# BRANDIX LANKA LIMITED
# GRI 3-3: MANAGEMENT APPROACH DISCLOSURES

As a leading apparel solutions provider in Sri Lanka with a manufacturing presence in India and Bangladesh, Brandix Lanka Limited, hereinafter referred to as "Brandix". Brandix has been providing Inspired Solutions to renowned brands across the world for nearly 50 years. Our vertically integrated supply chain, expanding global network of manufacturing and operating locations, an inspired employee base and infrastructure have helped us deliver millions of garments to our customers. Combining this with our expertise in product innovation, research and development, unparalleled speed in delivery and an unwavering commitment to delivering a phenomenal product has helped ingrain Brandix as a leader in the Apparel arena.

The company continues its inspired journey in developing, manufacturing, and marketing end-to-end apparel solutions, whilst through a strategy of sustainable development including managing the impacts and continuously improving its performance on its most significant environmental, social and governance (ESG) topics.

Brandix believes that understanding the interests of its stakeholders and opinions is vital to the growth and the success of its operation. This results in the continuous engagement with its key stakeholders by the company. Brandix recognizes the importance of engaging with and addressing stakeholder requirements as part of the company's sustainability and ESG management journey. This sustainability and ESG topics that are highly relevant to the key stakeholders of the company are identified as Material Topics, which are then integrated into the company's sustainability strategy, allowing the company to address ESG impacts, mitigate risks emanating from such ESG impacts and develop long-term solutions and best in class processes and initiatives to address such ESG risks.

These Material Topics also provide the basis for measuring of sustainability performance against Key Sustainability Performance Indicators (KSPIs), which forms the triple bottom line of the company. Sustainability and ESG performance are monitored, analysed, and reported periodically for decision making purposes by the senior management bodies of the company. This document is a disclosure of the policies and the management approach of Brandix in managing the identified Material Topics and ensuring that it mitigates ESG risks and minimizes the impacts of such Material Topics. The Management Approach Disclosures contained herein forms part of the overall sustainability reporting process of the company based on the Global Reporting Initiative (GRI) Standard guidelines and obtains independent third-party assurance of the sustainability information disclosed through its sustainability reports.

These Management Approaches are reviewed annually by the Senior Management Team of Brandix, acting through the central Sustainability Division of Brandix which is headed by the Group Director - Projects, Administration and Occupational Health & Safety, CSR, Corporate Communications and Legal, who is a Board Member of Brandix Apparel Limited, to ensure its effectiveness and applicability.

# ECONOMIC PERFORMANCE

*Economic Policy:* Built on the **RITE VALUES**, *our governance framework integrates Enterprise-wide Risk Management (ERM) & Environmental, Social & Governance (ESG) under* **ONE GOVERNANCE** *platform with independent board oversight providing* **ASSURANCE** *to all our stakeholders that we run the business* **ETHICALLY** *and* **SUSTAINABLY** *to create* **long term value***.*

**Material Impacts and Management Approach**

*Topics Covered:* *GRI201: Economic Performance, GRI 205: Anti – Corruption*

## Economic Performance and Governance

The company is committed to delivering economic value addition to all its stakeholders, whilst following all local regulations and ensuring the highest levels of Corporate Governance.

### *Performance Monitoring*

Brandix is dedicated to enhancing its contribution to all stakeholders via the triple bottom line, generating significant economic value addition while delivering sustainable performance. Towards this, management focus is given to corporate governance best practices relevant to a private limited company, sound financial management, stringent internal controls and a robust risk management process covering operational, financial, and non-financial risks. The company ensures that it complies with all regulations of the countries in which it has operations, through the functioning of the above said processes, as well as the monitoring and reporting of the outcomes of such processes to the senior management of the company on a regular basis during a financial year.

Brandix has in place rigorous financial processes, an Internal Audit function that reports to a Board Audit Committee, an Enterprise Risk Management function with the Head of Risk Management being part of the Brandix Leadership Team, central and SBU level Human Resources divisions, a Legal Division, SBU level operational and engineering teams, Compliance Teams, Health & Safety Teams as well as CSR, Sustainability and ESG teams at each SBU.

These functions have oversight by the various senior management bodies such as the direct line supervisors, functional heads, cross functional teams, Brandix Leadership Team and the Board of Brandix, and the above-mentioned divisions are supported by a comprehensive policy framework that address the significant areas of risk and impact. Under the economic and governance pillar, the company has in place policies such as whistle blowing policies and a zero-tolerance approach to corruption.

Brandix strives to ensure that the economic value addition to stakeholders occurs along with of compliance to all local regulations, ensures that its taxes, and payments to the regulatory bodies and Government Institutions are settled on time, deterrents, and processes to avoid corruption, and ensures timely payments to all its stakeholders such as financiers, suppliers and employees.

The Human Resources and Financial policies and practices also ensure that timely and performance-based remuneration also occurs for its employees, including benefits such as Employees' Provident Fund (EPF) contributions, and Employees' Trust Fund (ETF) contributions as well as a retirement gratuity, in line with the local labour laws and regulations.

## Anti-Corruption

*Anti-Corruption Policy: Brandix takes a zero-tolerance stance towards anti-corruption & bribery whilst promoting the highest level of ethical practices through the R.I.T.E values which is embedded in Brandix DNA. We have operationalized this policy through the Code of conduct for our employees, Vendor code of ethics & periodic self-audit for our suppliers, self-governance & internal audit practices in relation to preventing, reporting and managing fraud and corruption. Key areas governed by these policies and practices include fraud, corruption, bribery, theft, embezzlement, overriding controls, giving, or receiving kickbacks, conflict of interest, integrity & ethical standards.*

The company believes that corruption results in increasing costs and low confidence by its business partners, and ethical business practices should be the norm from top management level down to the individual employee. Our engagement with our key stakeholders especially in our export markets highlight the importance placed on this topic.

