



RESPONSIBLE AND **SUSTAINABLE** **PROCUREMENT** 2019-20



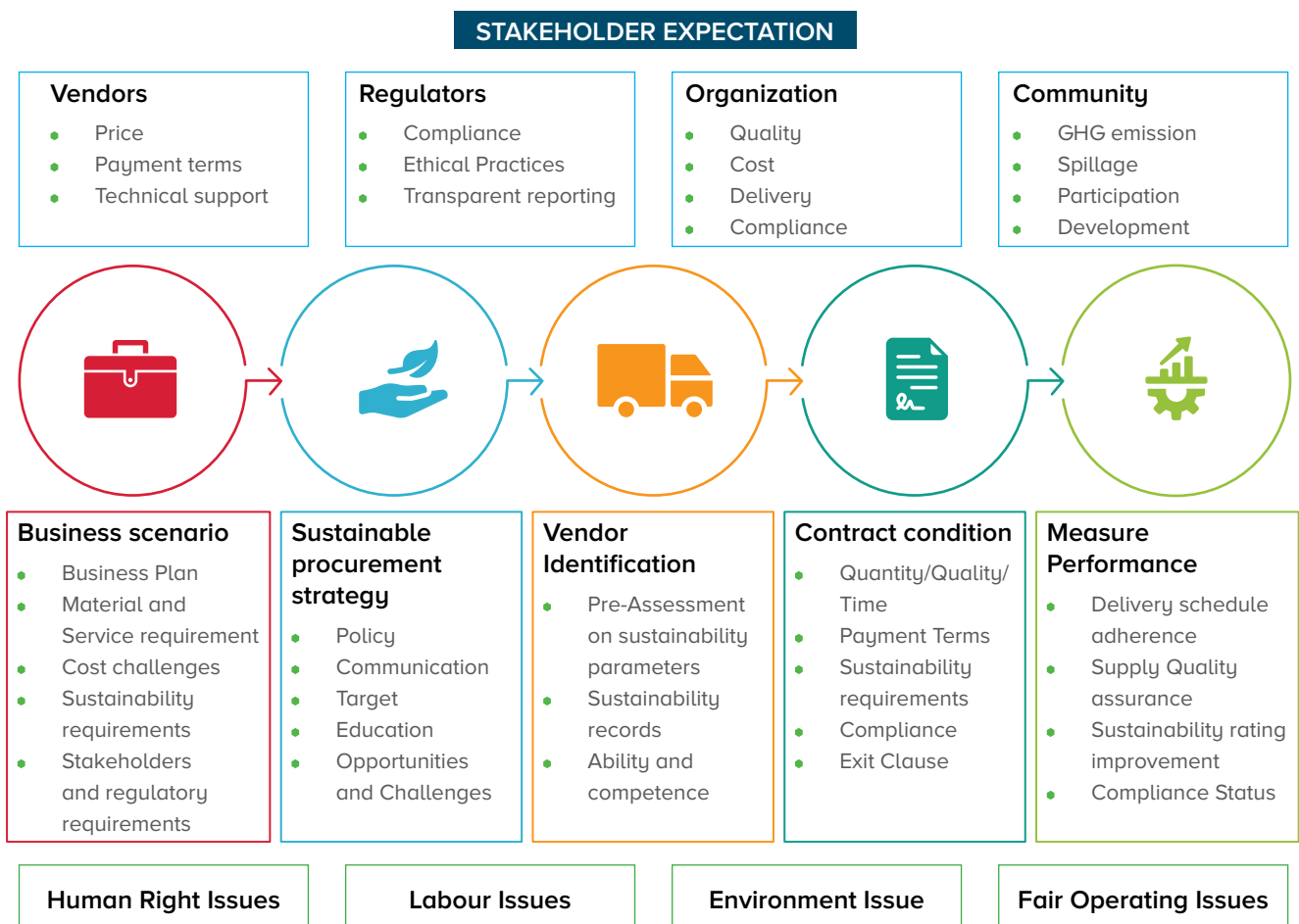
Responsible and Sustainable Procurement

GFCL Sustainable Procurement Strategy forms an indivisible part of the Company’s overall commitment to sustainability. It exemplifies our approach to positively impact environmental, social and economic outcomes by making responsible purchasing decisions. As part of the sustainable procurement strategy, GFCL ensures that transactions are transparent, risks are lowered, purchases are cost effective and stakeholder relationships enhanced. While doing this, we also ensure minimal impact on the natural environment.

