



SAPPHIRE TEXTILE MILLS LTD.

COMMUNICATION ON PROGRESS

to the United Nations Global Compact

2020 & 2021



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SUSTAINABLE CITIES
AND COMMUNITIES

MESSAGE FROM THE CEO

For Sapphire Textile Mills Ltd. (STML), sustainability is not just a project but a continuous process, a symbol of upward and inclusive growth, a way of life. It is in this spirit that we believe in consciously applying sustainability to everything we do at Sapphire Textiles.

On behalf of my organization, I reaffirm our continuous commitment towards the UNGC principles and Sustainable Development Goals. I am pleased to present STML's second Communication on Progress for the reporting period January 2020 to December 2021. We are committed to share the progress with our stakeholders in a transparent manner.

At Sapphire, we have taken bold steps to transform our business so that sustainability is its core tenet. A core strategic area of action is carbon offsetting and climate action. Within Sapphire, we have already installed a 500KW solar plant at our manufacturing sites while planning to expand our solar capability to 5.1 MW. We have also planted almost 10,000 trees and committed to a net-zero emissions for a 1.5-degree Celsius earth.

Pakistan is one of the most vulnerable countries in the world to emissions-induced climate change while also suffering from an energy deficit. To combat these twin challenges, STML introduced the first private sector 200MW wind energy project in Pakistan, leading the way to becoming the largest wind energy producer in the country. We pledge to continue leading the way to building a more sustainable Pakistan.

STML pledges that it will continue its efforts to inculcate a vision and approach to business that is deeply embedded in sustainability for a more resilient world.

Nadeem Abdullah



"Our commitment to climate action extends beyond just our business"

MESSAGE FROM THE COO

Our vision of a more sustainable future is in line with the value Sapphire places on ethics and good governance. We are critically aware of our environmental impact across our entire value chain, and we aim to carry forward the legacy of being responsive as well as a manufacturer of high-quality products.

One such product is 'RESTORE' which is based on circularity. Textile waste is recycled to internalize post-industrial waste to produce approximately 1000 tonnes of recycled cotton per year - we have ambitious plans to scale this number up to 4000 tonnes.

Moreover, our retail division Sapphire Retail Limited (SRL) became the first large retailer to shift from plastic shopping bags to recycled cotton bags under the eco-friendly 'Little by Little' campaign. SRL has also introduced seed-infused bags which could be sowed directly into the soil by customers.

In continuation of our efforts to discourage plastic consumption, SRL distributed 10,000 reusable and recycled canvas bags free-of-cost. 'Revive the Thread' is another SRL project aimed at garnering post-consumer responsibility: discarded fabric is donated by customers at our retail outlets which is then recycled and given a new life. SRL's latest Little by Little venture is its Sustainable Fashion line, in which we aim to recycle at least 40% of our fashion waste by 2025.

We understand that it is the collective responsibility of the industry to play their role in adopting materials, technology and operational methods that are eco-friendly. We are geared up for all these challenges as a part of the whole textile industry to play its role in order to help our stakeholders and partners across the value chain to play their role in protecting and cherishing planet Earth.

Nabeel Abdullah



"Our mantra is that 'sustainability is a mindset'.

COMPANY INTRODUCTION



Founded in
1969
53 years of value creation

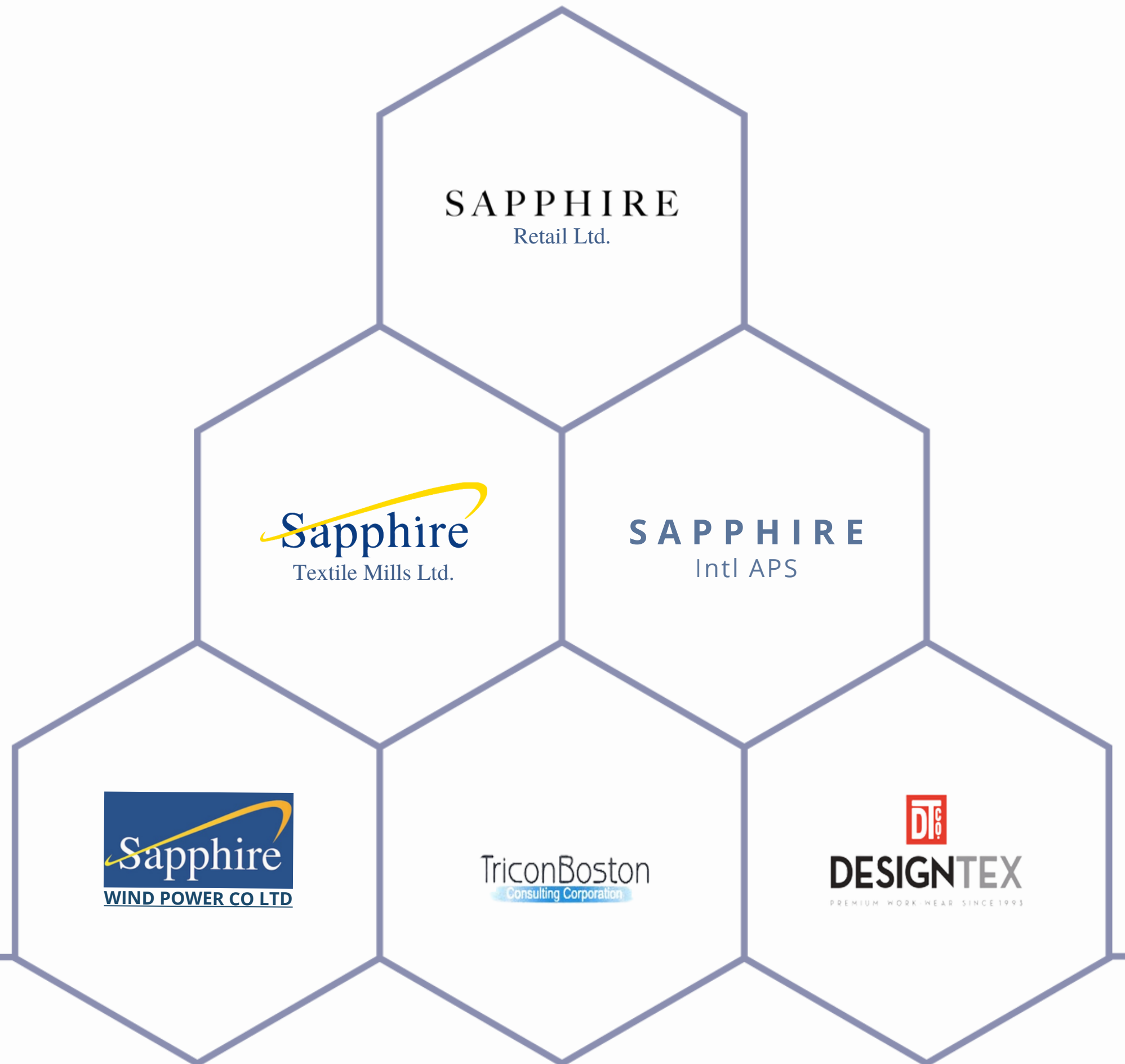
Employees
8,358

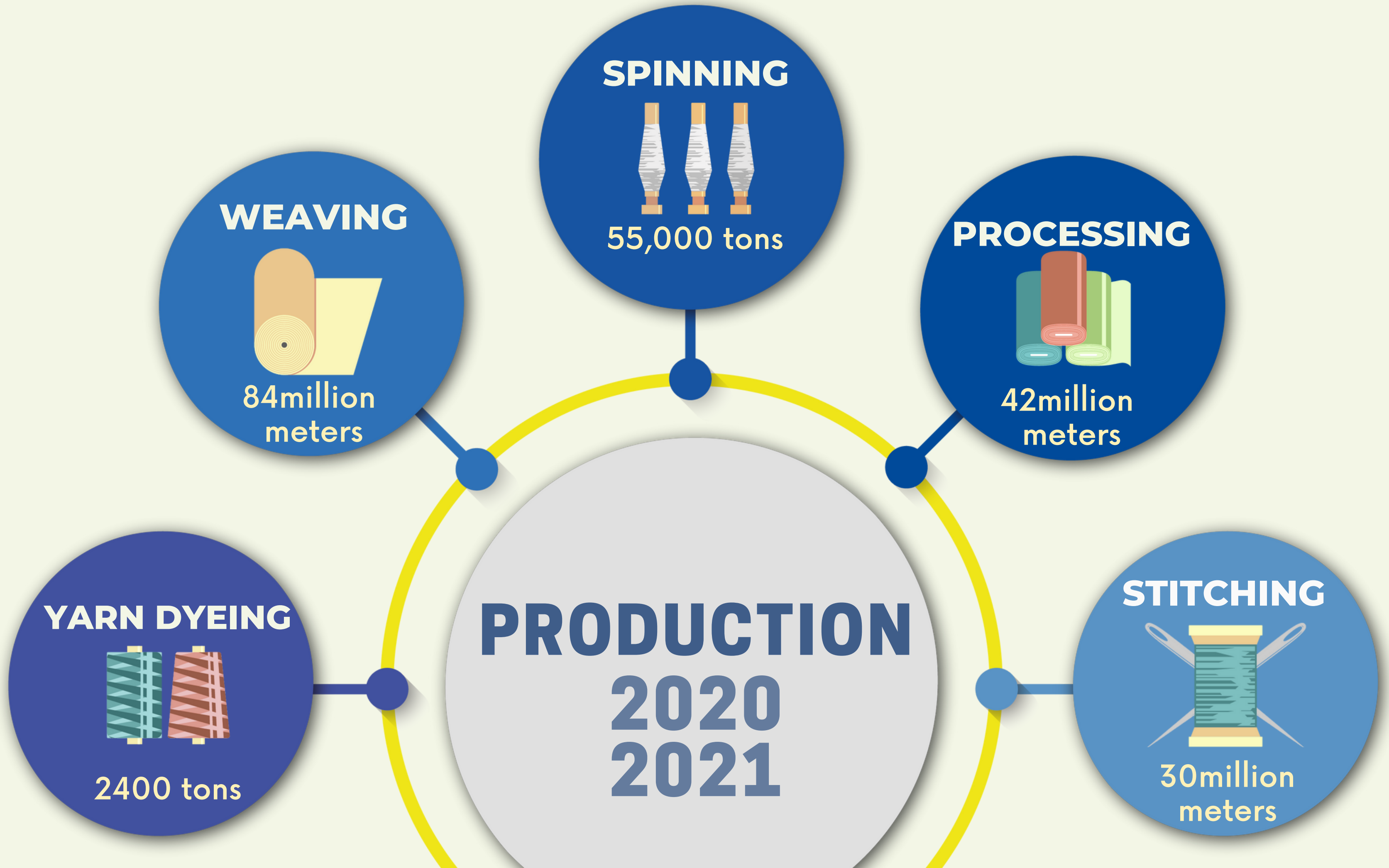
Turnover
\$446 million
2020 & 2021 (cumulative)