### *Performance Monitoring*

At the recruitment stage the new employees must sign-off the Code of Conduct which is a mandatory step followed at the point of accessing the Brandix network, this is governed by the Brandix Group Human Resource team. They are also informed of remedial actions and disciplinary actions that would result from any violations of the code of conduct and are also expected to report any breaching of the Code (with the assurance of non-disclosure) through the various channels that facilitate this.  The company has in place a whistle blowing policy, a "safe to speak up policy", and a direct e-mail to the members of the committee, o report of any incidences of corruption.

The risk of corruption is assessed as part of the Enterprise Risk Management (ERM) process at each business unit and preventative and mitigation plans are put in place to reduce such risks. The risks identified through the ERM process are also shared with the Internal Audit Team of Brandix to develop annual internal audit plans to ensure that the preventive and mitigative actions identified through the ERM process are in place, monitored and have direct management oversight with regard to its effectiveness.

In order to track the effectiveness of the management processes in place, the company tracks various Key Sustainability Performance Indicators (KSPIs) regularly during the reporting period. Such KSPIs include the monitoring of payment of minimum wages or above to employees as well as by sub-contractors and dedicated supply chain partners to their employees deployed for undertaking work for Brandix. Furthermore, the payment of EPF/ETF and other statutory provisions to the employees of sub-contractors are monitored to ensure that employees of significant sub-contractors are paid such dues. Brandix also tracks the incidence of corruption and actions taken including any disciplinary action taken against workers found to be engaged in such practices.

# ENVIRONMENTAL STEWARDSHIP

*Environmental Policy:* *At Brandix we recognize and believe that environmental and energy management are our highest corporate priorities and as such, strive to conduct all aspects of our business in an energy conscious and environmentally responsible manner. We assure of our commitment towards optimizing energy consumption, adopting renewable energy, and protecting the environment by complying with relevant energy and environmental regulations and other requirements to which Brandix subscribes to. We will identify energy wastage and environmental impacts associated with our operations and activities and integrate the principles and best practices of conserving natural resources and minimizing pollution as essential elements of our business processes. We commit ourselves to the continuous improvement of the energy and environment management systems through periodic evaluations of our energy and environmental objectives and targets. We will provide appropriate training to all our employees and sub-contractors to ensure their continued awareness of energy and environmental responsibilities. This policy will be available to the public and other interested parties as well.*

## Material Impacts and Management Approach

*Topics Covered:* *GRI 301: Materials; GRI 302: Energy; GRI 303: Water, GRI 305: Emissions; GRI 306: Waste; GRI 307: Environmental Compliance, GRI 308 and GRI 414: Supplier Assessments*

Brandix is committed to protect and conserve the environment and as a result strives to minimise the environmental impacts that occur due to its business operations. While compliance with all environmental regulations of the countries it operates in is paramount, Brandix, through its continuous engagements, also recognizes the importance placed on environmental stewardship and climate change by its customers.

The above Environmental Policy of Brandix is an overarching policy providing direction to the SBUs of the company towards establishing environmental management systems to identify potential environmental risks and impacts, identify areas for process improvements, and track, monitor and report data to management for additional investments and course corrective action. Certain locations of Brandix have utilised the Environmental Management System to obtain certification under the ISO14001 Standards and the company expects to obtain similar certification for most of the other manufacturing SBUs as well in the future. Additionally, the company places importance on the management and reduction of energy use, water consumption, carbon emissions, waste generation and effluent discharge, and seeks to manage the above impacts through quarterly data collection and comparisons, management review and internal audits. Brandix also has in place a goal to be Net Zero by 2030.

The Sustainability Division has also introduced Sustainability Standard Operating Procedures (SOPs) to assure consistency of processes and data accuracy of data with regard to the Key Sustainability Performance Indicators.

The overall sustainability policy is complemented by management approaches on the above-mentioned environmental topics. The Sustainability Division then operationalizes these approaches through designated ESG champions and the above-mentioned SOPs. Performance data of Material Usage, Energy Consumption, Water Withdrawal, Effluent Discharge, Emissions, Waste Management, Environmental Compliance and assessment of Supplier's environmental practices are covered through the Key Sustainability Performance Indicators (KSPIs) tracked by Brandix and reported quarterly to the senior management, which forms the basis for the company's sustainability initiatives, performance improvement, behavioural change management and course corrective action.

The management approach will be reviewed and adjusted annually after carrying out an internal stakeholder engagement, while the sustainability performance will be reviewed against internally established benchmarks.

*Performance Monitoring*

The company adheres to all relevant local environmental laws and regulations at a minimum and as mentioned above, tracks its environmental performance using KSPIs every quarter, which are aligned to the relevant GRI Standards indicators.

The company has in place mechanisms to receive feedback and any grievances from its stakeholders on environmental impacts arising from its operations. Being a B2B entity located in across Sri Lanka and in India and Bangladesh, Brandix keeps well engaged with its customers, their environmental requirements as well as the environmental requirements of the end consumers, regulatory bodies such as the local Environmental Authorities, and communities in the areas of operations.

Brandix ensures that a logbook is maintained at the point of entry of most locations for the members of the community to lodge any grievance, whilst working towards introducing a more effective stakeholder engagement framework at all Brandix locations during Q4 of 2023/24 reporting period. Environmental grievances are also identified by Brandix through its internal assessment of stakeholder concerns as well as through direct continuous engagement with its customers.  The Compliance Team of each location/SBU becomes the first point of contact for any environmental grievances or point of contact for customers, regulatory authorities and members of the community. Any issues are then escalated through the relevant operations team and to the respective CEO of the location, and if required to the senior management team of Brandix as relevant.

Brandix also engages with it staff through Employee Councils and also through the organizational hierarchy, notice boards and suggestion boxes. Employees may use these methods to communicate both specific employee related grievances as well as any environmental grievances, feedback, or areas for improvement to the management teams.

