

**BALKRISHNA INDUSTRIES
LIMITED**

**NATURAL RUBBER
PROCUREMENT POLICY**

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At Balkrishna Industries Limited (hereafter stated as “*BKT*” or the “*Company*”), we are dedicated to ensuring responsible, ethical and sustainable procurement practices across our operations. Herein, material procurement plays a vital role into fulfilling the management’s commitment of delivering the quality products to our customers. Natural rubber is an essential raw material for the manufacture of tires and other products of BKT. Along with the existing Supplier Code of Conduct, the Natural Rubber Procurement Policy (hereafter stated as ‘*Policy*’) is significant to strengthen the procurement process of natural rubber catering to the requirements essential to comply with national and international norms along with framework requirements of Global Platform for Sustainable Natural Rubber (GPSNR) (hereafter stated as ‘*Framework*’).

The policy is applicable to the operations of Balkrishna Industries Limited and its Natural Rubber Suppliers including all partners involved in their supply chain (hereafter collectively stated as “*Suppliers*”) to BKT. Our expectations of the supplier are already part of BKT’s commitment.

This comprehensive policy governs every facet of our natural rubber procurement process, reflecting our unwavering commitment to environmental stewardship, social responsibility, and ethical business conduct under stated elements & requirements. Suppliers are required to adhere minimum criteria as defined through this policy.

A. COMPLIANCE

BKT procures natural rubber from different geographies of the globe. We are committed to comply with the applicable local, national and international laws and regulations of the jurisdictions we operate in. These criteria include, but are not limited to, zero-deforestation practices, respect for land & legal rights and support for local communities, third parties’ rights, supporting long term protection of natural forests and their ecosystems by focusing on their conservation values and restoring or supporting restoration of deforested and degraded rubber landscapes, tax, anti-corruption, trade and custom regulations.

We intend to work together with our Suppliers to promote and meet the applicable standards. The suppliers are expected to verify the implementation of compliance of laws and regulations in their supply chain and assist BKT, whenever asked for.

Where a discrepancy has been identified through supplier assessments or available grievance mechanisms, the company will mutually agree on an acceptable, time-bound improvement program with the associated supplier to move towards conformance and/or remediation or past or ongoing harms. Proven or persistent nonconformance by monitoring from stakeholders or, where relevant, failure to

apply the mutually agreed improvement programs will result in the suspension or termination of business relations with the relevant supplier and/or their subcontractor(s).

a. Environmental Stewardship

BKT places paramount importance on environmental stewardship into our operations and intends to prioritize suppliers who demonstrate sustainable land management and protect the eco-system. We simultaneously expect our Suppliers to:

- Ensure compliance of applicable local, national and international environmental laws and regulations of the jurisdictions, where operate/trade/ transport.
- Promote land use planning that balances social, economic, and environmental agendas by producing and sourcing natural rubber in a way that does not contribute to deforestation or degrade High Conservation Values (HCVs) and follow the methodology and guidance consistent with the HCV Approach and with the High Carbon Stock Approach (HCSA). Natural Rubber sourced from deforested areas or where HCV which has been degraded after 01.04.2019 is strictly prohibited.
- Ensure to support the long-term protection of natural forests and other ecosystems and their conservation values and restoring or supporting restoration of deforested and degraded rubber landscapes.
- Commit to maximize renewable energy, maximize natural resource efficiency and optimize process in such manner so as to achieve minimize energy per unit of production. Commit to reduce and mitigate GHG or carbon emissions.
- Adopt practices to minimize generation of Greenhouse Gas (GHG) emissions and adopt and mitigation.
- Focus on optimum utilization of water and adopt wastewater treatment practices to protect water quality and quantity. Adopt appropriate measures to prevent water contamination from chemicals and prevent erosion and sedimentation in the operations.
- Ensure to adopt measures for soil to protect quality, prevent erosion and nutrient degradation, subsidence and contamination, wherever applicable.
- Focus on putting efforts to preserve/ maintain/ implement and enhance biodiversity of the high conservation value (HCV) areas.
- Commit to promote agroforestry practices, protect natural habitats, protect wildlife, including rare, threatened, endangered and critically endangered species from poaching, over-hunting and habitat loss in areas under company management and support wildlife protection activities in areas of influence and implementing sustainable land management techniques.
- Focus on minimizing the ecological footprint and promote responsible land use practices by avoiding deforestation, land-grabbing and sourcing natural rubber from known ecosystems such as wetland, savannah and peatland regardless of depth, extent, or status (wet, drained or dry).
- Ensure to avoid practicing open burning/fire in new or ongoing operations for land preparation, land management, and waste management.
- Ensure to produce adequate, conclusive and verifiable information that supplied material is deforestation-free.