Global Presence
35 locations
primarily Europe & the US

Sapphire

Subsidiaries

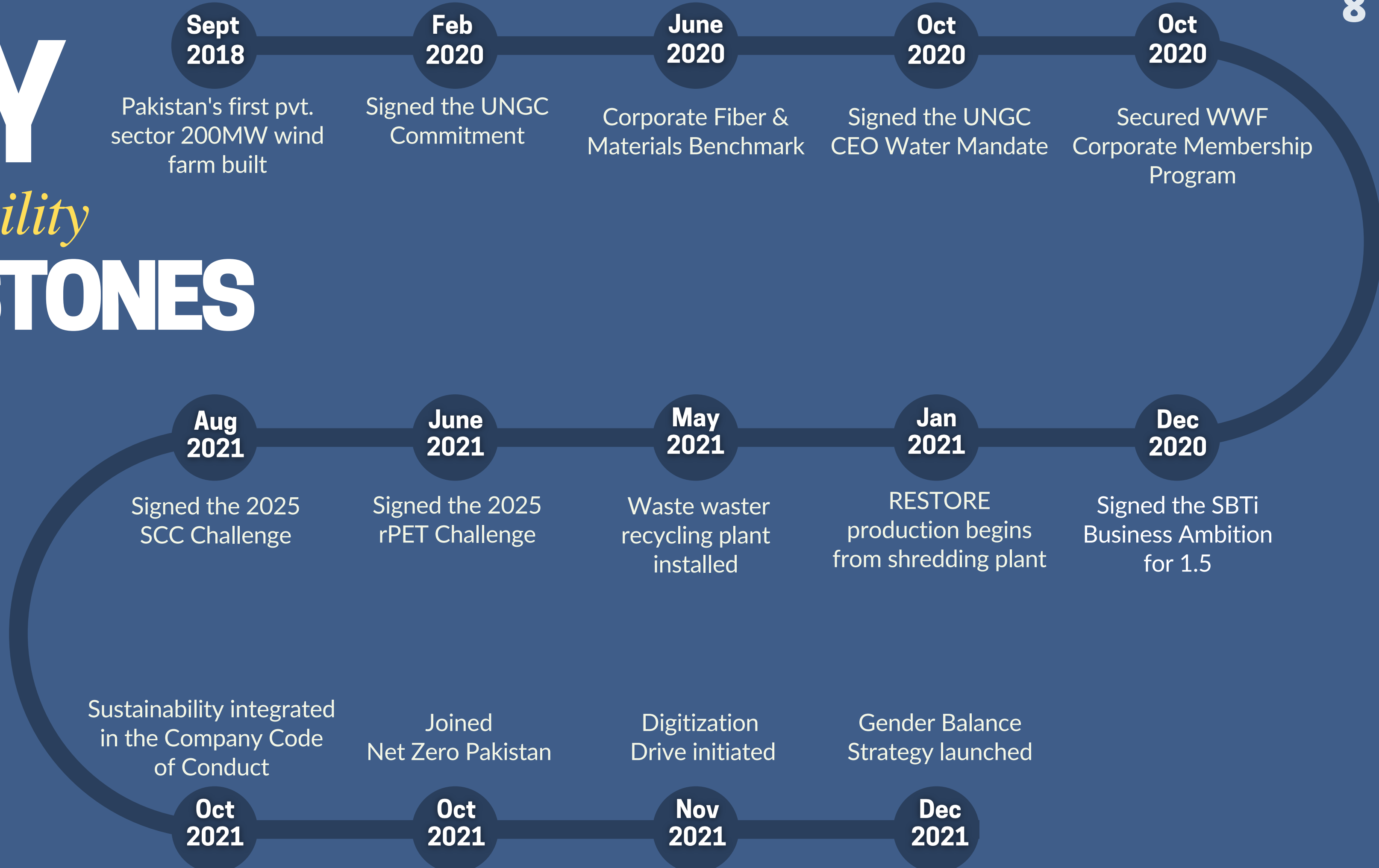




KEY

Sustainability

MILESTONES



Sustainability integrated in the Company Code of Conduct

Joined Net Zero Pakistan

Digitization Drive initiated

Gender Balance Strategy launched

Oct 2021

Oct 2021

Nov 2021

Dec 2021

Signed the 2025 SCC Challenge

Signed the 2025 rPET Challenge

Waste waster recycling plant installed

RESTORE production begins from shredding plant

Signed the SBTi Business Ambition for 1.5

Aug 2021

June 2021

May 2021

Jan 2021

Dec 2020

Sept 2018

Feb 2020

June 2020

Oct 2020

Oct 2020

Pakistan's first pvt. sector 200MW wind farm built

Signed the UNGC Commitment

Corporate Fiber & Materials Benchmark

Signed the UNGC CEO Water Mandate

Secured WWF Corporate Membership Program

VISION 2030

SUSTAINABLE DEVELOPMENT GOALS: STRATEGY SCOPING

By carefully examining the challenges faced by Sapphire, Pakistan and the world, we came up with a 4-pronged 'Sapphire Action Agenda' for our Vision 2030, which is aligned with the Sustainable Development Goals (SDGs) for 2030.

We have strategically delineated which SDGs are most relevant to us in the unique context of the textile industry.

The first 5 SDGs encircled in red form the basis of our Corporate Social Responsibility regime. The ones encircled in black are priority SDGs for sustainable development within Sapphire.

STRATEGIC AND PRIORITY SUSTAINABLE DEVELOPMENT GOALS *For Sapphire Textiles*



STRATEGY: STML SDG ACTION AGENDA 2030

SUSTAINABLE MATERIALS

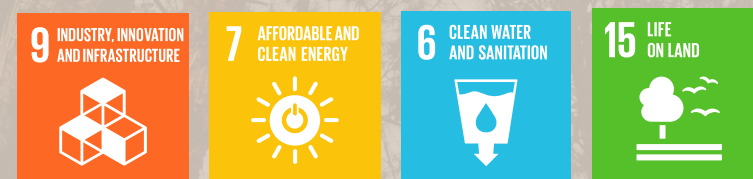
Organic, Recycled, Biodegradable & Input Efficient Materials



Approach:
Balance sustainability with material strength as well as financial viability

ENVIRONMENTAL SUSTAINABILITY

Water & Energy Consumption, Waste Management, GHG Emissions, Plastic & Paper Use



Approach:
Environmental sustainability makes business sense

EMPLOYEE WELLBEING

Nutrition, Health & Safety, Anti-Harassment, Mental Health, Ergonomic issues, Emergency measures, Leisure & Gender Parity



Approach:
Charity and empathy begins at home.

SUPPLY CHAIN TRANSPARENCY

Import Reduction, Supplier Assessment, Transport & End-to-End Traceability



Approach:
Full human rights compliance across the supply chain

SUSTAINABILITY AT SAPPHIRE

We recognize that not only is sustainability good for the environment, but also that business survival is now based on a shift from economic growth to equitable and inclusive growth.

Our Vision Sapphire Textile Mills has an ambitious vision for the future, a vision where the organization is driven by technology, adaptiveness and sustainability in response to the immense opportunities and grave challenges of the 21st century.

The company is redefining its goals, vision and approach to business by embedding sustainability in Sapphire as a strategic imperative. We are taking decisive action in climate action, renewable energy, emissions reduction, recycling and circularity, water conservation and tree plantation drives.

Inclusive Approach At Sapphire, we think of business as more than just about the bottom line. Those on the periphery have as much of a stake as our employees or customers which is why we are passionately committed to our stakeholders as well as giving back to the people of Pakistan.

Our efforts in sustainability and corporate social responsibility have always been a long-standing part of Sapphire's legacy. **However, the realization that a more scientific and organized effort is required to truly meet the challenges of the 21st century culminated in Sapphire committing to the United Nations Global Compact as an active 'Participant' back in 2020.**

SDG 2030 As a responsible member of the world's manufacturing community, we're all set to play our due role in achieving the Sustainable Development Goals, 2030.

CONTEXT: CHALLENGES TO SUSTAINABLE TEXTILES

Our strategy is not just grounded in the challenges faced by Sapphire in particular, but also the national challenges faced by us as a nation. The textile industry, specifically, has a huge environmental impact in terms of emissions, waste generation, water consumption and water discharge.

Pakistan's Climate Vulnerability
5th most vulnerable country in the world
- Climate Risk Index

CHALLENGES TO THE TEXTILE INDUSTRY

Global	Pakistan
1/5th Industrial water pollution	2x more Emissions in 5 years (2012-2017)
8% Emissions contribution	60 million KG Fiber wasted in textile mill
20,000 Chemicals used	110,000 m3 Water wasted annually

Taking Responsibility We believe Sapphire has a responsibility to become a sustainable and ethical part of Pakistan's textile industry, and to overcome national challenges stemming from climate change.

SAPPHIRE'S SUSTAINABILITY STRATEGY

For the first time in 50 years, we launched an ideational structure for our sustainability regime: our Sustainability Principles. These Principles help us prioritize the most effective ways to execute our sustainability strategy.

SUSTAINABILITY PRINCIPLES



Synergy

We believe in collaboration over isolation. This philosophy holds true for both internal departments and units, as well as for external partnerships. The total sum will always be more than the units put together through synergistic partnerships.



Proactive Approach

We advocate a proactive approach over a reactive one. Taking initiative in the right direction is the need of the hour. This is why we try to instill a 'Can-Do' attitude in our employees and generally within the organization.



Data-Driven Management

Data analytics is the future for informed decision making, but this hold especially true for sustainability. In order to effectively monitor, verify and report sustainability metrics, data-driven management is pivotal. This is also important for future improvement in our sustainability regime.



Empathy

We believe in combining rational approaches with the most powerful human capability to relate to others: empathy. This forms the basis of the other three principles - empathy builds synergy and proactive approach while data analysis supplements all three.

POLICY FRAMEWORK FOR THE UNGC PRINCIPLES



HUMAN RIGHTS

PRINCIPLES

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.

POLICY FRAMEWORK

- Sapphire Code of Conduct
- Social Policy
- Anti-Harassment Policy
- Health and Safety Policy
- OHS Policy



LABOUR RIGHTS

PRINCIPLES

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labour.
5. The effective abolition of child labor.
6. The elimination of discrimination in respect of employment and occupation.

POLICY FRAMEWORK

- Sapphire Code of Conduct
- No Child Labour Policy
- Prohibition of Forced and Compulsory Labour Policy
- No Discrimination Policy and Procedure
- Freedom of Association and Right for Collective Bargaining Policy
- Complaint Management



ENVIRONMENT

PRINCIPLES

7. Businesses should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

POLICY FRAMEWORK

- Sapphire Code of Conduct
- Sapphire Supplier Code of Conduct
- Energy Conservation Policy
- Environmental Policy
- Sustainability Policy
- Environmental Performance Policy
- Chemical Mgmt System Policy
- Water Management Policy



ANTI-CORRUPTION

PRINCIPLES

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

POLICY FRAMEWORK

- Sapphire Code of Conduct
- Sapphire Supplier Code of Conduct
- Anti-Corruption/Anti-Bribery Policy
- Business Ethics
- Whistleblowing Policy

CORPORATE SUSTAINABILITY GOVERNANCE AND LEADERSHIP

BOARD OF DIRECTORS

We plan on improving our sustainability governance and leadership framework in time for the next Communication on Progress whereby the Board of Directors (or equivalent) will assume responsibility and oversight over the long-term corporate sustainability strategy and performance.

NADEEM ABDULLAH
CHIEF EXECUTIVE OFFICER

NABEEL ABDULLAH
CHIEF OPERATING OFFICER

Lead development of corporate sustainability strategy, defining goals and overseeing implementation. Deliver statements and demonstrate leadership in their commitment to the UNGC. Promote initiatives to enhance textile sector's sustainability as well as sustainability at the national level.

**SUSTAINABILITY
LEADERSHIP,
HEAD OFFICE**

Formulate strategies, identify opportunities for sustainability projects. Identify and execute sustainability and CSR projects. Create synergy and coalesce individual projects across units for maximum impact.

**FACTORY
COMPLIANCE**

Ensure compliance with certifications, audit, legal and customer requirements. Identify and execute sustainability and CSR projects. Monitoring and evaluation of environmental and social performance. Documentation.

**CORPORATE
COMMUNICATIONS**

Internal and external communication of sustainability and CSR initiatives/progress. Design communication for maximum reach and clarity. Refine and communicate projects on chosen media (electronic or otherwise).

STAKEHOLDER ENGAGEMENT

We have established secure channels for employees and other stakeholders to engage with us whereby avenues are provided to voice their ideas and concerns, if any. We recognize our responsibility towards our internal and external stakeholders. Detailed process of stakeholder engagement is delineated in the Human Rights and Labour Rights sections.

EXTERNAL ENGAGEMENT: GENERAL

Engagement Topic	Host	Month	Attendees	Location
Global Supply Chains	UNGC Platform	May 2021	Mohsin Nishat (panelist)	Online
UNGC Leaders Summit: Sapphire Textiles Mills Ltd. Address	UNGC Platform	June 2021	Mohsin Nishat (delivered remarks)	Online
Community of Practices (CoP) are Sustainability's Lifeline	Textiles Cluster of GIZ Pakistan Project	July 2021	Mohsin Nishat & Uswa Shamail	Online
Moderated Dialogue on the Future of Sustainable Development	UNGC Platform	September 2021	Uswa Shamail	Online
SDG Business Solutions Showcasing	UNGC Platform	September 2021	Uswa Shamail	Online
Child Life Foundation Seminar	Child Life Foundation	November 2021	Uswa Shamail	Shalimar Hall, Pearl Continental Hotel, Lahore



HUMAN RIGHTS

GLOBAL COMPACT 10 PRINCIPLES

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Make sure that they are not complicit in human rights abuses.

"STML pledges to **support and respect** the protection of nationally and internationally proclaimed human rights, as well as adhere to all **applicable laws** wherever the company operates. In particular, we are **fully committed** to uphold the protection of the human rights of all our **employees**. We commit to instituting human rights **best practices** while reaffirming that we are **not complicit** in human rights abuses, ensured through a robust system of **checks and balances**."





COMPANY CODE OF CONDUCT

In our Company Code of Conduct, we fully endorse human rights as a core component of our business strategy. In the Management of Review 2021, the Code of Conduct was revised with the commitment to uphold fundamental human rights. Moreover, as a responsible entity, Sapphire pledges its continuous support to promote the rights outlined in the United Nations Universal Declaration of Human Rights.

8 DECENT WORK AND ECONOMIC GROWTH



SOCIAL POLICY

As a part of our Social Policy, we fully respect and support the principles proclaimed in the Universal Declaration of Human Rights (UDHR), the UN Global Compact, and the fundamental labour principles that protect workers' rights as defined by the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO). Our employees and our social responsibility towards them comes first in everything we do. We pledge to the following commitments including, but not limited to:

ILO Code of Practice on HIV/AIDS and the World of Work

Universal Declaration of Human Rights (UDHR)

International Covenant on Economic, Social and Cultural Rights

UN Convention on the Elimination of All Forms of Discrimination Against Women

International Convention on the Elimination of All Forms of Racial Discrimination

