



Supply Chain Sustainability

We strive to undertake our supply chain management activities in a manner that is sustainable and adheres to internationally recognised practices. We are committed to upholding the highest standards of ethical conduct all aspects of business, as well as to fostering an organisational culture that is both socially and environmentally conscious.

Supplier relationship management

JK Cement optimizes the procurement processes through an effective supplier relations management system guided by supplier relationship management policy. This includes establishing a supplier selection and qualification system, supplier segmentation, supplier performance evaluation and grievances addressal. Such a system provides adequate supplier performance management and ensuring a collaborative supplier-customer environment.

Supplier Code of Conduct

JK Cement Ltd. (JKCL) is committed to its environmental, social and governance (ESG) goals to deliver value to its stakeholders. As one of the largest producers of 'green' cement in the country, establishing the principles of sustainable development in our supply chain is important for us. We endeavour to cultivate a culture of sustainability among our suppliers so that they understand its relevance and exhibit a commitment to similar standards.

In dealing with suppliers, JK Cement shall uphold the highest standards of business ethics, professional courtesy, competence, and transparency in all its transactions. JKCL has a formal ESG policy which extends to suppliers and supplier code of conduct in place to guide suppliers on our expectations. Our Supplier Code of Conduct is applicable to our suppliers and contractors. Building and cultivating healthy relations with contractors, suppliers, and other partners is crucial in terms of developing awareness of potential economic, social, or environmental challenges.

We expect our suppliers to fully comply with all national laws and to adhere to internationally recognized environmental, social, and corporate governance (ESG) standards. We encourage our suppliers to make efforts to implement these standards with their suppliers and subcontractors.

Critical Supplier Identification

We have segmented our suppliers into three tiers based upon their strategic value measured by the business impact and risk associated with the category they supply (sub-category segmentation) and the supplier themselves (supplier segmentation). We classify suppliers based on the spend, volume of supplies, strategic value, substitutability, switching cost and critical component suppliers.

We have a system in place to identify critical suppliers having high business risk and high impact. Critical suppliers exhibit high spending, high switching costs, non- substitutability, and high innovation (growth) potential.

Supply Chain Risk Exposure

Our contractors, suppliers, and other partners with the potential to significantly impact JKCL's reputation, either through adverse economic, environmental, or social impacts, are classified as "sustainability high-risk". JKCL has a formal ESG policy which extends to suppliers and supplier code of conduct in place to identify sustainability high-risk to which our suppliers are exposed to. Adhering to the policy and code of conduct, we carry out key supplier risk assessments to identify any potential high-impact risks in the supply chain.

JKCL engages with suppliers on identifying sustainability high-risk using supplier assessment tool and approaches to measure supply chain sustainability performance over time. This tool enables us to screen all new and current suppliers registered on periodic basis. From a supplier assessment point of view, our focus is to diligently review and respond to significant actual or potential negative impacts in the supply chain. The assessment is based on relevant nationally and internationally recognised regulatory compliance, bribery corruption and fraud, workforce health and labour practices, discrimination, worker's rights issues, workforce disputes, environmental performance, health and safety performance, and management and operational issues.

We tend to do business with those who are aware of their business risks and have a mitigation strategy to overcome them. Through our risk identification and mitigation process we clearly communicate expectations and aspirations about sustainable procurement business practices. We ensure that the components of materials and sourcing relationships are clearly understood and captured in legal contracts.

Supplier Risk Management Measures

For both strategic and critical suppliers, we conduct meetings on quarterly as well as half yearly basis to discuss their performance and our feedback. We use balance scorecard reporting against standard performance metrics. We ensure our supplier adheres to the contract and code of conduct, in case of any non-compliance, we discuss the same with the suppliers and try to find a solution to it. Supplier performance evaluation are conducted for all critical and strategic suppliers as well as the regular contractors. We have expanded the significance of ESG performance as a metric, and we now conduct discussions that are both centred on the ESG indicators and the success of suppliers in terms of their products or services. Our feedback processes involve sharing our expectations, future requirements, and best practices the supplier should follow.

General Supply Chain Strategy

We conduct a periodic assessment of suppliers which account for a sizable percentage of total spend across different categories of items. Supplier performance evaluation are conducted for all critical and strategic suppliers as well as the regular contractors.

The top five priorities of company's general supply chain management strategy are:

- A. **Quality-** Which includes Quality of material measured through rejections, after sales service, quality of packing, traceability, technical capacity, and requirement understanding
- B. **Operations-**Project management systems, engineering capability, process adherence / documentation, ability to manage extraneous parameters (e.g., issue resolution)
- C. **Delivery-** Delivery adherence and contingency and future planning
- D. **Administration-**Price competitiveness, environmental compliance (ISO 14001), OH&S compliance, social accountability, feedback from market/customers (in case of packing material), crisis/emergency support, revenue, and profitability, working capital, and leverage

Integration of ESG Objectives

We have integrated ESG practices to align with our long-term sustainability goals and to reduce the risks Following the risk measurement step, we have anticipated the following important risks to our supply chain. These risks comprise:

- A. **Human Rights**
We strongly believe that protecting human rights is very critical. So, JKCL is committed to fair employment practices, equality of opportunity and equal treatment to all
- B. **Health & safety-**
It is very vital to highlight health, safety, and security in the workplace because it is essential to protect workforce in the value chain from the unforeseen future, illnesses, injuries, emergencies, and other health and safety hazards
- C. **Bribery & corruption-**
We believe that corruption is bad both for society and business. It poses severe financial, operational, and reputational risks. JKCL has a zero-tolerance approach towards bribery and corruption and complies with applicable anti-bribery and corruption legislations. The supplier is expected to conduct his/her business in an ethical and legal manner

We have begun the process of evaluating our suppliers on ESG parameters. We are in the process of identifying critical and non-critical suppliers. Going forward, we will assess all our critical and non-critical suppliers.

