclusive work environment, we maintain open channels for dialogue, ensuring that all employees have access to opportunities for growth. We also integrate inclusive design elements into our facilities, ensuring they are accessible to individuals with disabilities. Features such as ramps and wheelchair-friendly infrastructure are standard to facilitate mobility and create a supportive workplace for everyone.

As part of our ongoing efforts to foster a diverse and respectful environment, we introduced DEI training for all employees. These training modules are available online via our intranet and are mandatory for all employees. The training covers essential topics such as promoting diversity, ensuring labour rights, upholding company responsibility towards human rights. Additionally, we emphasize the importance of mental health and well-being, and gender equality and empowerment. This annual training ensures that all employees understand the values we uphold and how they can contribute to a positive work culture.

Looking ahead, we will continue to evolve our DEI practices by seeking innovative ways to deepen inclusion and ensure that every employee feels they belong and can make a meaningful impact.

Training and Education

GRI (401-2, 404-1, 404-2)

Our talent management approach is centered on building a work environment that attracts skilled professionals and supports their growth and career advancement within the organization. We strive to create a culture that is both engaging and fulfilling—one that empowers employees to thrive personally and professionally.

We place strong emphasis on the continuous development of our people, with a particular focus on

nurturing leadership potential and enhancing skills across all levels.

Post performance review, training needs are identified annually through structured discussions between employees and their direct supervisors. These insights are used to develop a targeted training plan, which is executed in alignment with the organization's annual training calendar.



Average Training hours per male employee on Skill Upgradation

11.63 Hours



Average Training hours per Female employee on Skill Upgradation

1.6 Hours





To stay ahead in a dynamic business environment, we review our training curriculum annually and introduce new programs that align with evolving business needs. We conduct in-house training sessions focused on developing frontline employees and supporting first-time managers through tailored guidance.

Additionally, we collaborate with external experts to deliver specialized training that enhances agility and

capability across the organization.

We have partnered with institutions such as Upgrade to deliver advanced training in operational areas, particularly in the leaf function. We have also engaged external consultants to conduct "Raise Workshops" for our Marketing Managers and nominated three members of the Corporate Executive Committee (CEC) to participate in a business storytelling program at ISB Hyderabad. Furthermore, we maintain strong ties with top management institutes across the country to ensure access to world-class leadership development opportunities. Succession planning remains a strategic priority. We have established a robust framework to ensure continuity and seamless leadership transitions.

Our focus extends to building future leaders through well-defined talent pipelines and leadership roadmaps. Beyond skill development, our aspiration to be recognized as a top workplace encompasses the holistic well-being of our employees. We believe in fostering a culture that supports professional excellence while promoting physical and mental wellness.

Health and Safety

GRI (403-1 to 403-10)

At VST, we are deeply committed to providing a safe and healthy work environment for all our employees, with the ultimate aim of achieving zero workplace accidents. We believe that building a strong culture of safety is fundamental to achieving excellence in our operations.

Our manufacturing facilities are certified under ISO 45001:2018, reflecting our dedication to continual improvement in occupational health and safety performance. We establish clear safety targets and track progress rigorously to drive sustained enhancements.

The Vice President of the Technical Division oversees the implementation of our company-wide health and safety strategy. As part of our governance practices, safety performance updates are presented to the Board on a quarterly basis. Our comprehensive health and safety management system is aligned with local regulatory requirements, incorporates robust risk management processes, delivers regular safety training, and closely monitors key performance indicators to ensure accountability and improvement.

To ensure the well-being of our employees, we also conduct medical health check-ups such as audiometry test in high noise zones, as well as eye check-ups for forklift truck drivers and electricians. This proactive approach helps us detect and address potential health issues early, ensuring that our workforce remains fit and healthy.

Ensuring Regulatory Compliance

We maintain all required permits and licenses in line with the provisions of the Factories Act and relevant management standards. Compliance is monitored through routine internal assessments as well as independent third-party audits. Any non-conformities identified during these audits are addressed promptly through corrective actions, followed by the implementation of preventive measures to mitigate recurrence and ensure sustained compliance.

Risk Management

Our comprehensive health and safety management system is deonstrated through proactive hazard identification and mitigation. In alignment with our commitment to achieving 'Zero Accidents', we regularly conduct Hazard Identification and Risk Assessments (HIRA) and Job Safety Analyses (JSA) for both routine and non-routine tasks. These assessments help us categorize risks as high, moderate, or acceptable. Based on this classification, we implement targeted control measures to reduce risk levels and ensure they remain within acceptable limits.

In addition to our annual risk assessments, we actively encourage employees to report near-miss incidents. This culture of vigilance empowers individuals to contribute to workplace safety and enables timely investigation and resolution of underlying causes through appropriate corrective and preventive actions.





To further strengthen our health and safety framework, we have implemented a range of risk mitigation initiatives, including:

Encouraged employees for safety suggestions to improve the safety culture.

Involved employees in shop floor safety discussions and safety committee meetings.

Celebrated Safety Day competitions for employees.

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

Health and Safety Training

Creating a robust safety culture begins with raising awareness and equipping employees with the necessary knowledge to manage risks effectively. We prioritize the education of all employees—whether permanent or contractual—on the health and safety risks associated with their roles. Comprehensive training on safety protocols and emergency response procedures ensures a safer work environment for everyone.

Throughout FY 2024-25, we conducted a variety of on-site training sessions and toolbox talks to reinforce safe work practices and emphasize accident prevention.

These interactive sessions help employees recognize and address unsafe behaviours and conditions, ultimately contributing to the improvement of workplace safety. Beyond our routine sessions, we also offer a range of specialized training programs.



EHS trainings conducted in FY 2024-25:



Lock Out Tag out **Electrical Safety** Training



Safety in Canteen **Operations on Food** Safety and Hygiene **Training**



Fire Safety **Training**



Construction Safety



Safety in Loading and Unloading **Activities**

Safety in good

safety practices

Mock drill

Training



Safety in **Pipelines Works**

Safety in Machine



Safety in **Gardening Works**



Safety in Fabrication and Hot works



On site Emergency plan Training



Water Stewardship Training





guarding

Chemical Safety training

Safety Performance

We systematically monitor leading and lagging indicators with an objective to continually improve upon our safety performance. These metrics are benchmarked against internal standards to evaluate progress and identify areas for improvement. This data-driven approach has played a key role in strengthening our safety outcomes and ensuring continuous enhancement of our practices.

Zero Lost Time Injuries

Zero Fatalities

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Human Rights

(GRI 406-1, GRI 407-1, GRI 408-1, GRI 409-1, GRI 411-1)

We recognize the fundamental importance of respecting and protecting human rights across all aspects of our operations. This commitment is firmly embedded in our Code of Conduct and Ethics Policy, which is reflected in our employment contracts and agreements with external stakeholders.

VST aligns with all applicable local laws and international frameworks, including the Universal

Declaration of Human Rights and the core conventions of the International Labour Organization (ILO). We are dedicated to maintaining a safe and respectful workplace, where the rights and dignity of every individual are upheld. This is supported by robust monitoring mechanisms and consistent enforcement of our policies and practices.





Zero tolerance for child labor

We maintain a strict policy against child labour. Only individuals aged 18 and above are eligible for employment. To ensure compliance, all candidate documents are thoroughly verified during the hiring process. Additionally, our security personnel are trained to verify the age and identity of third-party contract workers entering our premises.



Elimination of Forced Labour

We prohibit all forms of forced, bonded, or involuntary labour. Employment at VST is based solely on merit and capability. No employee is required to pay recruitment fees or deposits to obtain or retain employment.



Commitment to non-discrimination

Our recruitment and career development processes are guided by principles of fairness, transparency, and equal opportunity. We uphold Indian legal standards and ensure no discrimination based on caste, race, religion, gender, or any other protected characteristics. During the reporting period FY 24-25, no reported cases have been identified regarding child labour, forced compulsory labour, discrimination in any forms, violation of indigenous rights and freedom of expression through collective bargaining.



Working Hours and Fair Wages

We provide all employees with fair and competitive compensation that reflects their skills and experience. Wages and statutory benefits are disbursed promptly, and comprehensive wage records are maintained, detailing earnings, bonuses, overtime, and deductions. Our practices comply with local minimum wage laws and ensure employees receive regular weekly rest days and holidays in line with local customs and national observances.



Freedom of Association and Collective Bargaining

We acknowledge the involvement of the trade union, which is endorsed by all our permanent workers, in the decision-making process regarding employee welfare. We actively encourage our permanent workers to express their concerns collectively through their union representative.

We prioritize a harmonious workplace and uninterrupted operations by proactively addressing workforce needs through meaningful dialogue with the Union and implementing long-term, sustainable solutions.



Driving efficiency and reducing impact for a greener future

Contents of this Section

- **Energy & Emissions**
- Water Management
- Waste Management
- Sustainable Material
- Biodiversity

SDGs Impacted











At VST, sustainability is an integral part of our operations across all stages. Our manufacturing units are committed to reducing environmental impact by optimizing resource use and embracing technological innovations in line with stakeholder expectations. Guided by our Environment, Health & Safety (EHS) Policy, we aim to go beyond regulatory compliance to foster a safe, healthy, and environmentally responsible workplace through active collaboration between management and employees.



We regularly assess our operational and environmental performance to ensure alignment with our EHS commitments and to proactively address environmental risks. Both of our manufacturing facilities operate under ISO 14001:2015 certified environmental management systems, supporting our long-term sustainability goals.

In FY 2024–25, we further strengthened our environmental credentials by achieving the Alliance for Water Stewardship (AWS) Gold-level certification, demonstrating our leadership in sustainable water management. The table below highlights our 2030 sustainability targets, and the progress made toward achieving them.

Key performance highlights:

Target	Target Year	Status as of FY 2024-25	Material Topic	
50% renewable energy in overall energy mix (subject to regulatory environment)		30%	Energy	
Aim to operate 100% of fleet (owned and third-party passenger vehicles) on electric vehicles by 2030	2030	No EV passenger Fleet. • Feasibility study of EV buses in progress • 14 forklifts are battery operated • 1 EV charging stations for 4 wheelers • 3 EV charging stations for 2 wheelers	Energy	
Carbon neutrality/offsetting: 100% carbon offset for VST's own operations (scope 1+2 emissions) by 2030	2030	No offsets yet. We plan to undertake initiatives subsequently	Energy	
Rainwater Harvesting Potential equivalent to over 3 times the Net Water Consumption in own operations	2030	In Azamabad, the rainwater harvesting potential is more than 3times and in Toopran more than 4times than the site net water consumption	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	

Climate Response

(GRI 201-2)

As the impacts of global warming become increasingly pronounced, India is facing a growing frequency and intensity of climate-related events—ranging from cyclones and heatwaves to rising sea levels. These extreme weather phenomena present risks to human well-being, infrastructure, and business continuity. For VST, proactively addressing climate risks is essential to safeguarding operations, supporting resilience, and continuing to create shared value.

Climate Risk Assessment (CRA) refers to the systematic identification, analysis, and evaluation of climate-related risks that could potentially impact a company's operations, supply chain, financial performance, and overall sustainability. As climate change continues to influence weather patterns,

regulatory landscapes, and market dynamics, businesses must adopt a proactive approach to identify both physical and transition risks.