Environmental reporting and management methods are constantly being reviewed to ensure continuous improvement. Monitoring of environmental issues occur through the Eco-calliper systems as well as through the deployment of MS-Excel based Sustainability Performance Analyser (SPA) tool for data gathering performance analysis and reporting. Furthermore, Brandix also provides training for its ESG Champions, and operational staff with regard to ESG topics, ensuring performance through rigorous monitoring and internal reporting, and external and internal sustainability audits to ensure accuracy of environmental data.

## Materials & Suppliers

*Supply Chain and Procurement Policy:* Brandix is committed to procure Raw Material, in a transparent manner, from suppliers who adhere to requirements as stipulated by our *customer*. The evaluation of suppliers would be holistic and would consider price competitiveness, delivery performance and commitment to social and environmental standards.

The company recognizes the importance of using raw materials in an efficient manner, thereby reducing operational impacts on natural resources as well as ensure minimal material wastage and financial savings.
As part of the sustainability performance management efforts of the company, Brandix intends to track and monitor the use key raw materials as well as the use of recycled input materials via the Sustainability Performance Analyser (SPA) tool as well as through the company ERP the by 2024/25 reporting period. Furthermore, Brandix and each of its operating SBUs track and monitor the Raw Material Stock write off percentage which provides the management team oversight with regard to material usage efficiency and waste. Such performance data is tracked, monitored and reported to management teams on a quarterly basis to ensure actions are taken to improve performance and take any required course corrective action.

Brandix's group Raw Material category management division governs the sourcing choices for key purchases. Inbound & outbound logistics is managed via a centralized shared service. Raw Materials are sourced with adherence to traceability requirements stipulated by the customer with records maintained to prove country of origin. The reverse logistics operations of the company ensures that waste raw material and branded rejects are managed ensuring compliance with customer IP rights and brand protection requirements of the customer, where the destruction of branded rejects are carried out under the supervision of the Brandix Brand Protection team.

Raw materials are procured through a robust selection process, based on terms and conditions that include social and environmental selection criteria. In addition, availability of continuous supply, price, and credit periods also key factors of selection of suppliers. All Suppliers undergo a registration process, where their details are recorded on the company's ERP System.

The key suppliers of the company include suppliers of Fabric, Sewing Trims, Packing Trims, Embellishment, Washing services, Factory Consumables, Stationery Suppliers, Spare Part Suppliers, Chemical and Dye Suppliers as well as Manpower providers and logistics and transportation partners. Sub-contractors also play a key role in the overall supply chain of the of company with the provision of accessories for the final product.

Brandix has in place a Vendor Code of Ethics (VCE) formulated in July 2013, which stipulates the requirement for registered vendors of Brandix to be compliance with socio-economic and governance standards. The VCE cover topics ranging from zero tolerance and prohibition of any type of bribery and corruption, child labor, forced labor, discrimination of the Vendor's employees based on national origin, ethnicity, caste, religion, age, disability, pregnancy, gender, marital status, sexual orientation, union membership, political affiliation or any other personal characteristics or belief. The VCE also specified zero tolerance and prohibits any forms of workplace harassment of the Vendor's employees, as well as requires that all Vendors adhere to local labor laws including but not limited to working hours as per laws and regulations, proper and effective health and safety practices at Vendor locations, freedom of association and freedom of expression. The VCE also stipulates geographical areas from which raw materials may not be sourced due to concerns and risks of child labor and other forms of violation of human and worker rights as per Section 1502 of the Dodd-Frank Act of the USA.

Brandix intends to incorporate environmental compliance requirements and environmental conservation, climate change action and the planned journey towards the reduction of carbon emissions by its Vendors within its existing Vendor Code of Ethics in the near future.

While supplier and sub-contractor engagements and operational assessments are currently being carried out, such assessments do not currently include comprehensive review of the supplier environmental and social practices, and these will be incorporated into the existing supplier assessments in due course. It is envisaged that these environmental practices of the suppliers and sub-contractors will be assessed based on the topics relevant to Brandix, such as water management, effluent discharge management, energy and emissions management, environmental compliance. It is further envisaged that Employment conditions, risks of discrimination, child labor, forced labor, Occupational Health and Safety and worker rights would form the basis of supplier assessment from a social perspective.

During the next reporting period (2023/24) Brandix intends to develop a management process, formalize, and entrench an objective Supplier Assessment process within its operations & also to define its key Supply Chain partners based on the perceived potential ESG risks, the company's ability to influence such suppliers, and the size and scale of the suppliers. The engagement process with the significant supplier identified through this selection process will constitute various forms of engagement such as direct engagements, broad supplier forums for knowledge sharing for implementation of best practices, introduction of supplier self-declarations forms, and supplier assessments and audits to ensure adherence to such Supplier Code of Conduct and regulatory requirements.

## Energy and Emissions Management

*Energy & Emissions Management Policy: Brandix seeks to be a billion US$ company with net zero emissions by 2030. Brandix focuses on conserving energy in an attempt to reduce operating costs and minimise damage to the environment, including its overall carbon footprint by adopting green operating practices.*

As a manufacturing organization spread across Sri Lanka, India and Bangladesh, Brandix uses both fossil fuel-based energy sources and electricity from the National Grid of the countries it operates in, to operate its equipment, transport, logistics and for its facilities. Energy requirements form not only an important element in business operations, but also to provide staff facilities and ensure staff health and safety through adequate lighting, ventilation and in meal preparation.

As a responsible corporate citizen, and as identified through continuous engagement with its customers, Brandix focuses on conserving energy, minimising its carbon footprint by adopting green practices, minimising cost and committing itself towards environmental stewardship. All electricity and fossil fuel consumption are monitored through using digital and analogue metering. The greenhouse gas protocol of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) is used to measure the carbon emissions, while carbon emission factors found in the IPCC guidelines for national greenhouse gas inventories published by the Institute of Global Environmental Strategies (IGES) are also used for calculating our carbon footprint. The carbon intensity of the company is ascertained based on the quantum of operations and 2018 has been identified as the base year for its carbon footprint.

