



SUPPLY CHAIN

At our annual Business Partners Meet at Ho Chi Minh City, Vietnam. We are committed to ensure sustainable sourcing of the raw materials we use and work closely with our suppliers to drive sustainable practices across their operations as well.

Supply Chain

80%

Of the materials we source from our suppliers have been evaluated under supplier assessment this reporting year

Importance of sustainability in the supply chain

While it is generally seen that sustainability in the supply chain is the most difficult aspect, it is also seen as the most important for a business. This importance stems from the effect that the supply chain has on the environment and the overall well-being of society. By working closely with our suppliers, we have an opportunity to reduce the environmental and social impact of our activities and position ourselves better to handle situations of uncertainty.

We have focused on the long-term sustainability of our vendor base by actively involving them in programmes related to sustainability initiatives and practices. Our collaborative approach with key partners in the areas of training, research and development, new product development, and innovation has provided the vendors opportunities to partner with and be a part of our growth in domestic as well as global business. These collaborations have also helped us establish a formidable vendor base, which in turn has helped us grow our business at a rapid pace, introduce new and cutting-edge products into the market, and position ourselves as an innovation-driven company. Our sustained efforts over the years have resulted in recognition on the global stage as we received the 'Platinum Level International TOC Excellence Award 2015' from the Theory of Constraints International Certification Organisation (TOCICO) at their International Conference in Cape Town, South Africa.

Measures taken to improve our performance

Focused strategic sourcing functions for the business – Domestic sourcing and international sourcing to improve business focus and profitability

We have rapidly expanded our business across multiple geographies and continents, and as a result, we now have a presence in Asia, Africa, Latin America, and the UK.

To supplement manufacturing activities, many of the strategic and key suppliers are now located in the vicinity of the manufacturing plants. We have also undertaken many initiatives, such as Master Data Online (MDO), Supplier Relationship Management (SRM), Automated PO generation and dispatch, and direct transfer of Funds via RTGS, to improve the working relationship with our suppliers.

Matured and robust strategic sourcing department - optimise the sourcing spends and value creation in sourcing opportunities

Strategic sourcing has enabled us to have a disciplined and systematic process towards optimising the total costs of externally purchased materials. With time, the sourcing function has matured with robust sourcing strategies that have helped even the global subsidiaries in finding sustainable sources of materials, low cost country (LCC) sourcing, and aggregation of global demand to generate value to the business. As a logical extension

G4-12, G4-13

of this initiative, strategic sourcing initiatives have been fully extended to the international business to replicate the success in domestic business in a focused way.

Expansion of the vendor base for long-term strategic benefits

GCPL has a very strong presence in the household insecticide market, and this is a key focus area for growth. To ensure the long-term sustainability of this business, it is essential to have cost-effective active ingredients coupled with ease of availability. In line with this requirement, we have developed several new low-cost suppliers for active ingredients. This has significantly reduced the cost and dependency on any one vendor.

Vendor selection/vendor qualification and vendor upgradation process benchmarked to the best in the industry

We have put in place a well-structured vendor qualification and continuous evaluation process. This process has been developed and rigorously implemented by the product integrity team. The vendor qualification process is well-documented to ensure that the ultimate delivery of products to our customer is the best in quality. The selection of vendors is based on an objective evaluation matrix, wherein the vendors are rated based on certain key criteria. This process also involves visits by cross-functional teams consisting of research and development, quality assurance, packaging development and procurement teams to not just qualify the vendor for initial supplies but also for continuous sustainability of quality levels. Thus far, around 90 vendors have been evaluated and another 20

vendors have been re-evaluated with significant inputs for the improvement of quality.

Strategic vendor collaboration initiatives and practices at GCPL

Another way for us to foster healthy relationships is by entering into core listing agreements with select perfume vendors for a duration of 3 years. These core listing arrangements enable us to have a very strategic approach to the perfume category where business is awarded to a select list of vendors. It is based on a very objective evaluation of their capabilities, which results in long-term mutual benefits.

Encouraging vendors to adopt best practices and partnering with them

We always strive to improve the performance of our vendors and urge them to adopt our best-in-class supplier management practices, some of which are enlisted below:

- Good Manufacturing Practice (GMP) audits: All our units have a periodic GMP audit and a structured scoring mechanism to ensure that high GMP levels are maintained in our manufacturing locations. We have also extended the GMP practices to our key vendors and ensured that the high levels of GMP are obtained.
- Total Productivity Management (TPM)/Total Quality Management (TQM): Through our regular vendor visits and audits, we have ensured that the vendors are educated in TPM and TQM practices.
- Quality Circles: We have extended quality circle initiatives to suppliers to involve workers from supplier units to improve their quality and create a culture of continuous improvements.

Release of sustainable procurement policy along with guidelines and purchase manager's guide

We circulated a [Sustainable Procurement Policy](#) among our business partners during the month of January 2016 through a formal event held in Mumbai. This policy, which is to be adopted and absorbed in a phased manner over a period of time, shall become the ethos of doing business for GCPL. To improve the compliance of the vendors to policy, a benchmarking exercise is currently in progress, based on which targets will be set and strategy on the way forward will be decided.

Currently, this policy is extended to those key vendors who supply to our business in India.

Ensuring business continuity through sustainability audits and risk mitigation plans

To ensure business continuity, we have started analysing various business risks associated with our vendors and have begun developing plans to mitigate the same.