Our supply chain sustainability is increasingly being recognized as a key component of corporate sustainability. For us, it is the management of environmental, social and economic impacts and the encouragement of good governance practices throughout the lifecycles of goods and services.

Our Sustainable Procurement Process in context

By integrating the UNGC Ten Principles and adopting the ISO20400, ISO26000 Standards into our supply chain processes and practices, we advance our corporate sustainability and promote broader sustainable development objectives. By integrating the above sustainability standards in our procurement policies and practices, GFCL endeavours to manage risks for sustainable environmental, social and economic development while addressing all the issues related to Human Rights, Labour, Environment and Ethical practices in the context of the business and stakeholder expectations.



Keeping in view the business imperatives GFCL operates in, the Company has prepared a well-defined business plan which has the following supply chain considerations:

1. The markets we serve,
2. Material and services we require within the cost, quality and delivery challenges we have to meet;
3. The regulatory framework within which we need to operate, and
4. Understanding our stakeholder requirements.

The Supply Chain Function of GFCL, which is responsible for ensuring implementation of sustainable procurement policies, processes and practices, has identified the following stakeholders and their expectations:

Stakeholder	Expectations
Vendors/Suppliers/Business Partners	Competitive Price
	On time Payments
	Technical Support
	Fair Dealing
	Secured Business
Regulators	Compliance
	Transparent Disclosures
	Ethical Business Practices
Organization	Good Material Quality
	On time Delivery
	Reduced Supply Chain Cost
	Operational Compliance
Community	Lower GHG Emissions
	No/Less Spillage
	Opportunity of Business Participation
	Support in Community Development

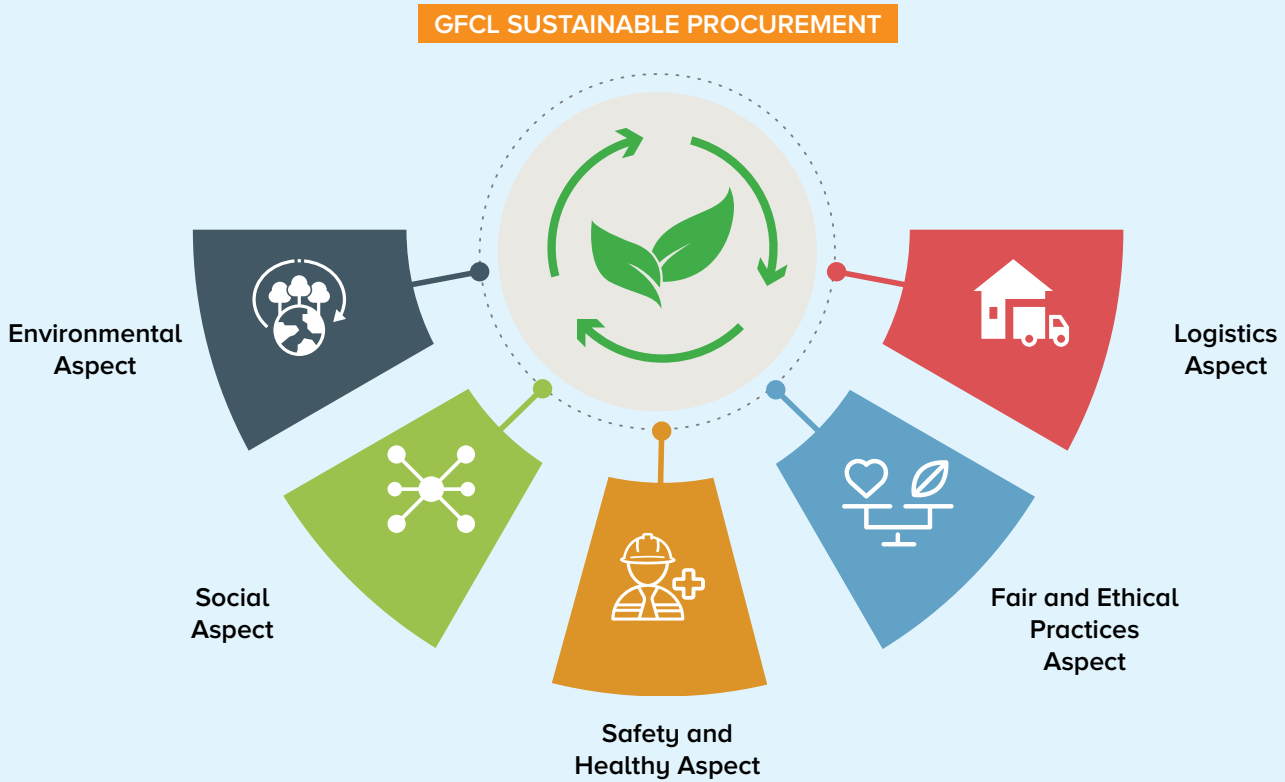
Based on the business environment and stakeholder expectations, Sustainable Procurement strategy is formulated covering policies, targets and deliverables while understanding the opportunities and challenges. Vendors are identified, evaluated and service contracts are signed based on the capability and performance monitored to ensure business delivery.

