



HZL PROCUREMENT PHILOSOPHY

Preamble

HZL believe its success to greater extent depend on long term partnering & performance of its vendors and contractors. As a high Quality company we are ensuring best combination of business partners having focus on equal opportunity, Quality, Service, Delivery, Safety, High commitment & Cost effective vendors, meeting our business objectives and requirements

Processes, Procedure & Governance

- Press tender route to be followed for procurement of goods and services.
- All purchases to be done directly from reputed Original Equipment Manufacturers (OEMs), nominated MRO aggregators rather than sourcing from traders / small parties, middle man or similar intermediaries.
- No purchases to make without valid purchase orders / contracts. All commercial transactions should be carried out through ERP systems without any exceptions. Cash purchases to be discouraged.
- Documented procedures relating to vendor selection, negotiation, order placement, material receipt & inspection, payments need to be in place.
- All negotiation to be done by a team instead of an individual & any procurement decision would be as per management approved Delegation of Authority.
- Use of Reverse auction and e-commerce to preferred options for procurements
- All Purchase orders / contracts should have legally vetted standard terms and conditions.
- Arbitration and Jurisdiction of each contract will be in India.
- We shall not undertake any purchases which involve conversions / job work.
- All Civil contracts to be awarded on “all in cost basis”.
- There should be systematic & approved management procedure of hiring of specific, unavoidable & statutory services (e.g. legal / audit / management consulting). In any consulting jobs assignments, the payment to be linked majority with defined measurable outcomes & efficiencies with detailed thought through at senior management level.
- Advance payments to vendors should be discouraged. In case any exigency/ exception such payment need to be secured through adequate security mechanisms like bank guarantee except government/PSU bodies.
- Any deviation to principal, philosophies & laid down SOP needs to be duly approved by management to ensure transparency & high level of integrity. There should be proper methodology for Risk assessment & implementing Management of Change



- We push forward the procurement of environmental-friendly equipment, materials and office supplies (green purchasing) in order to contribute to building up a sustainable business in cooperation with our suppliers.
- We observe all the applicable laws and regulations and follow the spirit of the laws. In particular, we give due consideration to the observance of the safety-related laws, respect for human rights (including child labor and forced labor prohibition)

People & Relationships

- The Engineers/ MBAs to be preferred who are having the business insight and relevant knowledge to be inducted to create positive environment in dealing with vendors.
- The team members should be exposed by mean of available training platforms/ visits/ attending conferences to align with the changing business environment & world class operations/organizations for inducting best practices, procedure & benchmarked systems.
- We should align our function with any good practices & concepts introduced by consulting organizations & understood best practices across globe/peer industries.
- An exhaustive vendor database should be developed on periodical basis through detailed vendor evaluation systems. Such data with updated blacklisted supplier's information to be shared across group companies.
- Our relationships with all our vendors will be with an aim to develop a long-term partnership through the valuing of mutual understanding and trust. The vendor should be feeling preferred by sending all orders and payments directly without making them visit our sites for any such purpose.
- Ensure to maintain strategic relationship of highest level with our vendors through regular interactions, meetings & conferences with senior management involvement.
- The vendors need to be strictly analyzed through rating matrices basis their performance, quality, cost consciousness, engagement in improving & achieving our business deliverables.
- There should a well-documented and structured plan for strategic & sustainable engagement with key partners & world class training module for commercial team.
- We welcome suppliers' suggestions for reducing procurement costs.

Reporting & Transactions

- We shall have focus on on-time deliveries and low lead times. The continuous review and disposal of slow moving items to remain an area of focus.
- Scrap disposal/sales need to be routed through press tender and through advance payment modalities. The loading and dispatch of scrap need to be ensured during daytime and in the presence of nominated auditors.



- System for periodic review of items sent through returnable gate pass (RGP) should be in place.
- All business units should be working towards reducing the number of transactions significantly and should have a system in place for benchmarking such aspects with global peers.
- Group purchases / synergy to be encouraged to achieve benefits through economies of scale and pooling of knowledge.

Strategy Formulation & Benchmarking

- The Procurement decisions for all major items should be through cost benchmarking (internal and external). The use of online platforms should be encouraged for establishing benchmarking, alternate product development & locating high potential vendors.
- Commodities being the major spendbase such sourcing decisions should be well analyzed, understood perceiving all market dynamics. These key commodities should largely be sourced through long-term contracts directly from primary sources. The Strategy for sourcing such key commodities / materials should be reviewed by a Committee periodically.
- Dependence on single source vendors for critical items to be avoided. The team should be encouraged enough to seek for alternate source / vendor on continuous sources.

Technology & Reliability

- We should ensure to be introducing most updated technology available in the current market environment to avail all possible benefits. Teams to be encouraged to look for product/ vendor alternate by exploring beyond their barriers & boundaries using latest technology & internet interface.
- We explore to deal with only pre-approved & large vendors for end to end supply chain management (transporters/logistics) confirming using the best available technology for ensuring safe & reliable delivery of our products.
- Suppliers should have a quality assurance system in place and be able to guarantee suitable levels of quality and safety.
- Suppliers should work toward management that gives sufficient consideration to human rights, health and safety, the environment, fair trade, quality, safety, information security, and social contribution
- Maximizing the movement of bulk commodities through Rail mode for safe, secure & reliable transportation of materials.