VST Industries Limited has undertaken a detailed climate risk assessment to evaluate potential risks that could materially affect its business. This analysis aligns with the IFRS S2 guidelines and incorporates robust tools and models to map and analyze acute and chronic physical risks, as well as transition risks emerging from evolving policy, technological, market, and reputational landscapes.

The report boundary encompasses our production sites, where VST's finished products are stored before being sent to the customers.





The time horizons considered for climate -related risks and opportunities are defined below:



Short Term

The climate related risks and opportunities identified to have an immediate impact on the company's business i.e., within 10 years, are categorized under short-term horizon.

Medium Term

Potential climate related risks and opportunities that may impact company's business in the future (10-20 years) are categorized into medium term.

Long Term

Long term business risks and opportunities are usually anticipated and identified based on scenario analysis, IEA guidelines and market predictions, etc. Therefore, the climate risks and opportunities identified to have an impact beyond 20 years duration are termed as long term.

Physical risk assessment

Physical risks are risks resulting from climate change that can be event-driven or from longer-term shifts in climatic patterns.

VST's Toopran site is vulnerable to both acute and

chronic physical risks from climate change. The	
analysis used tools such as the WRI Aqueduct	

Water Risk Atlas and ThinkHazard for risk projections under baseline scenarios for our

Toopran site.

Our climate-related physical risk assessment is analyzed using the following scenarios for medium-term 2030 & long-term 2050:

IPCC Emission Scenario 1	RCP 1.9	SSP 1 (Optimistic)
IPCC Emission Scenario 2	RCP 2.6	SSP I (Optimistic)
IPCC Emission Scenario 3	RCP 7.0	SSP3 (Business as Usual)
IPCC Emission Scenario 4	RCP 8.5	SSP5 (Pessimistic)

Acute Physical Risks

As part of the physical risk assessment, acute risks arising out of increasing severity of extreme weather events and chronic risks resulting from longer-term changes in climate patterns were assesed. For future hazard trends, climate change scenarios based on IPCC Representative

Concentration Pathways (RCP) for medium-term 2030 and long-term 2050 were assesed. We also used WRI Aqueduct's future predictions basis Pessimistic, Business as usual and Optimistic scenario for the years 2030 and 2050.



Impact of risk:

- · Disruption of supply chain and logistics, especially from tobacco plantation areas in Andhra Pradesh/Telangana
- The Haridra River, upstream of VST's Toopran site poses a rising riverine flood risk due to increased rainfall variability, potentially impacting operational infrastructure

Mitigation actions:

- Undertook drip irrigation and sprinkler irrigation practices in tobacco cultivation
- Development of a river catchment area management plan
- Afforestation near the Haridra River catchment to improve soil retention and reduce surface runoff
- Construction of stormwater collection ponds
- Invest in flood barriers and elevation of critical equipment
- Develop and regularly update a site-specific disaster response and business continuity plan

Nature of risk:

Nature of risk:

crop yield or leaf quality.

fixtures and sensor taps

reforestation programs

Mitigation actions:

Impact of risk:

Water shortage, Drought

Water shortage may disrupt manufacturing

costs. Tobacco cultivation itself is less

Continue expanding rainwater harvesting

• Maintain Zero Liquid Discharge (ZLD) status

• Implement water-efficient processes and reuse

• Expansion of drip and micro-sprinkler irrigation

• Invest in soil health and organic matter

improvement for better water retention

· Strengthen community-level watershed and

systems like closed loop cooling system, low flow

operations at the Toopran facility, and potentially

leading to production delays and higher operational

water-intensive, so minimal impact is expected on

Landslide

The Toopran facility is situated in a region with low seismic activity. While the probability of such an event is low, the possible consequences could be severe, impacting both operations and workforce well-being.

Mitigation actions:

Impact of risk:

Nature of risk: Earthquake

- Conduct seismic safety audits of buildings
- Undertake emergency preparedness drills and SOPs
- · Review and align insurance policies to cover earthquake risk

Impact of risk:

Minimal risk at Toopran due to flat terrain; however there is a potential for disruption of logistics

Mitigation actions:

No mitigation action required as the risk is low









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Impact of risk:

Cyclones could impact quality of tobacco crops and lead to infrastructure damage.

Mitigation actions:

- Set up weather monitoring and early warning systems
- Promote semi-permanent crop shelters in cyclone-prone areas
- Strengthen roof structures and power backup systems



Impact of risk:

- · Heat stress on employees, affecting productivity
- Strain on cooling systems and increased energy use
- Impacts crop quality and shelf-life of tobacco

Mitigation actions:

- Install passive cooling and heat-insulating materials in buildings
- Provide hydration stations, shaded rest areas, and heat awareness training
- Use energy-efficient HVAC systems and increase reliance on solar energy

Chronic Physical Risks

We used World Bank Knowledge Portal for assessment of physical risk such as mean air temperature and precipitation. A summary of the climate risks posed to manufacturing site under three RCP scenarios are presented in the table below:

Nature of risk	risk Pessimistic			Business as Usual			Optimistic			
	SSP5 RCP 8.5		SSP3 RCP 7.0		SSP 1 RCP 1.9, RCP 2.6					
Time Horizon	2030	2050	2080	2030	2050	2080	2030	2050	2080	
Water stress										

Impact of risk

While tobacco is drought-resilient and VST's manufacturing is not water-intensive, water scarcity during early crop stages can result in smaller leaves, lower quality, and reduced productivity. Rising water costs may also increase operational expenditure.

Mitigation actions

- Implementation of drip and micro-irrigation systems for contract farmers
- Enhancement of rainwater harvesting infrastructure
- Maintaing the Zero Liquid Discharge (ZLD) status for Toopran facility
- Continued adherence to Alliance for Water Stewardship (AWS) Gold standards at Toopran unit
- Community water stewardship partnerships

Nature of risk	Pessimistic		isk Pessimistic Business as Usual		Optimistic				
	SSP5 RCP 8.5		SSP3 RCP 7.0			SSP 1 RCP 1.9, RCP 2.6			
Time Horizon	2030	2050	2080	2030	2050	2080	2030	2050	2080

Temperature variation

Impact of risk

Extreme heat events may reduce labour productivity, affect leaf texture, and compress harvest windows, particularly in Telangana. Elevated curing temperatures may reduce product consistency and raise energy demands.

Mitigation actions

- Promotion of heat-tolerant crop varieties and seasonal sowing adjustments
- Improvement of barn ventilation and energy-efficient curing methods, including low-carbon curing using biomass
- Worker health protections (PPE, hydration zones, early shifts, cooling stations)
- Automated curing controls to manage heat intensity and ensure consistency

Average precipitation variation

Impact of risk

Although initial effects on tobbaco may be negligible, increased rainfall poses long-term risks including minor flooding, humidity-driven crop spoilage, soil erosion, and delays in leaf curing cycles. These factors could impact product consistency.

Mitigation actions

- Provision of weather advisories and alerts to farmers to optimise sowing/harvesting
- Promotion of elevated storage barns and drying shelters to safeguard harvested tobacco
- Support for organic matter enrichment and green manure techniques to improve soil health and moisture absorption
- Rainwater drainage systems at leaf procurement and storage points

Extremely High High Low

* Low: due to decrease in rainfall



Transition Risks

Externalities such as regulatory consequences, energy mix and shifts in adult consumer behaviour were taken into consideration to simulate a climate scenario and evaluate short, medium-, and long-term transitional risk.

Since we are producers of tobacco products, we identify transitional risk and opportunities for the entire value chain including our farmers.

Recognising the uncertainties, we used scenario planning to explore energy transitions in the next

20-30 years, considering changes in regulations, technology, market and their impact on reputation. This process also considered a wide range of pertinent transition risks, such as changes in carbon pricing, energy efficiency, water management regulations, renewable energy law, technology obsolescence and shifts in public perception. For transitional risks IEA scenarios-Stated Policies Scenario (STEPS), Announced Pledges Scenarios (APS) and Net Zero Emissions (NZE) 2050 were used.

The following parameters and assumptions were considered:

We identified transition risks, financial impacts, and vulnerabilities for scenarios with global warming exceeds 2°C and scenarios well below 2°C, focussing on the time periods of 2030 and 2050

Scenarios were developed using publicly available data and reports from the International Energy Agency (IEA)

Each risk was evaluated independently, without considering trade-offs between different risks

The assessed transition risk includes policy and legal risks, technology risks, and market risks

The transition to a low-carbon economy introduces regulatory, market, technological, and reputational challenges for VST.

These risks have been assessed under national and international climate policy pathways.

Risk Map	STEPS		AI	PS	NZE 2	2050
	2030	2050	2030	2050	2030	2050
POLICY: Action to constrain emission intensive activities LEGAL: increase in	No foreseea carbon pric		No foreseeable India, however Scenario Emergand developing with net zero p high Carbon Pr	ging market g economies ledges to have	No foreseeable of India, however a Scenario Emerg and developing with net zero plo high Carbon Pri	ing market economies edges to have
climate-related litigation claims.	Perform acl	_	_	ons National Carb Act The above ca		
MARKET: Shifts in supply and demand as consumers prefer sustainable alternatives	• Price sensitivity among customers due to rising taxes on tobacco under existing policies.	• Continued reliance on fossil fuels risks exposure to global market fluctuation s and trade penalties.	• Energy price spikes likely as demand for renewables and clean technologies outpaces supply.	• Energy price fluctuations moderate as renewables gain a larger share, but reliance on hybrid systems continues to pose risks.	• Accelerated demand for alternatives to conventional tobacco products, such as harm-reduction options or herbal substitutes.	• Adult consumers demand carbon-neutral products, pushing non-compliant brands to irrelevance.



(Continued)

Risk Map	STE	PS	A	PS	NZE	2050
	2030	2050	2030	2050	2030	2050
MARKET: Shifts in supply and demand as consumers prefer sustainable alternatives			Competitive pressures to reduce carbon footprints across the value chain (e.g., tobacco farming and logistics).		Lower reliance on fossil fuels ensures stable pricing; initial high costs for renewable adoption are offset by long-term stability in energy costs.	• Predominant reliance on renewables ensures price stability, but initial investments in renewable infrastructure might increase capital expenditure in earlier phases.
TECHNOLOGY: Development of emerging technology to support a lower-carbon economy	• Regulatory authority mandating use of more energy-efficient systems.	Investments required in storage systems as flexibility needs arise.	Rise in flexibility requirements for reliable source of renewable energy.	 Rise in flexibility requirements for reliable source of renewable energy. India's pledges to reach net zero emissions by 2070 drive a faster decline in fossil fuel demand than in the STEPS. 	improvements in energy efficiency.	 Complete reliance on renewable energy. Increased cost due to investment in carbon capture technology.



(Continued)

Risk Map	STEPS	APS	NZE 2050	
	2030 2050	2030 2050	2030 2050	
	 Costs to adopt/deploy new practices and processes will experience such as high per unit cost of utility-scale stationary batteries & Hydrogen electrolysers. The direct use of renewables in total final energy consumption expands by 3% per year. 	 Increased research and development (R&D) expenditures in new and alternative technologies & physical modifications. Costs to adopt/deploy new practices and processes will incur high per unit cost. (Utility-scale stationary batteries & Hydrogen electrolysers etc.) The direct use of renewables in total final energy consumption expands by 7% per year. 	 Increased research and development (R&D) expenditures in new and alternative technologies & physical modifications Costs to adopt/deploy new practices and processes will incur high per unit cost. (Utility-scale stationary batteries & Hydrogen electrolysers etc.) The direct use of renewables in total final energy consumption expands by 9% per year. 	
REPUTATION: Perception of an organisation's contribution to a lower-carbon economy	Limited decarbonization efforts and weaker ESG performance may reduce appeal to socially responsible investors.	 Adult consumer activism will lead to loss of revenue and missed growth opportunities. Pressure to transition toward reduced-risk products could intensify. 	 Companies failing to meet net-zero commitments risk exclusion from global ESG-focused investor portfolios. Disruption in social license to operate. Decrease in revenue due to demand for low carbon products. 	

