

Sustainable Procurement Policy

For Godrej Industries (Chemicals)
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Issuing Function
Procurement Department

Target Audience
Suppliers to Godrej Industries (Chemicals)

Approver
Mr. Atul Prakash
Head - Marketing and Supply Chain

Contact Information
Vikash Sharma
AVP (Commodities & Purchase)
vikash.sharma@godrejinds.com

Preface

A 'Good & Green' Godrej

Godrej Industries (Chemicals) ("Godrej") is one of the oldest businesses of the Godrej Group. We are proud to have pioneered the manufacturing of oleochemicals in India, back in 1963. Today, we are one of India's leading oleochemicals players and manufacture and market over 100 chemicals for use in more than 24 applications. We are expanding our reach globally and our products are exported to over 80 countries in North and South America, Asia, Europe, Australia and Africa.

One of the imperative pillars of the Godrej Group's Vision 2020 is Good & Green. It is based on the principle of shared value, a concept that promotes policies and operating practices that enhance the competitiveness of a company while also improving economic and social conditions in the communities in which it operates. As part of Good & Green, the Godrej Group aspires to create a more employable Indian workforce, build a greener India and innovate for good and green products.

Godrej Group believes that companies can help solve critical social issues while enhancing their competitive advantage. As part of this vision, we have undertaken numerous initiatives under healthcare, education, environment, renewable energy and vocational training and have adopted sustainability and shared value as an intrinsic part of our business operations in order to achieve our vision for the year 2020. (Please find details of Godrej Good & Green vision at - <http://www.godrejgoodandgreen.com/>)

Godrej has always promoted high ethical standards of professional and personal conduct by our team members and business associates. All of our team members and business associates must be committed to integrity in all aspects of their activities and comply with all applicable laws, regulations and internal policies. We have laid down a Code of Ethics and Business Conduct (www.godrejindustries.com/Resources/pdf/compliances/Code-of-Conduct.pdf) to improve overall compliance as well as to further the scope of good Corporate Governance with an ethical and transparent process in managing the affairs of the Company. We aim to ensure that our business operations are managed in accordance with the aforementioned Code of Conduct.

Sustainable Procurement

To achieve our goals and ensure ethical conduct, it is empirical that our suppliers share our values and vision; and raise the sustainability standards in our supply chain. We acknowledge that long-term sustainable development of our suppliers is critical to our joint success and we value our relationship with suppliers who share the same approach and vision towards doing business.

In line with our commitment we have developed a Sustainable Procurement Policy (Policy), which is an extension of our values and is applicable to all our suppliers. We expect our suppliers to operate in accordance with the principles as outlined in this Policy and adhere to all applicable laws and regulations. This Policy goes beyond mere compliance with the law

by drawing upon internationally recognised standards in order to identify and define best practices from across the globe.

This Policy outlines our expectations with regards to ethics, business integrity, human rights, health and safety, environment, the local community and quality of product and operations.

We will periodically review the policy to ensure that it continues to help us move towards our vision. We encourage our suppliers to review this information and ensure that the principles and practices outlined in the Policy will be reflected in your on-going business dealings with us. We expect you to communicate the Policy throughout your organisation as appropriate. Let us move together towards an ethically driven, socially focused, green inspired and quality centred supply chain.

Mr. Atul Prakash
Head – Marketing and Supply Chain
Godrej Industries (Chemicals)

Sustainable Procurement Policy



The Principles

1 Ethically Driven

We conduct our business activities in a fair and transparent manner with honesty, integrity, high ethical & moral standards and respect for human rights. We strongly believe that high ethical standards are essential for sound business relationships. We expect our suppliers to share this commitment while conducting their business.

1.1. Business Integrity and Ethics

a. Conflict of interest

Suppliers are expected to report any conflict of interest in any business dealings with Godrej that supplier is aware of to allow us the opportunity to take appropriate action. It should be disclosed if any Godrej employee or professional under contract with Godrej may have significant ownership or interest in a supplier's business.

b. Bribery, corruption, gifts and donations

Suppliers in all commercial dealings with Godrej or otherwise must not receive or offer to make any illegal payments, gifts, bribes, donations or other improper advantage in order to obtain unethical favours for the business. All suppliers must ensure that no action is taken to violate any applicable anti-bribery or anti-corruption laws and regulations in the locations of their operations and make every effort to eliminate all forms of corruption and bribery.

c. Confidentiality

Suppliers shall safeguard and respect Godrej's intellectual property; trade secrets and other confidential, proprietary and sensitive information or data at all times and shall not disclose the same. The information provided by Godrej should be used only for its intended and designated purpose as decided and agreed upon between Godrej and the supplier.

d. Anti-competitive and restrictive trade practices

Suppliers must comply with applicable local and international laws to promote free and fair competition and to get business by offering competitive prices and innovative products.