GFCL has identified the risks associated with Sustainable Procurement and has put in place a Mitigation Plan which is also a part of the Sustainable Procurement strategy.

Our Sustainable Procurement policy, process and practices covers all aspect of Sustainability – Environment, Social, Health and Safety, Logistics, Fair and Ethical practices.



Responsible and Sustainable Procurement



Our Business Partner details & Procurement Practices

GFCL does not procure any item from North Korea or any conflict regions. Our Sustainable Procurement policy explicitly restricts use of conflict minerals (Tin, Titanium, Tungsten and Gold). GFCL has always supported local suppliers from India with the objective of supporting socio-economic development in the country.

Vendor Classification by Type of Material & Services

Number of Vendor	Packaging Material	Raw Material	Engineering Equipment/ Spares	Capital Spares	Services – Technical	Services – Administrative	Contractor/ Service provider	Total Number of Vendors
	61	243	995			494		1793

Vendor Geographical Spread

Countries	Number of Vendors	% of Vendors	% of Procurement Budget
India	1655	92.30	58.37
Far East Asian Countries	26	1.45	14.17
RoW	6	0.33	8.67
America	23	1.28	10.98
Europe	48	2.68	1.70
China	35	1.95	6.12

The Sustainable Procurement Policy and Code of Conduct for the suppliers, vendors and third parties, which applies to all purchases of goods and services, sets out how we will conduct business with them and describes our expectations regarding the way they conduct their business. Our aim is to ensure that the way business is conducted throughout our supply chain conforms to our own standards and is legally compliant at all times. It outlines our expectations with regard to ethics, business integrity, human rights, health and safety, environment, the local community and quality of product and operations.

We expect all our suppliers, vendors and service providers to support the principles set out within the UN Universal Declaration of Human Rights, the International Labour Organization

Declaration on Fundamental Principles and Rights at Work, the UNGC and the UN Guiding Principles on Business and Human Rights.

GFL intends to integrate sustainable development into our procurement strategy, our day-to-day operations and relationships with Suppliers, Vendors and Service Providers. All our group companies are required to identify, prevent and manage risks pertaining to Health and Safety, Social Responsibility and Environment in their supply chain. This will help the Company and all its Suppliers, Vendors and Service Providers to:

- a. Meet the demands of customers and other stakeholders to assume responsibility for its supply chain
- b. Identify legal, financial and moral risks associated with sustainability in the supply chain

- c. Monitor and improve the sustainability performance of suppliers
- d. Build supplier relationships that create long-term, sustainable value

We expect our Vendors and Service Providers / Contractor and their contractors to abide by this policy and code and help us reduce environmental and social impacts by establishing and operating state of the art standards for sustainable supply chain. Non-adherence to this code may lead to discontinuation of business relationship. Our policy is available on GFCL website at <https://gfl.co.in/Sustainability.php>

Our Procurement Practices are governed by the above policy. Detailed SOPs is defined for each phase in the Sustainable Procurement cycle.



Responsible and Sustainable Procurement

Scope of Sustainable Procurement

The Sustainable Procurement function supports the business by providing raw material, packaging material, spares, services, capital equipment etc. to enable business to deliver as per the customer requirements. GFCL believes in localization of suppliers and as such most of its suppliers are from India.

