

HFCL Limited

Sustainable Procurement Policy

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1.0	Supply Chain Department	1 April, 2025	Mr. Arvind Chawla, President & Head- SCM

1. Objective

This Sustainable Procurement Policy aims to establish a strong foundation for sustainability across the relevant value chain partners, with the goal of minimizing the ongoing impact on the planet's finite resources. HFCL Limited is committed to the integration of sustainability in our operations and ensuring compliance with all applicable regulations across our geographies of operation.

2. Scope and Applicability

This Policy is applicable across HFCL's procurement activities, stemming from within our and expanding along our value chain. It applies to all materials, supplies, services and subcontracted activities purchased by the organization.

3. Definitions

- **"Company"** or **"HFCL"** or **"we"** or **"our"** refers to HFCL Limited.
- **"Policy"** refers to the Sustainable Procurement Policy.
- **"Supplier"** refers to any individual/business that HFCL procures equipment, products, raw material, or services from.
- **"Sustainable Procurement"** involves making sure that the products and services HFCL procures have minimal environmental impact, integrated with social responsibility and ethical practices.

4. Policy Commitments

HFCL has laid out the following Policy commitments to integrate sustainable procurement across the organization:

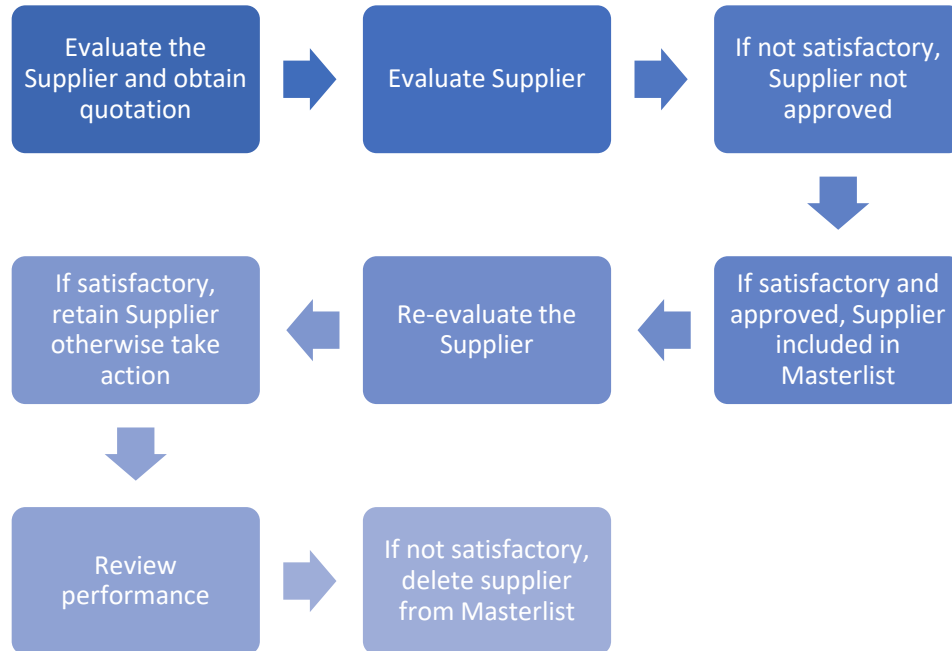
- We aim to integrate environmental sustainability in our procurement practices, encompassing elements of energy efficiency, waste reduction and appropriate water management. Our Environmental Management Policy elaborates how these efforts cascade down our value chain.
- We are committed to reducing the usage of hazardous chemicals/ products and phasing out of toxic chemicals over a period across all our operations.
- We strive to actively reduce our Scope 3 emissions that stem from our value chain activities.
- We are committed to ensuring fair labour practices are upheld throughout our operations, including the upholding of human rights of all our stakeholders in the value chain. Our Human Rights Policy provides a detailed commitment to the human rights of our Suppliers.
- We aim to ensure absolute compliance with ethical business conduct in our relationship with our value chain partners.
- We uphold the highest standards of health and safety in our operations, to ensure the wellbeing of our value chain partners. Additionally, an assessment of the health and safety management system in the Supplier operations is carried out at Supplier registration stage, supported by a business continuity evaluation.
- We aim to evaluate our value chain partners on ESG performance, certifications, and overall commitment to sustainability. As a result, HFCL aims to continually improve performance of procurement metrics through regular reporting and monitoring.
- We ensure that Procurement decisions shall consider total cost of ownership, inclusive of environmental, social, and lifecycle costs—not just price.

As outlined in our Supplier Code of Conduct, HFCL also expects Suppliers to uphold these commitments in their own workforce and extended supply chains.

5. ESG Integration in Procurement

5.1 Supplier Evaluation Process at HFCL

The supplier evaluation, selection, monitoring of performance and re-evaluation process at HFCL follows a nine-step process, which is detailed out in our Procedure for Purchase manual:



This process ensures that all Suppliers are consistently making efforts to improve their performance and align with HFCL's commitments and requirements.

5.2 ESG Integration in Assessment

HFCL has a comprehensive Supplier audit framework in place that highlights scores across six parameters: **Quality, Environment, Health and Safety, Social, Sustainability and Business Continuity.**

As a part of this audit, the Suppliers are expected to furnish documents and evidence such as valid ISO certifications, stakeholder engagement mechanisms, regulatory compliances, SOPs and management systems in place. In addition, various KPIs on energy, water, waste, health and safety, and human rights are collected from Suppliers to determine their performance.

The implementation of ESG assessment of suppliers will be carried out in a cascading manner. The procurement team, in collaboration with ESG and compliance units, will assess high-risk suppliers based on:

- Country risk
- Industry risk
- ESG performance

- Compliance history

Non-compliance with sustainability requirements may result in contract suspension or termination unless corrective measures are implemented within a reasonable timeframe.

To assist suppliers for implementing corrective actions, training and capacity building sessions will be organized by HFCL on a regular basis, to increase knowledge on sustainable procurement practices and their role in HFCL's sustainability journey, ESG regulatory norms and their implication in the business.

6. Roles and Responsibilities for Implementation

The implementation of sustainable procurement objectives at HFCL require cross-functional collaboration. The Supply Chain Management (SCM) team and Purchase managers are responsible for overseeing the implementation of this Policy across the Company. This includes capacity building of employees and value chain partners, Supplier assessment and monitoring of performance.

7. Monitoring and Review

The overall monitoring of implementation of this Policy is the responsibility of the SCM Team at HFCL.

The Policy will be reviewed on an annual basis, to incorporate any changes in regulations and compliance requirements in our countries of operation.

8. Communication of the Policy

This Sustainable Procurement Policy is made available to all our stakeholders on our website. Regular training is provided to SCM Team & Purchase managers on implementation of sustainable procurement objectives in the assessment processes.

9. Related Policies

This Policy should be read alongside the following policies of HFCL:

S. No.	Related Policy
1.	Environmental Management Policy
2.	Climate Change & Net Zero Policy
3.	Conflict-Free Sourcing Policy
4.	Human Rights Policy
5.	Procedure for Control of External Provided Process, Product and Services
6.	Procedure for Purchase
7.	Supplier Code of Conduct