Result from the transitional risk assessment

In IEA scenarios, we find that carbon price/tax will have a high impact in 2030 and 2050. However, local regulations and policies such as Renewable Consumption Obligation are expected to impact our business strategy as well.

As the share of renewable energy in energy mix rises, the demand for flexible system will also rise.

The unavailability of the desired technology at an economical cost could directly impact the business.

Adult consumer activism will lead to loss of revenue and impact the social licence to operate.



Towards a Low Carbon Future

GRI (305-1 to 305-5)

In response to these natural hazards, India has articulated a bold climate agenda: achieving Net Zero emissions by 2070 and reducing the emissions intensity of its GDP by 45% by 2030. Realizing these ambitions will necessitate collective, cross-sectoral action and a deep-rooted sense of shared responsibility.

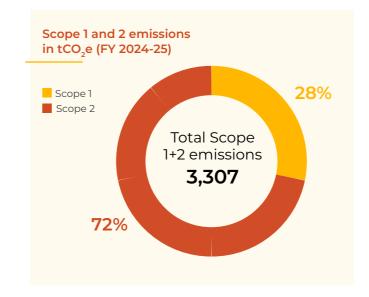
We at VST, recognize our role in reducing the burden of carbon emissions and aspire to achieve carbon neutrality by 2030, in alignment with national objectives. This ambition is underpinned by a well-defined decarbonization pathway that combines strategic interventions across fuel transition, renewable

energy integration, operational efficiency, and carbon removal solutions. Through this approach, VST aims not only to reduce its greenhouse gas emissions but also to strengthen operational resilience and drive long-term, sustainable value creation.

We recognize our responsibility for all three types of greenhouse gas (GHG) emissions (Scope 1, Scope 2, and Scope 3) originating from our operations and both upstream and downstream in the value chain.

The following table and graphs illustrate the organization's GHG emissions profile for Scope 1 and 2 emissions:

Financial Year	Scope 1 Emissions (TCO ₂ e)	Scope 2 Emissions (TCO ₂ e)	Scope 1 + Scope 2 (TCO ₂ e)	Total GHG intensity (tCO ₂ e/ MNC)
FY 2023-24	910	3,139	4,049	0.64
FY 2024-25	985	2,322	3,307	0.66





*The production at our Primary Manufacturing Unit in Azamabad was discontinued in August 2024, however we remained operational till December 2024, for the purpose of shifting of plant machinery. This has resulted in an increase in our intensity figures across environmental parameters

At VST, we recognize the significance of greenhouse gas (GHG) emissions throughout our entire value chain. We actively assess and address emissions from our suppliers, to minimize our environmental footprint comprehensively.

Currently, we are covering three categories under

scope 3 – fuel and energy related activities (category 3), business travel (category 6), downstream transportation (category 9). We aim to cover more categories under scope 3 in the future,

Scope 3 inventory by category during FY 2024-25

Category	Total (in tCO ₂ eq)
Category 3 - Fuel and Energy Related Activities (not included in Scope 1 and Scope 2)	951.80
Category 6 - Business Travel	263.33
Category 9 - Downstream Transportation (Road)	1641.79
Total Scope 3 Emissions	2856.92



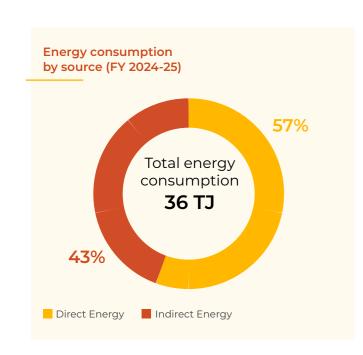
Energy

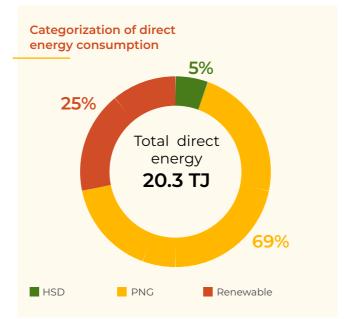
GRI (302-1 to 302-5)

Our energy transformation strategy aims at improving our operational efficiency through adoption of innovative practices and energy efficient technologies and building reliance on alternative fuel and energy sources. Our energy mix includes:

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

Direct energy represents 57% of our total energy mix in FY 2024-25. Of the total direct energy consumed, fossil fuel consumption including HSD and PNG consumption contributes to approximately 75% of the requirements whereas the installed solar plants contribute to 25% of the energy requirements. Consequently, indirect energy (purchased grid electricity) contributed to 43% of the total requirements.



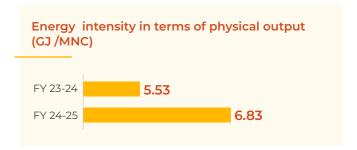


Financial Year	Total direct energy consumption (TJ)	Total indirect energy consumption (TJ)	Total energy consumption (TJ)
FY 2023-24	19.4	15.6	35
FY 2024-25	20.3	15.6	35.9

Our energy transformation strategy centres on improving operational efficiency through innovative practices and energy-efficient technologies.

Additionally, we are transitioning towards alternative fuels and energy sources to further mitigate our environmental impact.

Following are some such initiatives:



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Low carbon alternatives:
Addition of onsite rooftop
solar capacity to our
existing solar plant
capacity of 1.2 MW

Solar lighting for street light and Parking lights: These efforts have resulted in 30% of the power from renewable sources Fuel substitutionCanteen fuel conversion
from LPG to PNG: This
resulted in reduction of
65tons of CO₂ emission
annually, and improved
burner efficiency
contributing to better
heat utilization

Utility layout optimization: Reduced energy consumption in utilities by 6.5% through optimal layout design at the Toopran plant

Implementation of Dry Room Fans (DRF),
Air Handling Unit (AHU) & Compressor
Closed loop System: This has led to energy
savings of ~19,410kWH/month, a 6.9%
reduction in compressor loading and an
annual avoidance of approx 249 tons of
CO₂ emissions



Powering Performance:

Utility Optimization and Energy Reduction at VST

Utility operations account for approximately 50% of total energy consumption across our manufacturing processes. Recognizing this, VST undertook a focused initiative to drive energy efficiency and reduce the environmental footprint of its utility systems. This involved redesigning the plant layout based on ESG-aligned principles to optimize energy flow and reduce inefficiencies.

A closed-loop system for AHUs (Air Handling Units) was introduced along with energy efficient DRFs (Dry Room Fans), and air compressors to minimize energy loss and maximize operational performance.

Building Management System (BMS) was installed to enable real-time monitoring and control of energy usage, allowing for timely interventions and improved efficiency.

These initiatives have led to a 6.5% reduction in total energy consumption—exceeding the original target. Going forward, the initiatives will be extended and further optimized in FY 2025–26 to deepen energy efficiency and expand the impact across additional operational areas.

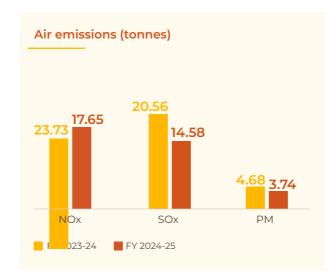
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Air Emissions

(GRI 305-7)

Our commitment to air quality both within and surrounding our facilities, underpins our operational resilience. We proactively manage air emissions through rigorous monthly monitoring conducted by NABL-accredited and MoEF-approved third-party laboratories. Key mitigation measures include the use of bag filters at DG set stacks and the adoption of cleaner fuel

alternatives, such as piped natural gas (PNG) in place of high-speed diesel (HSD). This transition has significantly reduced stack emissions—from 55 Mg/Nm³ to 25 Mg/Nm³. This has resulted in significant reductions in SOx (29%), NOx (25%), and PM (20%) emissions during the reporting period, demonstrating our proactive approach to environmental management.



*The production at our Manufacturing Unit in Azamabad was discontinued in August 2024, however we remained operational till December 2024, for the purpose of shifting of plant machinery. This has resulted in increase in our intensity figures across environment parameters

29% SOx reduction, 25% NOx reduction, 20% reduction in PM compared to FY 2023-24





Water Management

(GRI 303-1, GRI 303-2, GRI 303-3, GRI 303-4)

We recognize the growing water scarcity across various regions of the country and understand the close link between the water cycle and climate change impacts. In line with our Water Stewardship Policy, we regularly assess water-related risks and opportunities through comprehensive water audits and balance studies, carried out internally and in collaboration with third-party experts.

These insights have enabled the development of targeted action plans to address and mitigate risks.

Our strong commitment to responsible water management has earned VST certification from the Alliance for Water Stewardship. We continue to hold a Gold-rated certification from AWS for our Toopran facility.

Water withdrawal:

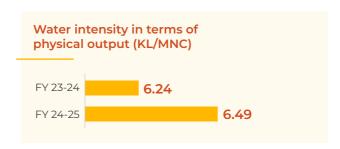
At VST, we source water from various outlets, including groundwater and third-party municipal suppliers, in compliance with regulatory standards. Our primary use of water is for handling

and blending tobacco leaf and stem. Additionally, water is utilized for drinking and domestic purposes.

The summary of our water withdrawal for the last 3 financial years are as follows:



The values of water consumption has been extrapolated for FY 2024 and FY 2025 based on the headcount of the sales office and the estimated consumption is 45 litres per head per working day for offices (as per CGWA guideline)



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Financial Year	Surface Water	Groundwater (Borewells)	Third Party Water (Municipality, IDC, water supply)	Total water withdrawal	_
FY 2023-24	0	27,784	11,745	39,529	
FY 2024-25	0	23,326	10,755	34,081	

Water Conservation Strategy

As responsible water stewards, we aim to reduce our impact on freshwater sources and enhance our water efficiency, guided by our Water Stewardship Policy. Our strategies prioritize minimizing water consumption, exploring alternative water sources, and maintaining zero liquid discharge status across all our sites.

Zero Liquid Discharge

Our manufacturing facility in Toopran operates as zero liquid discharge facilities. The wastewater produced on-site is recycled for gardening purposes. We adhere to strict guidelines to prevent any discharge of effluent beyond the facility boundaries.

To promote responsible resource management, we conduct ongoing monitoring of groundwater usage and the performance of our effluent treatment plants. Furthermore, in adherence to pertinent environmental regulations, we regularly submit reports on groundwater and effluent to the pollution control boards.

Rainwater Harvesting

As we work towards our overarching aim of becoming three times water positive by 2030, we are proactively building rainwater harvesting and recharging systems to sustain optimal groundwater levels.

A total of ten rainwater harvesting pits across our manufacturing sites harvest 1,15,399 kilolitres of rainwater. Our Toopran facility has achieved rainwater harvesting capacity more than 4 times the site's water consumption for FY 2024-25, demonstrating our proactive approach to managing water resources. Meanwhile, in Azamabad, the rainwater harvesting potential exceeds 3 times the site's net water consumption.