GFCL has categorized into 3 different categories based on two criteria:

1. Business Impact – High, Medium, Low
2. Value Impact - High, Medium, Low

In order to have a focused and effective Sustainable Procurement Management, GFCL has decided to implement various aspects of Sustainable Procurement to the high-risk high value vendors and then gradually roll it out across the value chain.

Vendor Classification - Risk/Value

	High Risk High Value	Medium Risk Medium Value	Low Risk Low Value
Number of Vendor	318	114	1361
% of Vendors	17.68	6.36	75.96

Sustainable Procurement Governance Structure

The Management demonstrates its commitment to sustainable leadership by taking accountability of the effectiveness of the sustainable procurement process and review company objectives and functional objectives, providing resources and periodically reviewing achievements vis-à-vis targets taken.

The 'Sustainable Procurement Committee' is held accountable and responsible for the implementation of policies, processes and practices. The Company's Sustainable Procurement Committee comprises of the following incumbents:

1. Chief Executive Officer of the Business

2. Chief Finance Officer of the Business

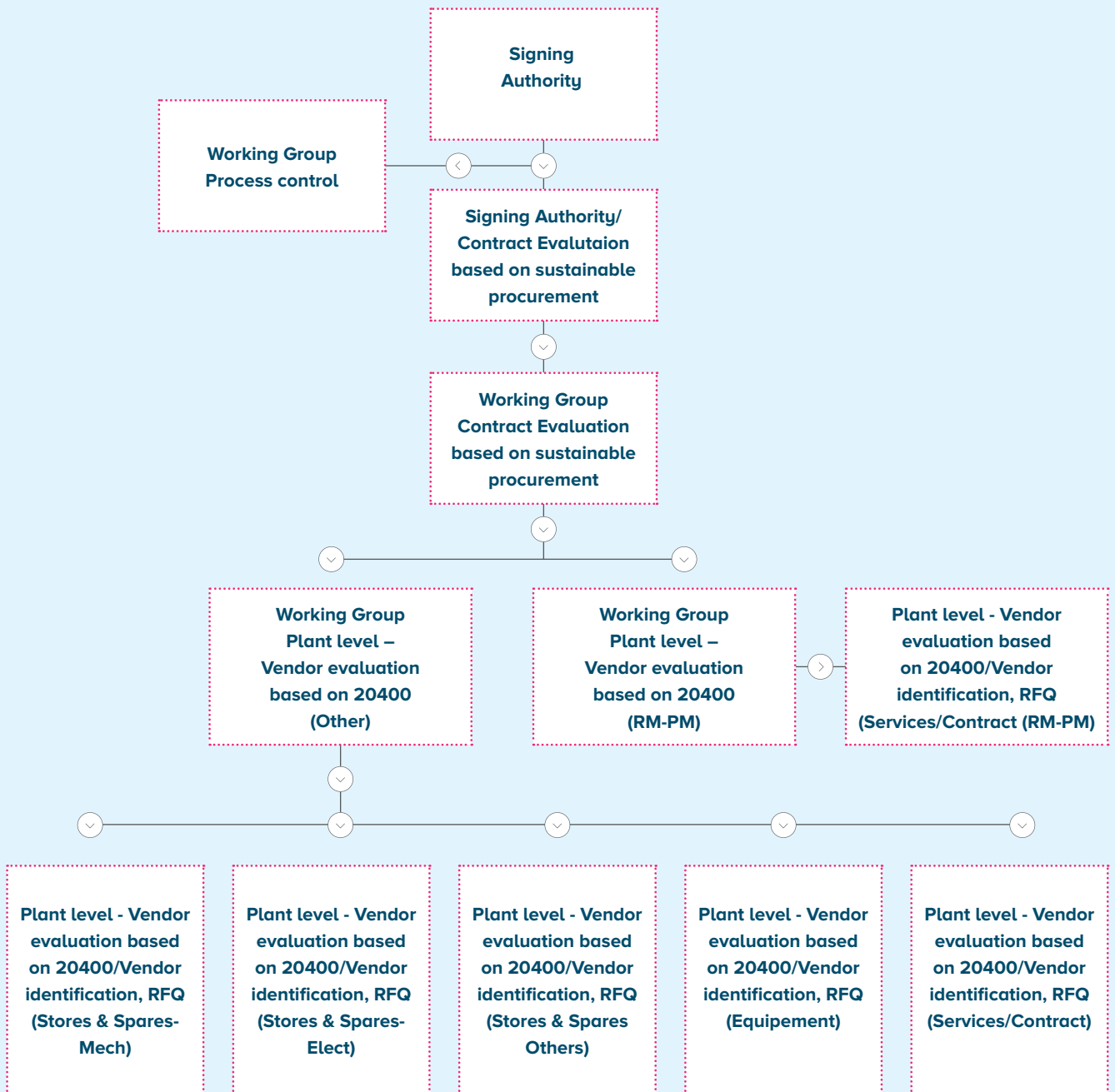
3. Unit Head or Site Head/Functional Head as the case may be

