



SUSTAINABLE PROCUREMENT POLICY

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1. INTRODUCTION AND PURPOSE

At Lupin, we are dedicated to conducting our business sustainably while actively advocating for the preservation of natural capital, creating a positive societal impact. For achieving our goals, the alignment of our suppliers with our values and vision is imperative.

The purpose of this policy goes beyond compliance – it aims to champion and uphold the highest standards in nurturing an ethical and sustainable supply chain. This Policy reinforces our commitment to collaborating with our suppliers, working towards a long-term, sustainable, and mutually beneficial future.

This document outlines Lupin's Sustainable Procurement Policy, outlining an approach that factors in the economic, environmental and social impacts of an organisation's procurement choices at all times. By embracing a policy of sustainable procurement, we ensure seamless integration of the fundamental values that define our business across our supply chain, extending their reach throughout the lifecycle of our products and services.

2. SCOPE OF THE POLICY

This policy applies to all suppliers, contractors, and service providers associated with Lupin. It is applicable across all procurement activities, outlining our approach to conducting business with suppliers and establishing the expectations we have regarding their business practices.

At Lupin, sustainability is a fundamental aspect integrated into every function, including Sourcing & Procurement. This Policy provides a clear framework for how Lupin integrates environmental, economic, and social considerations into its procurement processes and procedures.

3. OBJECTIVES OF THE POLICY

The policy has the following key objectives:

- Enhancing the environmental, social and financial outcomes of all our procurement activities.
- Empowering our employees to incorporate sustainability principles into their procurement and purchasing decisions on behalf of Lupin.
- Fostering a culture of sustainability among our suppliers, encouraging them to embrace sustainable business practices that minimize environmental impact and generate community benefits throughout their operations and supply chains.
- Promoting, monitoring and reporting on environmental legislative compliance and pollution prevention within the supply chain.
- Collaborating with our suppliers, providing them with support and guidance as they embark on their own journey towards establishing a sustainable supply chain.

4. ENCOMPASSING SUSTAINABILITY IN PROCUREMENT PROCESSES

To ensure integration of sustainability principles, embedding them from the initial supplier onboarding and conducting periodic assessments throughout the supplier lifecycle is paramount. The sustainability risk assessment comprehensively addresses Environmental, Social & Governance aspects. This assessment will be based on a combination of the supplier's response to a questionnaire, external database data, background checks, and evaluations by in-house experts. The evaluation will focus on sustainability-related risks, including human rights, environmental impact, occupational health and safety, and personal information protection.

4.1 Third Party Code of Conduct

Lupin's commitment to sustainability is prominently demonstrated through our "Third Party Code of Conduct" which is mandatory for all suppliers and third parties engaged with us. This code covers aspects such as labor rights, anti-bribery and corruption, health and safety, environment, ethics, data privacy, confidentiality, and information protection. It clearly lays down clear expectations for suppliers on each of these aspects.

Adherence to Lupin's Third Party Code of Conduct is essential requirement for any supplier seeking to collaborate with us. For detailed information, please refer to "Third Party Code of Conduct Policy" available on the policies section of the Lupin website or click here: [Policies - Lupin](#).

4.2 New Supplier Qualification

The qualification process for new suppliers varies based on their supplies category. For direct materials, a comprehensive and detailed qualification process is followed, considering the sustainability implications associated with these suppliers. The qualification of a supplier is based on the following criteria:

- (i) Technical validation, which includes assessing quality standards, processes, regulatory information, and other technical aspects
- (ii) Sample validation, where samples provided by the supplier are evaluated
- (iii) ESG assessment, which evaluates the supplier's performance and adherence to sustainability principles
- (iv) Supplier audit compliance, involving an assessment of supplier's facility to ensure it meets Lupin's standards.

A detailed SOP on supplier technical qualification is available with CQA for each material type. The following is a high-level overview of the supplier qualification and selection process:

- The buying team initiates potential supplier filtering, shares a detailed Request for Information (RFI) along with ESG assessment questionnaire¹ with the potential suppliers
- Detailed specifications are provided to the suppliers, proceeding only if supplier alignment with specifications is achieved.
- After alignment, validation, and satisfactory answers to the ESG questionnaire, quotations are obtained, and commercial negotiations are conducted by the relevant procurement team(s). In addition, a site audit or visit is conducted by the procurement and QA teams to assess if supplier's facility meets Lupin's standards.
- Following negotiations and site visits, samples (three batches) are obtained from the supplier and shared for QC analysis (if applicable,) along with supplier documentation and Certificate of Analysis (COA) where applicable
- The COA is then compared with in-house specifications (if applicable)
- Once the QC analysis and COA alignment, the supplier is registered with Lupin.

