



HINDUSTAN ZINC LIMITED SUPPLY CHAIN STRATEGY DOCUMENT



Hindustan Zinc Limited Supply Chain Strategy

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Hindustan Zinc Limited (HZL) supply chain approach is focused on providing opportunities to our business partners to leverage collaboration on technology, innovation & digitalization, for long-term value creation and mutual growth. We strive to build mutual growth-oriented relationships with business partners through exchange of ideas, insights for deeper engagement, knowledge acquisition and intellectual development, focused on enabling end-to-end solutions rather than sourcing a specific supply or service.

Underlining the strategic importance of procurement amidst global supply chain disruptions, we continuously align our business policies to take disruptions in stride and create value in procurement far more than prioritizing cost. We are focused on building and delivering on risk, resilience and agility metrics to navigate complexity and to prioritize operational excellence.

2 Business Partner Classification

Hindustan Zinc classifies business partners according to impact on operations, sustainability, unique business partner dependency and irreplaceability of the solution.

Classifying business partners allows HZL to understand and manage its supply chain risk profile. The classification process also assists in highlighting where HZL is dependent upon certain business partners for the ongoing sustainability of its operations.

2.1 The Tiers of Business Partner

2.1.1 Tier 1 Business Partners

Hindustan Zinc defines Tier 1 Business partners as the Business partners that directly supply goods or services (including intellectual property (IP) / patents) to the company. These Business Partners constitute Hindustan Zinc's active Business partner base and their performance is monitored against a range of metrics which are clearly defined in their contracts including quality and safety performance.

All Tier 1 Business Partners are thoroughly screened during business partner onboarding process on multiple parameters including sustainability and we also conduct third party due diligence assessment for our business partners.

Following onboarding, we continue to monitor, on our regular basis and in reaction to *changes of circumstances*, our business partners' adherence to our Sustainable Sourcing Policy, Code of Conduct, and ESG expectations.

2.1.2 Critical Tier 1 Business Partners

Critical suppliers include high-volume suppliers, suppliers of critical components and non-substitutable suppliers. A critical business partner is one whose goods or services have significant impact upon HZL operations and/or sustainability, as well as a large footprint in one or more of our operations in terms of allocated personnel, equipment and resources, making replacement or substitution highly difficult without a detailed plan and a significant replacement process.

Critical Tier 1 Business Partners include:

- High-volume business partners,
- Business partners of critical components and
- Non-substitutable business partners (e.g. Original Equipment Manufacturers)

2.1.3 Critical Non-Tier 1 Business Partners

Hindustan Zinc defines Critical non-tier 1 business partners as business partners that are considered critical and provide their products and services to the tier 1 business partner at the next level in the chain.

2.2 Business partner Identification and Qualification Process

Business partner identification and qualification are the first two steps in the business partner management process. We at Hindustan Zinc have defined our unique identification and qualification criteria needed for each business partner to qualify as a supply or service partner to maintain a healthy supply base.

3 Business partner Sustainability Risk Framework

3.1 Our Standard

Hindustan Zinc has a **Sustainable Sourcing Policy** and **Supplier Code of Conduct (CoC)** in place which includes expectations on environmental standards, human rights, occupational health and safety, business ethics, insider trading etc. Hindustan Zinc believes in working with best in class business partners and eliminating traders and we build our long-term relationship with global business partners (for supply and services) in order to buy their performance and not only their products.

3.2 Identifying, Assessing, and Managing Risks

Supply chain risk management covers the identification, assessment and mitigation of all operational and supply chain risks, throughout the lifecycle. This process allows us to identify, assess and mitigate risk and to identify opportunities to add value and drive innovation.

We implement risk management plans appropriate to the level of risk. Our primary risks include:

- **Economic Risks**, such as insolvency, supply chain disruptions, geo-political risk, counterfeiting, theft, business integrity risks and quality risks
- **Environmental Risks**, such as climate change risk, risk from hazardous materials, improper waste disposal and spills
- **Governance Risks**: risks related to Non-compliance to CoC, anti-bribery, reputational risk, litigation risk, regulatory compliance risk, IT related risks
- **Social Risks**, such as violation of human rights in areas of child labour, forced labour, excessive overtime, poor working conditions, exposure of workers to hazards, violation of data privacy, risks related to lack of diversity and inclusion in workforce

- **‘Annex II Risks’:** risks associated with mineral supply chains originating from CAHRAs, as covered by the OECD Due Diligence Guidance in its Annex II and described in our Sustainable Sourcing Policy: *serious human rights abuses, direct or indirect to non-state armed groups*, risks associated with the contracting of security forces, bribery and fraudulent misrepresentation of the origin of the minerals, money laundering, and non-payment of taxes, fees, and royalties due to governments.

We regularly review and update risk management plans with the aim of reducing risks and ensuring continued supply of our goods and services.

If we identify risks, our first response will be, to the extent possible, to engage with suppliers for the purpose of risk mitigation and capacity building.

If we identify Annex II risks, we commit to engage with business partners and relevant stakeholders, as appropriate, to improve and track performance with a view to preventing or mitigating risks of adverse impacts through measurable steps taken in reasonable timescales. We will suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation.

However, will immediately suspend or discontinue engagement with business partners where we identify a reasonable risk that they are sourcing from, or linked to, any party *committing serious human rights abuses* or providing *direct or indirect support to non-state armed groups*.

