

SUSTAINABLE PROCUREMENT POLICY

A GUIDE TO RESPONSIBLE AND ETHICALLY SOURCED PRACTICES



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1. INTRODUCTION:

FARMSON BASIC DRUGS PRIVATE LIMITED is committed to responsible sourcing and sustainable procurement. The Company applies environmental, social and governance criteria in supplier onboarding, evaluation, and ongoing reviews to ensure compliance with applicable requirements, reduce supply chain risks, and encourage measurable improvements in supplier sustainability practices over time.

2. SCOPE: -

This Policy applies to all procurement activities of **FARMSON BASIC DRUGS PVT. LTD.**. The Policy is applicable to all employees involved in procurement and related functions and extends to suppliers, vendors, partners, contractors, sub-contractors, and other stakeholders who are directly or indirectly associated with the Company's procurement activities.

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3. POLICY STATEMENT

FARMSON BASIC DRUGS PVT. LTD. is committed to ethical, environmentally responsible, and socially sustainable procurement practices. We integrate Environmental, Social, and Governance (ESG) principles into procurement decision-making across the supplier lifecycle, including selection, evaluation, contracting, and performance monitoring.

We will purchase goods, services and supplies in a way that minimises the impact on the environment and the society where it is practical and economically viable. We will promote best practices by following ethical values in achieving resource utilisation, energy conservation, waste minimisation that promote a safe and sustainable approach to the business.

4. PRINCIPLE

4.1 Supplier Environmental Practices

4.1.1 Sustainable Materials:

- We give preference to suppliers who provide sustainably sourced materials and products with lower environmental impact throughout their lifecycle.
- Prioritizing the use of environmentally friendly packaging materials and designs that reduce waste and support circular economy principles.

4.1.2 Energy Efficiency:

- We encourage our suppliers to use energy-efficient practices and technologies to reduce energy consumption and greenhouse gas emissions in their operations.

4.1.3 REACH Measures, palm oil and conflict minerals

- We are committed to not using REACH-listed substances, palm oil and its derivatives, and conflict minerals in our manufacturing processes. We also encourage our suppliers to follow the same practice.

4.2 Supplier Social Practices

- Our suppliers must follow internationally recognized labor standards, ensuring fair wages, safe working conditions, and respect for workers' rights.
- We value suppliers who actively contribute to and positively impact the communities where they operate.
- We promote diversity, equity, and inclusion in our supply chain by encouraging participation from minority and vulnerable groups.

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- **Zero Tolerance for Forced/Child Labor:** Contractual clauses prohibiting child labour, forced labour, and human trafficking, with immediate termination clauses.
- **Fair Wage Compliance:** Mandatory adherence to local minimum wage laws and commitment to working toward living wages.
- **Health & Safety Certification:** Requirement for suppliers to maintain ISO 45001 certification, or equivalent workplace safety standards.

4.3 Supplier governance practices

- **Anti-Bribery & Ethics Policy:** Adherence to a strict code of conduct prohibiting corruption and requiring transparent business practices.

5. OBJECTIVES:

A sustainable procurement policy aims to integrate environmental, social, and ethical considerations into purchasing decisions to minimize risk, reduce environmental impact, and improve cost efficiency.

5.1 Environmental Excellence:

- Strive to become a leader in sustainable procurement by consistently selecting suppliers with outstanding environmental practices.
- Encourage suppliers to adopt cutting-edge environmental technologies and practices.

5.2 Sustainable Innovation:

- Foster a culture of innovation among suppliers to develop and provide sustainable materials, products, and solutions.
- Promote the adoption of eco-friendly alternatives in the supply chain.

5.3 Resource conservation:

- Collaborate with suppliers to reduce resource consumption and promote responsible resource management.
- Seek opportunities to minimize the use of non-renewable resources in our products.

5.4 Eco-conscious Collaboration:

- Establish strong partnerships with suppliers who share our environmental values and commitment to sustainability.
- Actively engage in sustainability projects and initiatives with like-minded suppliers.
- Qualitative Objectives for Supplier Social Practices.

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5.5 Ethical Leadership:

- Set a benchmark for ethical business conduct within our industry by ensuring all suppliers adhere to the highest ethical standards.
- Be recognized as a company that promotes ethical practices among its supply chain partners.

5.6 Inclusive Workforce:

- Create a diverse and inclusive supply chain network that reflects the diversity of our global customer base.
- Champion supplier diversity and inclusion programs to promote equal opportunities.

5.7 Community Impact:

- Strive to make a positive impact on the communities where our suppliers operate.
- Collaborate on community development projects that enhance the well-being of local populations.

5.8 Responsible Sourcing:

- Lead efforts to eliminate unethical practices such as child labor, forced labor, and discrimination from our supply chain.
- Encourage suppliers to implement robust ethical Sourcing strategies.

5.9 Safe Work Environments:

- Ensure that all employees across the supply chain enjoy safe and healthy working conditions.
- Promote a safety culture among suppliers that emphasizes the well-being of workers.

5.10 Supplier Empowerment:

- Empower suppliers to extend social (responsibility) practices to their own supply chains.
- Provide guidance and resources to help suppliers become leaders in ethical sourcing.
- Supplier assessment system shall be developed and followed to address the minority or vulnerable groups as well as diversity, equity and inclusion in the supplier group.

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6. TARGETS:

Baseline year: - FY-2023-2024

Our policy target embedding environmental, social, and ethical criteria into supplier selection, aiming for a reduced carbon footprint, 100% compliance with ethical labour standards, and increased sourcing from diverse or local suppliers. Key targets include reducing Scope 3 emissions, waste reduction, and implementing supplier code of conduct audits.