Brandix is currently working towards a target of Net Zero for its carbon emissions with a plan to achieve such by 2025.

As part of its overall efforts Brandix has in place an Energy Manual which was based on a comprehensive study with regard to the types of equipment, sources of energy, energy balance and also incorporates an energy management plan covering all locations of the company. Brandix and each of its locations tracks its energy usage in GJ from all its fossil fuel consumption as well as calculates its Scope 1 and Scope 2 carbon footprint on a monthly and quarterly basis via the Eco-calliper system and the Sustainability Performance Analyser respectively, and such information is shared with the management teams on a quarterly basis. Energy efficiency measures have been deployed in factories to ensure energy efficiency in equipment utilised, and employees are encouraged and engaged to conserve energy.

Renewable Energy comprising of Solar PV panels and Biomass have been currently deployed across various locations of Brandix, with a view to reducing the energy consumed, reduce carbon emissions, and also create a unique selling proposition as a preferred supplier for its customers.

## Water & Effluent Management

*Water Management Policy: The Brandix Water Management Vision is to have zero water leakages in its operational and office locations. Brandix also pledges to Maintain water consumption of 10 Litres per clocked hour in our apparel factories and increase our Water Index by 20% from the baseline (2013) by 2030. Furthermore, the company seeks to minimise the use and withdrawal of blue water sources and seeks to recycle, and reuse discharged (grey) water as much as possible. All water discharged to the environment will meet the discharge quality and quantity levels stipulated by regulations.*

The company's water requirements are provided by National Water Supply and Drainage Board of Sri Lanka and other municipality and authorities in its locations of operations. In addition, certain locations also obtain water through ground wells, while rainwater harvesting is deployed across a few manufacturing locations such as the BIAC park. Water withdrawn is used in operations at the finishing and dying plants, and in boilers, cooling towers, the canteen, staff washrooms, for general cleaning as well as in all office premises for staff consumption and sanitation.

The company has in place a water management handbook that mandates to optimise the use of water withdrawn from all blue water sources through reducing consumption, reusing, and recycling as much as practically possible, and provides specific consumption of litres per minute for the various faucets, showerheads and water closets etc which should be adhered to in the procurement of new equipment. The handbook also entails that the discharged wastewater must at the very minimum, meet discharge quality levels specified by local authorities.

Water Management is important to the company to ensure compliance with the various Environmental licenses, minimise the cost of withdrawal, cost of effluent treatment, customer expectations of water conservation and keeping in line with its commitment to environmental stewardship.

Water consumption and discharge is measured through flow meters and where meters are unavailable, through estimates based on pump time. Further, Brandix has installed flow meters for its significant points of usage (Staff Changing rooms, Machine Washing Bay, Canteen, Kitchen, Contractor's changing rooms and Admin Office) to sub-meter the consumption of water, and to monitor and identify areas of excessive water usage and water wastage.

Water conservation measures such as low flow taps, aerated showers, recycling of effluent for gardening have been deployed across various locations of Brandix with a view to reducing the withdrawal of blue water sources. Brandix has also installed various water saving mechanisms in the event of any identified areas of significant water usage.

Similarly, the discharge of effluent is also important to the company to ensure compliances with both the quality and quantity of discharge as per the various environmental protection licenses governing operations in Sri Lanka, India and Bangladesh. These licenses are renewed annually and provides the foundation for the effective management of Brandix's water discharge related impacts. Accordingly, Brandix discharges all its effluent through inhouse or central effluent treatment plants which ensure that effluent is treated to minimum discharge quality levels prior to releasing to the environment. Any direct discharges by operating locations are those that are permissible by regulations.

All locations of Brandix undertake regular independent third-party discharge quality tests in adherence.to the requirements of the respective environmental protection licences.

As part of the monitoring and control efforts, the company's handbook on Water Management also specifies the need for undertaking a water balance once a month, undertaking leak detection programs every six months and regular recording and reporting of water and effluent parameters.

The quantum of Water withdrawal, its source, the quality of water withdrawn, the quantum of discharge, quality of discharge and destination of such discharge form the Key Sustainability Performance Indicators (KSPIs) that are utilised to track and monitor performance of water and effluent across Brandix's operations. Such information is tracked, monitored and reported to the management team on a quarterly basis utilising the SPA tool mentioned above. Any drop in discharge quality levels, increased quantity of withdrawal and discharge are identified as frontier risks and communicated to senior management for course corrective action.

# Waste Management

*Waste Management Policy: The company's vision is to have zero material waste, and to achieve zero-waste to landfill with 100% recycling and re-using or up-cycling of all waste by 2027.*

*Brandix's policy on waste management is focused on minimizing waste by ensuring that at minimum all regulatory requirements are adhered to in the disposal of hazardous and non-hazardous waste. Furthermore, Brandix strives to reduce the amount of waste generated and increase reuse, recycling, recovery and incineration as waste management strategies towards minimising waste sent to landfill.*

The Waste Management Policy also aims to Minimize the environmental impact of waste generation, transportation, treatment, and disposal, protect public health and safety, work towards the Group's goal in achieving material Circularity in the near future and Reduce waste handling and disposal volumes and costs without compromising manufacturing standards.

The operations of Brandix and its locations generate both Hazardous and Non-Hazardous waste, which requires the organisation to be more conscious about the disposal of such waste, given the impacts such waste could create on health and safety, water bodies, and the overall environment. Furthermore, engagement with various stakeholder groups such as Customers, regulators, employees, and expectations of society at large also place responsible waste management as a material topic.