UN Guiding Principles on Business and Human Rights

United Nations Global Compact

HUMAN RIGHTS: ASSESSMENT, POLICY AND GOALS



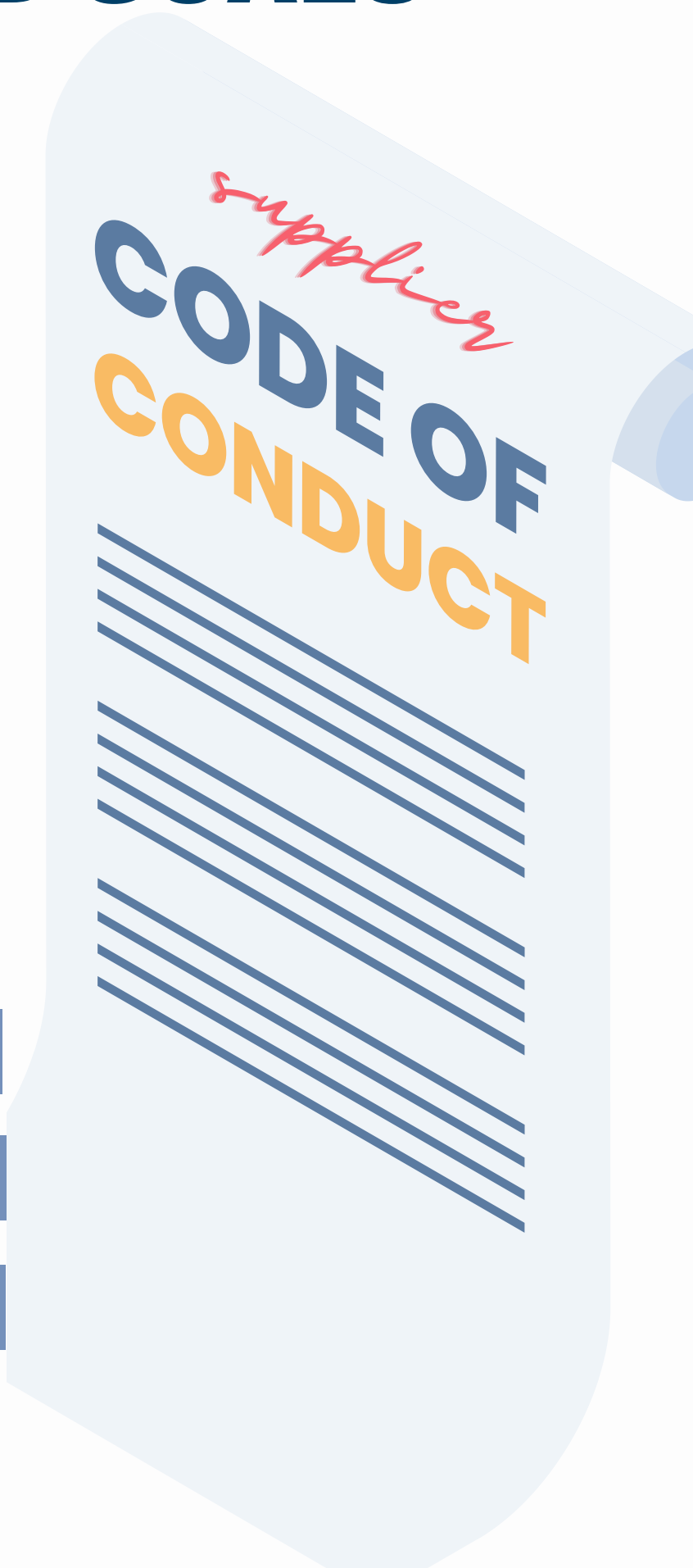
SUPPLIER CODE OF CONDUCT

Our Supplier Code of Conduct (COC) is fully incorporated throughout the supply chain.

We push business partners and suppliers to integrate human and social risks pertaining to human rights and to adhere to the principles on Human Rights.

The 'Supplier Code of Conduct' is comprised of:

- Child & forced Labour
- Health & Safety
- Collective bargaining
- Anti-Discrimination
- Fair working hours & remuneration
- Disciplinary Practices
- Harassment and Abuse
- Grievance Handling and Complaint Management
- Business Ethics (anti-corruption, anti-bribery, anti-trust)



HUMAN RIGHTS: IMPLEMENTATION

SUPPLY CHAIN DUE DILIGENCE



We have integrated human rights **due diligence** throughout the supply chain.

Our supply chain partners are required to commit to our **Supplier Code of Conduct** and go through screenings as well as periodic revaluations.

Third-party due diligence and root cause analysis help **identify impact** on human rights as a result of a business's procedures and practices.

We believe that open **communication and transparency** are effective means to mitigate negative human rights impacts.

ALLOCATION OF RESPONSIBILITIES



There is a **clear allocation of responsibilities** for the respect and support of human rights. The top leadership reviews all monitoring and improvement results.

The following are **responsible** for the aforesaid:

1. Executive Directors
2. Head of CSR, Compliance & Systems
3. Manager HR & Administration
4. Worker Management Council
5. Departmental Heads

ANTI-HARASSMENT



Anti-harassment has always been a **critical concern** for Sapphire.

The management of Sapphire Textile Mills Limited is **strongly committed** to discourage harassment in all forms as indicated in our Code of Conduct in detail.

We follow the definitions, parameters and directions set by the **The Protection Against Harassment of Women at The Workplace Act 2010**, national legislation passed by the elected representatives of Pakistan.

Acts in violation of the policy will be subject to disciplinary measures discussed in the CoC.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Through the implementation of stringent policies, procedures and social due diligence we measure human rights impact in our corporate supply chain and ensure that there are no negative externalities pertaining to human rights.

Supply Chain Due Diligence

We have integrated human rights due diligence into core business processes and decision-making throughout the entire supply chain. Our supply chain partners are required to adopt and commit to our Supplier Code of Conduct which are required to go through a screening process before commencement of work. Thereafter, regular re-evaluation is followed periodically.

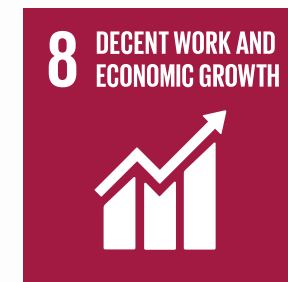
Grievance Handling and Complaint Management System

The management of organization believes in providing a peaceful, respectful and fear-free working environment. The management of STML strongly believes in an 'open door' policy. A written grievance procedure has been established that is confidential, unbiased, non-retaliatory and accessible to personnel and interested parties to make comments, recommendations, reports or complaints concerning the workplace.

Steps	Responsibility	Timeline	Action
Step 1	Worker	-	Worker orally or in written form explains his/her complaint to his/her supervisor
Step 2	Supervisor	24-48 Hours	The supervisor has 48 hours to resolve the employee's grievance
Step 3	Head of Department (HOD)	3 Days	If supervisor is unable to satisfy the employee, he/she reports to Head of Dept. along with the employee
Step 4	Worker-Management/ Grievance Committee	7 Days	If the HoD fails to resolve the problem within 3 days, the employee can appeal to Worker Management Committee which has 7 days to resolve it.
Step 5	Management	3 Days	Generally, a unanimous decision of the committee is implemented by management. However, the final decision is made by management within 3 days.
Step 6	Appeal to Management for Revision	7 Days	If the employee is not satisfied with the management decision, he/she can appeal against it. Such an appeal has to be decided within a week.
Step 7	Voluntary Arbitration	7 Days	If the management is unable to satisfy the employee, they may refer the case to voluntary arbitration within a week.



HUMAN RIGHTS IMPLEMENTATION: TRAINING AND AWARENESS RAISING



2020						
Internal/ External	Training Topics	Trainers	Month	Trainees	Location	Training Hrs
Internal	1. Social Rights Awareness 2. Business Ethics 3. Grievance Handling & Disciplinary Practices 4. Occupational Health & Safety 5. COVID-19 Measures and Precautions	Mr. M. Usama Nawaz Mr. Adnan Shaukat Mr. Abdullah Ghalib Mr. Rashid Mubeen Mr. Faisal Chohan Mr. Khurram Shahzad Mr. Aqib Javed	Once a month	Employees of all Departments Departmental Heads	Factory floor	2160
External	UNGC Principles: "How to understand and Take Action on the Global Goals"	UNGC Platform	October	Head of CSR, Compliance & Systems AM Compliance	Virtual	04
External	Social & Labour Convergence Program	SLCP International Trade Centre	October	Head of CSR, Compliance & Systems AM Compliance	Virtual	04

HUMAN RIGHTS IMPLEMENTATION: TRAININGS AND AWARENESS RAISING



2021						
Internal/ External	Training Topics	Trainers	Month	Trainees	Location	Training Hrs
Internal	<ol style="list-style-type: none"> 1. Social Rights Awareness 2. Business Ethics 3. Grievance Handling & Disciplinary Practices 4. Occupational Health & Safety 5. COVID-19 Measures and Precautions 	Mr. M. Usama Nawaz Mr. Adnan Shaukat Mr. Abdullah Ghalib Mr. Rashid Mubeen Mr. Faisal Chohan Mr. Khurram Shahzad Mr. Aqib Javed	2 times per month	All employees & Departmental Heads	Factory floor	4320
External	Social & Labour Convergence Program	SGS Pakistan	July	Head of CSR, Compliance & Systems	SGS Office	08
External	"How Companies Can Operationalize the UN Guiding Principles on Human Rights"	UNGC Platform	June	Compliance Department	Virtual	03
External	"How to Ensure a Living Wage for All Employees"	UNGC Platform	November	Compliance Department	Virtual	02

HUMAN RIGHTS: MEASUREMENT OF OUTCOMES

Integrating human rights concerns into every aspect of business is a crucial part of fulfilling our corporate responsibility in ensuring that there is no negative impact. We work to empower workers through awareness raising about their rights at work. We believe that by carrying out data-driven assessments, we can make informed, strategic and rational decisions to carry out human rights best practices in the organization.

We also support human rights through strategic philanthropic investment, partnerships and collective action which is covered in the Corporate Social Responsibility section.

SPECIFIC PROGRESS ON HUMAN RIGHTS IN THE REPORTING PERIOD



Building Transparency in Our Monitoring Regime

Independent monitoring of Human and Labour standards is fast becoming one of the primary measures of our company's efforts to ensure fair working conditions through out our supply chain.

Implementation of an Operational Grievance Mechanism

In the reporting period, we have implemented an operational level grievance mechanism for all our stakeholders (employees, local communities and governing bodies), which identifies potential noncompliance or adverse human rights impacts and enables early prevention.

Continuation of Compliance Audits with Success

Ongoing compliance audits during the reporting period were conducted during which included confidential employee interviews, enabling stakeholder engagement and for workers to raise concerns.

Code of Conduct Upgraded w.r.t. Human Rights

We upgraded our Code of Conduct in 2021 where we specifically included UDHR and the Chapter 1 of the Constitution of Pakistan which stipulates Fundamental Human Rights. We publicly and openly now endorse and pledge to ensure the rights by fully aligning the company with these international and national frameworks. This policy document is publicly available on our website.

EXTERNAL AUDIT OF HUMAN RIGHTS PERFORMANCE



Along with frequent calls for transparency by stakeholders and social partners, we are accelerating the rate at which we are experimenting with ways to test and report on our human rights records. This reporting is conducted and verified in many ways: internal checks and evaluations; external reviews by governing bodies; and independent monitoring and verification.

Though the number is steadily increasing, we are conducting broad level Social Audits of our performance in the domain of human rights. The bodies that focus on social criteria also encapsulate human rights factors.

These include but are not limited to:





LABOUR RIGHTS

GLOBAL COMPACT 10 PRINCIPLES

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.

Sapphire believes in treating its employees **fairly**, promoting diversity and **inclusion**, providing open **feedback**, and ensuring **compliance** with laws and regulations regarding labour rights.



LABOUR RIGHTS ASSESSMENT, POLICY AND GOALS

LABOUR RIGHTS LEGAL FRAMEWORK



OUR ETHOS

Sapphire Textiles houses multiple shades of occupations and positions ranging from factory workers to supervisors to managers to the top leadership. As such, being aware of this **substantial multiplicity** and the specific rights of each type of labor is integral to Sapphire's philosophy in maintaining labor rights as enshrined in the **International Labor Organization Code of Practice on HIV/AIDS and the World of Work** (as mentioned in the Social Policy).

LEGAL COMPLIANCE

We are committed to provide all the rights to our workers as per applicable **Pakistan National and Local Labour Laws** as mentioned in our Code of Conduct, other requirements as subscribed by Sapphire Textiles and customers, and **ILO Conventions** (01, 29, 87, 98, 100, 111, 102, 116, 131, 135, 138, 146, 155, 164, 159, 169, 177, 181, 182, 183).

INTERNATIONAL FRAMEWORK

- We also pledge to the following international frameworks:
1. The International Covenant on Economic, Social, Cultural Rights, Civil, Political Rights 1.
 2. The United Nations Convention on Rights of Child
 3. United Nation Convention on Elimination of All Form of Discrimination against Women
 4. The United Nation Convention on Elimination of All Forms of Racial Discrimination
 5. UN Guiding Principles on Business and Human Rights

LABOUR RIGHTS POLICY FRAMEWORK



Our Sapphire Code of Conduct for suppliers covers in detail all requisites regarding the following:

Child Labour 	Forced Labour 	H&S 	Collective Bargaining 	Discrimination
Disciplinary Practices 	Harassment 	Working Hours 	Remuneration 	Management System
Supplier Management 	Internal Audits 	Environment 	Sustainability 	Fire Safety

Supplier Code of Conduct

This Supplier Code of Conduct includes a declaration of adherence to the Code which must be signed by a duly authorized representative of the undersigned organization which is then returned to Sapphire.

Labour risks assessment

Labour inspection is performed annually and/or whenever required by Labour Department to access the labour laws, policies and practices and release the inspection report based on assessment of terms and conditions of work and employment, payment of wages, benefits and compensations, industrial relations, labour welfare provisions, health & safety of workers, maintenance record and etc.

SPECIFIC GOALS FOR LABOUR RIGHTS IN 2022

- AWARENESS & TRAINING**
Increase frequency of awareness raising and training among employees.
- RISK MITIGATION**
Using our Social Performance Team (SPT) and Worker Management Council (WMC) as vehicles for risk mitigation.
- DIVERSITY & INCLUSION**
Launching of a formal Diversity & Inclusion Policy and Formal Roadmap.
- GENDER BALANCE**
Launching of a Gender Balance Strategy 2025 & 2030 with a formal Action Plan.
- CAREER DEVELOPMENT**
Technical and skills training, capacity building interventions of the employees for Continuous Professional Development.
- REWARDS & RECOGNITION**
Launching an appreciative culture based on Regular, Immediate, Specific and Encouraging (RISE) recognition.







LABOUR RIGHTS: IMPLEMENTATION

EFFECTIVE OH&S MEASURES



Sapphire's occupational health and industrial hygiene measures aim to protect employee health and mitigate risks associated with working conditions. The areas of fitness to work, occupational illness reporting and first aid management at the workplace are regularly monitored. Moreover, regular technical controls and measurements are carried out at the workplace to ensure safe working conditions, and regular health checks are conducted for employees. For more information, please view Sapphire's Health & Safety Policy.

