

ESG CODE OF CONDUCT FOR SUPPLIERS



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Environmental, Social and Governance (ESG) Code of Conduct for Suppliers

1. Introduction

This Code refers to this ESG Code of Conduct for Suppliers document. "ESG" stands for Environmental, Social, and Governance.

"BDL" refers to Bharat Dynamics Limited.

"Supplier" means any business or entity that supplies goods, services, or facilities to BDL.

BDL's ESG policy is to ensure that its operations, activities, and conduct, as well as those of its Suppliers, are carried out with a commitment to:

- a) Protecting and enhancing the environment by minimizing negative impacts and maximizing positive impacts.
- b) Ensuring appropriate conduct, positive impact, and good relationships with employees, customers/clients, suppliers, and the community.
- c) Conducting business with integrity and high ethical standards through appropriate structures, systems, processes, and procedures (the "ESG Commitment").

The ESG Commitment is a fundamental principle of BDL's business.

2. BDL's General ESG Principles

To fulfill the ESG Commitment, BDL aims to:

- i) Comply with all applicable local and national laws, rules, regulations, and other measures relevant to the ESG Commitment.
- ii) Where practicable and appropriate, establish and meet standards higher than those imposed by law.

3. Suppliers' Commitment

This Code sets out the minimum standards that must be met by Suppliers, including their suppliers and subcontractors, to help BDL meet the ESG Commitment. Each Supplier is required to:

- Comply with this Code.
- Adopt and implement policies, standards, and processes consistent with the Supplier's commitments outlined under the Environmental, Social, and Governance sections below.
- Ensure that these confirmations are accurate.
- Implement systems to ensure compliance and demonstrate adherence.
- Permit BDL to conduct audits wherever required by law to verify compliance with this Code.
- Sign and return a copy of this Code to BDL.

4. Environmental

Suppliers will:

- Ensure their operations, goods, and components comply with all applicable environmental protection laws and regulations and require their supply chain to do so.
- Operate management procedures that include environmental factors and conduct environmental audits as needed.
- Continuously improve environmental performance and integrate recognized best practices into business operations.
- Measure and work to reduce the carbon footprint of business activities.
- Where possible, reduce resource consumption and improve efficiency.
- Promote environmentally responsible purchasing within their operations and supply chain.
- Implement an environmental management system to identify and manage environmental risks and hazards, and require their supply chain to do so.
- Manage and dispose of all waste responsibly.
- Use packaging materials that comply with all applicable environmental laws and regulations, and require their supply chain to do so.
- Recycle all packaging materials, and require their supply chain to do so.
- Safely handle and transport all hazardous or toxic materials and products, and require their supply chain to do so.
- Provide advice on the safe handling, transportation, storage, and disposal of their products to BDL and others as appropriate.

Environmental Standards

Suppliers must identify actual and potential environmental impacts and minimize adverse effects on the community, environment, and natural resources within their manufacturing operations, while safeguarding public health and safety. The environmental standards are as follows:

Environmental Permits and Reporting

All required environmental permits (e.g., discharge monitoring), approvals, and registrations must be obtained, maintained, and kept current. Suppliers must adhere to all operational and reporting requirements associated with these permits.

Pollution Prevention and Resource Conservation

Emissions and discharges of pollutants and waste generation must be minimized or eliminated at the source through practices such as adding pollution control equipment and modifying production, maintenance, and facility processes. Natural resources, including water, fossil fuels, minerals, and virgin forest products, must be conserved through practices like material substitution, re-use, conservation, and recycling.

Hazardous Substances

Chemicals, waste, and other materials posing a hazard to humans or the environment must be identified, labeled, and managed to avoid and reduce their use. Suppliers must ensure the safe handling, movement, storage, use, recycling, reuse, and disposal of these substances, with hazardous waste data tracked and documented.

Solid Waste

Suppliers must implement a systematic approach to identify, manage, reduce, and responsibly dispose of or recycle non-hazardous solid waste. Waste data must be tracked and documented.

Air Emissions

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone-depleting substances, and combustion by-products generated from operations must be characterized, routinely monitored, controlled, and treated as required before discharge. Ozone-depleting substances must be effectively managed in accordance with the Montreal Protocol and applicable regulations. Suppliers must conduct routine monitoring of their air emission control systems' performance.

Materials Restrictions

Suppliers must adhere to all applicable laws, regulations, and customer requirements regarding the prohibition or restriction of specific substances in products and manufacturing, including labeling for recycling and disposal.

