

Shree Cement Limited

Supplier Selection/Categorization & Risk identification procedure

SCL does screening of the supplier for the identification of various ESG and Sustainability risks and which helps in eliminating the vendors whom are engaged in cases such as child labor, forced labor, corruption & bribery, non-compliance of statutory requirements such as CSR Act. etc. Beforehand vendors are sorted based on factors given below-

Operational factors: This factor is related to suppliers of critical components such as heavy machinery, raw material for cement production etc.

Transaction factors: This factor refers to high-volume suppliers in terms of number of transaction as well as bulk transaction. Inspection is also done in view of operational performance in standard conditions. The time taken during transit period is also considered.

Technological advancement: A vendor's processes or offerings can become obsolete if new technologies come into the picture. This needs to be taken into account during annual vendor reviews.

Statutory Compliance: To ensure that vendors comply with the full range of applicable industry and geography-specific regulations.

Policy & Regulations Strategic Decisions: risk of vendors which arises from poor and faulty business decisions that adversely affect earnings and capital

Other factors: Other factors such as cost (L1, L2, L3), failures in vendor-supplied technology, improper financial conduct, information security breach and fraud.

For further smooth functioning of its operations, SCL has identified Critical Tier-1 & 2 suppliers and High Risk Suppliers.

Critical Suppliers: (Applicable on both new and existing suppliers.)

1. High volume suppliers
2. Suppliers with high magnitude of order
3. Suppliers with critical components
4. Sole suppliers/non-substitutable suppliers
5. Suppliers with specific intellectual property (IP) / patents

High-Risk Supplier: SCL considers use of conventional fuel is the most risking factor for cement industry. To meet the energy requirement of its operations SCL is dependent on indigenous as well as imported conventional fuels. And such suppliers are factored as High Risk Supplier in our supply chain.