4. Group Chief Commercial Officer

5. Members of the Supply Chain Team who are involved in Purchase



The Operational Hierarchy for Sustainable Procurement is given as below:



Responsible and Sustainable Procurement

Building capabilities – For In house Team and Suppliers/ Vendors

The implementation of the Sustainable Procurement Policy at GFCL was initiated through a structured programme of communication and capability building of the in-house team and the suppliers and vendors. The policy was circulated amongst suppliers and a declaration to adhere with the policy has

been sought. Moreover, GFCL extended a supporting hand to its vendors for creating awareness on sustainable procurement by conducting multiple webinars.

The policy was also circulated among the Company's procurement and a declaration of adherence was sought. This team too was taken through an awareness programme on Sustainable Procurement.

As a policy, GFCL is emphasis more to get sustainable Policy adherence declaration sign from High Risk High Value and Medium Risk Medium Value supplies, although we are sending and asking declaration sign from Low Value Low risk regular suppliers. Our target to get all declaration from High Risk High Value and Medium Risk Medium Value Supplier by 15th December 2020.

Particulars	Suppliers covered (High Risk high Value & Medium Risk Medium Value)				Own Employees			
	2018-19		2019-20		2018-19		2019-20	
	Number	%	Number	%	Number	%	Number	%
Sustainable Procurement Policy communicated	432	100	432	100	42	100	42	100
Sustainable Procurement Adherence Declaration	49	11.34	93	21.52	42	100	42	100
Sustainable Procurement Awareness Programme Attendance	0	0	186	10.3	0	0	33	79

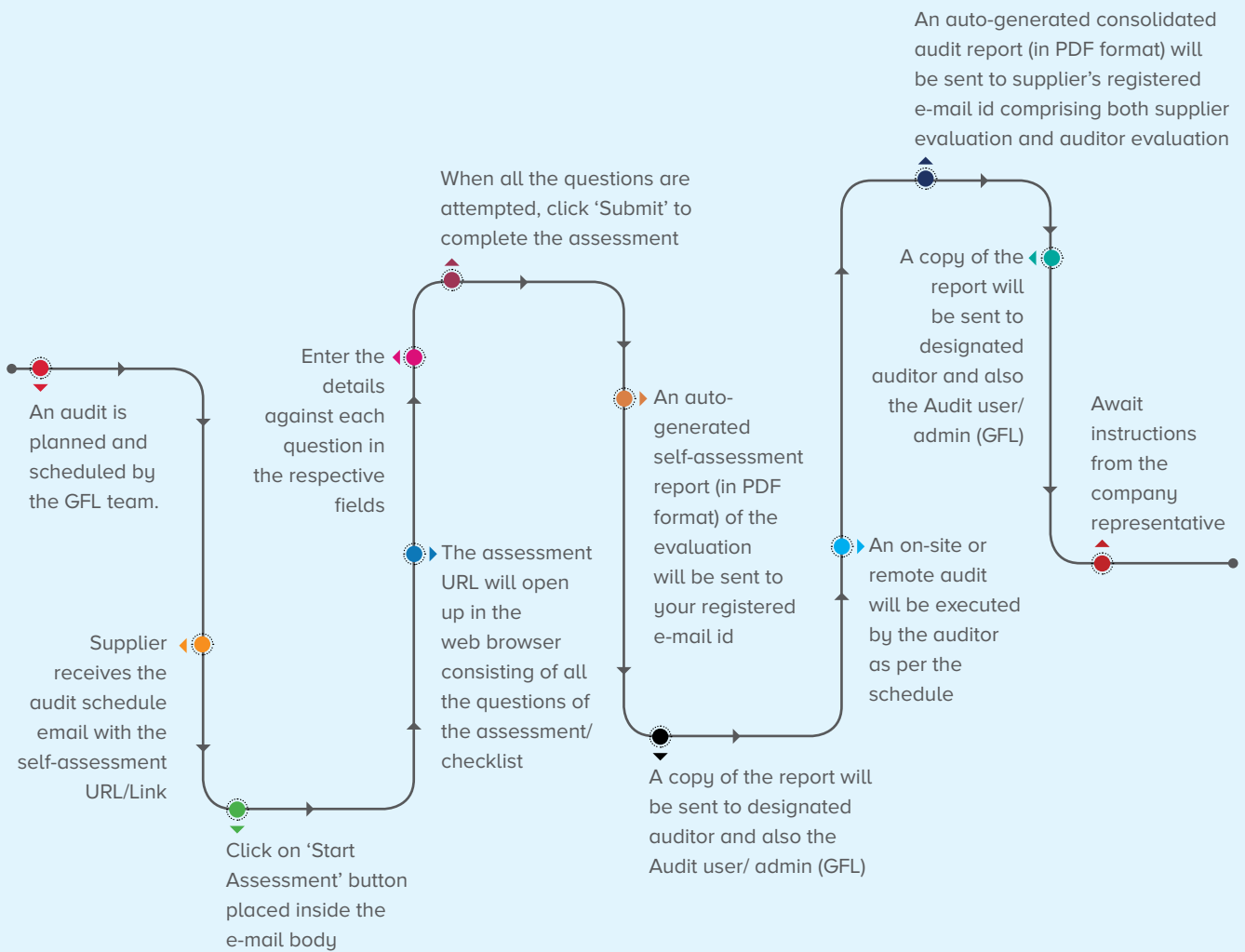
Digital Platform for Supplier Assessment on Sustainable Procurement