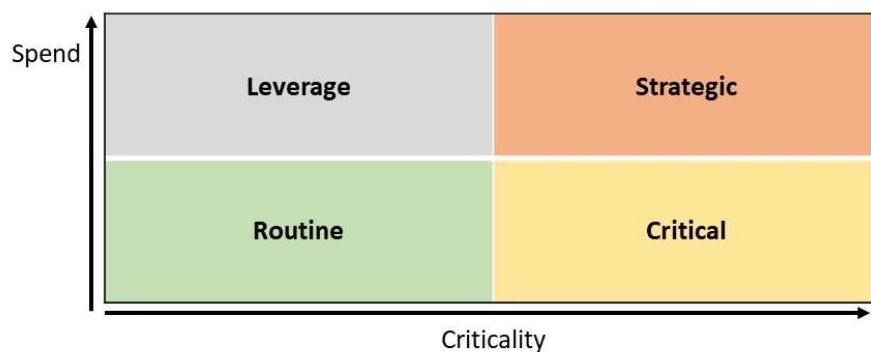
4.3 Supplier Segmentation

The suppliers at Lupin are segmented based on two parameters:

- A. Spend
- B. Criticality

This segmentation allows a more targeted approach to managing supplier relationships and prioritizing efforts. The suppliers have been classified into four segments:

- (i) Strategic – High spend, High criticality
- (ii) Leverage – High spend, Low criticality
- (iii) Critical – Low spend, High criticality
- (iv) Routine – Low spend, Low criticality



Supplier criticality is determined based on the criticality of the materials they supply. To assess the criticality, three parameters are considered, each weighted differently:

- Strategic importance (40%)

¹ This is being jointly developed leveraging a third party

- Alternate Supplier Availability (30%)
- Switching Costs / time (30%)

For FY 23, the output of the segmentation is as follows:

Segment	Count of Suppliers (% of total suppliers)
Strategic	119 (13%)
Critical	78 (8%)
Leverage	133 (14%)
Routine	616 (65%)
Total Directs Suppliers	946

Segmentation outcomes guide supplier engagement models. Strategic and Critical suppliers relationships, led by senior leadership, focus on mutual value creation and cost optimization. Routine and Leverage suppliers typically have transactional relationships.

4.4 Supplier Performance Evaluation

The suppliers are evaluated on the following basis:

- Strategic, Critical and Leverage suppliers are evaluated on a yearly basis
- Routine Suppliers are evaluated once in two years

Objective assessment criteria are used to evaluate suppliers based on parameters and sub-parameters outlined in the table below, ensuring a fair and transparent evaluation process.

S.No.	Parameter	Sub-Parameter	Weightage
1	Price	Price competitiveness	25%
2	Quality	Incoming lot rejections	25%
3	Delivery	On-time, in-full delivery	25%
4	Response	Service quality and responsiveness	10%
5	Sustainability	ESG scores against target	15%

Post conducting the performance assessment according to the defined frequency, category procurement teams provide specific feedback and improvement areas to suppliers, which will be monitored continuously.

Suppliers with rating below 50 may be considered for blacklisting or blocking until they demonstrate visible improvement. This decision will be made through joint discussions involving category leads, the supply chain team, and the QC team.

4.5 Supplier Risk Assessment

We diligently manage supplier risks, taking immediate action to develop alternate sources for high-risk suppliers. Through our supplier risk evaluation process, we proactively identify potential sustainability risks in the supply chain and ensure that our suppliers operate in a sustainable, ethical, and socially responsible manner, aligning with our values and sustainability commitments. Strategic and Critical Suppliers undergo assessment across five key parameters:

- Financials (general financial health)
- Industry/Sector Specific Parameters (technological advancements, etc.)
- Business and Operations (dependency/single source, fraud, business ethics, etc.)
- Sustainability Risks (environmental, social and governance issues)
- Macroeconomic Risks (geo-political, commodity risks, etc.)