1.2. Human Rights

a. Forced and child labour

Suppliers shall prohibit use of child labour at any stage of their business process. We expect that our suppliers will not employ any person below the age of 15 (or as per local law, whichever is greater). The suppliers must not use forced labour including prison or debt bondage labour, human trafficking or modern day slavery.

b. Compensation and working hours

We expect suppliers to comply with applicable wage and hour laws, regulations and mandatory industry standards pertaining to minimum wages, overtime pay, working hours and rest periods.

c. Non-discrimination

Suppliers must ensure there is no discrimination in their hiring and employment practices on the basis of race, colour, gender, age, nationality, religion, sexual orientation, marital status, citizenship, disability, veteran status, medical condition etc.

1.3. Accountability and Transparency

a. Maintaining appropriate financial records

We expect suppliers to prepare and maintain accounts of business dealings fairly, accurately and in accordance with accounting and financial reporting standards which represent the generally accepted guidelines, principles, standards, laws and regulations of the country of operation.

1.4. Legal and Regulatory Compliance

We expect our suppliers to comply with all applicable laws and regulations within the country of operation. All other applicable international laws and regulations should also be complied with. Suppliers should follow guidelines of all the required permits and registrations to be legally compliant at all times.

2 Social Focused

We are committed towards supporting sustainable development and business practices. Sustainable practices now have grown to encompass social performance criteria as well. We believe that an organisation should play a significant and beneficial role within the local community and society in general. We are contributing towards social and economic development of the communities in which we operate and expect our suppliers to take steps towards same.

2.1 Responsible Conduct with Stakeholders

a. Fair dealing with vendors/suppliers

We encourage our suppliers to conduct all transactions with their business partners in fair and transparent manner including fair evaluation, reasonable selection, equal opportunities, fair and free competition for all.

b. Diversity in workforce

We suggest that suppliers should take initiatives to have a diverse and inclusive workforce in terms of age, gender, experience, ethnicity etc.

c. Engage and involve local communities

We encourage our suppliers to address issues and concerns of the community impacted by operations of the supplier and minimise the impact.

2.2 Employee Health and Safety

We expect our suppliers to adopt robust and relevant management practices in order to comply with applicable health and safety laws, rules, regulations and industry standards. The suppliers are also encouraged to conduct training and awareness activities for employees on health and safety. We also suggest suppliers to take reasonable actions to prevent accident and injuries by analysing and minimising risk exposure.

2.3 Local Community Development

We understand that our operations not only affect our own communities but also of those who are in contact of our supply chains and our suppliers. Therefore, we encourage our suppliers to undertake steps to collaborate and associate with the local community for economic and social development by providing employment, helping in eradicating poverty, helping in developing skills of local people etc. wherever relevant.

3 Green Inspired

Environmental concerns are no more issues of tomorrow, but are real challenges that need to be addressed today. We aim at making our value chain environmental friendly and responsible. We are committed to comply with the requirements of local laws and regulations related to environment in the countries and regions in which it operates and from where it sources any material, product or services. We realise that the scope and nature of operations of our suppliers vary and hence emphasis on these principles may vary accordingly.

3.1 Green Products and Processes

a. Reducing emissions and water intake

We suggest that our suppliers identify sources of emissions (CO₂, Other Greenhouse Gases, SO_x, NO_x and Particulate Matter) and make progressive efforts towards reducing these emissions. Opportunities for reduction in water usage should be identified and measures for water conservation should be implemented.

b. Efficient systems and process

Suppliers should strive towards enhancing the efficiency and performance of the equipment and processes by continual improvement, monitoring and assessment of technology. Good practices should be followed to ensure environmental resources are valued and protected.

c. Reducing usage of hazardous and toxic materials and substances

We expect our suppliers to assess their use of hazardous and toxic material and take necessary steps to reduce it, as much as possible. Appropriate substitutes and replacements should be introduced to minimise exposure to such material.

d. Disposal of toxic waste

Toxic waste should be handled with professional guidance and mechanism should be put in place to dispose-off the waste to authorised waste processors by the suppliers. Toxic waste should not be allowed outside the premise without proper approval.

e. Renewable energy

We recommend our suppliers to use renewable sources of energy wherever possible so as to become more energy efficient and energy independent. The suppliers should take steps to identify the scope of replacing conventional sources of energy with sustainable and renewable sources in their operations.