OHS Arrangements

-  Installation of fire extinguishers, fire alarms, emergency lights, emergency routes/exits, fire hydrants and smoke detectors. The relevant government department inspects our fire safety arrangements while Rescue 1122 conducts fire drills on regular intervals.
-  Trainings are provided for proper handling and storage of chemicals, chemical hazardousness is communi through proper labeling and instructions, and providing appropriate PPEs to all employees.
-  Safe design and installation of plant equipment as per applicable codes and regulations, safe operating and maintenance practices have been established and proper inspection, and prompt repairs are being carried out.
-  Emergency response plans are in place effectively and are reviewed regularly.
-  Hazard signs and electrical warning signs are put up in all areas where applicable.
-  First Aid is readily available in production floors, dormitories and employee assembly areas.

PREVENTING DISCRIMINATION

Policy Framework

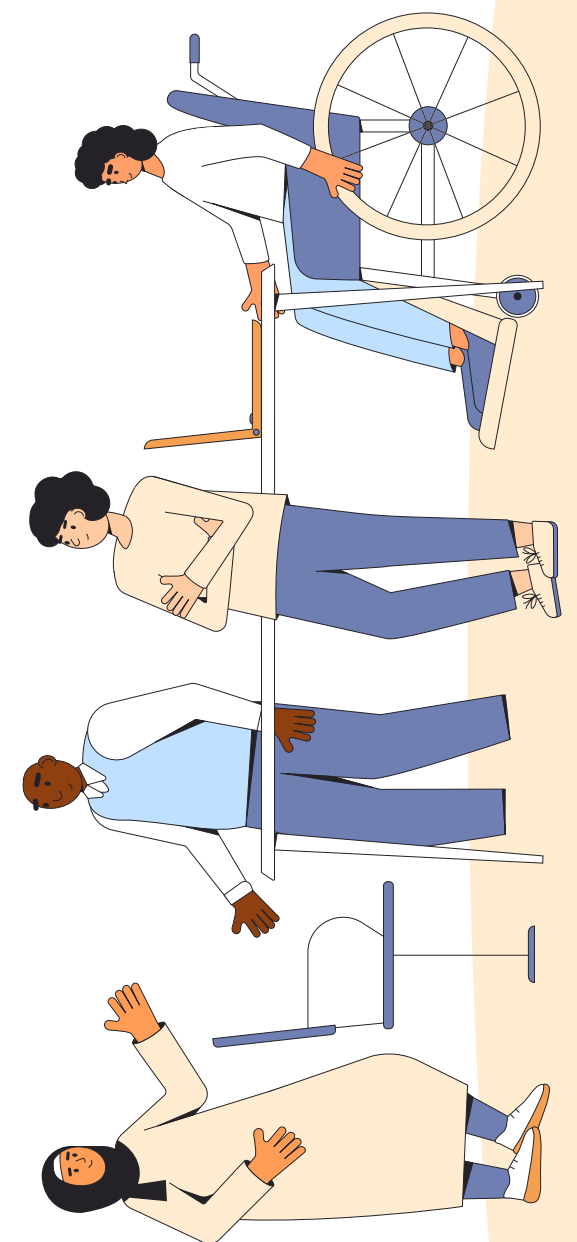
Diversity and inclusion is a first and foremost human right. Sapphire's Code of Conduct manifestly illustrates the obligations concerning labour rights and policies that are being followed. Moreover, setting equal and equitable opportunities in the company is guided by the internal policies and procedures.

Sapphire empowers employees, and promotes economic inclusion for all. For more information, please view Sapphire's No Discrimination Policy.

Anti-Discrimination Culture

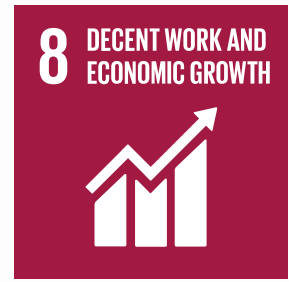

We aim to become a diverse company and determined to create an inclusive culture with no discrimination, which respects every employee for who they are – regardless of race, caste, national or social origin, religion, birth, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political affiliation, age or any other.

We pay more than the local minimum wage mentioned in the Punjab Gazette subject to equal and fair remuneration regardless of work nature. The effectiveness of the policies and practical measures are being inspected and verified by internal and external 3rd party social audits as well as by the government's labour inspection department.



LABOUR RIGHTS: IMPLEMENTATION

LABOUR-RELATED RISKS & CONTROL MEASURES

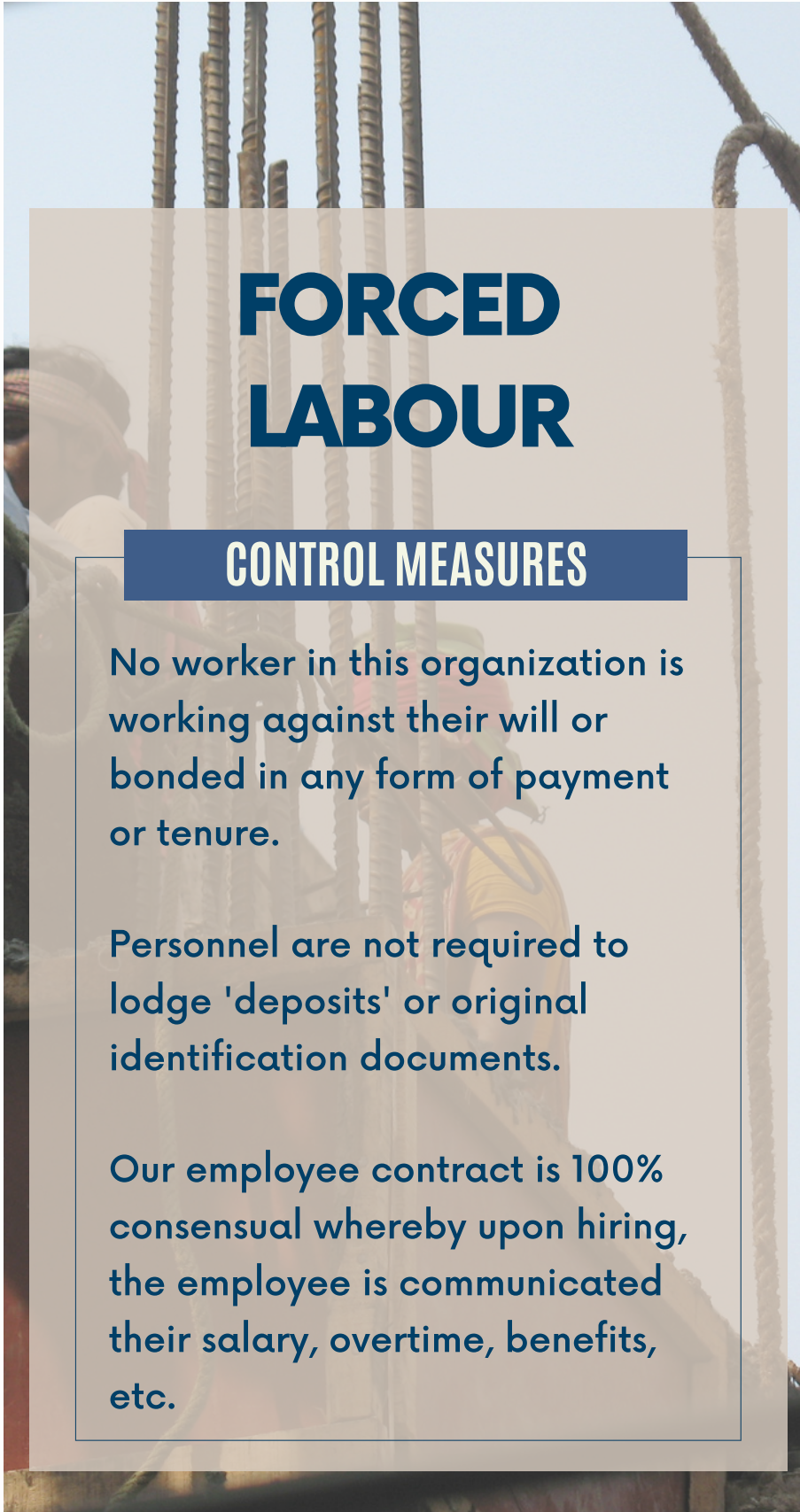



CHILD LABOUR

CONTROL MEASURES

As per the Punjab Restriction on Child Labour Act and through the implementation of administrative and system controls, the minimum age of recruitment is 18. There is a formal process to make this applicable to all business partners as mentioned in our Supplier Code of Conduct.

The risk of child labour controlled through our payroll system whereby no one can intentionally manipulate the age of any worker as it is cross checked against the worker's national ID card also documented in the system.




FORCED LABOUR

CONTROL MEASURES

No worker in this organization is working against their will or bonded in any form of payment or tenure.

Personnel are not required to lodge 'deposits' or original identification documents.

Our employee contract is 100% consensual whereby upon hiring, the employee is communicated their salary, overtime, benefits, etc.



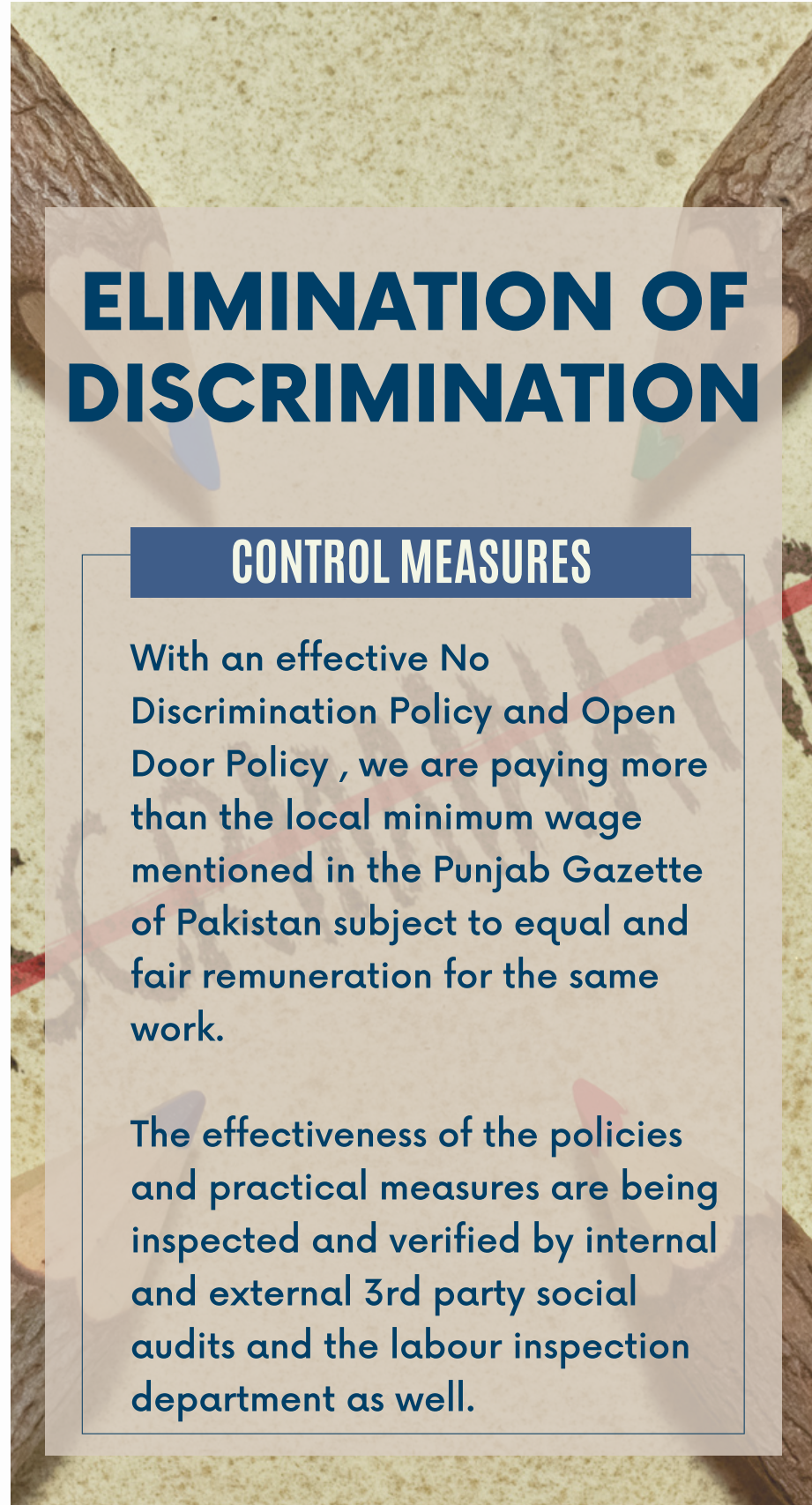
COLLECTIVE BARGAINING

CONTROL MEASURES

Employees have right to exercise their lawful rights of free association and collective bargaining through the elected Worker Management Council.

Employee training is provided in this regard.

We ensure that WMC representatives are not the subject to discrimination and that they have access to their members in the workplace.



ELIMINATION OF DISCRIMINATION

CONTROL MEASURES

With an effective No Discrimination Policy and Open Door Policy , we are paying more than the local minimum wage mentioned in the Punjab Gazette of Pakistan subject to equal and fair remuneration for the same work.

The effectiveness of the policies and practical measures are being inspected and verified by internal and external 3rd party social audits and the labour inspection department as well.