Based on the outcome of risk assessment, the suppliers are classified as High, Medium, or Low risk, as shown in the 2X2 matrix below. Immediate action is taken to develop alternate sources for high-risk suppliers.

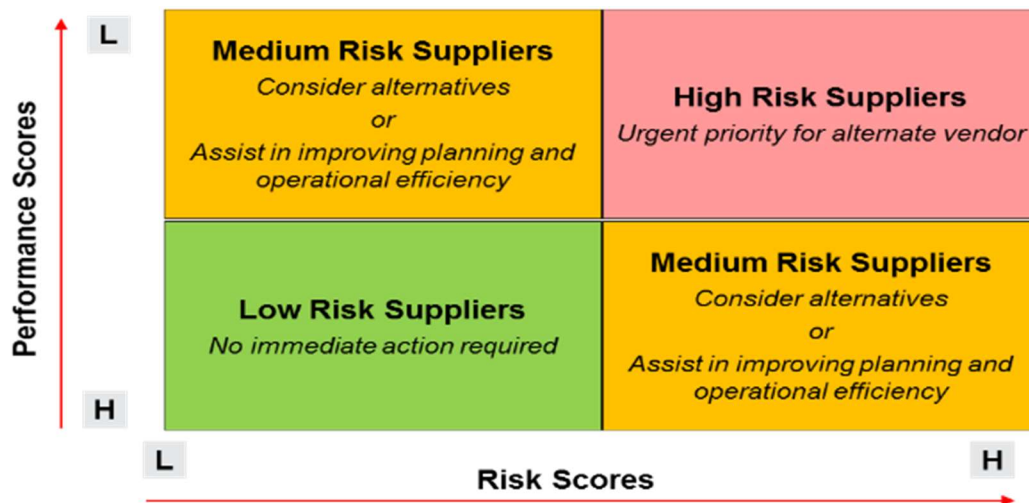


Fig: Risk evaluation framework

5. SUPPLIER ESG PROGRAM

- a) Lupin partners with a third party to implement a comprehensive ESG assessment program for our suppliers. This program aims to identify actions needed for suppliers to align with Lupin's ESG standards and to monitor their progress periodically. The ESG assessment process includes the following steps:
 - Objective ESG assessment: Questionnaire-based assessment of all Direct material suppliers, followed by a Corrective Action & Preventive Action (CAPA) report and feedback provided to suppliers flagged as "Red". The

assessment questionnaires are created based on industry-standard frameworks such as DJSI, Ecovadis, PSCI, etc.

- b) Detailed site audits: Key strategic suppliers undergo detailed site audits, followed by CAPA reports and feedback provided to suppliers flagged as “Red”.

Going forward, our objectives are follows:

- Implementing a comprehensive supplier development program, including providing suppliers with access to ESG benchmarks and improvement guidance compared to their peers.
- Conducting training for suppliers to help them align with Lupin’s ESG expectations.
- Offering technical support to assist suppliers in implementing corrective and improvement actions, enhancing their capabilities.
- Defining a timeframe for suppliers to meet minimum ESG requirements
- Preferencing suppliers with better ESG performance (assuming they meet all other criteria, such as technical and commercial aspects) during selection and contract awarding processes

6. POLICY IMPLEMENTATION & MONITORING

Lupin expects suppliers to comply with the standards, processes and principles outlined in this Sustainable Procurement Policy. In terms of supplier ESG assessments, our objective is to conduct objective ESG assessment for approximately 70% of our direct suppliers (around 500) in FY 24. Additionally, detailed site audits of 15-20 strategic suppliers will be conducted annually. We will ensure that 100% of our suppliers comply with our Third Party Code of Conduct.

Supplier risk status is continuously monitored, with sustainability risk level assessments conducted more frequently within two years. If necessary, the assessments may be conducted more frequently within the two-year period. To gauge the effectiveness of our supplier ESG program, we will track the following KPIs:

- Percentage of suppliers screened for compliance with ethical and sustainability standards
- Percentage suppliers adopting sustainable practices as a result of Lupin’s engagement
- Number of suppliers improving their performance based on feedback and recommendations
- Number of high-risk suppliers identified and addressed through risk mitigation actions
- Time taken to screen and approve new suppliers

By focusing on these outcomes, we will evaluate the impact and success of our supplier ESG program and continually enhance it based on our learnings.