



HIGH ENVIRONMENTAL STANDARDS IN SUPPLY CHAIN POLICY

POLICY NUMBER – PUR004

DATE: 01.01.2021

ISSUED BY	PROCESS OWNER	APPROVED BY
Sustainability Manager	Head of Purchasing Department	Sustainability Committee

PURPOSE AND OBJECTIVE

FIVE is deeply committed to following fundamental standards on labour law, human rights, and environmental, social, and ethical requirements. The purpose of this policy on implementation of high environmental standards in supply chain is to exhibit FIVE's commitment to fight climate change and protect the environment, by promoting an efficient, responsible, and sustainable management throughout the value chain.

Supply chains represent a large percent of an organization's environmental footprint. This policy aims to ensure implementation of high environmental standards through its supply chain by identifying opportunities, developing an internal network of environmental programs to share their leading practices and help improve supplier capabilities on environmental standards. This would also enable suppliers to decrease their operational costs, reduce environmental impact thereby increasing resiliency and reliability.

FIVE is inspired by the information set out in the Conventions issued by the International Labour Organization (ILO) and the Ten Principles of the UN Global Compact, in addition to the contents of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises to build a comprehensive view of implementing robust environmental standards within the supply chain.

APPLICABILITY

This policy applies to all suppliers, sub-contractors, and manufacturers of FIVE Holdings and its related group entities.

GUIDELINES

FIVE emphasizes on the following guidelines to ensure high environmental standards within its supply chain.

- A. **SUPPLIER SELECTION:** FIVE incorporates environment-conscious selection criteria in its supplier selection process by performing a pre-qualification evaluation to understand supplier effort towards a sustainable environment. These may include requirements related to chemical content, usage of wood, water, and waste management, ESG conscious practices, 'reduce-reuse-recycle', sustainability goals and reporting framework.
- B. **SUPPLIER CODE OF CONDUCT ON SUSTAINABILITY:** FIVE requires its suppliers to showcase high standards has code of conduct for ethics and sustainability appropriate for its business. Sustainability goals regarding recycling waste, reducing energy usage, improvement in use of water through application of water treatment plants among others. FIVE incorporate high environmental standards as a part of its supplier code of conduct. All FIVE suppliers are required to confirm that they have read, understood, and shall adhere to the supplier environmental standards supporting sustainability.
- C. **SUPPLIER ASSESSMENTS:** FIVE performs periodic visits through its supply chain to identify environmental risks, understand initiatives taken to reduce environmental impact, improve resource efficiency, reduce the use of non-renewable sources and impact on the ecosystem. This includes hazardous waste and product end-of-life management suppliers. These assessments include providing a report of non-conformities or improvements, along with remediation plans and timelines. Following parameters may be assessed:

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- Facility operational activities, capabilities, capacities, and services on waste management, recycling methods, environmental, health and industrial safety and hygiene management plans
- Corporate environmental and social responsibility
- Applicable legal requirements and compliance
- Environmental programs including air emissions, underground storage tanks, spill prevention containment and response
- Environmental liabilities, closure and post-closure care cost funding and plans and insurance coverage
- Monitoring targets vs actuals on sustainability initiatives (including sub-contractor and lower tier supplier performances)

D. **LONG-TERM SUSTAINABILITY GOALS BY SUPPLIERS:** With its focus on sustainability, FIVE expects its suppliers to be conscious of the ESG framework and develop internal plans and goals on sustainability and continuous improvement. Further, all FIVE suppliers should extend this to their own suppliers (including low-tier suppliers) by encouraging them, assessing them, and providing them feedback on their environmental enterprises.

E. **SUSTAINABILITY TRAININGS:** FIVE collaborates with suppliers and environment-friendly organizations within the supply chain to organize trainings for its purchasing department emphasizing on the importance of sustainability and methodologies of sustainability assessment to select suppliers more effectively which ensures lower costs, high quality products and services without compromising on environmental standards.

F. **SUPPLY CHAIN EXTENSION:** FIVE engages with the top executives at their first-tier suppliers and explain the importance of building a sustainable supply network, with the goal of motivating them to catalyze the dissemination of sustainability requirements to lower-tier suppliers.

G. **BUILDING TRUST AND COLLABORATION:** FIVE aims to build on to trust and collaboration driving engagement throughout procurement within its framework to share best practices with its supply chain through audit findings, demonstrated improvements, and benchmarked activities, for making better environmental standards. This is done by staying constantly in touch with the suppliers, organizing **periodic trainings** and **sending mailers** to suppliers on the best practices for minimizing environmental impact through sustainable business. FIVE takes initiatives to collaborate with their competitors and major suppliers to develop and disseminate industrywide sustainability standards.

H. **PERFORMANCE REPORTING:** FIVE expects its suppliers to monitor, track and assess the environmental impact of their operations and initiate measures to improve sustainability, within their organization as well as the assessment of environmental standards through their own supply chain. Such assessment reports are required to be made available on request by FIVE during its own assessments.

COMMUNICATION

FIVE communicates its core values and approach through its supply chain framework to all its key stakeholders including the purchasing team and suppliers. All FIVE suppliers are encouraged to extend their environmental standards, measures and requirements to their suppliers thereby ensuring the enhancement of the framework across the extensive supply chain.

Any colleague who has questions or concerns about this policy should speak with the Purchasing Manager or Sustainability Manager.

Extract of the EHSQ checklist (part of Health and Safety Policy – EHS 001)

Sr. No	Question	(Score – 0/1)	Document evidence/Remarks
Environmental factors			

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1.	Does the company have a legal compliance check periodically to check the requirements of local and national laws related to environmental standards?		
2.	Is the company's senior management and staff aware of the significant environmental impact of their site and its processes? (obtain responses through interviews)		
3.	Does the company assess impacts, including continuous recording and regular reviews of use and discharge of natural resources e.g. energy use, water use?		
4.	Does the company have an environmental management system or policy in place to monitor, track and assess resource efficiency?		
5.	Does the company have environmental management system certifications or any environmental management systems documentation?		
6.	Does the company have an energy management system policy?		
7.	Does the company have any certifications against energy management system standards?		
8.	Does the company have any specific social responsibility policies and objectives?		
9.	Does the company have any periodic internal audit program and management review covering the policies and procedures?		
10.	Does the company have any environmental permits? Any certifications obtained by the supplier? Any preferred environmental management certifications?		
11.	Does the supplier use any "List of Restricted Substances" (i.e. asbestos, arsenic, cadmium, chromium compounds, CFCs, cyanides, DDT, halons and PCBs) and should strive to use chemicals with low toxicity and high biodegradability?		
12.	Does the supplier use materials from endangered varieties of wood? Do they have documented usage of wood from sustainably managed forests?		
13.	Does the company have its sustainability targets laid out and monitor compliance against these targets?		
14.	Does the company take any initiatives to reduce its energy, water, and material consumption?		
15.	Does the company have any environment-friendly initiatives to minimize impact on climate change and global warming? (perform employee interviews)		
16.	Does the company have any processes in place for disposal of scrap and management of waste? Do		

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	they have any initiatives for reduce, re-use and recycle any products (where applicable)?		
17.	Does the company take initiatives to reduce fuel/ energy consumption by identifying renewable sources?		
18.	Does the company take any steps to preserve the marine eco-system (where applicable)?		
19.	Does the company take any initiatives to reduce its air emission, carbon emissions and noise pollution in the environment?		
20.	Does the company have any initiatives to preserve terrestrial eco-systems?		