The company has in place a Solid Waste Management Handbook which stipulates the above-mentioned Waste Management Policy, the targets stipulated above and the objectives, commitments and responsibilities towards achieving the goals, targets and commitments. The Waste Management handbook also provides the various strategies of responsible waste disposal by each significant category of waste streams arising from the company's operations, segregation methodology, usage of colour coded bins and formats for collection of waste data.

The company ensures that all waste disposed are through third parties that are through the municipal councils or through waste collection contractors licensed under the Central Environmental Authority of the respective country of operations.

The main streams of waste generated at Brandix and its locations are fabric waste, plastic and other plastic/polythene packaging materials, paper and cardboard, glass and ceramics, organic waste such as food waste and wood which are considered non-hazardous waste, and waste dyes and chemicals, used oil, e-waste and sludge from its Effluent Treatment Plants which are the main hazardous waste items generated. Waste segregation is carried out at each location based on the main streams of waste generated, whereas the waste segregated as hazardous is under the purview of the engineering division whilst the administration division overlook the non-hazardous waste at each SBU supported by the administration teams, housekeeping staff, operational managers and all employees of the SBU. Branded waste is overlooked by the Reverse Logistic s team of Brandix, and such teams follow the Standard Operating Procedures stipulated by the customers of Brandix with regard to the disposal of branded items identified for disposal.

Brandix strives to recycle and reuse non-hazardous waste items and waste oil through third party waste collection contractors and disposes of other hazardous waste through Insee Eco cycle through means of incineration. The Solid Waste Management Handbook also specifies the typical third-party waste recyclers that the operational SBUs may utilise to dispose of their waste for each significant type of waste stream.

Waste segregation and awareness is undertaken continually at the locations to ensure that the waste segregation and waste management process occurs smoothly within the factories. Waste generation data is based on dispatch/issue notes generated at security points in kilogrammes, prior to waste items leaving the location, as well as other estimation methods.

Waste generated by each waste stream is captured on a quarterly basis by each of the locations of Brandix and reported to senior management utilizing the SPA Tool, which provides the quantum of waste reused, recycled and recovered.

## Environmental Compliance and Spillages

The company understands the requirements to continue carrying out its operations and the importance to be in compliance of all local rules and regulations. The company engages with the relevant regulators as well as customers who require full compliance by all locations with local laws and regulations.

The company tracks and monitors any fines paid, spillages and all other compliance related requirements as per laws and regulations of the country of operation. Any Occupational Health and Safety incidents relating from spillages and non-compliance is also tracked through the SPA Tool. Standard Operating Procedures, immediate rectification of identified leaks, Secondary Containment Tanks are used where applicable to minimise the risk of accidental spillage. Renewals of the annual environmental license is tasked with the engineering team and process for renewal commences 3 months prior to the actual date of expiry of such license.

# LABOUR PRACTICES & SOCIAL RESPONSIBILITY

## Material Impacts and Management Approach

***Topics Covered:*** *GRI 401: Employment; GRI 403: Occupational Health and Safety; GRI 404: Training and Education, GRI 405: Diversity & Equal Opportunity; GRI 406: Non-Discrimination; GRI 408: Child Labour; GRI 409: Forced or Compulsory Labour; GRI 413: Local Communities; GRI 416: Customer Health & Safety; GRI 418: Customer Privacy; GRI 419: Socio - Economic Compliance.*

## Employment

***Workplace Policy:*** The Brandix values, or the R.I.T.E. Way, is the Brandix Group's fundamental business ethos, where every one of our employees believes in, works towards, and ensures that their every action symbolizes the Group's core values of Respect, Integrity, Teamwork, and Excellence. The Brandix values are essentially what is embedded into the DNA of the organization and is therefore, inherently the corporate culture at Brandix. All employees of Brandix, are expected to embody these values and live life, both professionally and personally, the Brandix Way.

An employee Code of Conduct is also in place that requires all employees to sign the Code of Conduct as part of the recruitment process. The Brandix Code of Conduct covers aspects relating to the requirements of employees to abide by ethical standards demonstrating highest degree of integrity, respecting fellow employees, workers and 3rd parties in the workplace, ensuring an abuse and harassment free workplace, substance abuse ad intoxication, as well as email, telephone and business etiquette and safeguarding the employer brand name and confidentiality of information and non-disclosure, dealing with proprietary information, conflicts of interest and receiving and providing gifts etc. Training and awareness sessions on the Brandix Code of Conduct is carried out for all employees during the induction programs when the join the organization, while refresher trainings and awareness sessions are also undertaken annually for all employees.

The company understands the value of being people-centric, which is imperative to maintain a competitive advantage. Under this principle, the company creates synergies by recruiting and efficiently managing local talent and spares no effort in investing in furthering their capabilities. The company Human Resources processes are complemented by various policies and procedures governing the recruitment, employee engagement, performance appraisal and resignation aspects covering the lifecycle of employment.

Employing a large female workforce in its operations, Brandix and other companies in the apparel industry lead the way in female employment in the countries of operations, also providing employment opportunities that target the female workforce.

The company adheres to all relevant local labour laws and regulations which are based on ILO conventions. The company also benchmarks its HR processes against peers and industry norms.

The company tracks indicators such as attrition, diversity, training hours, and health and safety incidences, through its sustainability performance management system and the SPA Tool. The data derived from this system is then used to publish quarterly reports which are reviewed by the Senior Management teams.

The main objective of the company is to encourage a happy and healthy, diverse and skilled workforce, while maintaining good relations with them and provide them a safe and secure working environment. In ensuring that this objective is achieved the company has in place human resources (HR) related policies, covering the areas of recruitment, work hours and leave, performance evaluation, labour relations, training and development, equal opportunity and health and safety of the workforce.

The company also considers management of employee grievance an important topic and uses, Employee Councils, suggestion boxes, an open-door policy and direct email access to the Safe-to-Speak Up Committee, in addition to the management policies and organizational hierarchy in place to address concerns and resolve issues/conflicts in a fair and transparent manner.