Zero

liquid discharge in our Toopran manufacturing facility





Optimizing water consumption

To minimize water usage and improve sustainability, we have implemented several measures aimed at reducing water consumption and improving infrastructure efficiency. These include:

Installation of low flow water fixtures at high water use areas

Installation of Sensor based water taps to reduce the water consumption

Periodical maintainance of water infrastructure

Effective monitoring of water consumption

Waste Management

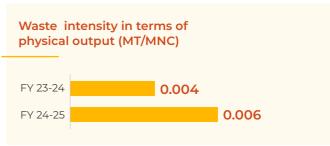
(GRI 306-1; GRI 306-2, GRI 306-3, GRI 306-4, GRI 306-5)

At VST, we recognize that minimizing waste generation is essential for driving our sustainability agenda. Our targeted initiatives are designed to support a cleaner and more sustainable environment.

We adopt a proactive strategy by classifying waste generated at our facilities into hazardous and non-hazardous categories, ensuring each waste category is disposed of through, approved channels. Hazardous waste is handled by authorized third-party recyclers certified by the State Pollution Control Board (SPCB), while non-hazardous waste is directed to approved scrap vendors. The hazardous and non-hazardous waste data for two years is outlined below:

Particulars	FY 2023-24	FY 2024-25
Hazardous waste generated (Metric Tons)	0.52	0.86
Non-Hazardous waste generated (Metric Tons)	28.93	32.65





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Non-hazardous waste representing 97% of total waste generated includes plastic wastes and biomedical waste while hazardous waste comprises of the balance proportion is disposed through authorized third-party recyclers in alignment with relevant waste management guidelines provided by regulatory bodies like the Central / State Pollution Control Board (SPCB).

At VST, we believe that every material holds inherent value—not only during its use but also at the end of its lifecycle. Unlocking this value requires efficient and responsible waste management practices. To this end, we have established robust systems to reclaim and

safely dispose of packaging materials, particularly plastic waste.

Reinforcing our commitment to the principles of a circular economy, we have transitioned to using 100% biodegradable BOPP overwrap, replacing the previously used non-recyclable variant. Furthermore, all our paper and paperboard packaging materials are recyclable, contributing to a more sustainable and resource-efficient value chain. As part of our Extended Producer Responsibility (EPR), we also collect back plastic from end users across various states in India, ensuring responsible post-consumer waste management.



Sustainable Material

GRI (301-1, 301-2, 301-3)

At VST, we embed the 3R principles—Reduce, Reuse, and Recycle—into every aspect of our operations. This approach helps us minimize resource depletion while maximizing material efficiency. A central focus of our strategy is to ensure that the materials used in our production processes are recyclable.

To support this goal, we consistently implement impactful initiatives on the shop floor, invest in advanced technologies, and optimize our processes. Together, these efforts drive more efficient resource utilization and support our journey toward sustainable operations.

Filters Million rods 1301.61 HLPS Million pcs 797.56 Cigarette paper Million meters 305.23 PCT Million meters 102.18 Adhesive Metric tonne 127.99 CFC Million numbers 0.53 Bundling Paper Million meters 85.11 Inner Frame Metric tonne 370.91 Gay wrapper Million meters 8.13 BOPP Metric tonne 155.16 Tear off ribbon Million meters 93.62 Casings Metric tonne 103.13 Flavours Metric tonne 8.25 Labels Million pcs 34.67 Miscellaneous Metric tonne 5.80	Raw material	Unit	FY 2024-25	
Cigarette paperMillion meters305.23PCTMillion meters102.18AdhesiveMetric tonne127.99CFCMillion numbers0.53Bundling PaperMillion meters85.11Inner FrameMetric tonne370.91Gay wrapperMillion meters8.13BOPPMetric tonne155.16Tear off ribbonMillion meters93.62CasingsMetric tonne103.13FlavoursMetric tonne8.25LabelsMillion pcs34.67	Filters	Million rods	1301.61	
PCT Million meters 102.18 Adhesive Metric tonne 127.99 CFC Million numbers 0.53 Bundling Paper Million meters 85.11 Inner Frame Metric tonne 370.91 Gay wrapper Million meters 8.13 BOPP Metric tonne 155.16 Tear off ribbon Million meters 93.62 Casings Metric tonne 103.13 Flavours Metric tonne 8.25 Labels Million pcs 34.67	HLPS	Million pcs	797.56	
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CasingsMetric tonne103.13FlavoursMetric tonne8.25LabelsMillion pcs34.67	ВОРР	Metric tonne	155.16	
Flavours Metric tonne 8.25 Labels Million pcs 34.67	Tear off ribbon	Million meters	93.62	
Labels Million pcs 34.67	Casings	Metric tonne	103.13	
	Flavours	Metric tonne	8.25	
Miscellaneous Metric tonne 5.80	Labels	Million pcs	34.67	
	Miscellaneous	Metric tonne	5.80	

Biodiversity

(GRI 304-1, 304-2, 304-3)

As responsible environmental stewards, we are strongly dedicated to conserving local ecosystems and biodiversity. Our efforts focus on safeguarding natural regeneration and promoting the harmonious coexistence of diverse ecological systems.

To fulfil our commitment towards environmental sustainability, we developed a vibrant green cover by planting 30,000 saplings comprising of various species of Ficus multi head plants. Taking inspiration from ESG principles, we created themed lawns and breakout spaces by upcyling waste material generated from within our operations.

We uphold a zero-deforestation approach by ensuring

that 100% of the paper and paperboard procured come exclusively from FSC or PEFC-certified sources, reinforcing our dedication to responsible sourcing and environmental sustainability. Our commitment to zero deforestation also extends to our value chain. We actively promote sustainable agricultural practices among our contracted farmers, encouraging the use of renewable resources such as self-sustained firewood and biomass for tobacco curing. In addition, we advocate for energy-efficient curing technologies that help reduce fuel consumption and shorten lead time for curing.

During the reporting period, we procured 100% of tobacco leaf purchased cured from sources that have no risk of deforestation of primary and protected forests.





Waste to art:

Transforming Workspaces through Circular Design

At VST, we believe that every form of waste has value. To recover that value, we actively promote recycling and upcycling — turning discarded materials into practical, and purposeful resources. As part of this approach, we conceptualized the Waste to Art initiative to upcycle different kinds of waste into useful and meaningful installations that support our sustainability goals.

This initiative gained momentum following the discontinuation of operations at our Azamabad plant. The waste generated after the closure was carefully assessed, and key components were identified for repurposing. These materials were categorized into three main types: metal scrap, structural waste, and plastic waste. These formed the foundation of the Waste to Art initiative.

Metal Scrap:

Discarded metal parts, about 1,000 kg, were transformed into sculptures representing farmers, cyclists, distribution workers, and even a replica of the Charminar — reflecting both cultural heritage and environmental consciousness.





Structural Waste:

Over 1,000 kg of structural scrap, including, old parking sheds and scrap shelters were upcycled into shaded resting zones and seating areas.

Plastic Waste:

Approximately 1,500 kilograms of plastic waste were reused to create durable, weather-resistant sit-outs — offering sustainable, low-maintenance alternatives to conventional outdoor furniture.



In total, over 3,500 kilograms of waste materials were repurposed through this initiative to develop vibrant themed parks and three dedicated breakout zones across our premises. Each zone was designed using upcycled materials and serves as a space for relaxation and informal meetings, encouraging environmental consciousness in day-day-day living.







Nurturing the land and supporting farmers for a resilient future

Contents of this Section

- Farmer Livelihood
- Climate Resilience

SDGs Impacted

















At VST, our sustainable strategy is centred on creating value that benefits our business, society, and the environment. Sustainable agriculture is one of our key focus areas, which includes implementing good agricultural practices to protect the environment, improving farmer livelihoods, and strengthening farming communities' resilience and well-being.

Our Farmer Handbook outlines the good agricultural practices, which are supported by a team of field technicians who provide regular guidance to farmers. Equipped with the GMS mobile application, these technicians monitor various farming activities and ensure compliance with agricultural labour practices and environmental standards. Our GMS mobile application is now fully developed and implemented across all tobacco varieties, with the recently launched traceability feature.



The introduction of the GMS mobile application has streamlined operations from farm to procurement. Traceability during processing has also been initiated, enabling easier identification of tobacco leaf source.

Data collected through the GMS application is analysed by our leaf function to track progress towards our sustainability goals. Our mid-term and long-term objectives for sustainable farming are outlined below, demonstrating our ongoing commitment to responsible agricultural practices.

Target	Target Year	Status as of FY 2024-25	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	Complied	Farmer Livelihood
Implement mechanization of field preparation and removal of stubbles for 100% of area under tobacco	2030	Field preparation has achieved 100% mechanization, while 80% of farmers adopted mechanized stubble removal	Farmer Livelihood
Explore and implement mechanization of other farm operations (harvesting & plantation) for at least 20% of tobacco area	2030	Shall research, evaluate and identify successful technologies for mechanization of harvesting and plantation, aiming to cover at least 5% of the tobacco area	Farmer Livelihood
30% of contracted farmers (for Talmari & Oriental crops) to use drip irrigation	2030	10%	Climate Resilience
30% of crop protection agents used by contracted farmers to be biofertilizer/biochemicals based	2030	10%	Climate Resilience
20% improvement in soil organic matter through green manuring crops for better water holding capacity	2030	5% of the contracted farmers use green manures to improve soil organic content. The soil will be tested 2—3 years later to measure improvement in soil organic content.	Climate Resilience

Farmer Livelihood

Our contracted farmers are vital partners to our journey in achieving our broader sustainability goals. Despite challenges such as climate change,

Investing in Farming Community

We place strong emphasis on investing in our farming community to promote sustainable agricultural practices and improve livelihoods. Through targeted initiatives—including training programs, access to modern farming techniques, and the promotion of organic farming—we strive to empower farmers and build agricultural resilience.

we remain firmly committed to supporting the long-term well-being of our farming community through a variety of initiatives focused on improving their livelihoods.

At VST, our commitment extends to ensuring fair trade practices and fostering equitable partnerships across our supply chain.





Enhancing Soil Quality

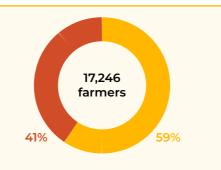
We partner with farmers to address the negative impacts of monocropping and intensive tillage, placing a strong emphasis on preserving and improving soil health. By raising awareness and promoting alternatives such as crop rotation, we have successfully helped reduce the prevalence of monocropping among our farmers.

5% of the contracted farmers use green manures to improve soil organic content.

We provide guidance on the use of farmyard manure, green manure crops, and reduced tillage practices to increase soil organic carbon. We also encourage the utilization of crop residues and promote regular soil sampling to monitor and improve soil conditions. These efforts contribute to increased soil organic matter, improved erosion control, enhanced nutrient uptake, soil carbon buildup, and reduced pest and disease incidence.



MonocroppingDouble cropping



Increasing Agricultural Productivity

We actively promote good agricultural practices through dedicated farmer training programs, encouraging the use of healthy seedlings, timely and accurate fertilizer application, and timely topping and suckercide. These actions enable enhanced tobacco yield, nicotine content, and overall crop quality.