LABOUR RIGHTS IMPLEMENTATION

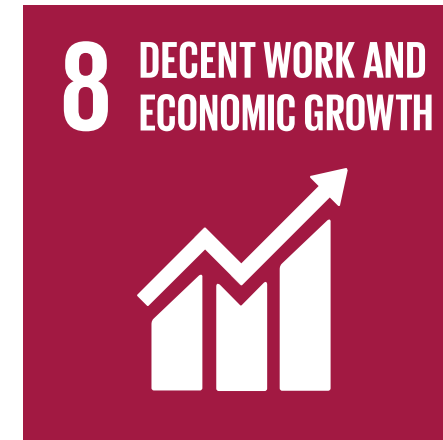
CONSULTATION WITH EMPLOYEES & STAKEHOLDERS

Stakeholder	Consultation Mode	Frequency
Employees	Trainings, Awareness sessions, Social Performance Team (SPT) Meeting, Worker Management Council (WMC) Meetings, Other committees	Regular Intervals
Suppliers	Supplier Code of Conduct (COC) Supplier assessment or due diligence	
Government Department	Implementation of national or local regulation, continuous monitoring of policies	

THE PROTECTION OF LABOUR RIGHTS

Allocation of responsibilities w.r.t. the above:

- Manager HR
- Head of CSR, Compliance & Systems
- Manager Administration
- Labor & Welfare Officers
- Heads of their respective Departments
- Plant Heads
- Management Review Committee



2 ZERO HUNGER

As part of our efforts to maximize employee wellbeing, we provide safe drinking water (at different access points), and hygienic and nutritious food. in the worker canteens A discounted price store selling essential food and household items for our employees in Sheikhpura, Punjab.

LABOUR RIGHTS: MEASUREMENT OF OUTCOMES

We regularly monitor and inspect labour rights and risks through different teams (SPT, WMC, Food Committee, and H&S Committee), and evaluate performance by quarterly meetings of the these teams with the management. In the meetings all the participants/workers/stakeholders are free to communicate their concerns to reach a consensus-driven decision where improvement is needed. Furthermore, through the annual management review, improvements are decided where required.

In the light of the implementation reported, we are 100% compliant with labour laws and regulations.

MEDICAL BENEFITS

MEDICAL ALLOWANCE

INSURANCE COVERAGE

COVERAGE IN SOCIAL SECURITY

GROUP INSURANCE

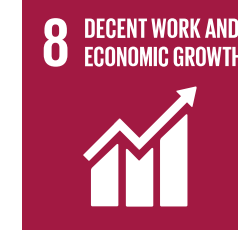
RETIREMENT BENEFITS

PROVIDENT FUND

GRATUITY

POLICIES FOR OTHER BENEFITS

1. Accommodation Policy
2. Attendance & Leave Policy
3. Work Support Facilities:
 - Vehicle and fuel policy
 - Cell Phone and billing policy
 - Laptop policy
 - Travel Policy
4. Loan and salary advance policy
5. COVID-19 Policy
6. Remuneration Policy



EXTERNAL AUDITS

6

2

5

LABOUR RIGHTS IMPLEMENTATION: CORPORATE ENGAGEMENT

Internal/E xternal	Days	Training	Trainer(s)	Date	Trainees	Batch	Location	Training Hrs
Internal	1	A journey to self discovery Psychological wellbeing	Saria Zaheer & Mohsin Nishat	22/Jun/21	23	Batch 01	Tricon	4
Internal	1	A journey to self discovery Psychological wellbeing	Saria Zaheer & Mohsin Nishat	24/Jun/21	23	Batch 02	Tricon	4
Internal	1	A journey to self discovery Psychological wellbeing	Saria Zaheer & Mohsin Nishat	25/Aug/21	23	Batch 03	Tricon	4
Internal	1	A journey to self discovery Psychological wellbeing	Saria Zaheer & Mohsin Nishat	26/Aug/21	23	Batch 04	Tricon	4
Internal	1	A journey to self discovery Psychological wellbeing	Saria Zaheer & Mohsin Nishat	27/Aug/21	23	Batch 05	Tricon	4
Internal	1	The Growth Mindset	Mariam Inam & Moshin Nishat	16/Nov/21	19	Batch 01	STM 6	4
Internal	1	The Growth Mindset	Mariam Inam & Moshin Nishat	23/Nov/21	18	Batch 02	STM 6	4
Internal	1	The Growth Mindset	Mariam Inam & Moshin Nishat	30/Nov/21	16	Batch 03	STM 6	4
Internal	1	The Growth Mindset	Mariam Inam & Moshin Nishat	7/Dec/21	8	Batch 04	STM 6	4
Internal	1	The Growth Mindset	Mariam Inam & Moshin Nishat	23/Dec/21	17	Batch 05	Head Office	4

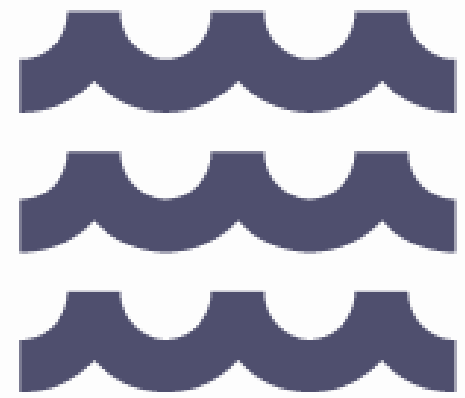


LABOUR RIGHTS IMPLEMENTATION: CORPORATE ENGAGEMENT

Days	Event	Theme	Conducted by	Responsible person(s)	Date	Participants	Location
1	International Womens Day	Employee Engagement	Ms. Humaira Subhan (CEO Luminous Services) Dr. Nusrat Habib Rana (Chief Consultant Psychiatrist Jagrati)	Saira Zaheer & Ahsan Ali	8/Mar/20	150	Faletti's Hotel
1	International Womens Day	Employee Engagement	Dr. Sheeza Imtaiz (MPhil Food & Nutrition) Doctor of Nutrition & Deibetes Lecturer Department of Health Science, USA Ms. Sara Nabeel (Entrepreneur & Financial Consultant)	Saria Zaheer, Mariam Inam, Ahsan Ali & Rizwan Sohail	8/Mar/21	200+	Four Points by Sheraton Lahore
1	Pakistan Day	Employee Engagement	HR Team	Saria Zaheer & Rizwan Sohail	24/Mar/21	25	Tricon
1	Eid Ul Fitr	Employee Engagement	HR Team	Rizwan Sohail	10/May/21	30	Tricon
1	Independence Day Event	Employee Engagement	HR Team	Saria Zaheer, Omar Hasnat, Mariam Inam, Zeeshan Murshad & Ahsan Shahid	14/Aug/21	300	Tricon
1	Defence Day	Employee Engagement	Mr. Javaid Iqbal (Retired Vice Admiral) Mrs. Parveen Tawwab (CEO Rising Sun Institute) Ms. Saima Ashraf (CEO, The Able Plus Research Center)	Saria Zaheer, Ahsan Ali & Iqra Shoaib	6/Sep/21	320	Virtual
1	Pink Tea: Breast Cancer	Health Awareness	Ms. Mehreen Khalid (Officer, SKMH) Ms. Samia Tauqeer (PTI Worker)	Saria Zaheer & Zara Arshad	21/Oct/21	35	Tricon
1	Sapphire Cricket Gala	Employee Engagement	HR Team	Saria Zaheer & Zara Arshad	24/Nov/21	1000+	SRL & STML-5
1	Sapphire Cricket Gala	Employee Engagement	HR Team	Saria Zaheer & Zara Arshad	25/Nov/21	1000+	SRL & STML-5
1	Sapphire Cricket Gala	Employee Engagement	HR Team	Saria Zaheer & Zara Arshad	27/Nov/21	1000+	SRL
1	Christmas	Employee Engagement	HR Team	Saria Zaheer & Zara Arshad	24/Dec/21	20	Tricon

LABOUR RIGHTS IMPLEMENTATION: CORPORATE ENGAGEMENT





ENVIRONMENT

GLOBAL COMPACT 10 PRINCIPLES

Principle 7: Businesses should support a precautionary approach to environmental challenges

Principle 8: Undertake initiatives to promote greater environmental responsibility

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

We have taken **climate action** through installation of solar power, institution of circular business models that reduce pre- and post-production waste, tree plantations, emissions control at source, water conservation, input material sustainability, environmentally conscious practices, BATs, and much more.





ENVIRONMENT: PARTNERSHIPS

SBTi Business Ambition

We have joined the global movement of leading companies by aligning our business with the most ambitious aim of the Paris Agreement, to limit global temperature rise to 1.5°C at pre-industrial levels.

We are part of the initiative to reach net-zero by 2050 for the best chance of avoiding the worst impacts of climate change.

NET Zero Pakistan

We reaffirm our commitment to a climate positive world as a signatory to the Net Zero Coalition.

We commit to setting Net Zero Targets for 2050 in which the activities within our value chains will result in a no-net impact on the Earth's climate from GHG emissions in line with the Business Ambition 1.5C of the Science-Based Targets initiative.

Carbon Disclosure Project

At Sapphire, we believe that disclosure is the essential first step to drive environmental action, identify emerging environmental risks and opportunities, and track and benchmark progress.

We have participated in CDP Climate Change Questionnaire 2020 and score the band C with an average band C for Textiles and Fabric Industries.



ENVIRONMENT: PARTNERSHIPS

UNGC CEO Water Mandate

We signed the CEO Water Mandate in 2020.

We remain committed to implement a comprehensive approach to water management which incorporates all 6 areas of CEO Water Mandate i.e. Direct Operations, Supply Chain & Watershed Management, Collective Action, Public Policy, Community Engagement and Transparency.

Corporate Fibre and Material Benchmark

We are pleased to announce that we are PIONEER of CFMB, launched by Textile Exchange.

The Material Change Insights Report 2020 provides in-depth insights into the state of fiber and materials sourcing.

The published report is the evidence of our collective effort and commitment towards organic, recycled and sustainable materials.

WWF Corporate Membership

Through the WWF – Pakistan Corporate Membership Program, we can find solutions to the conservation challenges like Deforestation, Over-Fishing, Water Scarcity, and Climate Change and many more.

In May 2021, a tree plantation Activity was conducted under WWF Pakistan's Corporate Membership Program to protect nature and conserve biodiversity.



ENVIRONMENT: PARTNERSHIPS

2025 Sustainable Cotton Challenge

As a responsible production and consumption corporate, procurement of organic cotton is an integral part of our sustainability strategy.

We commit to 2025 SCC Challenge and continue our efforts to support the vision of the 2025 Sustainable Cotton Challenge to increase the uptake of sustainable cotton.

rPET 2025 challenge

We commit to the joint initiative, and accept the 2025 rPET Challenge launched by Textile Exchange and UNFCCC's Fashion Industry Charter for Climate Action.

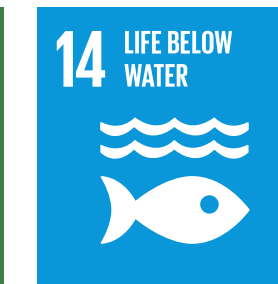
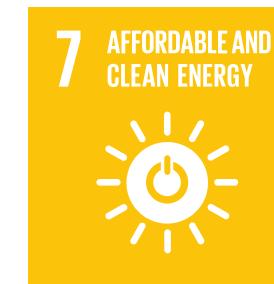
We continue to launch efforts in order to spur a shift in the market towards the uptake of Recycled Polyester.

Oeko Tex Certification

Recycling and reusing fibers and waste materials is an effective method to build sustainability in textile industry.

We are proud to announce that our Recycled Material (recycled cotton) is now certified by Oeko-Tex.

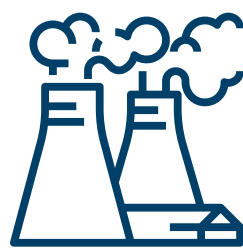
ENVIRONMENTAL FOOTPRINTING AND IMPACT: 2020



Total water consumption
2316455.91 m3



Treated waste water discharge
807860.64 m3



GHG EMISSIONS

SCOPE 1 : 0.108577054 MMT
SCOPE 2 : 0.006789602 MMT
SCOPE 3 : 0.0031578 MMT



Packaging Material

PVC packaging replaced with poly proplene and poly ethylene. Also PVA and EVA are environmental friendly.

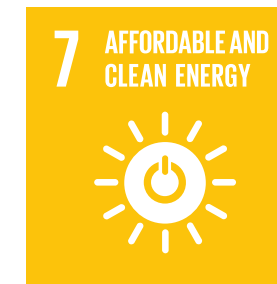
Energy Consumption

from all sources (Purchased Electricity, gas, diesel, Solar)

ENERGY MIX		
SOURCE	KWH	SHARE
Gas	185894100	93.65%
Diesel	1282259	0.65%
Solar	637435.85	0.32%
Purchased Electricity	10675058.70	5.38%
Total	198,488,853.55	100.00%

Total Consumption: 198,488,853.55 KWH

ENVIRONMENTAL FOOTPRINTING AND IMPACT: 2021



Total water consumption
2347256.45 m3



Treated Waste water discharge
961757.87 m3



GHG EMISSIONS

SCOPE 1 : 0.122055 MMT
SCOPE 2 : 0.018837 MMT
SCOPE 3 : 0.00577 MMT



Packaging Material

PVC packaging replaced with poly proplene and poly ethylene. Also PVA and EVA are environmental friendly.

Energy Consumption

from all sources (Purchased Electricity, gas, diesel, Solar)

ENERGY MIX		
SOURCE	KWH	SHARE
Gas	203866872.9	86.43%
Diesel	215017	0.09%
Solar	623408.84	0.26%
Purchased Electricity	31167869.89	13.21%
Total	235873168.6	100.00%

Total Consumption: 235873168.6 KWH

ENVIRONMENTAL POLICY FRAMEWORK



CODE OF CONDUCT

"Sapphire is committed to protecting the environment... through full compliance with all applicable laws."



ENVIRONMENTAL POLICY

"[Sapphire] is committed to comply with all applicable environmental laws and regulations, prevent pollution and continually improve environmental performance with true spirit."