SUPPLIER CODE OF CONDUCT

01/01/2023

Supplier Code of Conduct

Purpose of this document

JK Cement Ltd. (JKCL) is committed to its environmental, social and governance (ESG) goals to deliver value to our stakeholders. As one of the largest producers of 'green' cement in the country, establishing the principles of sustainable development in our supply chain is important for us. We endeavor to cultivate a culture of sustainability among our suppliers so that they understand its relevance and exhibit a commitment to similar standards.

We expect our suppliers to fully comply with all local and national laws and to adhere to internationally recognized environmental, social, and corporate governance (ESG) standards. We also expect our suppliers to make efforts to implement these standards with their suppliers and subcontractors.

Applicability

The Supplier Code of Conduct mentioned is applicable to all 'Suppliers' who have an existing business relationship with and / or intend to have a business relationship with JKCL in the future. 'Supplier' here refers to suppliers/ service providers/ other partners including their agents, and other representatives. This Code lays down the requirements that we expect our Suppliers to respect and adhere to when conducting business with JKCL.

Assessment of Suppliers and Improvement Plans

The Company reserves the right to conduct (scheduled, unscheduled and periodic) assessment of the suppliers' compliance with this Code of Conduct. We will provide a thorough insight into the strengths and weaknesses of the suppliers about their sustainability performance and guide them to do better and improve on their ESG practices. JKCL is entitled to request information on a regularly basis from the suppliers via self-assessment questionnaires to confirm their compliance with the Code of Conduct.

We expect our suppliers to embrace and implement our ESG guidance, which are based on best practices of both national and international peers and frameworks. This policy aims to establish standards that the stakeholders are expected to maintain which is in line with the Group's ESG policies. To ensure the supplier adopts and maintains an effective approach that remains relevant and commensurate with JKCL's ambition, the suppliers must be able to demonstrate the following minimum requirements listed out on ESG framework:

Environment

Environmental Management

JKCL is committed to protecting the environment and expects its suppliers to do the same while upholding equal standards. JKCL believes that suppliers should also act to minimize any negative impacts on the environment that may arise because of their day-to-day operations. This will help to uphold sustainability principles across the entire value chain.

- *Environmental Regulatory Compliance*
 - Suppliers shall comply with environmental regulatory requirements – local, national, and international
 - They shall have in place relevant documents like - environmental permits, licenses, land rights etc.
 - Suppliers shall have a formal environmental policy which includes a commitment to legal compliances, continuous improvement in environmental performance and ensure a clean, green, and safe work environment.
- *Environmental Standards for the suppliers' processes, products, technologies, or services*
 - Suppliers shall keep environmental and social factors in mind while planning the product life cycle. All the processes, technologies, products, and packaging should be designed for maximum positive impact on the environment.
 - The supplier shall have relevant certifications such as ISO 14001 for environmental management, ISO 50001 for energy management, etc.
- *Management of environmental programs and its impacts (Emission, Water, Biodiversity, Energy, Waste, Hazardous substances, Pollution prevention, Resource usage)*
 - The supplier shall manage its environmental programs and its impacts on *emission, water, biodiversity, energy, waste, hazardous substances, pollution prevention, resource usage*
 - The Supplier shall collect, record and provide data to JKCL when requested on these parameters.

- Suppliers are expected to take steps to understand their climate risks, to minimize their environmental impact and to implement policies to reduce Greenhouse Gas (GHG) emissions. The supplier shall be committed to climate action and environmental sustainability and disclose its efforts in the public domain.
- Suppliers shall establish plans and targets to reduce waste, water and energy consumption and take initiatives to recycle them as much as possible.
- The supplier must demonstrate an increase in the use of renewable energy, recycled water, and recycled waste over time.
- Suppliers shall minimize impact on biodiversity and focus on its conservation instead. They need to have Biodiversity and Ecosystem Protection Plans.

Social

Health, well-being, and safety

JKCL expects its suppliers to provide a safe and healthy environment for their employees/workers in accordance with applicable local laws and regulations. Suppliers shall ensure that appropriate procedures are in place to prevent accidents and injuries arising out of, linked with, or occurring in the course of work.