Specific targets organized by focus area:

- Achieve a 61.07 % reduction in procurement-related carbon emissions by FY 2034.
- We strive to achieve 100% coverage of our suppliers in self-assessments with Supplier ESG assessment form and 5 % on-site audits before 31st March 2030.
- We are committed to ensuring that 100 % of our suppliers sign the "Supplier Code of Conduct" by FY 2030.
- Train 100% of procurement team employees on environmental sustainability practices by FY 2026- 27
- Reduce environmental impact across the supply chain through supplier engagement and innovation.
- Foster a culture of ethical practices across the supply chain.
- Ensure fair labor practices and safe working conditions throughout the supply chain.
- Encourage suppliers to adopt innovative solutions for sustainable product development.

7. GOVERNANCE:

Our Governance allocation of responsibility for sustainable procurement involves a multi-level structure that integrates Environmental, Social, and Governance (ESG) criteria into purchasing decisions. Effective governance assigns ownership across leadership, procurement, and specialized teams to move from ad hoc actions to measurable practices.

Key Governance Roles and Responsibilities

7.1 Procurement Manager:

- **Policy Implementation:** Responsible for executing the Sustainable Procurement Policy.
- **Supplier Evaluation:** Assess and evaluate potential suppliers against the policy's environmental and social criteria.
- **Supplier Engagement:** Collaborate with suppliers to ensure compliance with policy standards.

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7.2 ESG Committee:

- **Policy Oversight:** Oversee the overall effectiveness of the Sustainable Procurement Policy.
- **Policy Review:** Conduct periodic reviews to ensure alignment with evolving sustainability standards and business objectives.
- **Stakeholder Engagement:** Engage with internal and external stakeholders to gather feedback and strengthen policy implementation.

7.3 Employees:

- **Policy Adherence:** Ensure compliance with the Sustainable Procurement Policy in all procurement-related activities.
- **Reporting:** Promptly report concerns or violations related to supplier environmental or social practices.
- **Training and Awareness:** Participate in mandatory training to enhance knowledge and awareness of sustainable procurement.

7.4 Suppliers:

- **Environmental and Social Compliance:** Adhere to the environmental and social standards outlined in the policy.
- **Transparency:** Provide accurate and transparent data on environmental and social performance.
- **Continuous Improvement:** Continuously improve environmental and social practices.

7.5 Management and Department Heads:

- **Leadership:** Demonstrate ethical and sustainable procurement practices within their departments.
- **Policy Implementation:** Ensure employees under their supervision understand and comply with the policy.
- **Conflict Resolution:** Address conflicts or concerns related to supplier practices within their teams.

7.6 Compliance Department:

- **Investigation:** Investigate suspected violations or non-compliance with the policy. Enforcement: Take disciplinary actions, when necessary, in accordance with the policy's disciplinary provisions.
- **Legal Actions:** Initiate legal action against suppliers found guilty of significant violations.

7.7 Sustainability Manager:

- **Sustainability Oversight:** Oversee the sustainability aspects of procurement activities, ensuring alignment with the policy.
- **Data Analysis:** Analyze supplier data and performance to identify areas for improvement.
- **Supplier Engagement:** Work closely with suppliers to drive sustainability initiatives and improvements.

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8. REVIEW MECHANISM

The Policy will undergo regular reviews to assess its relevance and effectiveness. The review frequency is as follows:

Every 03 Years Review: A comprehensive review of the policy will be conducted during a period of 03 Years by procurement manager.

Ad Hoc Reviews: Ad hoc reviews may be initiated in response to significant changes in regulations, emerging sustainability risks, or feedback from stakeholders.

The review process involves the following steps to ensure a thorough evaluation and enhancement of the policy:

1. **Data Collection:** Relevant data on supplier environmental and social practices, policy compliance, and sustainability performance will be collected from internal sources, supplier reports, and stakeholder feedback.
2. **Assessment:** The collected data will be assessed to evaluate the policy's effectiveness in achieving its objectives. Key performance indicators (KPIs) will be analyzed to gauge progress.
3. **Stakeholder Feedback:** Feedback from employees, suppliers, customers, and other stakeholders will be considered during the review process. Input will be gathered through surveys, interviews, and engagement forums.
4. **Legal and Regulatory Compliance:** The policy will be assessed for alignment with evolving environmental and social regulations and standards.
5. **Identification of Gaps and Opportunities:** Any gaps in policy implementation or emerging opportunities for improvement will be identified.
6. **Policy Updates:** Based on the assessment, identified gaps, stakeholder feedback, and regulatory changes, updates and revisions to the Sustainable Procurement Policy will be proposed.
7. **Approval:** Proposed updates will undergo an internal approval process involving key stakeholders, including the Sustainability Committee and senior management.
8. **Communication:** Once approved, the updated policy will be communicated to all relevant stakeholders, including employees, suppliers, and partners.
9. **Implementation:** The revised policy will be implemented, and stakeholders will be educated on any changes to ensure smooth compliance.
10. **Monitoring:** Ongoing monitoring and assessment of policy implementation will continue to track progress and address emerging issues.

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9. Distribution

This policy will be made available to all employees and interested parties.

Next Review Date: 16/04/2029



Approved By

A handwritten signature in blue ink, appearing to be 'S. S. S.' or similar, written over a horizontal line.

Director & COO