Adherence to environmental, social and ethical codes of conduct form an important part of the Procurement process and it helps to build a competitive advantage for the company as well as its business partners. To ensure conformity to ISO20400 standards, the Company underwent a third-party audit and launched a digital supplier Audit tool with the help of DQS-AUDIT ORGANISER 4.0 (Enterprise Audit Management).

GFCL has partnered with DQS to implement the DQS-NEXT Supplier Audit Management Platform for its Business partners. This will help the Company managing a wide range of audit-related activities, data and processes in a single, centralized application. This platform

will be progressively used to cover all existing and new suppliers, in evaluating and reviewing their performance on all sustainability criteria.





This platform covers various sustainability dimensions and requests the respondent to answer questions on those dimensions and upload confirmatory documents and do self-rating. Based on the response, GFCL conducts audit and gives ratings. The platform covers all aspects of our Sustainable Procurement strategy.

Supplier Sustainability Assessment

GFCL has always pre-assessed all suppliers before engaging based on their capability. This assessment has now been extended to cover sustainability parameters. Each Suppliers, Vendors and Service

Providers, have been fully briefed on the Company's Policy of Sustainable Procurement and Code of Conduct and a formal commitment (in writing) is sought from them to ensure compliance to these standards. Decision to continue or start business with the supplier is taken considering the audit score and other factors.

Responsible and Sustainable Procurement

Beyond price and delivery, GFCL has initiated an evaluation of suppliers on sustainability parameters also. the Company has linked the supplier sustainability rating with its 10 material topics and has categorized vendors in 3 levels:

Level	Materiality Topic addressed by the Vendor	Minimum Rating
Basic	Anti-Corruption	3.5
	Climate Change	
	Economic Performance	
	Occupational Health & Safety	
	Environmental Compliance	
	Human Rights	
Advantageous	Energy	4
	Local Communities	
	Process Safety & Emergency Preparation	
	Product Safety & Stewardship	
	Water	
Distinguish	Supplier having reporting based on GRI standard	4.5

During the reporting period, GFCL covered 50 suppliers (High Risk High Value) which is approximately 40% of the annual purchasing volume of 2019-20 for Social and environmental performance through DQS-NXT Audit platform.