Water Management

Suppliers must implement a water management program that documents, characterizes, and monitors water sources, use, and discharge. They must seek opportunities to conserve water, control contamination channels, and ensure all wastewater is characterized, monitored, controlled, and treated as required before discharge or disposal. Routine monitoring of wastewater treatment and containment systems' performance is required to ensure optimal performance and regulatory compliance. Suppliers must assess risks of water shortages and floods, promote water conservation and recycling, and prepare for emergency responses to water shortages and floods to increase climate resilience.

Energy Consumption and Greenhouse Gas Emissions

Suppliers must track and report against an absolute corporate-wide greenhouse gas reduction goal. They must document and report energy consumption and all relevant Scopes 1, 2, and if possible, significant categories of Scope 3 greenhouse gas emissions. Suppliers should seek methods to improve energy efficiency and minimize energy consumption and greenhouse gas emissions.

Biodiversity

Suppliers must abide by relevant laws and regulations on biodiversity conservation, avoid operations affecting important habitats, and participate in actions to conserve natural ecosystems.

5. Social

Suppliers will:

- Comply with all applicable anti-slavery and human trafficking laws, statutes, regulations, and codes related to modern slavery in their respective country or countries of operations, and ensure their supply chain does the same.
- Respect and protect internationally recognized human rights as required by law in countries of operation/operations and as per Indian Law, including those recognized in the International Bill of Human Rights
- Provide and maintain a working environment free from all forms of discrimination, harassment, and bullying, and require their supply chain to do the same.
- Promote diversity and inclusion within their workforce and their supply chain.
- Comply with workplace health and safety laws and standards, and take steps to mitigate risks to health and safety, prevent workplace hazards, and avoid work-related accidents and injuries, ensuring their supply chain does the same.
- Provide fair remuneration, benefits, working hours, and leave policies, ensuring at a minimum that remuneration covers basic living requirements and that working hours do not exceed the legal maximum or industry standards.

Ethical Standards for Suppliers

To meet social responsibilities and achieve success in the marketplace, suppliers and their agents must uphold the highest standards of ethics, including:

Business Integrity

Suppliers must uphold the highest standards of integrity in all business interactions. They shall have a zero-tolerance policy prohibiting any form of bribery, corruption, fraud, extortion, and embezzlement.

No Improper Advantage

Suppliers must not promise, offer, authorize, give, or accept bribes or other means of obtaining undue or improper advantage. This prohibition includes direct and indirect actions through third parties to obtain or retain business, direct business to any person, or otherwise gain an improper advantage. Suppliers must implement monitoring, record-keeping, and enforcement procedures to ensure compliance with anti-corruption laws.

Disclosure of Information

All business dealings must be performed transparently and accurately reflected in the supplier's business books and records. Suppliers must disclose information regarding their labor, health and safety, environmental practices, business activities, structure, financial situation, supply chain, and performance to their value chain in accordance with applicable regulations and industry practices. Falsification of records or misrepresentation of conditions or practices in the supply chain is unacceptable.

Intellectual Property

Suppliers must respect intellectual property rights. The transfer of technology and know-how should be conducted in a manner that protects intellectual property rights. Customer and supplier information must be safeguarded.

Fair Business, Advertising, and Competition

Suppliers must uphold standards of fair business, advertising, and competition.

Protection of Identity and Non-Retaliation

Suppliers must maintain programs that ensure the confidentiality, anonymity, and protection of supplier and employee whistleblowers. Suppliers must have a communicated process for their personnel to raise any concerns without fear of retaliation.

Privacy

Suppliers must protect the reasonable privacy expectations of personal information of everyone they do business with, including suppliers, customers, consumers, and employees. They must comply with privacy and information security laws and regulatory requirements when collecting, storing, processing, transmitting, and sharing personal information.

Avoiding Conflicts of Interest

Suppliers must avoid conflicts of interest, such as situations where a BDL employee or a close relative (parent, child, spouse, or sibling) is a significant investor or shareholder in the supplier's company (as non-publicly traded stock). Excessive socializing with BDL business contacts may also create conflicts of interest or the appearance of conflicts.

Social contact must be within accepted cultural business norms, and any relationships that become conflicts of interest must be reported. If a potential conflict is discovered, it must be reported immediately to BDL, and corrective actions must be taken to ensure no inappropriate actions result from the conflict.

Complying with Export and Import Regulations

Suppliers must follow all laws related to the shipping, handling, and transportation of products to or on behalf of BDL. This includes complying with source country export and customs laws, destination country imports and customs laws, paying all necessary duties and taxes, and adhering to local transportation laws. Suppliers must provide procedures and training to employees and contracted service providers to ensure the safe handling of materials to, from, and at BDL.

