



# **MATERIALITY ASSESSMENT REPORT**

## 1. Executive Summary

This Materiality Assessment Report presents a comprehensive overview of the environmental, social, and governance (ESG) issues that are most relevant to Varsha Stones International Private Limited (VSIPL) — a company engaged in the quarrying of stones, sand, and clay. The purpose of this assessment is to guide the company's ESG strategy by identifying the key material issues that could significantly influence its business operations, long-term value creation, stakeholder relationships, and regulatory compliance.

### Company Overview

Varsha Stones International Private Limited (VSIPL) is a private limited company. The company has steadily grown into a notable player in the **stone, sand, and clay quarrying sector**, primarily supplying high-grade materials to construction and infrastructure projects across.

Operating multiple quarry sites at various states. VSIPL is committed to providing quality raw materials while maintaining operational efficiency and compliance with industry standards. The company recognizes the importance of sustainable practices in minimizing environmental damage and supporting community development in the areas surrounding its operations.

### Purpose of the Assessment

The primary purpose of conducting this materiality assessment was to identify and prioritize the ESG factors that are most significant to VSIPL's stakeholders and core business operations. As the environmental and social impacts of quarrying operations become increasingly scrutinized by regulators, investors, and the public, the company aims to proactively address these risks and align its business strategy with sustainability principles.

This assessment is aligned with the **Sustainability Accounting Standards Board (SASB)** standards for the **Quarrying of Stone, Sand, and Clay sector**, ensuring relevance, comparability, and industry specificity in the ESG issues considered. It also reflects VSIPL's commitment to transparency, accountability, and responsible resource management.

The assessment process involved internal data analysis, industry benchmarking, and review of regulatory and reputational risks. The findings serve as a foundation for integrating ESG considerations into the company's operational and strategic decision-making.

### Key Outcomes

The materiality assessment led to the identification of several ESG topics that are critical to VSIPL's long-term performance and stakeholder trust. Among the issues assessed, the following emerged as **top material topics**:



- **Water Management**

The use and conservation of water in quarry operations was highlighted as a top priority due to both operational dependence and local water scarcity risks.

- **Biodiversity and Land Rehabilitation**

Quarrying activities have direct implications on local ecosystems. Stakeholders emphasized the importance of habitat preservation, reforestation, and post-mining land restoration.

- **Workforce Health and Safety**

Given the hazardous nature of quarrying, ensuring worker safety through adequate training, use of personal protective equipment (PPE), and emergency preparedness was deemed highly material.

- **Community Relations**

The company's social license to operate hinges on its relationship with nearby communities. Concerns about dust, noise, land usage, and local employment were recurrent in stakeholder feedback.

- **Business Ethics and Compliance**

Transparency in permits, responsible sourcing, and ethical conduct in land acquisition and operations were recognized as significant to maintain regulatory compliance and brand reputation.

The company intends to use these findings to enhance its ESG governance framework and define actionable targets. The outcomes will inform future policies, employee training programs, community initiatives, and ESG reporting mechanisms, ensuring that VSIPL remains resilient, responsible, and responsive to both business and societal expectations.

## **2. Methodology**

This section provides a detailed account of the approach and steps followed to conduct the materiality assessment. A transparent and structured methodology is critical for ensuring the credibility, reliability, and relevance of the findings. The process adopted by VSIPL aligns with internationally accepted frameworks and integrates both internal and external stakeholder perspectives.

### **Approach Used**

The materiality assessment was carried out in accordance with the **Sustainability Accounting Standards Board (SASB) Materiality Map** for the **Quarrying of Stone, Sand, and Clay** industry. This framework provided industry-specific guidance on ESG topics that are likely to be financially material.

To strengthen the contextual accuracy of the findings, the assessment relied on Internal risk analysis to evaluate how ESG issues could affect operational performance, regulatory compliance, and long-term sustainability.

The assessment was designed to ensure that the final set of material issues reflects a balance between **stakeholder priorities** and **business impact**.

### Steps Followed

- **Benchmarking**

A comprehensive benchmarking exercise was conducted by analyzing the sustainability disclosures and material topics reported by peer companies in the quarrying and mining sector. This helped identify commonly acknowledged ESG risks and opportunities within the industry. The comparison provided a baseline to evaluate VSIPL's current ESG maturity and focus areas.

- **Issue Identification**

A comprehensive list of potential ESG issues was compiled from the following sources:

- SASB Materiality Map for the quarrying sector
- Industry reports and sustainability trends
- Regulatory developments and compliance requirements
- Internal brainstorming sessions

The initial list included topics such as water use, air emissions, land rehabilitation, community impact, labour practices, and ethical governance.