In collaboration with the Tobacco Board, we have modernized our tobacco production processes by introducing advanced threshing plants and re-drying facilities, which enabled us to increase yields and align with international export standards. We also advocate for seed varieties that deliver strong yields while supporting environmental

sustainability. We provide subsidized tarpaulins, suckercides, CPAs, and fertilizers to support big leaf types and oriental tobacco crops.

Significant progress has been made in adopting mechanization for field preparation and stubble removal, resulting in improved operational efficiency, reduced labor dependency, and timely field activities. These advancements have contributed to enhanced productivity and more consistent crop management.



Ensuring Optimal Quality

At VST, we place equal importance on crop quality and productivity to help maximize farmers' incomes. We strictly adhere to Crop Protection Agent (CPA) recommendations outlined by Central Tobacco Research Institute (CTRI) and Cooperation Centre for Scientific Research Relative to Tobacco (CORESTA) manuals, particularly with respect to pesticide residue levels and Tobacco Specific Nitrosamines (TSNAs), ensuring that our produce meets stringent global requirements.

To maintain exceptional quality, we support our farmers in implementing effective practices for identifying and eliminating Non-Tobacco Related Material (NTRM) thorough sorting and cleaning of bales. The focus on detecting and removing Non-Tobacco Related Material (NTRM) has improved tobacco quality, enhanced acceptance, and decreased farmer purchase rejection.

Farmers are now more aware of quality standards, leading to better post-harvest practices. This is enabled by the regular trainings, field demonstrations and capital support by VST. Routine field visits and hands-on guidance from VST field team ensure compliance and drive continuous improvement.



protection by contract biofertilize based

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Protection of Human Rights

As we strive to improve the livelihoods and well-being of farmers, we have been vigilant in monitoring agricultural practices to prevent human rights abuses. Till date, we have provided training to 45% of our contractual workers on ALP code. Field technicians are deployed to monitor farms for potential human rights violations, and report incidents through the GMS application. We emphasize on collaboration and open dialogue to address concerns, while also educating farmers about their responsibilities and the appropriate

channels for raising grievances. Our approach extends to engaging with farmers' families and communities to develop sustainable and socially equitable solutions.



Ensuring Safe Tobacco Cultivation

Tobacco cultivation poses notable health and safety risks. Pesticide exposure to human body beyond threshold limit, can result in Green Tobacco Sickness (GTS). To mitigate this risk, we provide Personal Protective Equipment (PPE) kits to farmers and



workers. At present, around 50 % of our contracted farmers have access to PPE and we plan to expand farmer coverage by 10% annually over the next five years to achieve 100% adoption by 2030.

Additionally, we conduct training sessions to raise awareness about the causes of GTS and demonstrate proper PPE usage during field days, which are monitored by field technicians to ensure effectiveness.

Climate Resilience

Building a climate-resilient supply chain is a key pillar of our business strategy. To advance this goal, we work closely with farmers to raise awareness about challenges while gaining a deep understanding of the specific impacts they face on the ground. Through open and ongoing dialogue, we gather valuable insights into their experiences, which help us co-develop solutions to address the effects of climate change on agriculture.

Our aim is to ensure long-term resilience and sustainability across our supply chain, even amid shifting climate conditions. To support this, we continuously equip farmers with the necessary resources, training, and access to innovative technologies that strengthen their ability to adapt and thrive in a changing environment.

Sustainable Alternatives

We understand the considerable environmental impact of synthetic fertilizers and pesticides in the tobacco supply chain—particularly the emission of potent greenhouse gases like nitrous. To address this challenge we connected farmers with biochemical suppliers, who provide access to sustainable alternatives to conventional agrochemicals.

Through this program, we aim to lower the

environmental footprint of tobacco cultivation by encouraging the adoption of eco-friendly fertilizers and pest control practices. To support this transition, we offer training and guidance to help farmers effectively integrate these biochemical solutions into their operations. By promoting more sustainable farming methods, we seek to reduce environmental harm while preserving crop quality and yield.

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Low Carbon Curing

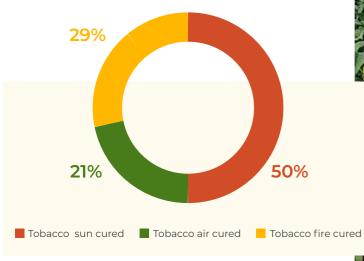
Curing is one of the primary sources of emissions in the tobacco supply chain. We discourage deforestation practices and the use of forest wood at the curing barns of farmers. Instead, we encourage our contracted farmers to adopt environmentally friendly methods such as sun curing and air curing and provide them with subsidized materials such as tarpaulins and curing rack materials.

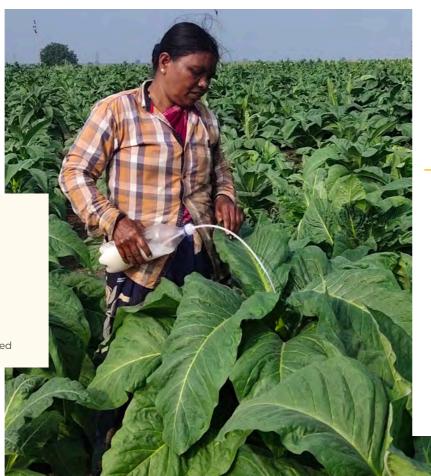
We also advocate for the use of agricultural waste materials—such as tobacco stalks, maize husks, sawdust, sunflower heads, groundnut shells, and cotton stalks—as alternative fuels in the curing

process. Managing the biogenic emissions from these sources is a key aspect of our sustainability approach. To support this, we provide farmers with training and resources to ensure these materials are used efficiently and with minimal environmental impact.

By applying sustainable curing techniques and the use of renewable resources, we aim to significantly reduce the carbon footprint of tobacco curing, thereby contributing to a more sustainable supply chain and a healthier planet.

Curing practices in FY 2024-25 (% of tobacco volume procured)





Smart water use in agriculture

As climate change intensifies, prolonged dry spells are increasingly contributing to water stress. At VST, we take a proactive approach to assessing water risks across our value chain and work closely with stakeholders to promote sustainable irrigation practices that safeguard water availability for local communities. Given the strong dependency of tobacco cultivation on rainfall, addressing the risks posed by water scarcity is a priority for us.

We have introduced a range of water-efficient practices, such as drip irrigation, micro-sprinklers, and green manuring to address this challenge. Currently, around 50% of our farmers have access to alternative irrigation sources, and 80% of our nurseries are equipped with micro-sprinklers. Further, rain pipe irrigation and micro-sprinklers are

utilized in tobacco nurseries to optimize water usage. Water application is limited strictly to nurseries, while the main field crop is entirely rain-fed. These technologies help conserve water, address this challenge, improve soil health and crop productivity.

We consistently monitor the adoption of these practices among our farmers and remain committed to enhancing water efficiency upstream in our supply chain. Our target is to equip 100% of



nurseries equipped with micro sprinklers

Minimizing hazardous waste in agriculture

Agrochemicals and crop protection agents play a vital role in improving soil health and crop productivity. However, improper disposal of hazardous waste—especially empty CPA (Crop Protection Agent) containers—can pose risks to human health and the environment.

To mitigate these risks, we require all contracted farmers to follow strict protocols for the safe disposal of CPA containers, including thorough rinsing and puncturing to prevent reuse. In addition, we provide education and training on responsible agrochemical handling and disposal practices, conduct regular field visits and supply CPA boxes for safe storage.

70% of our farmers have received training on agrochemical use and are adhering to proper disposal methods for CPA containers.

farmers trained on agrochemical use



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Building communities and promoting sustainable well-being for all

Contents of this Section

- Responsible Marketing
- **Littering Prevention**
- **Community Initiatives**

SDGs Impacted



























We are dedicated to creating shared value and promoting inclusive growth throughout our value chain. Our commitment to stakeholder responsibility is reflected in our close collaboration with local communities around our manufacturing facilities, where we actively assess and address the social and environmental impacts of our operations. We have always been and shall continue to support our farmers in transitioning to sustainable cultivation practices through our efforts.

Our CSR policy—rooted in our organizational vision and mission—defines key focus areas for deploying CSR funds and executing impactful social development programs.



As a responsible corporate citizen, we fully comply with the Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 [COTPA]. This compliance governs our approach to packaging, labelling, advertising, and promotional activities, ensuring

that our operations align with legal standards and ethical business practices. We maintain ongoing, transparent engagement with stakeholders and regulatory authorities through regular dialogue and active involvement in industry associations, enabling us to stay informed about regulatory developments and societal expectations.

Responsible Marketing

(GRI 416-1, 416-2, GRI 417-1, GRI 417-2, GRI 417-3, 418-1)

At VST, we uphold strict adherence to the (COTPA) 2003, issued by the Government of India. These guidelines align with the World Health Organization's Framework Convention on Tobacco Control (FCTC), ensuring that our marketing efforts—including labelling, packaging, advertising, and promotional activities—are conducted responsibly and without disseminating misleading information about tobacco products.

To ensure compliance, all marketing personnel undergo comprehensive training conducted by senior team members to familiarize about the intricacies of the COTPA regulations. Additionally, our sales team plays a crucial role in raising awareness among stakeholders. They actively support retail partners by distributing "Not for Sale to Minors" signage and other statutory declarations, responsible retailing practices.

To maintain transparency and accountability, we

have set up a toll-free grievance helpline, managed by a dedicated team of grievance redressal executives who ensure prompt and effective resolution of any reported concerns.

Our proactive approach also extends to field engagement. Our sales team regularly conducts retailer surveys to understand concerns, provide support, and monitor competitive activity. We also conduct consumer research strictly among adult smokers over the age of 21, aimed at assessing brand equity and consumption patterns. In line with our commitment to ethical marketing, individuals under the age of 18 are strictly excluded from any tobacco-related campaigns or initiatives.

Reflecting the strength of our policies and commitment to compliance, we are proud to report that we received zero customer complaints during FY 2024–25, underscoring the effectiveness of our responsible marketing practices.

Littering Prevention

(GRI 306-4, 306-5, GRI 406-1, GRI 407-1, GRI 408-1, GRI 409-1, GRI 413-1, GRI 417-2, 417-3)

At VST, we are committed to reducing our environmental footprint by embracing circular economy principles. This approach focuses on reintroducing products, materials, and components back into the economic cycle, thereby minimizing waste and maximizing resource efficiency throughout our operations and product lifecycle.

As part of this commitment, we have partnered with State Pollution Control Board (SPCB)-authorized waste recyclers to implement organized clean-up initiatives targeting post-consumer plastic waste. These efforts aim to curb environmental pollution, particularly from plastic litter, and promote responsible disposal practices.

During the reporting period, we successfully collected and sustainably managed 172 metric tons of post-consumer plastic waste across in India. This achievement reflects our proactive approach to environmental stewardship and our dedication to supporting national and global efforts in tackling plastic pollution.

We continue to explore innovative ways to close the loop in our value chain—such as increasing the use of recyclable materials in packaging and encouraging reverse logistics systems—ensuring our sustainability practices are not only compliant but forward-thinking and impactful.





Community Initiatives

(GRI 413-1, GRI 413-2)

Our Corporate Social Responsibility (CSR) Policy is designed to promote inclusive growth and equitable development. In alignment with Schedule VII of Section 135 of the Companies Act, 2013, we have identified key focus areas for our social impact initiatives. By regularly assessing the evolving needs of the communities we serve, we strategically invest in projects that reflect our core values and business objectives.