In Sri Lanka employees are eligible for Employees' Provident Fund (EPF) contributions, and Employees' Trust Fund (ETF) contributions. As per the Gratuity Act No 12 of 1983, employees are also entitled to retirement gratuity, and employees with more than 5 years of service will receive half a month's last drawn salary for every year of service on retirement or termination of service. The company adheres to all the above country regulations with regard to benefit plans for employees at a minimum.

Furthermore, Brandix recognises that respecting and protecting human rights is a topic of importance to its employees, investors, customers, regulators and the communities it operates in. As a result, upholding human rights is vital to its operations, and as such, ensures that its policies relating to its workforce is fully compliant with local labour laws, selected ILO Standards and in alignment with best practices with regard to topics such as child labour, forced labour and non-discrimination.

Brandix as a well-known corporate entity commands significant brand reputation as an employer of choice in its countries of operations. Thus, the company is committed to business integrity, openness, respect for universal human rights and core labour principles, and thus carries out its business in an ethical manner, to ensure that maintains and enhances in stature and brand reputation.

The "Pulse Survey" is conducted among all Sri Lankan employees on a quarterly basis whilst the annual employee engagement survey is practiced among all employees in other locations excluding Sri Lanka. Moreover, monthly employee councils and the staff forums held quarterly also helps to ascertain the pulse of employees and any common themes of concern across the employee base.

Brandix tracks the number of employees, workers not on payroll, by gender, age group and country of employment. Furthermore, KPIs such as New Hires, New Hire Turnover, Total Employee Turnover and Employee turnover by age group. Such information is collated on a quarterly basis and presented to the senior management for review and necessary action.


**Freedom of Association and Collective Bargaining in Employment**

There are no restrictions in freedom of association and all employees are free to join unions as per the laws of the country. As a result, all employees are free to join an industrial association and take industrial action when required, provided that these actions conform to the laws of the country. Brandix currently has no trade unions in its locations of operations, however, Employee Councils are in place which ensure continual dialogue between workers and management to proactively address potential and actual conflicts and grievances.

## Occupational Health and Safety

*Occupational Health & Safety Policy: As part of our journey towards Occupational Health and Safety (OHS) Excellence, we are committed to providing a safe workplace where people can be safe and healthy. Our core principles of Respect for people, acting with Integrity, and working together as a team underpin our approach to managing OHS. Wherever we operate, we are committed to complying with all relevant laws and regulations. Our internal policies, standards, and procedures will take precedence where they exceed but not contradict these legal requirements. Our strategy to manage OHS risk is implemented through the OHS Control Framework. It focuses on both the risks that could impact the safety or health of our people and high severity risks which could disrupt our business. These are contained in the Corporate OHS Standards which mandate Brandix's practices and processes, and in any customer/other requirements. Key components in safeguarding our people, protecting our assets, and upholding company reputation include ensuring visible Management commitment, stakeholder consultation, and adopting an enterprise culture. We do this by establishing an effective OHS Control Framework and by embedding a strong OHS culture throughout the business.*

Brandix places great importance on the health and safety of its employees, subcontractors, customers third parties that access the premises of Brandix. Brandix seeks to minimize any avoidable injuries and occupational illnesses and provide a safe and secure work environment through the adoption of sound hazard risk management principles. Adherence to Occupational Health & Safety practices are also stipulated in the environmental protection licenses and other operating licenses issued by regulatory bodies, and the company's customers too expect high standards of occupational health and safety and fire safety across the manufacturing operations and facilities of the company.

Brandix implements an OHS control framework which is aligned to the ISO 45001 standards, which is currently in place in all locations in Sri Lanka and India, and is in the process of being implemented in Bangladesh:

- The Brandix Apparel Limited Board (Brandix Board) is responsible for ensuring that there are systems in place to manage OHS risks, impacts, and legal compliance, assigning responsibility to SBU and site Management for providing and maintaining those systems and ensuring effective implementation of the control framework.
- SBU CEOs are responsible for empowering site GMs to deliver his/her duties in facilitating a safe environment for Brandix employees, visitors, and contractor employees.
- Site GMs/Location Heads are responsible for ensuring that the OHS Control Framework is effective and well implemented in their respective business area and that it is fully compliant with all applicable laws and regulations, and is adequately resourced, maintained, communicated, and monitored.
- Site management is responsible for maintaining and enhancing OHS systems to suit their respective business area and for applying them in their respective area of activity through local programmes and procedures.
- Each individual acting on Brandix's behalf is responsible for ensuring that all applicable local rules and procedures are followed and that he/she shall take personal responsibility for OHS matters.

Hazard Identification Risk Assessments (HIRA) documents are in place for all locations that the OHS Control Framework has been deployed, and the critical risks of each location have been identified through this risk assessment process. Furthermore, Health & Safety SOPs are also in place at each manufacturing location. These SOPs cover not only the company employees, but also other workers and third parties.

While all employees and workers are stakeholders of this OHS Control Framework and the SOPs, the implementation, monitoring and continuous improvement to such framework is the responsibility of a fulltime Health & Safety Division with headed by a manager grade personnel. Health & safety officers at each location are tasked with ensuring the implementation of the company's central Health & Safety Policy, ensuring that employees adhere to established processes, ensuring the correct use of PPE's, identification of potential risks to employee health and safety, fire safety and monitoring and tracking incidences of accidents and illness.

OHS awareness programmes and training are conducted based on the training matrix in an attempt to prevent occupational accidents at source, and safety control is made operational through continuous monitoring by the process owners and safety officers. Fire and other disaster evacuation drills are conducted periodically to ensure prompt responses in the event of emergencies.