b. Upholding Human and Labour Rights

BKT is committed to respecting Human and Labour Rights and expects its natural rubber supply chain partners to implement necessary safeguards for all workers, including contract, temporary, and migrant workers, within their operations and sourcing chains. BKT supports all articles (1 to 30) of the United Nations Universal Declaration of Human Rights. We are committed to respect and protect internationally recognized human rights (including upholding the UN Guiding Principles on Business and Human Rights (UNGP) by avoiding causing or contributing to adverse

human rights impacts and preventing or mitigating any harm linked to company operations. All partners involved in supply chain of natural rubber to BKT, are simultaneously expected to ensure to:

- Establish and uphold appropriate systems to comply with the labour rights and labour laws including UN Guiding Principles on Business and Human Rights (UNGP), and the intent of the International Labor Organization’s (ILO) eight core conventions, which encompass:
 - Respecting and maintaining the freedom of association and collective bargaining (ILO Convention No. 87 and No. 98)
 - Prohibiting use of forced labour (ILO Convention No. 29 and its 2014 Protocol)
 - Preventing child labour (ILO Convention No. 138 and No. 182)
 - Providing decent living wages
 - Ensuring non-discrimination (ILO Convention No. 111 and No. 100)
 - Adhering to legal working hours
 - Develop and maintain safe and healthy workplace
 - Eliminating abusive practices (ILO Convention No. 105)
 - Supporting gender equity

- Provide support to individuals, households, and local communities to help them to achieve and maintain decent living conditions. Ensure their right to food and food security, and uphold their economic, social, and cultural rights by facilitating access to education and employment opportunities
- Develop and uphold culturally sensitive communication system for IP/LC and grievance redressal mechanism that aligns with the UNGP effectiveness criteria. This system should effectively handle complaints and address any adverse impacts, whether actual or perceived, arising from production and sourcing activities.
- Integrate the recognition and protection of the customary, traditional, and communal land tenure rights of indigenous peoples and local communities (IP/LC) into operations. This includes respecting land tenement and rights-of-way for hunting and gathering of animals and plants for their subsistence, cultural, and religious traditions, customs, and ceremonies, in accordance with the UN Declaration on the Rights of Indigenous Peoples (UNDRIP).
- Adhere to credible and accepted methodologies and associated GPSNR guidelines to secure advanced Free, Prior and Informed Consent (FPIC) from IP/LC for greenfield activities having potential to affect their land, territories and resources. This includes when planning, establishing restoring, or transforming corporate plantations and/or industrial sites, as well as associated infrastructure. IP/LC have the right to give or withhold their consent to any activity that is subject to the FPIC process."
- Implement and adhere to a process for compensating or accommodating, through mutually agreed and negotiated measures, in situations where operations may/ have impacted the rights of indigenous peoples and local communities (IP/LC).
- Implement measures to provide remedies through mutually agreed procedures in cases where the supplier/ company has previously caused or contributed to the appropriation or harm of the lands, territories, or resources of indigenous peoples and local communities (IP/LC) without securing Free, Prior, and Informed Consent (FPIC). Ensure these mutually agreed measures include a monitoring mechanism in line with Framework. The accepted methodologies are stated in the annexure.
- Maintain high standards of conduct in all interactions with stakeholders by adhering to an Anti-Bribery and Anti-Corruption Policy, and complying with all applicable laws and regulations, including local laws.
- Implement a waste management system for emergencies and other situations where a pre-installed garbage system is not available.
- Ensure a safe and healthy working environment by adopting relevant standards and providing protective equipment as required by applicable law.