Each initiative is guided by clearly defined success metrics, enabling us to track progress and measure outcomes across both short-term and long-term horizons. This structured and responsive approach allows us to maximize the reach and effectiveness of our CSR efforts, ensuring meaningful and lasting contributions to society.

Need Assessment Methodology

In-depth Interviews:
Sarpanches, Government
Education and Health Officials

Focus Group

Discussions:

Male and Female Farmers



We have identified specific thematic areas where our strategic initiatives strengthen community engagement. These areas are closely aligned with our ESG strategic objectives and priorities, with a heightened focus on regions cultivating barley and tobacco.

CSR Spend FY 2024-25

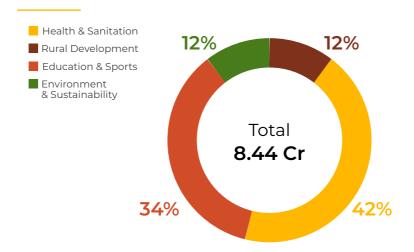
1 Cr Rural Development

3.53 Cr Health & Sanitation

2.91 Cr Education & Sports

1 Cr Environment & Sustainability

CSR spend in FY 2024-25 (in crores)



Project

Rural development

 Skill Development Programme – Empowering youth through skill development • 413 rural youth empowered through vocational training and formal job placements in Medak

Impact

Health and sanitation

- Naari Shakti Facilitating hygiene at home
- Swachh Ghar Mission Enhancing rural sanitation and health facilities
- Bhavishya Bharat: Taking healthcare to doorsteps in Kurnool through mobile dispensaries
- Enabled over 15,000 women to access sustainable menstrual hygiene solutions, fostering health, dignity, and community-driven change.
- Improved sanitation access and hygiene practices for 400 families saving daily time and reducing disease incidence.
- Over 16,000 villagers received doorstep healthcare, improving health awareness and preventive care.

Education and sports

- Driving Access to Nutrition: Electric
 Vehicles for mid-day meal distribution to underprivileged children in Medak
- Mission Gyandeep Empowering education through infrastructure and
- Improved nutrition and school engagement for over 5,000 children through sustainable mid-day meal delivery using electric vehicles.
- Enhanced learning environments and attendance for 1,240 students through school infrastructure upgrades.

Environment and sustainability

- Lighting Kondapur: A step towards sustainable rural living
- Projects promoting conservation of biodiversity – in collaboration with Wildlife Trust of India
- Enabled safer mobility, community interaction, for 700+ villagers through solar-powered street lighting.
- Raised marine conservation awareness among 100,000+ individuals through education and advocacy for Whale Shark protection with WTI.

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FOCUS AREA 1-

RURAL DEVELOPMENT







Skill Development Programme -Empowering Youth through skill development

Aligned with our objective to upskilling rural youth, VST Industries has partnered with the Sambhav Foundation to support a vocational skill-building programme. Recognizing the pressing need to bridge the skill gap in underserved regions, the initiative focused on enhancing the employability of young individuals aspiring for formal employment. Through this collaboration, VST facilitated the enrolment of rural students into structured training programs that covered a blend of technical skills, soft skills, english communication, and workplace readiness. These sessions were tailored to meet the requirements of high-demand sectors such as retail, business process outsourcing (BPO), and customer service.

The programme has yielded encouraging results, with close to 413 youth successfully placed in respectable job roles across various industries. Most of these beneficiaries were first-generation job seekers, many from economically disadvantaged backgrounds. The opportunity not only provided them with financial independence but also instilled a sense of dignity and confidence, contributing to long-term social mobility. Several participants, including young women and individuals from marginalized

communities, have shared how the program transformed their lives by opening doors to stable employment and a brighter future.

By investing in vocational training, VST has actively contributed to national goals around skill development and employment generation. The programme supports multiple UN Sustainable Development Goals, particularly those related to quality education, decent work, and reducing inequalities. Encouraged by the impact, VST plans to expand the reach of this initiative to more regions and incorporate digital training modules, reinforcing its role as a socially responsible corporate that drives positive change through empowerment and opportunity.



FOCUS AREA 2 -

HEALTH & SANITATION







Naari Shakti -Facilitating hygiene at home

In the Jogulamba Gadwal District of Telangana, awareness around menstrual health and access to sustainable hygiene solutions remain limited. To address this pressing issue, VST launched the Naari Shakti Initiative under its ongoing commitment to community development and women's health. The program focuses on improving access to affordable menstrual hygiene products for women in Undavelly Mandal, aiming to foster both dignity and well-being.

It is a holistic program that aims to break the silence and stigma surrounding menstruation, while simultaneously providing practical solutions. At the heart of the initiative is a strong emphasis on education and empowerment. Through workshops and awareness campaigns, women and adolescent girls are educated on menstrual health, hygiene practices, and the long-term benefits of sustainable products.

A key component of the initiative is the distribution and promotion of reusable cloth pads—an eco-friendly and cost-effective alternative to disposable sanitary products. These pads not only reduce the financial burden on women but also contribute to reducing menstrual waste, aligning with broader environmental goals.

To ensure the sustainability and local ownership of the program, VST has also facilitated training

sessions that equip women with the knowledge and skills to produce these pads themselves. This not only ensures continued access to menstrual hygiene products but also opens up avenues for income generation, fostering entrepreneurship at the grassroots level.

So far, the initiative has directly impacted over 15,000 women, creating a ripple effect of awareness and behavioral change across families and communities. By addressing menstrual health through a culturally sensitive and empowering approach, the Naari Shakti Initiative has contributed significantly to improving women's health, dignity, and quality of life—paving the way for a more informed and confident generation of women.



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Swachh Ghar Mission – Enhancing rural sanitation and health

In many parts of rural India, access to basic sanitation is still a daily challenge. To help change this, VST Industries teamed up with Gramalaya to roll out the Swachh Ghar Mission in Telangana's Jogulamba-Gadwal district—a grassroots initiative that's actively improving hygiene and sanitation in underserved farming communities. With Gramalaya's deep community experience and VST's commitment to better living conditions, the mission has focused on building individual household toilets while also driving long-term behavior change. The collaboration has identified critical sanitation gaps and worked closely with families to ensure the new facilities are accessible, durable, and easy to maintain.

But this effort goes beyond just building infrastructure. Through awareness drives, technical support, and follow-ups, the mission has started to reshape daily life in real and meaningful ways. Households have reported





saving 1.5 to 2 hours each daytime once spent walking long distances to open fields, now used for earning, studying, or caregiving. Health outcomes have improved too, with noticeable reductions in illnesses like typhoid and malaria, thanks to better hygiene practices. For women especially, the impact has been deeply felt. Having a toilet at home means no more stepping out at odd hours or worrying about safety, offering a renewed sense of comfort and dignity. It has benefitted about 400 families. The mission continues to make steady progress, bringing cleaner, healthier living one household at a time.



Bhavishya Bharat Taking healthcare to doorsteps through mobile dispensaries



Complementing this effort, VST extended its support to critical healthcare infrastructure by sponsoring 12 dialysis machines in collaboration with the Rotary Club of Secunderabad. These were installed along with the setup of a dedicated RO plant, enabling safe and consistent treatment for patients suffering from chronic kidney conditions. This intervention alone has





positively impacted the lives of approximately 11,000 patients, offering them a lifeline through timely and affordable dialysis care.

In its pursuit of inclusive healthcare, VST has also addressed the specific needs of differently abled children by sponsoring an advanced audiometry machine. This equipment has significantly enhanced the diagnosis and treatment of hearing impairments, enabling over 2000 villagers to receive the support and therapies they need to improve their communication abilities and overall development. Through these targeted healthcare initiatives, VST continues to demonstrate its commitment to holistic community wellbeing, ensuring that quality healthcare reaches those who need it most.



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FOCUS AREA 3 -

EDUCATION AND SPORTS

Driving Access to Nutrition: Electric Vehicles for mid-day meal distribution to underprivileged children in Medak

At VST, we believe that every child deserves access to nutritious food and quality education. In line with this belief, we partnered with the Akshaya Patra Foundation to implement the Mid-day Meal Program in the Medak district of Telangana—an initiative that's making a tangible difference in the lives of children from underserved communities. Every day, thousands of children in government schools and Anganwadis receive freshly prepared, nutritious meals—often the only reliable meal they get—helping them stay focused in class, remain in school, and build stronger, healthier futures.

To make this initiative even more impactful and sustainable, VST introduced a green mobility solution by sponsoring two electric food vans to support the delivery of mid-day meals across the region. These electric vehicles now deliver warm, hygienically transported meals to schools, benefiting over 5,000 children and ensuring timely access to food.

Teachers have reported that children are more alert and engaged, while parents feel reassured knowing their children are receiving at least one wholesome meal each day. The use of electric vehicles not only enhances the reliability of the program but also aligns with VST's environmental







stewardship—eliminating tailpipe emissions, reducing air pollution, and setting a positive example of clean energy adoption in rural logistics.

Together, these efforts have already improved nutrition and school participation for over 5,000 children, while also reducing dropout rates and easing the burden of food insecurity. By integrating sustainability with social good, VST continues to demonstrate how businesses can drive long-term community impact—one meal, and one clean mile, at a time.



school engagement for 5,000 children

Mission Gyandeep – Empowering education through infrastructure and access

In line with its commitment to Nation building and social equity, VST Industries has been actively strengthening the educational ecosystem, especially in underserved communities. Through Project Gyandeep, VST is transforming schools into inclusive, safe, and supportive learning spaces—creating meaningful impact across both rural and urban areas. The initiative has already upgraded infrastructure in two government schools- one at Suraram benefitting 600 students and the other at Medak benefitting 640 students. This initiative directly enhances the daily learning environment for around 1,240 students.

Crucially, the program has tackled long-standing barriers to education, especially for girls. The provision of clean toilets and essential amenities has led to a notable increase in attendance, as many families who were previously hesitant to send their daughters to school now feel





confident and secure. Beyond infrastructure, VST's support for mid-day meals in government schools has become a major incentive for regular attendance. For children from low-income families, having access to food at school helps ease the burden at home and encourages continued learning. By combining improved facilities with nutritional support, Project Gyandeep is helping thousands of children not only attend school but thrive in it—building a foundation for long-term academic and social upliftment.

Enhanced learning environments

1,240 students

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FOCUS AREA 4 –

ENVIRONMENT & SUSTAINABILITY

As part of our commitment to sustainability and environmental stewardship, we have launched several impactful initiatives aimed at reducing our carbon footprint and fostering eco-friendly practices. These include:

Lighting Kondapur: A step towards sustainable rural living

Before the installation of solar-powered street lights, daily life in villages like Kondapur was getting disrupted after sunset. The absence of proper lighting made it difficult—and often unsafe—for residents to step out for errands, attend community gatherings, or participate in social and cultural activities. For students, especially those in households with limited space or unreliable electricity, studying in the evenings was a daily struggle. The lack of well-lit environments not only restricted mobility but also hindered education and community participation.