- **Prioritization**

Each identified ESG issue was evaluated on two key dimensions:

- **Impact on Business Performance:** How significantly the issue can influence VSIPL's operations, reputation, legal standing, or financial results.
- **Importance to Stakeholders:** How concerned or interested stakeholders are regarding each issue.

A **materiality matrix** was created by plotting these issues on a two-dimensional grid. This visual representation helped prioritize the most critical ESG topics for focused action.

### 3. Tools and Frameworks

To conduct the assessment in a systematic and objective manner, the following tools were utilized:

- **Scoring matrix:** Each issue was rated on a numeric scale for business impact and stakeholder importance.

- **Stakeholder survey forms:** Developed to ensure consistency in data collection across internal stakeholder groups.
- **Interview guides:** Used to maintain focus during discussions with internal participants.

#### 4. Company Profile

This section provides an overview of Varsha Stones International Private Limited (VSIPL), setting the context for the materiality assessment by outlining its operational model, economic contribution, and current Environmental, Social, and Governance (ESG) practices. Understanding the nature and scale of VSIPL's business is essential to assess the relevance and impact of ESG issues on the company.

##### Nature of Operations

Varsha Stones International Private Limited (VSIPL) is engaged in the **quarrying of natural stones, sand, and clay**, serving a diverse range of clients across infrastructure, real estate, and construction sectors. The company operates multiple quarry sites located primarily in [insert specific states or regions, e.g., Tamil Nadu and Andhra Pradesh], where high-quality raw materials are extracted using both mechanized and semi-mechanized methods.

VSIPL's operations are designed to ensure:

- Consistent quality and size of stone aggregates.
- Timely supply to large-scale infrastructure and urban development projects.
- Compliance with safety norms and local environmental regulations.

The company maintains a steady balance between traditional extraction techniques and evolving industry practices, aiming for efficiency, safety, and minimal environmental impact.

##### Economic Footprint

VSIPL plays a notable role in the local and regional economy. Its operations directly and indirectly contribute to employment and income generation in rural areas, where many of its quarries are located.

Key economic indicators include:

- **Workforce Strength:** The company employs over 60 people directly, including engineers, supervisors, machine operators, and labourers. An additional over 100 individuals are indirectly employed through contractors, transporters, and service providers.
- **Annual Production:** The company extracts and supplies approximately 40,000.00 metric tons of stone annually to meet the growing demand from construction and infrastructure sectors.
- **Market Reach:** VSIPL caters to clients across the Globe.

This economic activity strengthens local supply chains and provides a stable source of livelihood for nearby communities.

##### ESG Context

VS IPL recognizes that sustainable quarrying is essential not only for regulatory compliance but also for long-term business resilience. Although at a nascent stage in formal ESG reporting, the company has already initiated several practices that contribute to environmental conservation, social well-being, and ethical governance. Some of the ongoing initiatives include:

#### Environmental Stewardship

- **Dust Suppression:** Use of water sprinkling systems and green belt development around quarries to reduce air-borne particulate emissions.
- **Land Reclamation:** Preliminary steps toward restoring mined-out areas and exploring sustainable post-quarry land use options.

#### Social Responsibility

- **Local Employment:** Preference is given to hiring from local communities, enhancing local skill development and economic participation.
- **Worker Safety:** Implementation of basic health and safety measures including PPE (Personal Protective Equipment) and periodic safety drills.
- **CSR Engagement:** Support for local schools, drinking water facilities, and health camps through informal community outreach efforts.

#### Governance

- **Regulatory Compliance:** Adherence to mining and environmental regulations issued by state and central authorities.
- **Operational Transparency:** Maintenance of records related to waste disposal, emissions, and employee welfare.

While VS IPL's ESG journey is in its early stages, the company is committed to progressively formalizing and strengthening its sustainability strategy. The materiality assessment marks a significant step in aligning its business strategy with the expectations of stakeholders and sustainability standards.