B. GOVERNANCE

With intent to implement and demonstrate progress toward Policy Components, BKT ensures to develop and maintain a robust and continually reviewed governance system for its own operations. This includes monitoring of policy commitments from planning to production levels, sourcing areas, supplier management, and control systems (including certifications), traceability and other requisites at each stage of procurement, production, transportation, and supply levels, in accordance with the policy's scope.

All partners involved in supply chain of natural rubber to BKT, are simultaneously expected to develop and maintain the high level of governance system within their operations that meets this policy's requirements, which includes:

- Setting public timebound and geographically specific targets and milestones with their associated indicators/metrics, to ensure Policy commitments.
- Ensure compliance with all applicable local, national, and international laws on human rights, labour, land, environment, tax, anti-corruption, trade and custom regulations as well as policy requirements.
- Embed commitments into decision-making processes, systems, and performance metrics of corporate management, relevant business units, joint ventures, and company affiliates and subsidiaries.
- Develop and maintain a process for regular stakeholder engagement to fulfil the company's commitments, with periodic updates based on multi-stakeholder planning policy efforts with GPSNR or regulatory directives at a landscape, jurisdictional or other spatial level..
- Extends support to train natural rubber producers, including smallholders, to improve yield and quality.
- Uphold the highest standards of Ethics and Conduct in all dealings with stakeholders through an Anti-Bribery and Anti-Corruption Policy, combating all forms of corruption, including extortion and bribery.
- Ensure all supply chain members develop and maintain systems to provide timely support, access to required information, data, or documents for compliance assurance related to traceability, as requested by buyers, operators, or due-diligence agencies.
- Suppliers must maintain systems to provide necessary action updates to facilitate BKT's reporting on progress and outcomes related to policy implementation. BKT will continue to publicly report on progress through the "BKT's Sustainability Report" Annually
- Suppliers must retain all requisite records for the applicable documentation retention period as specified by relevant laws or guidance frameworks.
- BKT reserves the right to develop and maintain an audit protocol and conduct due diligence assessments of suppliers to validate compliance with policy components.
- Through stakeholder monitoring, BKT and supplier partners must regularly work independently and/or jointly on time-bound remedial actions for any gaps in meeting policy commitments
- BKT prefer suppliers of natural rubber that material produced and processed in accordance and conformance with the Framework.

C. TRACEABILITY AND TRANSPARENCY

BKT believes in taking proactive steps and support the development of advanced methods and/or technology to implement robust traceability system upto at least an appropriate jurisdiction level

meticulously to track the origin and journey of natural rubber throughout our supply chain, to know or control the conformance of purchased materials with the framework. This includes:

- Conducting supply chain mapping and assessments of all partners engaged in supply chain of natural rubber for social and environmental risks to prioritize risk mitigation actions for implementing responsible sourcing practices.
- BKT to develop and maintain internal system (including digital) for traceability of material pertaining to this policy as receive, segregation, storage, feed to process, tagging and dispatch of compliant product till the stage of control.
- Supplier (or other terms as the contract defines), has to ensure developing supporting traceable system of natural rubber with backward integration till an appropriate jurisdictional level, to know or control the conformance of purchased materials with GPSNR Policy frameworks.
- Ensure to regularly engaging downstream supply chain (both direct and indirect suppliers) to support their conformance with company commitments through effective incentives, support mechanisms, and purchase monitoring systems

D. RISK MANAGEMENT AND CONTINGENCY PLANNING

At BKT, we maintain constant focus on risk minimisation by instituting adequate processes, effective controls and periodic review mechanism to prevent non-compliance. To effectively address and mitigate risk of potential disruptions to the natural rubber supply, BKT continuously reviews the implementation of proactive risk management strategies and contingency plans. Digitization of material flow across operational process enhances traceability.

By steadfastly adhering to this natural rubber purchasing policy, BKT reaffirms its unwavering commitment to responsible sourcing practices, contributing meaningfully to the sustainable management of natural resources and the preservation of global ecosystems.