While this helps us work out an action plan to de-risk our supply issues, it also provides useful inputs to vendors to understand the potential risks as perceived by us and work out mitigation plans to ensure continued business with GCPL. The exercise is conducted through structured audits, which involve questionnaires, visits to the manufacturing plants of suppliers, interactions with their teams, and analysis of their strengths and shortcomings. Twenty-two vendors have been audited during the reporting period, and action has been taken to mitigate the risks identified during the audit.

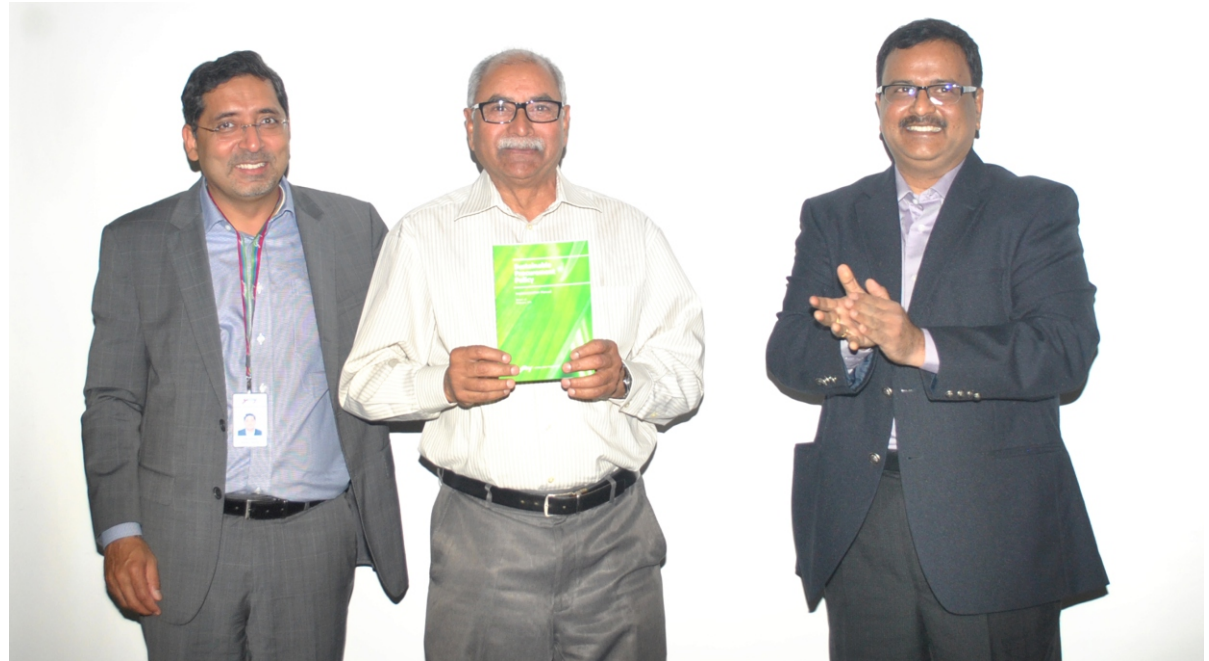
Sustainable Procurement Policy

With our increasing presence in emerging markets, it becomes important for us to work with our suppliers to stress upon the significance of sustainability in the supply chain and use it to drive competitive advantage. Price and delivery benefit are no longer the cornerstone of sourcing philosophies, as more importance is placed on the ethical, social, green, and quality performance of a business partner. In light of this, we have developed a Sustainable Procurement Policy, the first of its kind in the Indian FMCG sector, which addresses multiple areas of social parameters, environmental factors, and commitment to quality.

Our [Sustainable Procurement Policy](#) has four focus areas that can be viewed on our website.

To prepare this policy, we shared a detailed questionnaire with our vendors to collect responses in the present scenario. Based on the responses received, the baseline parameters of the policy were achieved. Using these parameters, vendors were assessed, and a composite score was achieved, which was then communicated to the vendors. The adherence score in the policy will guide our future sourcing philosophy, thereby promoting higher buying from vendors who adopt sustainable business practices.

As a part of our supplier assessment for the year, we have evaluated 115 vendors (including raw material vendors, packaging material vendors, and finished good vendors). These were evaluated according to our extensive questionnaire, covering topics from the four focus areas as per the policy. To assess the performance of the vendors post implementation of the



We rolled out the policy in January 2016 at our HO with our suppliers and senior management

policy, we have vendor audits currently underway in Q2, fiscal year 2017-18.

The assessment of our suppliers involved scoring them across multiple parameters such as management approach, public disclosure, and environmental performance, among others. The questions were both qualitative and quantitative in nature. The questions asked were on the lines of

- Compliance to human rights parameters such as
 - Forced and child labour
 - Compensation and working hours
 - Nondiscrimination
- Employee health and safety

- Approach towards reducing carbon emissions and water consumption
- Handling and disposal of toxic or hazardous waste
- Initiatives towards green practices
- Disclosures on commitment/performance towards
 - Bribery and corruption
 - Conflict of interest
 - Anticompetitive and restrictive trade practices

A composite score was developed on the basis of the responses to the questionnaire, and category-wise targets were set for each participating supplier, so as to improve their performance and strive for complete adherence to the policy.