ENVIRONMENTAL PERFORMANCE POLICY

"[Sapphire] is committed to comply energy management, and will practice energy efficiency."



WATER MANAGEMENT POLICY

"We recognize the necessity to practice and preserve this vital resource in a responsible manner that is sustainable."



CHEMICAL MGMT SYSTEM POLICY

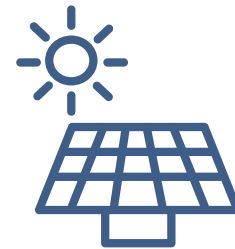
"We are committed to ensuring H&S... and fully integrating a sustainable chemical management system across the value chain."



SUPPLIER CODE OF CONDUCT

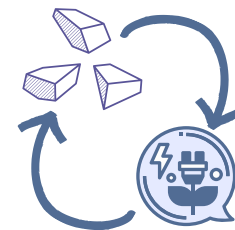
"[Supplier] shall comply with applicable environmental rules... and observe environmentally conscious practices."

SPECIFIC GOALS FOR ENVIRONMENT IN 2022



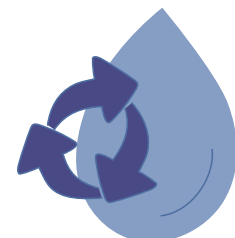
IMPROVE SOLAR POWER GENERATION TO

5.1 MW



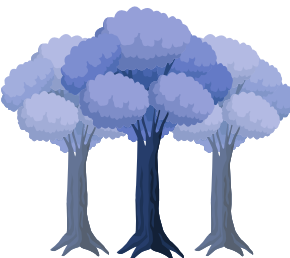
FROM COAL-RUN BOILERS TO WOOD, RICE HUSK, CON COB

50% SHIFT TO BIOMASS



WASTE-WATER RECYCLING

35% OF DISCHARGE



TREE PLANTATION

5000 SAPPLINGS



REDUCTION IN

20% PAPER USE



WATER RECYCLING

RO plants are installed



25%

of waste-water recycling

Water is also reused through steam condensate recovery which is then fed to boilers reducing groundwater extraction)



Production waste is being recycled through

SHREDDING PLANT

This material is then sold for reuse or recycling

ENERGY



Fossil fuel

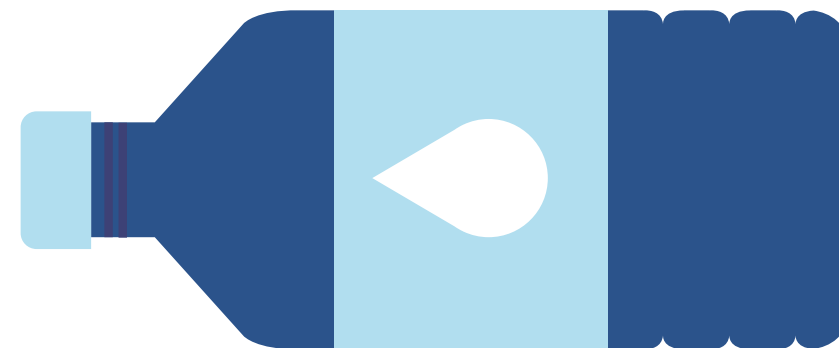
coal is being replaced by biomass fuel (wood waste, rice husk, corn cob)

WASTE WATER TREATMENT

state of the art Effluent Treatment Plant

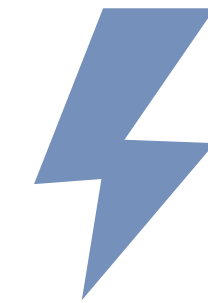
100%

of wastewater



ELECTRICITY

Generating



500Kwh

from in-house solar power

PACKAGING

PVC packaging replaced with poly propylene and poly ethylene. Also PVA and EVA are environmental friendly.



PAPER USE REDUCTION



9.73%

reduction in paper from 2019-20

Data-driven and practical approach to reducing paper consumption.

ENVIRONMENT IMPLEMENTATION: TRAINING, ENGAGEMENT AND AWARENESS RAISING

2020						
Internal/ External	Training Topics	Trainer(s)	Month	Trainees	Location	Training Hrs
Internal	1. ISO 14001:2015 Awareness and Implementation 2. Environmental Policy, Aspects and Performance(water-use, energy-use and waste reduction) 3. Chemical Handling, Storage and Management 4. Waste Handling, Storage and Management	Mr. M. Usama Nawaz Mr. Adnan Shaukat Mr. Abdullah Ghalib Mr. Rashid Mubeen Mr. Faisal Chohan Mr. Aqib Javed	Once every month	All Employees	Factory floor	1728
External	Textile Waste Mapping	GIZ Experts	April 2020	Compliance Team	Virtual	04
External	Circular Design Strategies Principles of Sustainability and Circular Economy	GIZ Experts	Aug 2020	Compliance Team R&D Team	Virtual	08
External	Sustainable Business Strategies	GIZ Experts	Oct 2020	Compliance Team R&D Team	Virtual	04

ENVIRONMENT IMPLEMENTATION: TRAINING AND AWARENESS RAISING

2021						
Internal/ External	Engagement Topic	Trainer(s)	Month	Trainees	Location	Training Hrs
Internal	1. ISO 14001:2015 Awareness and Implementation 2. Environmental Policy, Aspects and Performance(water-use, energy-use and waste reduction) 3. Chemical Handling, Storage and Management 4. Waste Handling, Storage and Management	Mr. M. Usama Nawaz Mr. Adnan Shaukat Mr. Abdullah Ghalib Mr. Rashid Mubeen Mr. Faisal Chohan Mr. Aqib Javed	Twice a month	All Employees	Factory floor	3546
External	CEO Water Mandate Strategy and Workplan	UNGC	Jan 2021	Compliance Team	Virtual	1.5
External	Climate Change Disclosure Workshop	CDP	May 2021	Compliance Team	Virtual	1.5
External	Climate Ambition Accelerator Live Q&A Session	UNGC	May 2021	Uswa Shamail	Online	
External	Climate Business Leadership Roadmap	CDP	Jun 2021	Compliance Team	Virtual	1.5
External	Chemical Management and Inventory on BHive	GIZ and Go Blue Expert	Jul 2021	Compliance Team	Virtual	04

ENVIRONMENT IMPLEMENTATION: TRAINING, ENGAGEMENT AND AWARENESS RAISING

2021					
External	ZDHC Waste Water Management	GIZ	Oct 2021	Compliance Team	Virtual
External	Race to Zero Launch	CERB & Pakistan British High Commission	August 2021	Uswa Shamail	Virtual
External	Digitization and Paper Reduction Consultation	Chief Technology Officer, Punjab Safe Cities Authority	September 2021	Mohsin Nishat & Uswa Shamail	Punjab Safe Cities Authority Office, Qurban Police Lines, Lahore
External	Webinar on Business Leadership on Environmental Stewardship: Air Quality	CERB & Pakistan British High Commission	September 2021	Mohsin Nishat & Uswa Shamail	Virtual
External	Decarbonization and Circularity: Showcasing Sapphire Textile Mills	CERB & Pakistan British High Commission	October 2021	Uswa Shamail	Virtual
External	2021 Regional OCRT Summit - South & Southeast Asia	OCRT	November 2021	Uswa Shamail	Virtual



ENVIRONMENTAL MANAGEMENT SYSTEM



CERTIFIED

We are certified to the
ISO 14001
Environmental
Management System

Based on the environmental policy and significant environmental aspects, environmental objectives and targets are established, implemented and maintained at each function and level within Sapphire.

When establishing and reviewing the objectives, the following are taken into consideration:

1. Legal and other requirements
2. Significant environmental aspects
3. Technological options
4. Financial/operational/business requirements
5. Stakeholder interest

ALLOCATION OF RESPONSIBILITIES

EMS Committee's Responsibilities

- Establishment and implementation of the EMS.
- Establishment and review of objectives, targets and programs.
- Ensuring the effective implementation of operational controls and programs.
- The internal communication and awareness raising of environmental matters.
- Reviewing complaints/nonconformities, corrective & preventive action reports/actions.
- Providing leadership in the pursuit of environmental issues.
- Holding regular meetings (at approximately three-months intervals).

Head of CSR, Compliance & Systems, is appointed Environmental Management Representative (EMR) and has the responsibility and authority for;

- Ensuring that the EMS is in accordance with the ISO 14001 Standard;
- Ensuring that sufficient resources are allocated for the proper implementation of the environmental policy and the EMS;
- Regularly reviewing the policy and the effectiveness of the EMS, and ensuring that the necessary changes are made;
- EMR is also the Chairperson of the EMS committee and has the responsibility and authority for:
 - Leading the EMS Committee in accordance to the ISO 14001 Standard, and monitoring the performance of the EMS;
 - Coordinating internal EMS audits
 - Handling and investigating nonconformity, and ensuring corrective and preventive action has been taken to mitigate any negative impact.
 - Reporting on the performance of the EMS to the Top Management for review and as a basis for improvement of the EMS

The EMR, the DEMR, the EMS Committee and Top Management shall undertake the EMS management review annually to ensure Top Management's commitment and the integration of the EMS with business strategies for its implementation and its continuous improvement.



SUSTAINABLE CONSUMPTION

Environment: Implementation



Organic Cotton



Recycled Cotton



Recycled Polyester



Fairtrade Cotton



BCI Cotton



Egyptian Cotton



CMiA Cotton



USA Cotton



Supima Cotton



Primark Cotton



bioRe[®] Sustainable Cotton



Lenzing (Tencel/Lyocell)

RESTORE

BY SAPPHIRE

Sustainability is not a word it is a collective effort from the suppliers to the consumers to ensure a better and a cherish able world, for now and the times to come. RESTORE has made its objective to promote recycling in the textile industry since this industry has a significant impact on the environment. Recycling and reusing textiles, fibers and waste materials is an effective method to build sustainability in the apparel industry. 32% of the consumers look for "recycled" clothing, which indicates human's natural instincts to take care of what's important.

01 RESTORE PREMIUM

"PREMIUM" IS ONE OF OUR FINEST RECYCLED PRODUCTS. USING POST INDUSTRIAL AND PRE-CONSUMER WASTE, WE PRESENT TO YOU A FIBER THAT CAN REPLACE COTTON COMPOSITION IN YARN AND FABRIC.

RECOMMENDED FOR UP TO 75 TO 80% IN OPEN-END YARNS AND UP TO 35% FOR RING SPINNING TECHNOLOGY, THIS IS THE IDEAL SOLUTION TO REDUCE CARBON FOOTPRINT IN PAKISTAN. INSTEAD OF USING VIRGIN COTTON, WE RECYCLE THE WASTE THAT HASN'T YET REACHED THE CUSTOMER TO CONTRIBUTE TO THE GLOBAL EFFORTS TOWARDS PROTECTING THE ENVIRONMENT.

02 RESTORE INDIGO

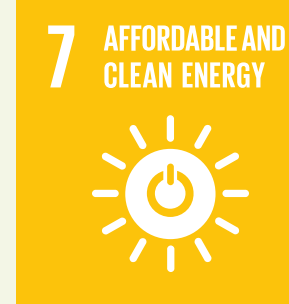
"INDIGO" IS THE PRE-CONSUMER OR POST-INDUSTRIAL WASTE MANUFACTURED BY PROCESSING THE DENIM WHICH WAS SUPPOSED TO REACH YOU, BUT COULDN'T DUE TO VARIOUS QUALITY OR WASTE ASPECTS. BY DESIGN, THIS BELONGS TO THE RESTORE PREMIUM FAMILY, BUT DUE TO DIFFERENCES IN TECHNICAL SPECIFICATIONS, IT HAS A FEW LIMITATIONS IN TERMS OF USAGE. THE RECOMMENDED PERCENTAGE IS 40 TO 45% IN OPEN-END YARNS, WHEREAS 25 TO 30% IN RING SPUN.

03 RESTORE BLUE

"BLUE" IS A POST-CONSUMER PRODUCT. GIVING NEW LIFE BY RECYCLING CONSUMER GOODS THAT HAVE BEEN WORN AND USED BY YOU, WE GIVE BACK TO THE ENVIRONMENT BY SAVING ON WATER AND OTHER CULTIVATION COSTS TO PRODUCE VIRGIN COTTON AND OTHER RAW MATERIALS. FOR OPEN-END YARNS, UP TO 40% AND FOR RING-SPUN UP TO 25 TO 30% IN THE COMPOSITION.

ENVIRONMENT FRIENDLY PROCESSES

Environment: Implementation



Effluent Treatment Plant and Recycling of Wastewater



- To treat effluent, Sapphire Textile Mills has its own Treatment Plant having the capacity of 3600 cubic meter per day to treat the effluent at the extent to save Ecosystem, as well as meet the legal (PEQS) and desire Requirements.
- In Effluent Treatment plant, biological and chemical treatment is enhanced with Dissolved Air Flotation (DAF). To operate the plant at optimum level and ensure the degree of treatment, all parameters such as flow, COD, & PH is measured on regular basis. The competency of Effluent treatment facility is also ensured by testing water quality parameters from outdoor laboratory on routine basis.
- Currently, 25% of wastewater is being recycled and used in production processes. Recycling began May – 2021 and recycled 148,000m³ till Dec -21.

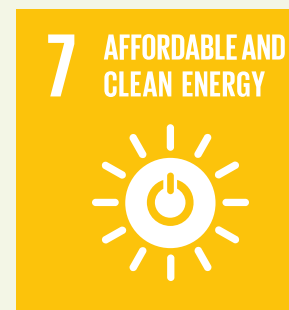
Vacuum conditioning and Heat Setting Machine - XORELLA

Vacuum conditioning and Heat Setting Machine - XORELLA

- **XORELLA** combines total ecology through lowest energy and water consumption, with the unique indirect finishing treatment to meet lowest process cost and highest quality requirements
- Accumulator installed on Xorella Machine. It preserves the achieved conditions in a doff and provides the conditions (Water, Temperature, Steam and other conditions) for the next doff. This is time saving, economic, water saving and steam saving with an online monitoring software Data Logger.