The Policy is being periodically reviewed by management to ensure the robustness of processes, people, systems, and technology deployed to address related matters. The latest version of the policy is made available on the BKT website. Additionally, we seek professional advice to support decision-making processes, improving our understanding of the applicability and interpretation of guidelines and laws to remain compliant. We also analyze industry approaches and trends to benchmark our processes.

BKT has established mechanism for stakeholder to reach out with their idea/input/grievance by clearly mentioning input/unease, nature, impact with supporting documents along with desired elucidations on grievance management on BKT website or email to shares @bkt-tires.com. to management.

BKT urges its suppliers to align their actions with this policy and ensure timely information flow to maintain risk-free and long-term business relations.

ANNEXURE: DEFINITIONS

CHILD LABOUR

Work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development. Not all work done by children should be classified as child labour that is to be targeted for elimination. Children's or adolescents' participation in work that does not affect their health and personal development or interfere with their schooling, is generally regarded as being something positive (ILO Convention No. 138 and No. 182).

DISCRIMINATION

Any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation (ILO Convention No. 111).

FORCED LABOUR

Forced or compulsory labour shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily (ILO Convention No. 29 and its 2014 Protocol).

FREE PRIOR AND INFORMED CONSENT (FPIC)

The principle of free, prior and informed consent (FPIC), including as set out in the UN Declaration on the Rights of Indigenous Peoples. The accepted methodologies to be followed for the FPIC process are: UN-REDD (2012) Guidelines on Free, Prior and Informed Consent, RSPO (2015) Free, Prior and Informed Consent for RSPO Members, FAO (2015) Free, Prior and Informed Consent Manual

FREEDOM OF ASSOCIATION

The right for workers and employers to establish and join organisations of their own choosing without previous authorization. (ILO Convention No. 87).

FOREST

'Forest' means land spanning more than 0.5 hectares with trees higher than 5 metres and a canopy cover of more than 30 %, or trees able to reach those thresholds in situ, excluding land that is predominantly under agricultural or urban land use.

FOREST DEGRADATION

'Forest degradation' means structural changes to forest cover, taking the form of the conversion of: (a) primary forests or naturally regenerating forests into plantation forests or into other wooded land; or (b) primary forests into planted forests.

GEOLOCATION

'Geolocation' means the geographical location of a plot of land described by means of latitude and longitude coordinates corresponding to at least one latitude and one longitude point and using at least six decimal digits.

HIGH CONSERVATION VALUES (HCV)

An HCV is a biological, ecological, social or cultural value of outstanding significance or critical importance, as defined by Common Guidance for Identification of 6 categories of HCVs such as species diversity, landscape-level ecosystems, ecosystem mosaics and IFL, ecosystems and habitats, ecosystem services, community needs, cultural values.

HIGH CARBON STOCK APPROACH (HCSA)

HCSA is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. The methodology was developed with the aim to ensure a practical, transparent, robust, and scientifically credible approach that is widely accepted to implement commitments to halt deforestation in the tropics, while ensuring the rights and livelihoods of local peoples are respected.

NATURAL ECOSYSTEM

An ecosystem that substantially resembles – in terms of species composition, structure, and ecological function – one that is or would be found in a given area in the absence of major human impacts. This includes human-managed ecosystems where much of the natural species' composition, structure, and ecological function are present. Ecosystems, such as wetlands, savannahs and peatlands are highly significant to global efforts to combat climate change and the biodiversity crisis.

OPERATOR

'Operator' means any natural or legal person who, in the course of a commercial activity, places relevant products on the market or exports them.

PEAT

A soil with cumulative organic layer(s) comprising more than half of the upper 80 cm or 100 cm of the soil surface containing 35% or more of organic matter (35% or more Loss on Ignition) or 18% or more organic carbon. Note for management of existing plantations in Malaysia and Indonesia, a narrower definition has been used, based on national regulations: namely soil with an organic layer of more than 50% in the top 100 cm containing more than 65% organic matter.

TRACEABILITY

The ability to ability to track and verify the origin of raw materials and their supply chain journey through various stages of production and processing. This involves documenting and ensuring transparency in the flow of materials from the source to the final product.

TRADER

'Trader' means any person in the supply chain other than the operator who, in the course of a commercial activity, makes relevant products available on the market.