Recognizing these challenges, VST Industries launched a transformative initiative to install and maintain solar-powered street lights in Kondapur and surrounding villages. Today, over 700 villagers in Kondapur benefit from safer, more







vibrant public spaces after dark. The improved lighting has enhanced security, encouraged greater community interaction, and allowed students to use public areas as informal study spaces, supporting consistent learning even outside their homes. To ensure these benefits are sustained, VST has also taken responsibility for regular maintenance and repairs—making the initiative a reliable and lasting addition to the villages' infrastructure. Through this effort, VST continues to foster inclusive rural development that supports both social well-being and educational equity.



Projects promoting conservation of biodiversity - in collaboration with Wildlife Trust of India





As part of our commitment to wildlife conservation and biodiversity preservation, we proudly sponsored a Whale Shark Conservation Project in collaboration with the Wildlife Trust of India (WTI). This initiative has reached over 1,00,000 habitants, fostering environmental awareness and inspiring community-led action to protect endangered marine life.









Through targeted educational outreach and advocacy efforts, we have raised public understanding of the ecological importance of Whale Sharks and the urgent threats they face due to human activity. By promoting coexistence and stewardship, we aim to create a legacy of conservation—one that supports both biodiversity and sustainable human development.



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CSR – Employee Engagement

We place strong emphasis on involving our employees in community support initiatives, by recognizing the meaningful impact their contributions can make. We believe that active participation not only benefits the communities we

serve but also provides our employees with a sense of purpose and fulfilment. To guide these efforts, we have developed a three-year annual action plan that outlines our approach to sustained and impactful community engagement.

Corporate Executive Committee (CEC) Participation in FY2024

- Corporate Social Responsibility (CSR) Volunteering was initiated. VST encourages its employees to participate in these activities so that they can contribute to the society.
- On an average 25 employees participated in five CSR volunteering programs
- All women employees representing Head Office, volunteered to participate in Menstrual Hygiene program in Kurnool

Employee Participation FY2025

- A full day was dedicated by all employees to CSR volunteering at Head office. Many employees also volunteered in Devnar Blind School, Ishwa School and Red Cross Blood Bank projects.
- The employees were involved and engaged for ideas and effective execution.
- Appreciation & Recognition was provided to volunteer employees.

Sustained CSR Engagement Mode FY2026

- Imparting skills required to maintaining and sustaining the initiatives
- Creation of CSR forums for seeking and implementation of new ideas





GRI INDEX

Statement in Use

GRI1 Used

VST has reported with reference to the GRI Standards for the period between 1st April 2024 to 31st March 2025 GRI 1: Foundation 2021

Disclosure	Indicator	Disclosure title	Page number/ comment
GRI 2: General	GRI - 2 - 1	Organizational details	8
Disclosures 2021	GRI - 2 - 2	Entities included in the organization's sustainability reporting	2
	GRI - 2 - 3	Reporting period, frequency and contact point	2
	GRI - 2 - 4	Restatements of information	2
	GRI - 2 - 5	External assurance	2
	GRI - 2 - 6	Activities, value chain and other business relationships	8-11
	GRI - 2 - 7	Employees	8
	GRI - 2 - 8	Workers who are not employees	8,42
	GRI - 2 - 9	Governance structure and composition	25-28
	GRI - 2 - 10	Nomination and selection of the highest	Please refer to "Report Of the
		governance body	board of Directors &
			management Discussion
			and Analysis for the year
			ended 31st March, 2025"
			section of the Annual report
	GRI - 2 - 11	Chair of the highest governance body	27,28
	GRI - 2 - 12	Role of the highest governance body in	27,28
		overseeing the management of impacts	
	GRI - 2 - 13	Delegation of responsibility for managing impacts	27,28
	GRI - 2 - 14	Role of the highest governance body in sustainability reporting	27,28

Disclosure	Indicator	Disclosure title	Page number/ comment
GRI 2: General Disclosures 2021	GRI - 2 - 15	Conflicts of interest	Please refer to Business Responsibility and Sustainability Reporting (BRSR) FY 24-25, Principle 1, Question 2 of Leadership Indicator
	GRI - 2 - 16	Communication of critical concerns	Please refer to BRSR FY 24-25, General Disclosure, Question 25
	GRI - 2 - 17	Collective knowledge of the highest governance body	Please refer to "Report on Corporate Governance" section of Annual report FY 24-25
	GRI - 2 - 18	Evaluation of the performance of the highest governance body	Please refer to "Report on Corporate Governance" section of Annual report FY 24-25
	GRI - 2 - 19	Remuneration policies	30
	GRI - 2 - 20	Process to determine remuneration	Please refer to "Report on Corporate Governance" section of Annual report FY 24-25
	GRI - 2 - 21	Annual total compensation ratio	Please refer to "Annexure D of the Annual report FY 24-25
	GRI - 2 - 22	Statement on sustainable development strategy	3
	GRI - 2 - 23	Policy commitments	30
	GRI - 2 - 24	Embedding policy commitments	30
	GRI - 2 - 25	Processes to remediate negative impacts	Please refer to BRSR FY 24-25, General Disclosure, Question 25
	GRI - 2 - 26	Mechanisms for seeking advice and raising concerns	29, For more details Please refer to BRSR FY 24-25, General Disclosure, Question 25

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Disclosure	Indicator	Disclosure title	Page number/ comment
GRI 2: General	GRI - 2 - 27	Compliance with laws and regulations	29,30
Disclosures	GRI - 2 - 28	Membership associations	12
2021	GRI - 2 - 29	Approach to stakeholder engagement	14
	GRI - 2 - 30	Collective bargaining agreements	Please refer to BRSR FY
			24-25, Principle 3, Question 7
			of Essential Indicator
GRI 3:	GRI-3-1	Process to determine material topics	16-18
Material	GRI-3-2	List of material topics	17-18
Topics 2021	GRI-3-3	Management of material topics	21-22
GRI 201:	GRI - 201 - 1	Direct economic value generated and	Please refer to the Annual
Economic		distributed	report FY 24-25
Performance	GRI - 201 - 2	Financial implications and other risks and	64-72
2016		opportunities due to climate change	For more details please refer
			to BRSR FY 24-25
	GRI - 201 - 3	Defined benefit plan obligations and other	Please refer to BRSR FY
		retirement plans	24-25, Principle 3, Question 2
			of Essential Indicator
	GRI - 201 - 4	Financial assistance received from government	NIL
GRI 202:	GRI - 202 - 1	Ratios of standard entry level wage by gender	Please refer to BRSR FY
Market		compared to local minimum wage	24-25, Principle 5, Question
Presence 2016			2 of Essential Indicator
GRI 203: Indirec	t GRI - 203 - 1	Infrastructure investments and services	103
Economic		supported	
Impacts 2016	GRI - 203 - 2	Significant indirect economic impacts	103
GRI 204: Procurement	GRI - 204 - 1	Proportion of spending on local suppliers	36
Practices 2016			

Disclosure	Indicator	Disclosure title	Page number/ comment
GRI 205: Anti	GRI - 205 - 1	Operations assessed for risks related to corruption	100% of the operations are assessed
	GRI - 205 - 2	Communication and training about anti-corruption policies and procedures	29
	GRI - 205 - 3	Confirmed incidents of corruption and actions taken	29
GRI 206: Anti	GRI - 206 - 1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	29
GRI 301:	GRI - 301 - 1	Materials used by weight or volume	83
Materials 2016	GRI - 301 - 2	Recycled input materials used	83
	GRI - 301 - 3	Reclaimed products and their packaging materials	83
GRI 302:	GRI - 302 - 1	Energy consumption within the organization	75
Energy 2016	GRI - 302 - 2	Energy consumption outside of the organization	75
	GRI - 302 - 3	Energy intensity	75
	GRI - 302 - 4	Reduction of energy consumption	75
	GRI - 302 - 5	Reductions in energy requirements of products and services	75
GRI 303:	GRI - 303-1	Interactions with water as a shared resource	79
Water and	GRI - 303-2	Management of water discharge-related impacts	79-81
Effluents 2018	GRI - 303-3	Water withdrawal	79
	GRI - 303-4	Water discharge	79
	GRI - 303-5	Water consumption	79
GRI 304: Biodiversity 2016		Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas Significant impacts of activities, products and	84
		services on biodiversity	

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Disclosure	Indicator	Disclosure title	Page number/ comment
GRI 304:	GRI - 304 - 3	Habitats protected or restored	84
Biodiversity	GRI - 304 - 4	IUCN Red List species and national conservation	84
2016		list species with habitats in areas affected by	
		operations	
GRI 305:	GRI - 305 - 1	Direct (Scope 1) GHG emissions	73-74
Emissions	GRI - 305 - 2	Energy indirect (Scope 2) GHG emissions	73-74
2016	GRI - 305 - 3	Other indirect (Scope 3) GHG emissions	74
	GRI - 305 - 4	GHG emissions intensity	73-74
	GRI - 305 - 5	Reduction of GHG emissions	73-74
	GRI - 305 - 7	Nitrogen oxides (NOx), sulfur oxides (SOx), and	78
		other significant air emissions	
GRI 306:	GRI - 306 - 1	Waste generation and significant waste-related	81-82
Waste 2020		impacts	
	GRI - 306 - 2	Management of significant waste-related impacts	81-82
	GRI - 306 - 3	Waste generated	81-82
	GRI - 306 - 4	Waste diverted from disposal	81-82, 100
	GRI - 306 - 5	Waste directed to disposal	81-82, 100
GRI 401:	GRI - 401 - 1	New employee hires and employee turnover	44,46
Employment	GRI - 401 - 2	Benefits provided to full-time employees that are	54
2016		not provided to temporary or part-time	
		employees,by significant locations of operation.	
	GRI - 401 - 3	Parental leave	Please refer to BRSR FY
			24-25, Principle 3, Question 5
			of Essential Indicator
GRI 402: Labor/	GRI - 402 - 1	Minimum notice periods regarding operational	As per the employee policy of
Management		changes	the Company
Relations 2016			
GRI 403:	GRI - 403 - 1	Occupational health and safety management	56-57
Occupational		system	
Health and	GRI - 403 - 2	Hazard identification, risk assessment, and	56-57
Safety 2018		incident investigation	

Disclosure	Indicator	Disclosure title	Page number/ comment
GRI 403:	GRI - 403 - 3	Occupational health services	56-57
Occupational Health and	GRI - 403 - 4	Worker participation, consultation, and	56-57
		communication on occupational health and safety	
Safety 2018	GRI - 403 - 5	Worker training on occupational health and safety	58
	GRI - 403 - 6	Promotion of worker health	56-57
	GRI - 403 - 7	Prevention and mitigation of occupational health	56-57
		and safety impacts directly linked by business	
		relationships	
	GRI - 403 - 8	Workers covered by an occupational health and	56-58
		safety management system	
	GRI - 403 - 9	Work-related injuries	57
	GRI - 403 - 10) Work-related ill health	57
GRI 404:	GRI - 404 - 1	Average hours of training per year per employee	54-55
Training and		Programs for upgrading employee skills and	54-55.
Education 2016		transition assistance programs	For more details Please refer
			to BRSR FY 24-25, Principle 3,
			Question 4 of Leadership
			Indicator
	GRI - 404 - 3	Percentage of employees receiving regular	48-52
		performance and career development reviews	
GRI 405:	GRI - 405 - 1	Diversity of governance bodies and employees	26-27, 42-43
Diversity and	GRI - 405 - 2	Ratio of basic salary and remuneration of women	45
Equal		to men	
Opportunity			
2016			
GRI 406:		Incidents of discrimination and corrective actions	60
Nondiscriminat	tion	taken	
2016			
GRI 407:	GRI - 407 - 1	Operations and suppliers in which the right to	60
Freedom of		freedom of association and collective bargaining	
Association and	d	may be at risk	
Collective	_		
Bargaining 201	6		

