

**COMMUNICATION ON PROGRESS
ON THE
UNITED NATIONS GLOBAL COMPACT
MAY 2015**

KARIWALA INDUSTRIES LIMITED



PREFACE BY THE CEO

Kariwala Industries Limited combines its sustainability activities to form a strategic programme. This involves setting binding, measurable targets, deriving specific measures and continuously reviewing the results obtained in relation to four fields of focus: Environment, Employees, Development & products, and Society. All activities are well planned and transparent.

In view of the above, our membership of the United Nations Global Compact represents a conscious step towards increased transparency and visible corporate responsibility. KIL is explicitly committed to the Ten Principles of the Global Compact in the fields of human rights, labour standards, environmental protection and the fight against corruption, and undertakes to continue fostering and supporting them in its sphere of influence. We report annually on our progress in implementing the Global Compact in our day-to-day business in the form of a Communication on Progress. Furthermore, we will detail significant developments in the implementation of the Ten Principles in the Kariwala Industries Limited Sustainability Report.

ABOUT THIS COMMUNICATION ON PROGRESS

This document's purpose is to provide information on the KIL's progress with respect to the implementation of the Ten Principles enshrined in the Global Compact in the day-to-day practice of our business. The action we have taken in this field is founded on our expressed corporate principles and our management systems. The reporting period for this Communication on Progress encompasses the KIL's second year of Global Compact membership, from 01 Jun 2014 to 31 may 2015.

HUMAN RIGHTS

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2

Make sure they are not complicit in human rights abuses.

Kariwala Industries Limited fully considers and respects the Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work and the relevant national legislation. Since 2009, Occupational Health and Safety (OHSAS 18001:2007) system has been established and maintained certification. Kariwala Industries Limited have also established and maintained certification for Social Accountability (SA 8000:2008) system.

Our Principles and Systems

- KIL's guideline on Global Compact.
- KIL's Social Accountability Policy.
- Supplier Management System (Pre-selection of suppliers , assessment of suppliers)

Measures

- Suppliers to provide a written commitment to comply with the Kariwala Code of conduct which is in line with the principles of the Global Compact.
- Implementation of getting social audit reports of the suppliers which have been carried out by a third party.

Progress in 2014/15

- We source more than 90% of our standard purchasing volume from suppliers who have confirmed in writing that they comply with the Kariwala Code of conduct which is in line with the Global Compact's principles.
- We have been subjected to more than 80 successful different social audits by our customers and third party since inception.

LABOUR RIGHTS

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4

The elimination of all forms of forced and compulsory labour;

Principle 5

The effective abolition of child labour; and

Principle 6

The elimination of discrimination in respect of employment and occupation.

Kariwala Industries Limited abides by local legislation as well as endorses the ILO's Declaration on Fundamental Principles and Rights at Work. Kariwala Industries Limited, has been one of the first companies in eastern part of India to be certified by SA 8000. This standard ensures the existence of a safe working environment in which non-discriminatory policies are applied and equal opportunities are offered to all employees irrespective of gender, age, and nationality. Furthermore, employee trade union rights are respected, as well as health and safety procedures are faithfully adhered to.

We are also been certified by OHSAS 18001 Health & Safety standard. The application of the standard assists the company to preserve a safe and healthy work environment, through the identification of the hazards and the risks assessment. Some indicative Health & Safety actions are:

- Training of employees on health & safety issues
- Setting in place procedures and guidance for the production line.
- Conduction evacuation-building drills
- Display escape route plans on all floors

Our Principles and Systems

- KIL's guideline on Global Compact.
- KIL's Social Accountability Policy.
- Supplier Management System (Pre-selection of suppliers , assessment of suppliers)
- KIL's Spirit (Our company values entrepreneurship, trust, integrity, passion)

Measures

- Suppliers to provide a written commitment to comply with the Kariwala Code of conduct which is in line with the principles of the Global Compact.
- All our workers are under social security schemes like Employee State Insurance and Employee Provident Fund schemes.
- We Uphold freedom of association and recognize the right to collective bargaining. We have a Worker's committee at our workplace
- Minimum wages of all the workers are met as per the legislative standards
- In-house campaign on the KIL's Spirit, promoting the company's values
- Implementation of getting social audit reports of the suppliers which have been carried out by a third party.

Progress in 2014/15

- Continuous communication campaign addressing all employees
- HR measures adopted towards implementation of the Group values (management training, employee/team workshops)
- We source more than 90% of our standard purchasing volume from suppliers who have confirmed in writing that they comply with the Kariwala Code of conduct which is in line with the Global Compact's principles.
- We have been subjected to more than 80 successful different social audits by our customers and third party since inception.