#### 5. SASB Topics and Material Issues Identified

| ESG Pillar  | Material Topic       | Materiality Level | Key Risk/Opportunity                  | Relevance to VS IPL                                |
|-------------|----------------------|-------------------|---------------------------------------|--|
| Environment | GHG Emissions        | Medium            | Carbon footprint; regulatory pressure | Electricity Usage; scope in efficiency             |
| Environment | Water Management     | High              | Water scarcity, pollution             | Community sensitivity; need for recycling          |
| Environment | Biodiversity Impacts | High              | Habitat destruction, compliance       | Quarry locations near ecologically sensitive areas |

| ESG Pillar     | Material Topic                      | Materiality Level | Key Risk/Opportunity                               | Relevance to VSIPL   |
|----------------|-------------------------------------|-------------------|--|--|
| Environment    | Energy Use & Efficiency             | High              | Rising energy costs, regulatory compliance         | Opportunity to reduce energy consumption through efficiency      |
| Environment    | Waste Management                    | Medium            | Improper waste disposal; regulatory non-compliance | Need for waste recycling systems and responsible disposal        |
| Social Capital | Community Relations                 | High              | Social unrest, protests                            | Strong community engagement required                             |
| Social Capital | Stakeholder Engagement              | High              | Alienation of key stakeholders; community unrest   | Importance of maintaining strong local community ties            |
| Human Capital  | Workforce Health & Safety           | High              | Injury, illness, legal non-compliance              | Need for structured safety programs                              |
| Human Capital  | Employee Training & Development     | Medium            | Lack of skills, low productivity                   | Investing in training programs to upskill workforce              |
| Business Model | Reserves Valuation & Capex          | Medium            | Overinvestment, poor planning                      | Strategic forecasting of quarry life                             |
| Business Model | Product Quality and Safety          | High              | Product failures, reputational damage              | Ensuring strict quality control processes in product delivery    |
| Governance     | Business Ethics                     | Medium            | Corruption risk, permit delays                     | Need for transparency and ethical sourcing                       |
| Governance     | Risk Management & Internal Controls | Medium            | Ineffective risk management systems                | Need for robust internal controls and risk management frameworks |

## 6. Stakeholder Engagement Summary

Stakeholder engagement lies at the heart of a robust materiality assessment. It ensures that the issues identified reflect not only industry standards and internal risks, but also the **real concerns, expectations, and aspirations of those directly or indirectly impacted by the company's operations.**

## Stakeholder Groups Consulted

The engagement process encompassed **internal stakeholders**. Groups were selected based on their proximity to and influence over the company's operations.

| Stakeholder Group                      | Rationale for Engagement  |
|--|---|
| <b>Employees &amp; Site Workers</b>    | Directly exposed to operational risks, key to implementation of safety and environmental practices. |
| <b>Site Managers &amp; Supervisors</b> | Insight into regulatory compliance, operational constraints, and workforce management.              |
| <b>Local Government Authorities</b>    | Oversee licensing, environmental monitoring, and community development expectations.                |
| <b>Contractors &amp; Transporters</b>  | Involved in the logistical side of operations; face road safety and labour welfare issues.          |

## Engagement Methods Used

A multi-channel approach was adopted to ensure broad participation and meaningful insights:

- **Structured Surveys:** Distributed to employees and contractors to gather quantitative input on workplace safety, environmental concerns, and well-being.
- **One-on-One Interviews:** Conducted with site managers for in-depth perspectives on operational impact and regulatory expectations.
- **Suggestion Boxes:** Installed at major quarry sites to allow anonymous feedback from workers and visiting stakeholders.
- **Informal Interactions:** Casual conversations during site visits to capture spontaneous observations and concerns.

## 7. Conclusion

The stakeholder engagement process has helped VSIPL move beyond compliance to a **more inclusive and responsive ESG strategy**. By embedding diverse perspectives into materiality planning, the company strengthens its license to operate, builds community goodwill, and fosters a culture of shared accountability.

## Measure & Report

To enhance transparency and accountability, it is essential for VSIPL to implement robust **measurement and reporting** practices. Setting clear **Key Performance Indicators (KPIs)** will enable the company to track its progress in addressing critical ESG issues and ensure continuous improvement. Key actions include:



- **Defining KPIs for Key ESG Issues:** For instance, measuring **water usage per ton of material extracted** and monitoring **emissions per unit of production** will provide quantifiable data on resource efficiency and environmental impact.
- **Regular Reporting:** Publish periodic sustainability reports that reflect the company's performance against the established KPIs. This will help demonstrate VSIPL's commitment to transparency and its progress in meeting sustainability targets.
- **Benchmarking and Comparisons:** Use industry benchmarks to gauge VSIPL's performance relative to peers, helping identify areas for further improvement and innovation.

By systematically measuring and reporting ESG performance, VSIPL can demonstrate its commitment to sustainability and build credibility with investors, customers, and regulators.