Brandix has its internal OHS standard (*STD 203: Adverse Event Investigation and Reporting*) which encourages employees to report any unsafe behaviour or unsafe condition (Hazard Reporting) as proactive measures for reducing the accidents. A mechanism is set in place for employees to report unsafe behaviour and unsafe conditions. *(In 2021/22 financial year there are 8,780 reports while in 2022/23 financial year this went up to 16,255)*. Each location is mandated to have its OHS committee. Representative of each department is encouraged to come with ideas and concerns for discussion. This meeting is held monthly. Whilst the Brandix internal compliance department carryout corporate assurance on each location on a semi-annual basis where OHS is an embedded part.

Workplace Injuries are tracked on an occurrence basis and reported quarterly to senior management except in the case of a serious workplace injury or fatality, in which case the case is reported immediately. Injuries are monitored separately for employees, and workers deployed at location who are not on company payroll, and by gender. The company records and reports on rates of injury, occupational diseases, near misses, lost days, and a total number of work-related casualties of its workforce. Minor occupational injuries or diseases that result in less than one lost day is also excluded from these reports. Workplace injuries are also classified as High consequence injuries that require more than 6 months recovery time and recordable injuries that requires recovery time of more than 1 day and less than 6 months.

Furthermore, the company and its manufacturing locations also track the types of workplace injuries and tracks such injuries based on accidents occurring as a result of needle pricks and sharps, falling, moving head items, roadside accidents, exposure to chemicals, electrocution and malfunctioning equipment as well as accidents caused by natural disasters whilst at work. Such information is then analysed by the Health & Safety officers to identify areas of risk and where further controls, and awareness needs to be undertaken.

Each manufacturing location of Brandix has a medical centre and a dedicated Nurse and visiting doctor that arrives at each location regularly during the week which can be accessed by employees and workers and 3rd parties visiting the location in the event of a medical emergency occurring at the location.

The central ESG team conducts sustainability assurances to ensure the credibility of data and observe potential risks from an OHS perspective. The findings are then circulated amongst the highest governance bodies for necessary advice and action.

Brandix has an internal web-portal to report all near miss and above incidents. All reported incidents should attach an RCA report. While for low probable severity incidents a "Y-Y analysis" is mandated, for high probable severity incidents "Tripod Causation Path to the Loss Causation Model" is mandated. In high probable severity injuries primary and secondary causes including personal factors & job factors (second story) are also considered. All LTI, dangerous occurrences and any incident with probable severity at 5 are lesson learned (either as an Engineering/OHS Alert or Lesson Learnt) across the group including India & Bangladesh.

Brandix seeks to address and monitor risks of H&S in such sub-contractor and significant supplier facilities through the implementation of the corporate OHS plans issuing of *OHS STD418: Working with Third Parties* in 2023/24 financial year as its standard issuing project. (There are 31 OHS STDs in the total standardization project where in 2021/22 and 2022/23, 16 standards are issued now, and balance 15 are spread across next 3 financial years to issue 5 in each year).

Brandix also fosters and promotes worker health through the corporate *OHS STD303: Health Promotion*, issued in April 2023. This instructs site OHS team to develop annual health promotion plan. Brandix ran Dental hygiene camps, well women clinic, dengue prevention campaigns, vision testing camps, Thalassemia awareness program, NCD preventing health camps during the 2022/23 financial year.

## Training and Development

***Training and Development Policy****: Brandix invests in training and development programs for the workforce that not only develops individual technical skills but soft Skills, thereby facilitating the achievement of both individual and organizational objectives.*

Training and development of employees plays a significant role in productivity and employee retention, and as a result Brandix is committed to becoming an excellent organisation and a great place to work and learn.

Personal and professional development is a key element in developing our associates to meet the future challenges to ensure they are of a high quality. The organization is committed to continually improving the opportunities available to enable them to reach their full potential. To fulfil this commitment, Brandix has a robust and systematic approach to the planning and prioritisation of learning needs, ensuring these needs are linked to the strategic business goals.

Brandix has a dedicated Learning & Development function which aims to ensure that all staff are provided the opportunity to attend training that will enhance their job capability and stimulate career growth; to nurture an environment where learning is an integral part of the company culture; to ensure that sufficient funding is set aside in the financial budget to cover planned training expenditure for impending financial year; driving the organization's vision of inspiration by creating a learning organization which is augmented with coaching and Knowledge Management embedded in to the culture and stemming from the leadership and extended to all levels of the organization; and to nurture an environment to maintain an executive trainer pipeline to deliver topics internally.

The Talent Development Programs offered to executives are categorized into the focus areas of Leadership Development, Competency Development, Functional Training, BCIP and General Skills

Training needs are recurrent in nature given the type of jobs, and training is undertaken immediately upon introduction of any new equipment or change of process and also identified during the mid-year review in October. The company believes that lifelong learning is necessary for career development and building a sustainable competitive advantage.
The company monitors the hours or training provided by level and gender, along with the average hours of training per employee, and by gender. Such information is tracked on a quarterly basis and presented to senior management for review.

## Non-Discrimination

***Non-Discrimination Policy****: Brandix is committed to ensuring a safe and secure environment for its employees. The organization recognizes the right of everyone to a workplace free from all forms of discrimination, harassment, and abuse and will have zero tolerance in this regard. The organization will ensure all incidents and complaints are addressed promptly and impartially through an effective redressal mechanism, respecting the rights and dignity of all employees (irrespective of status/role within the organization) involved, including those directly contracted by the organization and any third party. The organization will implement measures to prevent and eliminate any form of misconduct within the policy scope and ensure disciplinary action towards any employee found violating the Abuse & Harassment-Free Workplace policy.*
With a large female workforce in its operations, the company has a zero-tolerance approach for discrimination, abuse or harassment based on gender, race, religion, nationality, age, social origin, disability, political affiliations, or opinion. Any employee has the ability to make formal complaints to the Head of HR and/or to their line managers, and any substantiated complaints will be investigated and dealt with in accordance with company policies.