Summary of Non DQS-NXT Audit

Details	2019-20	
	Number	%
40% of Existing High-Risk High Value Suppliers as per ISO 20400 covered under Self-Assessment through DQS-NXT	26	63.42
40% of Existing High-Risk High Value Suppliers as per ISO 20400 covered under Self-Assessment through Other than DQS-NXT	15	36.58
40% of Existing High-Risk High Value Suppliers as per ISO 20400 covered by GFCL Audit through DQS-NXT	9	21.92
40% of Existing High-Risk High Value Suppliers as per ISO 20400 Suppliers covered by GFCL Audit through Other than DQS-NXT	0	0

Details	2019-20	
	Number	%
Other High-Risk High Value Suppliers covered under Self-Assessment through DQS-NXT	20	6.29
Other High-Risk High Value Suppliers covered by GFCL Audit through DQS-NXT	8	2.52

As a policy, GFCL does not audit Supplier publishing their Sustainability report. 18 such High risk and High value suppliers have been identified who are not a part of the GFCL Audit process.

GFCL conducts regular audits (Via DQS-NXT) as a part of its supplier evaluation programme. In case of any significant negative impact, GFCL has a supplier and contractor blacklisting policy. Till date, Our supplier assessments have not identified any significant negative social or environmental impacts nor has any supplier been terminated from operations on this account”

Green Procurement Initiative

GFCL has established ‘Green Procurement’ guidelines with an objective of promoting environmental management throughout the entire supply chain and for ensuring more environmentally responsible products.

We intend to continue being a leading company in the practice of “environmental management,” and contributing to a healthier global environment as a good citizen of the Mother Earth. During the reporting period, various initiatives were adopted as part of Green Supply Chain:

- 1) Import of bulk raw materials from local ports, which resulted in reduction of fuel costs and GHG emissions

Product	Earlier	Now	Approximate distance reduced
Methanol	Kandla	Hazira	350 kms
Fluorspar	Mumbai	Hazira	500 kms
Chloroform	Kandla	Hazira	350 kms

- 2) a) Importing coal at Dahej port instead of getting from Nagpur, leading to significant reduction of fuel costs and also reduced GHG emissions.
- b) using Indonesian Coal in which the ash percentage is much lower than Indian coal.
- 3) Disposal to fly ash to brick manufacturers thereby reducing pollution.
- 4) Procurement of salt from local suppliers to avoid fuel costs from distant places.
- 5) Compulsory use of tarpaulins for bulk materials Salt, Coal, Gypsum to avoid air pollution during its transportation.
- 6) Usage of higher capacity vehicles in place of small capacity vehicles to reduce emissions and fuel consumption.
- 7) Stopped hiring vehicles that are more than 5 years old
- 8) Increase in the sale of HCL to local customers leading to reduction in fuel consumption.
- 9) Discontinuing printouts of office documentation leading to savings of paper and environmental conservation.
- 10) Discontinuation of plastic cups at canteen and offices and replacement with ceramic cups areas to avoid plastic and paper consumption.
- 11) Sourcing of bulk raw material such as Salt, Sulphuric Acid, Sulphur based source from nearby location sources at Dahej instead of getting it from distantly located source like Kutch, Morbi and Bhavnagar, Panoli, Kutch etc.

Responsible and Sustainable Procurement

Vehicle Tracking System

As part of green initiative to reduce carbon emission and reduce risk of hazards, we are also in the process of integrating our logistics systems through a GPS vehicle tracking system. Through this system we will be tracking outward vehicles for ensuring safe driving and safe handling of material

across the full length of the supply chain and ensuring prompt emergency response in case of any incidence on road.

GFCL is using third party service provider LCS Services India Pvt Ltd, who

will do real time monitoring of GFCL outgoing vehicle, with this initiative GFCL is committed to reduce carbon emission and reduce hazard risk to the community.

Way Forward

- To Implement Vehicle Tracking System covering 70% of Outgoing vehicles till March 2021 (applicable only for tankers)
- Implementation of Sustainable Procurement / Sustainability Rating for all High Value High Risk TIER 1 suppliers till FY 2024-25

- Implementation of Sustainability / GFCL Materiality Topic as selection criteria for New High-Risk High-Value suppliers
- Declaration on Sustainable Procurement policy for 100% new Raw Material, Packing Material and Contractor / Service providers from January 2021 onward
- Site Audit of 10% High-Risk High-Value suppliers during FY 2021-22





Gujarat Fluorochemicals Limited

Inox Towers, 17 Sector 16 A,
Noida - 201301, Uttar Pradesh
Tel.: +91 120 6149600
Fax: +91 120 6149610