ENVIRONMENT FRIENDLY PROCESSES

Environment: Implementation



Jet Dyeing Machines with Low Liquor Ratio

- Operate at lower liquor ratios and delivering high levels of fabric/liquor interchange to provide the opportunity for uniform dyeing.
- Because the jet dyeing machines operate at lower liquor ratios than winches the dye liquor is more concentrated and the potential for unlevel dyeing is greater.
- These are energy efficient with less emissions of GHG gasses

Electrical Busbar System

- Power distribution systems that carry and distribute electricity throughout industrial premises.
- Cost effective solution to traditional cabling methods
- Offer a more flexible range of configurations with zero energy losses



Double Stage Compressors

- Energy Efficient (approx. 15%)
- Low compression ratio
- Motor efficiency 97%
- Constant pressure output to remove pressure fluctuation and off-load
- Intelligent control system
- Double filtering system
- Air routing system



Environmental Friendly Techniques

- Installation of Waste Heat Recovery Boilers (WHR) that recovers various kinds of waste heat generated from engines and convert into useful and operative energy resources.
- Installation of Energy efficient Power engines and compressors for power savings, less fuel consumption, and more environmentally sound.
- Installation of Multi-cyclones and wet scrubbers to remove particles/pollutants, reduce emissions, and minimize environmental impacts.

ENVIRONMENT FRIENDLY PROCESSES

Environment: Implementation



Dry Type Transformers

- Dry type transformer replaces the oil type transformer with excellent capacity to support overloads and safe for people and facility.
- Maintenance and pollution-free solution.
- Environmentally friendly.



Radio Frequency Dryer

- Radio frequency dryer instead of steam dryer with high evaporation efficiency.
- Designed for the continuous drying of hydro-extracted textile products and is suitable for all fibers and yarns such as synthetics (polyester, acrylic, nylon), artificial fibers (rayon, viscose) and natural fibers (wool, cotton, silk, etc).
- No influence of atmospheric conditions on drying.
- Reduced hairiness of the yarn.



Fiber Recycling Plant -

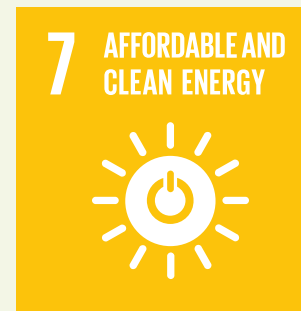
Part of Circular Design Strategies, and Sustainable Production and Consumption Practices

- Sapphire is moving towards circular economy by applying circular design strategies in place. One of the primer initiative is to regenerate fiber from PCW (Post-Consumer Waste as well as Pre-Consumer Waste)
- We have an eco-friendly plant to recycle PCW, regenerate fibers, and give them a new life.
- Both natural and synthetic fibers can be shredded to regenerate PCW fiber.



ENVIRONMENT FRIENDLY PROCESSES

Environment: Implementation



Solar Power

- We are committed to applying sustainable business strategies at all levels.
- Our main contribution is to the consumption of sustainable and renewable energy resources.
- We have installed a well-managed solar system at our industrial facilities, which has a major contribution to fulfill our basic energy needs.

Day Lightening System

- Daylight is a sustainable building investment
- Daylight delivers abundant, high-quality lightning and reduce operational and maintenance costs.
- Its overall objective is to reduce electricity consumption

ECOrized System

- Continuous monitoring and controlling air flow / exhaust air in blow room through Unicontrol Panels
- Most energy efficient – 30%



Led Lightening

- LED lights are the most energy-efficient as it consumes less energy. Moreover, greenhouse gas emissions are also low in LED lights.

Cold pad-batch Dyeing

- Cold pad-batch dyeing is a more environmentally sound and higher-quality dyeing method for cotton fibers.
- The process removes salt from the effluent, reduces the use of water, energy and the volume of effluent and occupies less space on the production floor.

ENVIRONMENT: MEASUREMENT OF OUTCOMES



We ensure that all environmental risks with high potential impact are controlled and prioritized for **risk mitigation** as per environmental impact and risk assessment.



No cases reported during 2020 & 2021.

Periodic review of results by senior management



CONTROL MEASURES TO DEAL WITH INCIDENTS

Environmental Aspects identified by the EMS Committee are discussed with the departmental heads in the management review meeting chaired by the EMR. EMS Committee evaluates the significance of various environmental aspects using the Significant Environmental Aspect Worksheet. The evaluation factors include significance rating, risk rating, severity of social and environmental impact, probability of occurrence, controls in place reducing probability of the occurrence or severity, legal/regulatory requirements, and nuisance.

Environmental Instructions (EIs) which are operational control procedures or instructions with defined responsibilities are stipulated so as to control the identified significant environmental aspects associated with the organization's operations and activities.

We ensure that all operations and activities carried out by the organization's employees or contractors associated with the significant aspects are adequately controlled, and that appropriate operational control procedures in terms of Environmental Procedures (EPs) and Environmental Instructions (EIs) are communicated to personnel whose tasks may result in significant environmental aspects.

We have establish, implement and maintain a procedure to identify potential emergency situations and respond to such situations in order to prevent and/or mitigate environmental impacts associated with them.

Emergency preparedness and response plan/procedures are designed to provide maximum protection for employees and property against such major incidents as serious fire, electric related emergencies, terrorist acts, civil disturbances/building collapse, serious weather conditions, technical incidents, etc.

EXTERNAL AUDITS IN THE REPORTING PERIOD: FULLY CERTIFIED



1



4



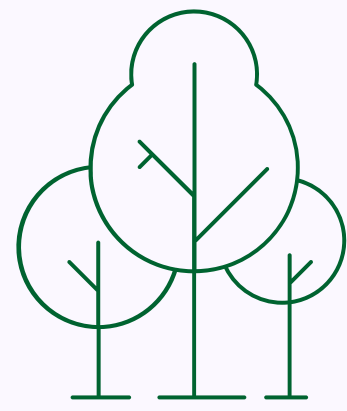
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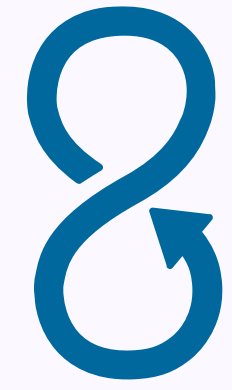
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SPECIFIC PROGRESS MADE IN THE REPORTING PERIOD

Environment: Measurement of Outcomes



1342
trees
planted
in 2021



16%
sustainable
material
consumption



46%
Certified,
sustainable &
preferred material



2%
Recycled
Material



1,48,773 tons
water
Recycled (MAY-DEC
2021)



100%
chemicals are certified.
We are reporting to BHive
and getting ZDHC testing
2x per year



PAPER CONSUMPTION REDUCTION OVER THE REPORTING PERIOD

Year	2019	2020	2021
A4 Paper Consumption	1,199,106	1,100,587	993,513
% Reduction	-	8.22%	9.73%



ANTI-CORRUPTION

GLOBAL COMPACT 10 PRINCIPLES

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Sapphire Textiles has a **zero tolerance policy** for corruption, bribery, money laundering, financial fraud and terror financing. We are committed to act with the highest level of **integrity, honesty and fairness**, and to be in compliance with all relevant **anti-corruption laws** as well as international frameworks including the **UN Convention against Corruption**.



ZERO TOLERANCE POLICY FRAMEWORK



Anti-Corruption Policy

"[Sapphire Textile Mills Ltd.] takes a zero-tolerance approach to bribery, corruption and money laundering, fraud activities and terror assistance"

- from the Policy

The policy is a holistic document which comprehensively covers all aspects corruption from employee responsibility, raising voice, grievance mechanism, and communication and training etc.

"Sapphire has a formal policy on the above [corruption, money laundering and terror financing] transgressions and takes a zero-tolerance approach... it implements effective systems to counter such illegal activities"

- from the Code

The Code provides an easy framework for employees to understand the concepts through clear definitions, risks and legal implications of corruption and its forms. Moreover, it encompasses guidelines to avoid corruption and corrupt practices.



Code of Conduct

RISK ASSESSMENT: INTERNAL AND EXTERNAL AUDITS

Regular risk assessment procedures are conducted for potential areas of corruption through the Internal Audit Department. A formal audit plan is followed through by an Audit Committee. All relevant stakeholders are also taken on board. Moreover, at the start of every month stock assurance is conducted whereby issues and system deficiencies are reported. While the Audit Department handles the investigation, the Finance Department takes curative action. As per audit reports, Sapphire is in full compliance with the law.

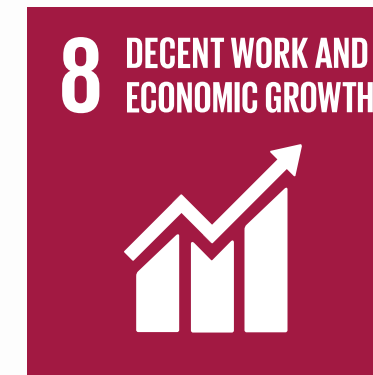
We also conduct bi-annual third party audits with a CA registered company to identify potential and existing areas of corruption.

POLICY ON ANTI-CORRUPTION FOR BUSINESS PARTNERS

Section 16 of Sapphire's Supplier Code of Conduct deals with Business Ethics (anti-corruption, anti-bribery and anti-trust):

"The Sapphire Textile Mills deals its business in an honest and ethical manner. It takes a zero-tolerance approach to bribery and corruption and is committed to act in professional, fair and integral way in all of its business dealings and relationships. It operates and implements effective systems to counter bribery on its all counter parts including suppliers, sub suppliers and vendors."

- from the Policy



ANTI-CORRUPTION: IMPLEMENTATION

INTERNAL CHECKS AND BALANCES TO ENSURE CONSISTENCY WITH THE ANTI-CORRUPTION COMMITMENT

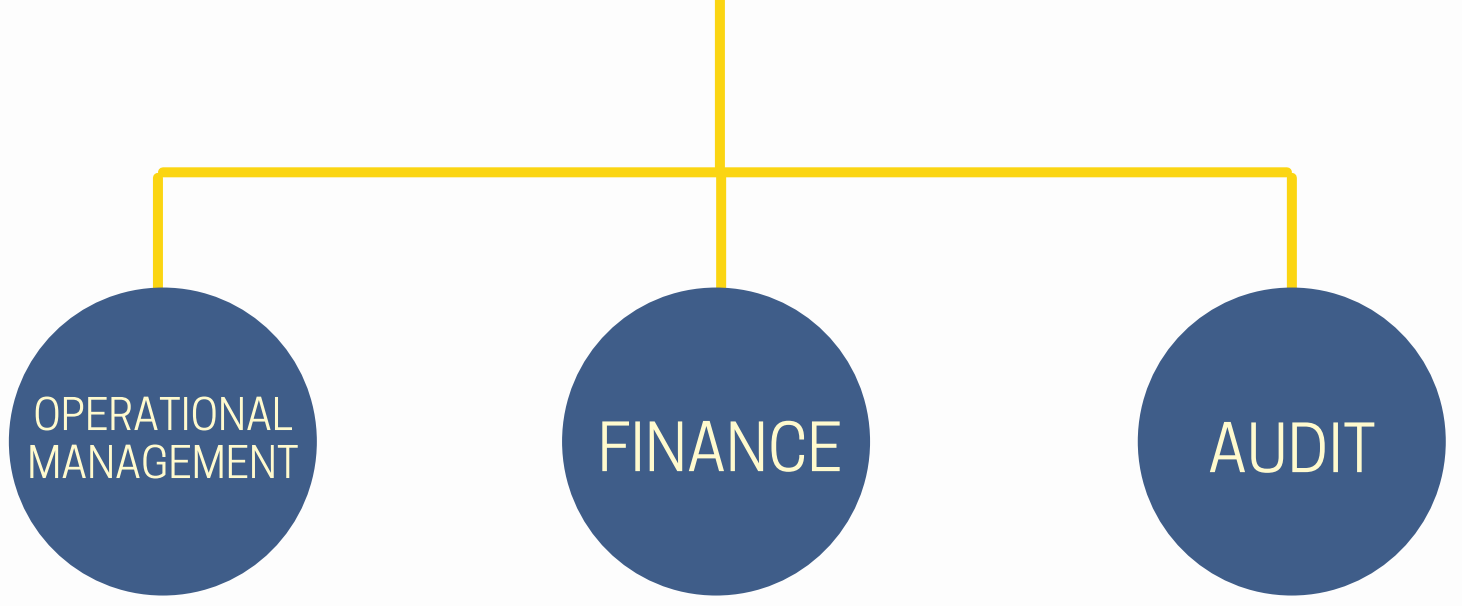


Prevailing country laws are followed while it is made sure there is no legal violation across all operations

An effective ERP system is implemented throughout the supply chain. All the data from PO raising to dispatch of order is available and cannot be modified - ensuring transparency and traceability throughout the supply chain.

The Accounts Department diligently keeps financial records and has appropriate internal controls in place which evidence the business reason for making payments to third parties.

LINES OF DEFENCE | CHECK AND BALANCE



MANAGEMENT'S RESPONSIBILITY AND ACCOUNTABILITY

All employees and business partners must read, understand and comply with the following policies:

- 1. Code of Conduct
- 2. Supplier Code of Conduct
- 3. Whistleblowing Policy
- 4. Anti-corruption/Anti-Bribery Policy

The management is responsible for:

- Devising, implementing and maintaining systems and controls designed to prevent bribery, minimize the risk of bribery and detect instances of bribery.
- Ensuring that employee are aware of the relevant policies
- Ensuring that employees participate in anti-bribery training and that training specific to the needs of particular employees or job functions is provided when appropriate.