- *Workplace Health and Safety Management*
 - Suppliers shall adhere to all applicable laws and regulations relating to health and safety in the workplace.
 - Suppliers shall ensure safe work environment is provided to the employees which is at par with JKCL's health and safety standards.
 - Any fatal accidents and/or serious injuries and those that may lead to a liability, legal action or claim involving JKCL and/or its customer(s) shall be communicated to JKCL with a minimum time lag.
- *Emergency response plan*
 - The suppliers shall ensure that their plants and offices have well-equipped emergency response plans and fire and safety equipment, personal protective equipment, hazards communication programs, evacuation plans, first aid supplies, medical screening, monitoring programs, etc.

Human Rights

JKCL strongly believes that protecting human rights is a necessity and should be at par with the International Labor Organization (ILO) Conventions and Recommendations. JKCL is committed to human rights, fair employment practices, equality of opportunity and treatment and expect the same from the supplier community. All the suppliers associated with JKCL, must ensure that their employees/workers must be treated decently while complying with the following standards:

- *Security practices*
 - The Suppliers shall provide formal training on the human rights practices or specific procedures and their application to security including third party security providers
 - Suppliers shall ensure compliance to applicable local, national and international laws
 - Suppliers shall ensure safety of company assets through proper system of checks, audits, and inspections.
- *Labor management*
 - The Supplier shall ensure all employment are freely chosen. JKCL will not tolerate the use of involuntary, trafficked, child or forced labor.
 - The supplier shall ensure all employees must be above legal age limit, in accordance with relevant laws.
- *Freedom of Association, and non-retaliation*
 - The Suppliers must uphold the right of Freedom of Association and collective bargaining for their employees and workers.
 - Suppliers shall ensure that their employees/workers are not subjected to termination of the contract in retaliation of exercising employee rights, submitting grievances or report suspected legal violations.
- *Equal opportunity and discrimination, harassment, or abusive behavior*
 - The Suppliers must provide equal opportunity and ensure protection of employees/workers from discrimination based on nationality, race, disability, or gender, including gender identity or gender expression, sexual, religious, or political orientation, ethnic or social background.
 - The suppliers must disclose any discrimination/harassment cases on their premises and must also undertake preventive and corrective actions to mitigate the same.
- *Minimum wage, living wage, and benefits*

- Employees/workers' compensation must comply with applicable wage laws, including those relating to minimum wages, overtime hours, and legally mandated benefits.
- The suppliers must ensure employees/workers are not required to work beyond the maximum hours allowed per local law. All overtimes require prior consent of the individual and must be compensated appropriately according to local law.
- *Community management*
 - We expect our suppliers to have an overview and understanding of how their business activities are impacting the local community. The suppliers should publicly communicate the impact on the community and invest in the local communities. These activities include generating employment opportunities, and carrying out community development work around but not limited to health, education, sanitation etc.

Governance

Fair and accountable business practices

To meet social responsibilities, suppliers are expected to conduct their business in an ethical manner and act with integrity.

- *Business Ethics*
 - The supplier shall abide by all applicable national and international trade laws and regulations including but not limited to antitrust, trade controls, and sanction regimes.
 - The Suppliers shall have a Code of Conduct for their Board, management, employees and workers.
- *Bribery and Corruption*
 - JKCL has a zero-tolerance approach towards bribery and corruption and complies with applicable anti-bribery and corruption legislations. The company expects the same from its suppliers that they conduct business in an ethical and lawful manner.
 - We expect that our suppliers will not offer or provide gifts, gratuities or entertainment designed to induce, support or reward improper conduct in connection with any business or anticipated future businesses now and in the future.
- *Sustainable procurement*
 - We expect our suppliers to have their own sustainable procurement policy in place.
- *Competition Laws & sanctions*
 - Suppliers shall comply with competition laws, which promote free and fair competition and must ensure they do not engage in discussions or activities that can be regarded as anti-competitive behavior.
- *Sanctions*
 - Suppliers shall ensure adhering to rules and regulations, including customs regulations, non-tariff barriers, international agreements, transportation conventions, trade and economic sanctions, and anti-boycott rules etc.
- *Intellectual property and Data Privacy*
 - Suppliers shall implement appropriate technical and organizational measures to protect intellectual property, personal data against unauthorized or unlawful processing. It also includes protection against accidental loss, destruction, damage, alteration, and disclosure.
 - Suppliers need to implement measures to protect all IP provided during the business transactions. Information should be treated as confidential and only be provided to Supplier's employees on a "Need to Know" basis.
- *Conflict of Interest:*
 - The Supplier shall not take advantage of any social/ political connections to obtain favorable treatment that creates any actual or potential conflict of interest.
- *Third Party Representation:*
 - The Suppliers shall not be authorized to represent JKCL or to use its brand without written permission from JK cement.

Third parties and their employees who are authorized to represent JKCL are expected to abide by provision in the non-disclosure agreement to be signed by them.

Note

This Policy shall be reviewed annually by assessing the sustainable procurement issues, market, and supplier feedback to keep the policy viable and practical at all times.

In the incident of non-adherence to local and national laws, international principles, severe violation of the code of conduct, JKCL reserves the right to take actions including and up to discontinuation of relationship/termination of contract.

The suppliers are expected to read, understand, and adhere to the Supplier Code of Conduct and to seek clarification with your JKCL contact person in case of any queries or uncertainty about the Supplier Code of Conduct.