ENVIRONMENT PRINCIPLES

Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

Undertake initiatives to promote greater environmental responsibility; and

Principle 9

Encourage the development and diffusion of environmentally friendly technologies.

Kariwala Industries Limited supports the UNGC principles on environment and In 2009, an Environmental Management System (EMS) was adopted aiming at controlling the environmental impact of its activities. The EMS is certified in accordance with the international standard ISO 14001 (since 2000). Its maintenance, in parallel with the commitment in environmental efficiency and employees' awareness and training, are among the main priorities towards sustainable development.

Procedures for recycling and reusing materials are applied where ever possible. Surveys concerning occupational risks and environmental hazards are carried out at in the facility in order to assess the risks, minimize environmental impacts and initiate preventive actions. Indicatively: preventive maintenance on equipment and electrical networks is performed, electrical parameters are regulated, video-conference equipment which reduces the number of business trips required is used, integrated information systems which reduce the consumption of paper are used, 90% of our workers come to factory on bicycle, bought initially by loan given by us.

Depending on their physical and chemical properties, waste produced is collected by authorized companies and delivered to authorized facilities for provisional storage, sorting, recycling, treatment, recovery or disposal.

In the framework of climate change awareness, Kariwala Industries Limited calculates and monitors greenhouse gas emissions produced from Air

Conditioners, we maintain an ODS inventory and ensure 0% leakage of CFC gases.

Kariwala Industries Limited recognises the importance of preserving biodiversity and it follows all the environment norms and possesses all the necessary clearance from State and National environment regulations

Our Principles and Systems

- Certification pursuant to EN ISO 14001 and OHSAS 18001.
- KIL's environmental policy.
- KIL's sustainability targets for 2018 in the Environment field of focus: 25% reduction in CO₂ emissions, 20% increase in energy efficiency, 20% cut in water consumption and waste.
- KIL's Corporate Responsibility framework.
- KIL's product strategy focusing on high efficiency technologies, synced-up systems and renewable energies

Measures

- Annual environmental audits by third party and bi annually in house.
- Binding environmental targets to be agreed and degree of target achievement to be measured.
- All sustainability indicators incorporated into a report which is analysed every month.
- Waste reduction and recycling: All the fabric, paper and plastic waste generated should be sent for recycling. The waste generation is

monitored on daily basis and measures taken for each category of waste for reduction.

- Sustainability standards to be integrated into KIL's processes.
- Suppliers to provide a written commitment to adhere to environmental standards.
- Environmental responsibility taken into account to a greater extent when selecting suppliers and service providers.
- Sustainability to be a compulsory part of vocational training and of Corporate Basics induction.
- Solar panels installed for partial power generation and fitted to the main grid catering for almost 10% of our daily power requirement.

Progress in 2014/15

- Realisation of energy efficiency projects at factory. All the conventional machines have been replaced with new high end, energy efficient sewing machines without any clutch motor and belt drive. Saving almost 80% of the electricity being used for operating the machines which make the major part of our production process.
- Rain water harvesting and planting trees in the course of becoming a water positive organisation.
- Won the award for Health, Safety and Environment from CII Eastern Region 2013-14 (Confederation of Indian Industry) (CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has over 7400 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 100,000 enterprises from around 250 national and regional sector industry bodies)

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- Won the award for Green Manufacturing Excellence Award 2015 from Frost and Sullivan in the Believer's category.
 - We source more than 90% of our standard purchasing volume from suppliers who have confirmed in writing that they comply with the Kariwala Code of conduct which is in line with the Global Compact's principles.
 - We have been subjected to more than 80 successful different social audits by our customers and third party since inception.

ANTI CORRUPTION PRINCIPLE

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

Kariwala Industries Limited recognizes and values integrity, excellence, innovation and customer satisfaction, and is committed to the highest standard of ethical behaviour in all its actions and decisions.

The Standing Order (properly verified by the State regulatory authorities) illustrates the policies and employees' obligations. One of these obligations is that employees are not allowed to accept payments, gifts, bribes offered for their Employments services or obtain privileges or other benefits for themselves, or on their relatives 'account.

Our Principles and Systems

- KIL's Anti Corruption Policy.
- KIL's Business Code of Conduct.
- Stake holder Management.
- KIL's Spirit (Our company values entrepreneurship, trust, integrity, passion)

Measures

- Compliance training in the field of anti-corruption in the organisation (partially still planned)
- Elaboration during induction and orientation on joining the organisation.
- In-house campaign on the KIL's Spirit, promoting the organisation's values.

Progress in 2014/15

- Compliance training for all the employees 12 Sessions throughout the year.
- Suggestion box and whistle blower policy to report anything suspicious in the organisation directly to the highest management level.
- HR measures adopted continuously towards implementation of the company values