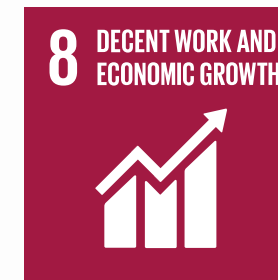


ANTI-CORRUPTION: IMPLEMENTATION



COMMUNICATION AND TRAINING FOR ALL EMPLOYEES ON THE ANTI-CORRUPTION COMMITMENT

2020						
Internal/ External	Training Topics	Trainer(s)	Month	Trainees	Location	Training Hrs
Internal	1. Business Ethics 2. Anti-corruption/Anti-bribery policy 3. Whistleblowing	<ul style="list-style-type: none"> Mr. M. Usama Nawaz Mr. Adnan Shaukat Mr. Abdullah Ghalib Mr. Rashid Mubeen Mr. Faisal Chohan Mr. Aqib Javed 	Once a month	All Employees	Factory floor	1296
2021						
Internal/ External	Training Topics	Trainer(s)	Month	Trainees	Location	Training Hrs
Internal	1. Business Ethics 2. Anti-corruption/Anti-bribery policy 3. Whistleblowing	<ul style="list-style-type: none"> Mr. M. Usama Nawaz Mr. Adnan Shaukat Mr. Abdullah Ghalib Mr. Rashid Mubeen Mr. Faisal Chohan Mr. Khurram Shahzad Mr. Aqib Javed 	Twice a month	All Employees	Factory floor	2529



WHISTLEBLOWING

Sapphire Textile Mills Limited has established and implemented a Whistleblowing Policy to ensure employees and relevant stakeholders have a **safe platform** to voice any wrongdoings.

The Whistleblowing Policy carries the objective of enhancing **transparency**. Confidentiality and sensitivity of the informant is maintained. This policy is intended to cover the following:

- Financial malpractice or impropriety or fraud
- Failure to comply with a legal obligation or status
- Dangers to health & safety or the environment
- Criminal activity
- Improper conduct or unethical behavior
- Attempts to conceal any of these

An investigative method and reporting of the investigation has systemized. To administer, revise, interpret and apply the policy, an **Investigating Committee** has been established.

DEALING WITH INCIDENTS OF CORRUPTION



STML, being a listed company, discourages corruption and corrupt practices during the course of business.

Our audit is conducted by one of the **BIG4**

So far, no such reports have been filed or discovered. In the event of such malpractice, the issue is handled as per the company's disciplinary policy.



CONSISTENCY WITH THE ANTI-CORRUPTION COMMITMENT



0 REPORTED CASES

We report on financial practices twice a year after thorough evaluation done by external auditors. Our Internal Audit Department also looks after the same on a regular basis with an emphasis on compliance and vigilance. We follow these same practices at our factory units according to certification guidelines.



100% COMPLIANCE

PROGRESS IN THE REPORTING PERIOD



3,825

HOURS OF TRAINING

No cases have been reported after doing due diligence. Even though no incidents have been reported but we will be further strengthening our anti-corruption regime in the organization by increasing employee awareness and improving our system of check and balance.

CORPORATE SOCIAL RESPONSIBILITY

#SapphireResponsibility: Business growth is deficient if it is limited to the bottom line.

At Sapphire, those on the periphery have as much of a stake as our employees or customers which is why **we are committed to giving back** to the people of Pakistan.

We are already investing in the upliftment of those at the lowest rung of the ladder, the **education** of the marginalized, and the **health** of the most vulnerable, the empowerment of **women** - with more projects on the way.

We consider our responsibility towards **community development** a **key priority**, and we actively contribute to Sapphire Group's philanthropic arm Abdullah Foundation as well as taking company initiatives for **social welfare**.



CSR: SDG 3 GOOD HEALTH AND WELLBEING

JINNAH HOSPITAL PERDIATRICS WARD



Through Abdullah Foundation, we took up the challenge of upgrading the Paediatrics Ward at Jinnah Hospital, Lahore in 2015 . Not only was the ward completely renovated but equipment was also provided to ensure that the department functioned smoothly and catered to the medical needs of the children. More recently, we have started the reconstruction of the Labor Ward at Jinnah Hospital, and have helped install 30 patient beds.

THE KIDNEY CENTER



The Abdullah Foundation has been a donor for The Kidney Center (TKC) since 1986, assisting the facility in expanding its scope of operations and health-care services. The Sapphire Wing hosts the Deluxe Dialysis Unit, which has eight dialysis machines. We have also assisted TKC in developing consultant clinics, ETT and expansion of their Echo Lab.

CONTINUOUS COMMITMENT

Whether it is investing in numerous hospital wards across the country or running an annual free eye-camp that has for over 20 years, we will continue to make our contribution in building a more healthier, resilient nation.



CSR: SDG 3 GOOD HEALTH AND WELLBEING



ACCESSIBLE AND AFFORDABLE RURAL HEALTH-CARE



Responding to the dire need for emergency medical service in Jhimpir, we have partnered with GE Renewable Energy and Agha Khan Medical University Hospital. A first-of-its-kind Emergency Center has been established to provide emergency and temporary care to locals in a timely manner, with trained staff, modern equipment, a pharmacy and a CE certified ambulance. The Emergency Center is capable of treating 60 patients a day, and is a major step towards resolving the town's health woes.

Projects and Collaboration



More recently, we have been involved in a number of health-related projects. For example, we have aided the construction of PET CT room at Shaukat Khanum Memorial Hospital, Karachi

Our long-term partnerships in health have remained a cornerstone in our conviction towards improving health-care in Pakistan, including our support for Razia Sheikh Welfare Trust's eye hospital, for Sindh Institute of Urology & Transplantation, for the addition of a CT Scanner at Patients' Aid Foundation for the QF & NST campus of Indus Hospital, and for the establishment of an advanced endoscopy centre at Nighaban Civil Hospital in Karachi, amongst many other projects and collaborations.

CSR: SDG 4 QUALITY EDUCATION



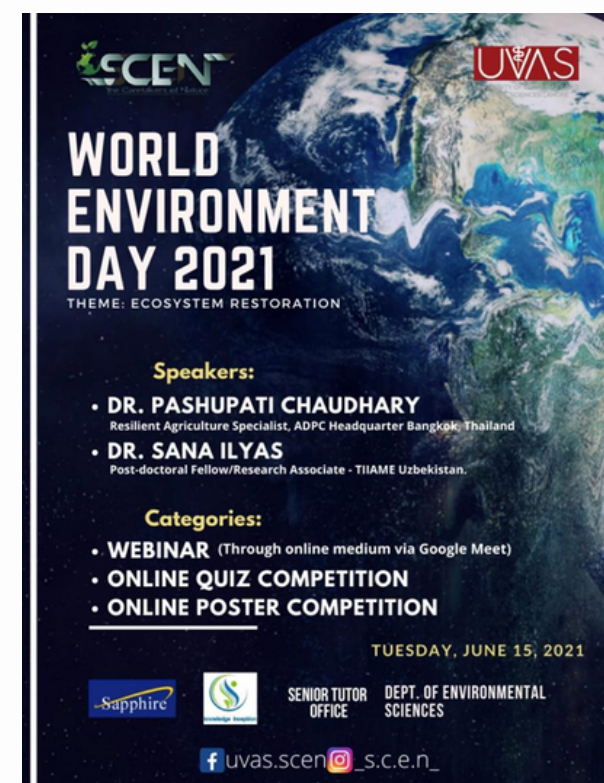
The 15,000f2 Sapphire School of Learning, established in 2002, is offering quality education to the children of our employees and the neighboring community in Punjab. 1200 students are being provided quality education from nursery to high school.



In a joint project with The Citizen Foundation, a state-of-the-art school (Abdullah Campus) was set up in Ferozewattwan for underprivileged children to receive free education. Another TCF School (Sapphire Campus I) was established for 400 primary students. The well-equipped premises hosts libraries and science laboratories.



Established in 1999, The City Grammar High School in Kotri, Sindh educates 850 students every year by integrating sports, technology, and science for a well-rounded learning experience.



As per the theme-based, Sapphire Textile Mills Limited has collaborated with the Society for the Conservation of Environment and Nature (SCEN), University of Veterinary and Animal Sciences (UVAS), to organize All Pakistan Poster Competition (Digital / Handmade) and Quiz Competition to encourage our youth to help and take part in resilience.

This engagement encourages youth to play a part and leads to assemble and syndicate different thoughts and observance on one platform.

CSR: SDG 4 QUALITY EDUCATION



LUMS SCHOLARSHIP

We provided assistance to Suleman Dawood School of Business (SDSB) and Shaikh Ahmad Hassan School of Law (SAHSOL) to launch a scholarship program "Abdullah Scholars" under which a deserving student would be supported to complete his or her undergraduate degree every year.



REFURBISHED IBA LIBRARY

An upgrade was made to a state-of-the-art facility, equipped with contemporary technologies at par with that of any global academic library at the Institute of Business Administration.



TCF SCHOLARSHIP

Our contribution to the endowment fund for higher education and scholarships for students allows many to benefit from the "Sapphire Scholarship".

Sapphire has helped establish 4 schools through which we have been aiding over 2500 students every year to receive low-cost, accessible and quality education.

CSR: SDG 5 GENDER EQUALITY

FEMALE AND MATERNAL HEALTH

We at Abdullah Foundation have contributed in efforts related to improving maternal health in Pakistan and chose to lend support to Lady Dufferin Hospital. Although it provides quality healthcare, the hospital is heavily dependent on funds and donations for effective provision of a largely subsidized or free treatment. The hospital built with philanthropic efforts is a reminder of a culture of care. And this culture needs to prevail, especially since such hospitals play an important part in setting a promising trend to improve maternal health in Pakistani women. For this reason Abdullah Foundation and the Sapphire Group have remained steadfast in offering their support to the hospital and remain committed to extend its support to it in the future as well.



FREE MEDICAL CAMP



Free Medical Camps for Females Sapphire Textile Mills Limited believes that health examinations and tests at the early stages of the illness can help to cure it faster and save a life before it can cause damage. In line with Sapphire's commitment to ensure the goals of "Good Health & Wellbeing for All" we arranged a free Gynecology and Obstetrics Camp for female employees and local community.



BREAST CANCER AWARENESS FOR LOCAL COMMUNITY

These sessions were conducted for female employees as well as for local community. In line with the Sapphire's commitment towards achieving the Sustainable Development Goals (SDGs) of Good Health & Wellbeing, Sapphire Textile Mills Limited has arranged an informative breast cancer awareness session for employees and local community.



CSR: SDG 5 GENDER EQUALITY



GIRLS' EDUCATION

In collaboration with Association For Water, Applied Education & Renewable Energy (AWARE) in 2021, Sapphire has provided solar panels for downtrodden communities Reduce gender disparity in education Reduce the ratio of out of school children decrease the illiteracy graph of rural areas Introduce modern methodology of teaching.



RELIEF AND REHABILITATION FOR DISTRESSED WOMEN

We have lended avid support to Panah Trust, a shelter home in Sindh that acts as a safe haven for female domestic violence survivors.



SKILLS DEVELOPMENT OF UNSKILLED WOMEN AT OUR STITCHING TRAINING LINES W/ TEVTA & OUTSOURCING THE PRODUCTION OF OUR SHOPPING BAGS TO UNDERPRIVILEGED HOME-BASED FEMALE WORKERS IN A VILLAGE NEAR OUR FACTORY.

CSR: SDG 9 REDUCED INEQUALITIES



NOWPDP

Technology for Advancement and Inclusivity For us, technology is not just about advancement but also about inclusivity. It is in this spirit that, in association with NOWPDP, we have aided the development of a lab with

40

computers in 2020. The lab is equipped with accessible screen reading software made specially for disabled persons.



upto **70%** on Home Textile Products for employees and local community on annual basis



LABARD

Education should be inclusive, especially for those who are born differently. We actively support organizations attempting to make education in Pakistan a more inclusive sphere. Recently, we aided the construction of LABARD Rehabilitation & Vocational Training Center for disabled people in Harbanspura, Lahore.



NAMAL Foundation

State-of-the-art Computer Lab operating under Namal Foundation





CSR: SDG 11 SUSTAINABLE CITIES AND COMMUNITIES



**We fund WWF under
Corporate Membership
Program**



**Community Action
for Disaster
Response (CADRE)
Training**

SAPPHIRE RETAIL: SUSTAINABILITY INITIATIVES

2020

PROMOTED 5 LOCAL ARTISTS ON OUR REUSABLE CANVAS BAGS

For Independence Day, Sapphire took the initiative to promote local artists by having them design 5 variants for our eco-friendly canvas bags that were then distributed at every purchase on Independence Day across all Sapphire stores, nationwide. This initiative allowed their artistic skills to shine through our canvas bags, allowing each of them to tell their own story on a sustainable medium.



2021

REVIVE THE THREAD

With the start of a new decade, Sapphire took another step forward for its sustainability initiative by introducing a new campaign under the umbrella of Little by Little. This time, the aim was to involve the entire nation to partner with us in our efforts for a greener future. We placed garment collectors at all our stores across Pakistan and have been encouraging people to donate unwanted, old, unusable, discarded fabric to give it a new life, a new meaning, a new purpose in the shape of a canvas bag or more recycled items in the future.

SUSTAINABLE FASHION

To signify our move towards setting realistic goals for our sustainable initiative, Sapphire has launched its Sustainable Fashion line coinciding with Independence Day – a collection of 6 Ready to Wear Kurtas that are made while keeping ethical processing at the forefront by recycling fashion waste and reduced water consumption. This dynamic collection is a starting step towards achieving the sustainability goals we are setting for ourselves by the year 2025, in which we aim to recycle at least 40% of our fashion waste.





This is the second Communication on Progress submitted to the UN Global Compact by Sapphire Textile Mills Ltd.
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