3.2 Reduce, Reuse and Recycle

a. Zero waste to landfill

Waste to landfill should be analysed and suppliers should try and set targets to reduce the quantity of disposal to landfills. Alternate waste disposal techniques should be adopted in order to reduce the impact on the environment.

b. Responsible consumption of resources

We recommend our suppliers to minimise use of all resources, including virgin raw material, in their processes. The supplier should look for opportunities to reduce resource consumption by improving efficiency, investing in advanced technology, reusing material by innovating products and processes. The supplier should minimise dependence on scarce natural resource by identifying and using appropriate replacements.

c. Packaging material

Suppliers should try and take steps to reduce the environmental impact of their packaging material by developing innovative, practical solutions to modify the design and disposal method to the best possible extent.

3.3 Adopting Green Initiatives and Practices

In order to monitor the environmental performance and to become environmental friendly, practices to monitor and minimise environmental impact should be imbibed in organisation's processes. We recommend that our suppliers inculcate such practices in their operations and start new initiatives to reduce their impact on the environment.

4 Quality Centred

Ensuring quality and adherence to manufacturing and product standard is of prime importance to us.

4.1 Quality Management System

We expect our suppliers to establish quality objectives, policies, manual, procedures and have in place a certified Quality Management System by competent authority like ISO. The suppliers should comply with local regulations, registrations, have trainings, management reviews and internal audits to ensure that the Quality Management System is effective.

4.2 Facility and Machinery

We expect our suppliers to give utmost importance to equipment design, installation, maintenance and ensure validation/verification of the same. The suppliers should have in place proper housekeeping and pest control to ensure hygiene, safety and security of its workforce.

4.3 Good Manufacturing Practices and Quality Controls

We expect our suppliers to have in place established manufacturing and packaging operations with proper maintenance of records along with process controls and finish product release programme.

4.4 Material Management

We expect our suppliers to have in place established practices for storage, handling and transportation of raw material and to maximise the risk prevention measures through good warehousing practices and proper handling of rejected item.

Implementation of Policy

Applicability and Implementation

We understand that our suppliers fall under different categories in terms of their scale, the product/service they supply, the raw materials being used by them, their organisation structure and geographies of operation. Keeping these factors in mind, we have designed the Policy in a manner that it works for the whole supplier base, although the level and type of compliance will vary depending on the type of the supplier and the principles applicable to them.

We expect our suppliers to set in place internal policies, governance structures, systems, processes and take any other relevant measures to ensure adherence with this Policy. The suppliers are expected to disclose to us the goals set by them and the measures undertaken by them for each of the various principles underlined in this Policy. We will work with our suppliers to identify issues that do not meet our expectations and help them in addressing the gaps identified, if any. Specifics related to applicability of principles and their implementation is provided in the Sustainable Procurement Guide for Suppliers.

Monitoring and Reporting

We expect our suppliers to monitor and report the initiatives undertaken by them with regards to ensuring adherence to this Policy. We recommend our suppliers to place monitoring and reporting mechanisms and management systems, wherever required to effectively implement and manage such initiatives. The suppliers should focus on continuously improving their performance with regards to compliance with this Policy.

Reporting on Breaches

We support and encourage those who report actual or suspected breaches without any fear of retaliation. Any failure to comply with this Policy (including any failure by a team member of Godrej or anyone acting on behalf of Godrej to so comply), of which the supplier is aware, should be immediately reported through our anonymous whistle-blower process, details of which can be found on the Godrej website (www.godrejindustries.com/Resources/pdf/compliances/Whistle-Blower-Policy.pdf). The failure to do so will be a breach of this Policy.

Annexure

The following principles, standards and conventions were used in preparing this Sustainable Procurement Policy and may be a useful source of additional information:

1. International Labour Organisation Conventions
2. Universal Declaration of Human Rights
3. Godrej Industries Limited's Code of Conduct
4. Godrej Group's Good & Green Vision