The company has in place a comprehensive Abuse & Harassment Free Workplace Policy and regular training is provided on this policy to employees and workers.

The company monitors incidences of discrimination, the number of incidences where investigations were completed during the year and remediation action that was implemented during the year. Such information is tracked on a quarterly basis and presented to senior management for review.

## Child Labour

***Child Labour Policy***: *Brandix has zero tolerance towards child labour and therefore does not hire any person below the age of 18 nor endorse it among any of our stakeholders, including our supplier base, distributors and sub-contractors.*

The company does not employ child labour as it is contrary to the Group's code of ethics and values. The monitoring and assessment of such practices at sub-contractor and dedicated supplier locations are carried out annually. Where the Vendor Code of Ethics is signed at the stage of onboarding whilst the positive assurance & 3rd party audits for non-nominated suppliers are done once a year.
Cross checks are conducted using identification (both birth certificates and national identity cards) to ensure that minimum age requirements are met, where the identification copies are received at the point on onboarding the employees (associates & third-party employees) and copies are maintained for future reference.

The company monitors incidences of child labour as a Key Sustainability Performance indicator as an indicator of compliance and ensuring zero risk of occurrence.

## Forced or Compulsory Labour

***Anti-forced Labour Policy***: *The Company ensures that no employee is made to work against his / her will or to work as bonded/forced labour or subjected to corporal punishment or coercion of any kind, related to work.*

No employees are coerced or subject to overtime hours (that exceed the shift hours), or subject to intimidation. In line with legal requirements and industry standards, compensation through overtime or variable pay is provided for employees who work beyond normal shift hours, in addition to being provided with meals and transport where applicable.

The company monitors incidences of forced labour as a Key Sustainability Performance indicator as an indicator of compliance and ensuring zero risk of occurrence.

## Local Communities

***Policy on Local Community Engagement***: *At Brandix, our Manusathkara (with the meaning 'being human') focuses on empowering & improving quality of lives of our Associates, their families, and the communities with the vision of 'empowering lives & inspiring growth' of our communities.*

The Manusathkara (CSR) policy aims to transform and enrich lives of the communities that we operate in, in comparison to when we moved into the respective location. Our strategies & initiatives are clustered under two key strategic pillars, namely Provide and Educate. The two pillars drive towards providing access to clean drinking water and ensuring sanitation for members and the communities; promoting green environment & clean air in our communities that we operate, providing access to healthcare for our team members and the community; and facilitating education for future generations through our scholarship & sponsorship schemes and providing school essentials to our Associates.

While no mandatory contributions to local community engagements and CSR are stipulated in Sri Lanka and Bangladesh, regulatory requirements in India stipulate that 2% of revenue of the operations in India be invested in CSR.

The company tracks and monitors the community engagement carried out at each operating location whether such engagement was carried out formally-by the location management.

Furthermore, the community members engaged, their gender, type of community leadership, engagement of members of the clergy and other community leaders are also tracked to ensure that a wide cross section of community members are engaged to assess any grievances. Any grievances identified during this process is classified as environmental, social and economic grievances, and the location specific CSR programmes as well as the central Brandix level CSR programmes are undertaken considering the types of grievances highlighted through such engagements.

The community members engaged, the grievances identified, and CSR programmes undertaken to alleviate and resolve such grievances are tracked through the Sustainability Performance Analyser Tool on a quarterly basis and reported to senior management for review and direction.

## Product and End Customer Safety

Product safety is a critical aspect the services and customer solutions of the company and forms an important aspect of the requirements and expectations of the company's customers.

The company abides by the various Standard Operating Procedures (SOP) communicated by the customers of the company and each customer dedicated product line would be aligned to the SOPs communicated by the respective customer. This includes both process safeguards as well as safeguards utilizing specialized equipment ranging from chemical usage to residue detection and metal detection.

Brandix intends to further enhance the current Standard Operating Procedure in line with the international best practices of product safety in the apparel industry, with a view to covering all customer centric requirements under a common process.

## Customer Privacy and Brand Protection

*Brand Protection Policy: The company commits and takes all necessary steps to ensure protection of customer's intellectual properties and the reputation of their brands, since these brands are internationally recognised and are potentially targeted for illegal activities such as counterfeiting, diversion, trademark infringement and intellectual property rights violations.*

Brandix has established an independent Brand Protection Unit (BPU) for monitoring leftover garments, raw materials, and other customer's intellectual properties. The primary responsibility of the BPU is to establish Brandix as a compliant vendor by ensuring that all customer brand protection policies and procedures are adhered to. In doing so, the BPU has formulated a brand protection governance framework and oversees implementation of the same across the Group.

The company gives utmost priority to ensure confidentiality of its customers' personal information as part of its customer privacy policy and code of conduct. The company has established control mechanisms on IT systems and regular audits are also conducted to ensure security measures are adequate, while instances of loss of data and privacy, as well as customer complaints concerning the same are tracked and reported to the Sustainability Division on a quarterly basis.

Brandix has developed a comprehensive Standard Operating Procedures based on the brand protection governance to ensure that it meets customer requirements in ensuring that the customer's intellectual property rights as well as the company's obligations with regard to customer privacy rights are safeguarded.

## Socio – Economic Compliance & Service Quality

The company conducts regular risk assessments and has established a culture of safety and compliance as initial steps in achieving process excellence.

Brandix ensures at all times that it meets expected standards of product quality and also that its processes adhere to customer health and safety and customer privacy.

The company recognizes the importance of complying with all rules and regulations to ensure the continuity of its operations. The company tracks and monitors any fines paid and all other compliance related requirements as per laws and regulations of the country of operations.

While the company closely monitors non-compliance related to product and service responsibility, any environmental as well as socio-economic non-compliance fines are recorded and reported to the Sustainability Division on a quarterly basis, which are also shared with top management for review.