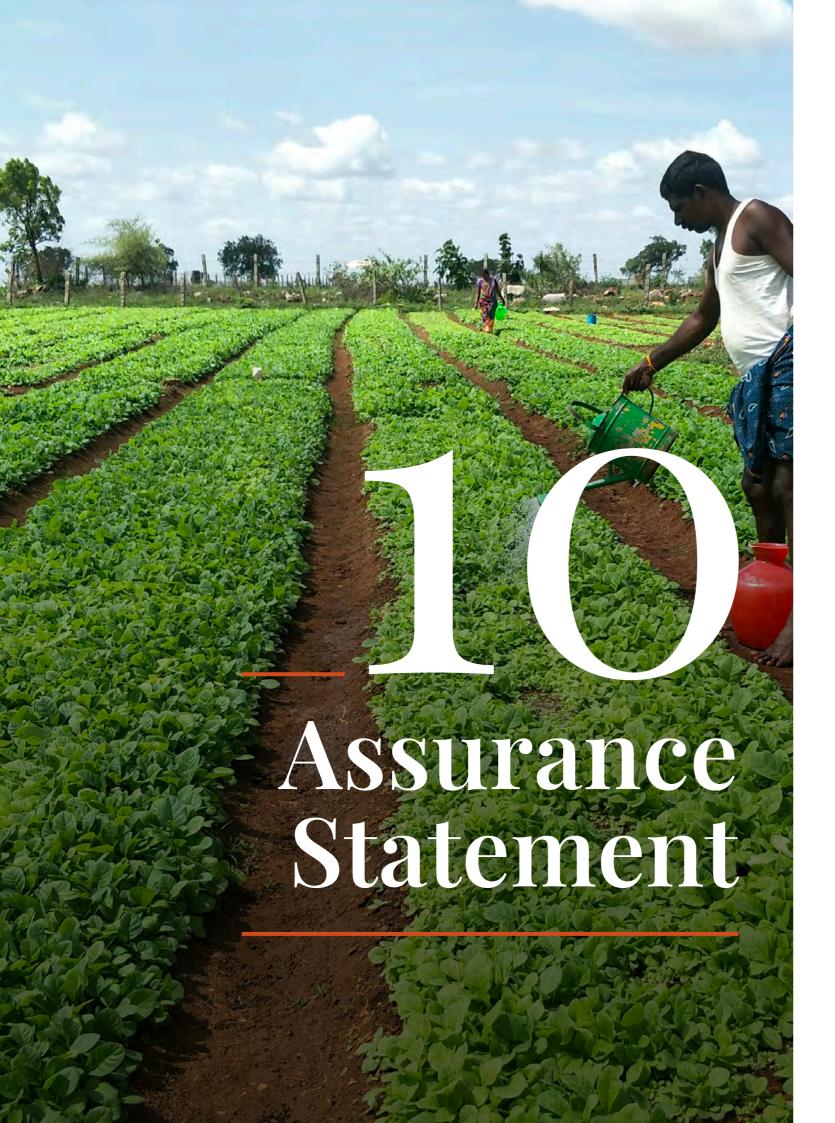
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Disclosure	Indicator	Disclosure title	Page number/ comment
GRI 408: Child Labor 2016	GRI - 408 - 1	Operations and suppliers at significant risk for incidents of child labor	60
GRI 409: Forced or Compulsory Labor 2016	d GRI - 409 - 1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	60
GRI 410: Security Practices 2016	GRI - 410 - 1	Security personnel trained in human rights policies or procedures	Please refer to BRSR FY 24-25, Principle 5, Question 1 of Essential Indicator
GRI 411: Rights of Indigenous Peoples 2016	GRI - 411 - 1	Incidents of violations involving rights of indigenous peoples	60
GRI 413: Local Communities 2016		Operations with local community engagement, impact assessments, and development programs Operations with significant actual and potential	101-111
GRI 414: Supplier	GRI - 414 - 1	negative impacts on local communities New suppliers that were screened using social criteria	33-36
Social Assessment 2016	GRI - 414 - 2	Negative social impacts in the supply chain and actions taken	35
GRI 415: Public Policy 2016	GRI - 415 - 1	Political contributions	NIL
GRI 416: Customer	GRI - 416 - 1	Assessment of the health and safety impacts of product and service categories	99
Health and Safety 2016	GRI - 416 - 2	Incidents of non-compliance concerning the health and safety impacts of products and services	99

Disclosure	Indicator	Disclosure title	Page number/ comment
GRI 417: GRI - 417 - Marketing and Labeling 2016		Requirements for product and service information and labeling	99. For more details please refer to BRSR FY 24-25, Principle 9, Question 2 of Essential Indicator
	GRI - 417 - 2	Incidents of non-compliance concerning product and service information and labeling	99-100
	GRI - 417 - 3	Incidents of non-compliance concerning marketing communications	99-100
GRI 418: Customer Privacy 2016	GRI - 418 - 1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	99. Please refer to BRSR FY 24-25, Principle 9, Question 3 of Essential Indicator

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SGS India Private Limited
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INDEPENDENT ASSURANCE STATEMENT

Independent Limited Assurance Statement to VST Industries Limited on its Sustainability Report for the FY 2024-25

To,

The Board of Directors and Management,

VST Industries Limited

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

Nature of the Assurance

SGS India Private Limited (hereinafter referred to as 'SGS India') was engaged by VST Industries Limited (the 'Company') to conduct an independent assurance of the disclosures under the Sustainability Report (the 'Report') pertaining to the reporting period of 1st April 2024 to 31st March 2025. The Sustainability Report has been prepared with reference to the Global Reporting Initiatives (GRI 2021) Standards. This limited level Assurance Engagement was conducted in accordance with "International Standard on Assurance Engagements (ISAE) 3000 (Revised).

Intended Users of this Assurance Statement

This Assurance Statement is provided with the intention of informing all VST Industries Limited's Stakeholders.

Responsibilities

The information in the report and its presentation are the responsibility of the management of the Company. SGS India has not been involved in the preparation of any of the material included in the report.

Our responsibility is to express an opinion on the text, data, and statements within the defined scope of assurance, aiming to inform the management of the Company, and in alignment with the agreed terms of reference. We do not accept or assume any responsibility beyond this specific scope. The statement shall not be used for interpreting the overall performance of the Company, except for the aspects explicitly mentioned within the scope. The Company holds the responsibility for preparing and ensuring the fair representation of the assurance scope.

Assurance Standard

SGS India has conducted limited level Assurance engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (Revised) (Assurance Engagements other than Audits or Reviews of Historical Financial Information). Our evidence-gathering procedures were designed to obtain a 'Limited level of assurance'. The procedures performed in a limited assurance engagement are designed to support expectations regarding the direction of trends, relationships and ratios rather than to identify misstatements with the level of precision expected in a reasonable assurance engagement.

Statement of Independence and Competence

The SGS Group of companies is the world leader in inspection, testing and assurance, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS India affirms our independence from VST Industries Limited, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised



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auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, RBA, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance.

Scope of Assurance

The assurance process involved assessing the quality, accuracy, and reliability of ESG indicators within the Integrated Annual report for the period 1st April 2024 to 31st March 2025. The reporting scope and boundaries include corporate office and two manufacturing sites spread across different states of India as follows.

- Head Office
- 2. Azamabad P. O. Box No. 1804 Azamabad, Hyderabad 500020, Telangana, INDIA
- 3. Toopran Plant Telangana, INDIA

Assurance Methodology

The assurance comprised a combination of desktop review, interaction with the key personnel engaged in the process of developing the report, during remote verification of data. Specifically, SGS India undertook the following activities:

- · Assessment of the suitability of the applicable criteria in terms of its comprehensiveness, reliability, and accuracy.
- Interaction with key personnel responsible for collecting, consolidating, and calculating the ESG KPIs and assessed the internal control mechanisms in place to ensure data quality.
- Application of analytical procedures and verification of documents on a sample basis for the compilation and reporting of the KPIs.
- Assessing the data reporting process at site as well as plant level (Remote Audit) and aggregation process of data at the Corporate Office level conducted virtually.
- Critical review of the report regarding the plausibility and consistency of qualitative and quantitative information related to the ESG KPIs.

Limitations

The assurance scope excludes:

- Disclosures other than those mentioned in the assurance scope.
- Data review outside the operational sites as mentioned in the reporting boundary.
- Validation of any data and information other than those presented in "Findings and Conclusion".
- The assurance engagement considers an uncertainty of ±5% based on the materiality threshold for assumption/ estimation/measurement errors and omissions.
- The Company's statements that describe the expression of opinion, belief, aspiration, expectation, aim to future
 intention provided by the Company, and assertions related to Intellectual Property Rights and other competitive issues.
- Strategy and other related linkages expressed in the report.
- . Mapping of the report with reporting frameworks other than those mentioned in the reporting criteria above
- The assurance scope excluded forward-looking statements, product- or service-related information, external
 information sources and expert opinions.

SGS India verified data on a sample basis; the responsibility for the authenticity of the data entirely lies with the Company. The assurance scope excluded forward-looking statements, product or service-related information, external information sources and expert opinions. SGS India has not been involved in the evaluation or assessment of any financial data/performance of the company. Our opinion on financial indicators is based on the third-party audited financial reports of the Company. SGS India does not take any responsibility for the financial data reported in the audited financial reports of the Company.

Findings and Conclusions

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the ESG KPIs (listed below) reported in the Sustainability Report are not prepared, in all material respects, in accordance with the reporting criteria.



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The list of ESG KPIs that were verified within this assurance engagement is given below:

Indicator	GRI 2021 Disclosures
General Disclosures	2-1 to 2-3, 2-4 to 2-7, 2-9 to 2-30
Material Topics	3-1 to 3-3
Economic Performance	201-1-201-4
Anti-Corruption	205-1, 205-2, 205-3
Materials	301-1 to 301-3
Energy	302-1, 302-3, 302-4, 302-5
Water and Effluents	303-2, 303-3, 303-4, 303-5
Biodiversity	304-1 to 304-4
Emissions	305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7
Waste	306-1 to 306-5
Supplier Environmental Assessment	308-1, 308-2
Employment	401-1, 401-2, 401-3
Labor/Management Relations	402-1
Occupational Health and Safety	403-1,403-2, 403-3, 403-4, 403-5, 403-6, 403-9,403-10
Training and Education	404-1, 404-2, 404-3
Diversity and Equal Opportunity	405-1, 405-2
Non-discrimination	406-1
Freedom of Association and Collective Bargaining	407-1
Child Labor, Forced or Compulsory Labor	408-1, 409-1
Security Practices	410-1
Rights of Indigenous People	411-1
Local Communities	413-1, 413-2
Supplier Social Assessment	414-1, 414-2
Customer Health and Safety	416-1, 416-2
Customer Privacy	418-1

For and on behalf of SGS India Private Limited



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VST INDUSTRIES LIMITED

Corporate Office

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Mr. Phani K Mangipudi, Company Secretary
and Vice President - Legal & Secretarial
Tel: +91 040 2768 8000

Registered Address

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