3.3 Risk Assessment and Corrective Actions

We following a risk-based approach to determine whether Business partner sites need to undergo additional due diligence/ risk audits, which can include third party reviews/ audits and/ or certification through fully benchmarked standards. We segment Business partner base on the risk they pose to our business which meet one or more of the following criteria:

- Strategic or business- critical for the Hindustan Zinc, such as providing key components or services with few or no alternatives.
- May have considerable social, environmental or economic impact.
- Supply exclusively for Hindustan Zinc, using Hindustan Zinc know-how or process.
- Produce mainly for Hindustan Zinc in a significant volume.
- Considered to be major Business partner to Hindustan Zinc based on annual spend.
- Single Business partner dependency.
- Operate in High-risk industry or operate or source from CAHRAs.
- Quality of supply and services.

Depending on the outcome of our risk assessment, a Business partner may be classified as low, medium or high risk. High-risk Business partners pose a material risk to Hindustan Zinc, demanding implementation of a risk mitigation action plan by Business partner’s and in few cases review business continuity plan. If

applicable, adequate Business partner support measures are identified and implemented to ensure effective remediation.

We conduct business partner sustainability evaluation for our critical business partners with the aim to foster the relationship, align our supply chain with our sustainability goals and collaborate for mutual growth and benefit. We focus on effectively and positively building sustainability consciousness in our supply chain and continue to address risks through identifying and tackling root causes.

3.4 Strategic business partners

When working with business partners, we often identify opportunities for collaboration that create deep value chain integration to achieve mutual long-term sustainable growth. We identify and work on areas of mutual capability and capacity building, supporting innovative ideas to improve process efficiency, reduce environmental footprints and to procure sustainably.

4 Our Approach

We embrace multi-faceted approach to innovation through pivoting procurement decisions on Total Cost of Ownership and Value in Use through the life cycle, supported by data and analytics. We commit to finding new and better ways and develop business models that provide greater value and relevance.

We strive to build our relationship with business partners around a shared vision, common goals and a joint strategy for mutual benefit.

4.1 Business Partners Connect

We have in place a well-defined business partner connect program across all levels. We organize structured engagement with our senior management and business partners, with the agenda to set right expectations and align the strategic priorities of the business partners with those Hindustan Zinc. Through the engagement process, we ensure that our business partners are integral part of our transformational initiatives towards Environment, Occupational Health and Safety (EOHS), Quality, Innovation, Resource Efficiency, Operational Excellence, Responsible sourcing and due diligence & Compliances.

We embrace partnership-based approach with our business partners and encourage them by seeking their inputs, concerns and feedback, providing a knowledge sharing platform and recognizing the best performers which results in mutual improved performance.

5 Sustainability Monitoring

Our Procurement department, together with Quality, Health, Safety and Environmental Protection, and other functions, assess and monitor our Business partners' performance and Business partner-related risks. This includes:

- Using a risk-based approach to segment our supply base.
- Conducting due diligence and audits to ensure Business partner performance.

- Including sustainability clauses in Business partner contracts and bidding processes.
- Collaborating with selected Business partners for supply and services on performance improvement, including risk management where applicable, and monitoring progress.
- Sharing information and developing processes to ensure the integrity of supply chain and the quality of materials within the supply chain.

Our teams also coordinate with internal and external auditors to conduct audits of Business partners and to help Business partners with follow-up actions to improve their performance. Our special focus is on assessing the labour practices under the UK Modern Slavery Act and sustainability practices of the Business partner in compliance with Sustainable Sourcing goals.

If a Business partner doesn't fully meet our standards, we continue to work with them to improve their performance. We support our business partners to mitigate risk assessed through training, knowledge sharing, upgrading or strengthening of their management systems. We believe in leveraging our business relationships to ensure effective remediation is implemented. We consider disengagement from the business partners as a last resort, and where specific risks are identified (i.e., *serious human rights abuses* and *direct or indirect support to non-state armed groups*), as described in our Sustainable Sourcing Policy and this Strategy.

6 Glossary

Conflict-Affected and High-Risk Area (CAHRA): Area identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law.¹

Critical business partners: Critical business partners include:

- High-volume business partners,
- Business partners of critical components, and
- Non-substitutable business partners (e.g. Original Equipment Manufacturers).

¹ (OECD (2016), OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264252479-en>)

Direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of minerals includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates who:

- illegally control operating sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain; and/or
- illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded; and/or
- illegally tax or extort intermediaries, export companies or international traders.

High-risk business partners: These include:

- Tier 1 Suppliers located in, and/or sourcing from, *CAHRAs*. These are also known as ‘red-flagged suppliers’.
- Upstream suppliers of high-risk Tier 1 business partners in red-flagged supply chains.
- Suppliers operating in a high-risk industry.
- Suppliers identified as contributing to or being associated with other ESG risks following the risks assessment.

Non-State Armed Group: refers to the definition of non-state armed groups provided in the Additional Protocol II to the 1949 Geneva Conventions (Additional Protocol II) in its Article 1.1: “dissident armed forces or other organized armed groups”, who fight regular armed forces or against each other on the territory of one or several States.

Serious Human Rights Abuses: As defined in Annex II of the OECD Due Diligence Guidance, serious human rights abuses include:

- Any forms of torture, cruel, inhuman and degrading treatment.
- Any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily.
- The worst forms of child labour (as per ILO Convention No. 182 on the Worst Forms of Child Labour (1999);
Other gross human rights violations and abuses such as widespread sexual violence;
War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.



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