6. Governance

Suppliers will:

- Comply with all applicable local and national laws and regulations, relevant standards, and codes of practice related to transparency and corporate governance, and ensure their supply chain does the same.
- Establish and maintain clear and effective governance for ESG.
- Promote strong oversight and transparency at all levels of their organization.
- Establish and maintain high standards of business ethics, and promote a culture of integrity, honesty, and responsible conduct.
- Comply with all applicable laws related to bribery and corruption in their respective country/countries of operations, and prohibit bribery and corruption among their officers and employees, ensuring their supply chain does the same.
- Prohibit money laundering among their officers and employees and ensure their supply chain does the same.

- Implement policies covering anti-bribery, anti-corruption, codes of conduct, conflicts of interest, privacy, and human resources, and require their supplychain to do the same.
- Comply with all applicable employment laws in the countries where they operate.
- Comply with all applicable data protection laws of India and as per country of operation/operations, when processing personal data on behalf of BDL, and maintain appropriate privacy and data security measures.
- Ensure their products and services meet all relevant safety and quality standards for the benefit of their and BDL's customers.
- Not offer BDL staff or their families gifts, invitations, services, preferential treatment, or other benefits that could influence or limit the objectivity and integrity of the staff member's business relationship with the Supplier.

7. Health and Safety

Suppliers acknowledge that maintaining a safe and healthy work environment not only reduces work-related injuries and illnesses but also enhances product and service quality, production consistency, and worker retention and morale. Ongoing worker participation and training are essential for the continuous improvement of occupational health and safety in the workplace. The health and safety standards are as follows:

Occupational Health and Safety

Suppliers must identify, assess, and mitigate potential health and safety hazards (e.g., chemical, electrical, fire, vehicle, and fall hazards) using the Hierarchy of Controls. If hazards cannot be adequately controlled, workers must be provided with appropriate, well-maintained personal protective equipment (PPE) and educational materials about the associated risks. Gender-responsive measures, such as avoiding hazardous working conditions for pregnant women and nursing mothers and providing reasonable accommodations for nursing mothers, must be taken.

Emergency Preparedness

Suppliers must identify and assess potential emergency situations and events, minimizing their impact through the implementation of emergency plans and response procedures. These include emergency reporting, employee notification, evacuation procedures, worker training, and drills. Emergency drills must be conducted at least annually or as required by local law, whichever is more stringent. Emergency plans must include fire detection and suppression equipment, clear and unobstructed egress, adequate exit facilities, contact information for emergency responders, and recovery plans, all aimed at minimizing harm to life, the environment, and property.

Occupational Injury and Illness

Suppliers must have procedures and systems in place to prevent, manage, track, and report occupational injuries and illnesses. This includes encouraging worker reporting, classifying and recording injury and illness cases, providing necessary medical treatment and assistance, investigating incidents, implementing corrective actions to eliminate their causes, and facilitating workers' return to work. Workers must be allowed to remove themselves from imminent harm and not return until the situation is mitigated without fear of retaliation.

Industrial Hygiene

Suppliers must identify, evaluate, and control worker exposure to chemical, biological, and physical agents according to the hierarchy of controls. If hazards cannot be adequately controlled, workers must be provided with appropriate, well-maintained PPE free of charge. Suppliers must provide safe and healthy working environments, maintained through ongoing, systematic monitoring of workers' health and working conditions. Occupational health monitoring must routinely evaluate if workers' health is being harmed by occupational exposures. Protective occupational health programs must include educational materials about the risks associated with workplace hazards.

Physically Demanding Work

Suppliers must identify, evaluate, and control worker exposure to hazards from physically demanding tasks, such as manual material handling, heavy or repetitivelifting, prolonged standing, and highly repetitive or forceful assembly tasks.

Machine Safeguarding

Suppliers must evaluate production and other machinery for safety hazards. Physical guards, interlocks, and barriers must be provided and properly maintained where machinery presents an injury hazard to workers.

Sanitation, Food, and Housing

Suppliers must provide workers with ready access to clean toilet facilities, potable water, and sanitary food preparation, storage, and eating facilities. Worker dormitories provided by the supplier or a labor agent must be clean and safe, with appropriate emergency egress, hot water for bathing and showering, adequate lighting and ventilation, secure storage for personal and valuable items, reasonable personal space, and reasonable entry and exit privileges. Suppliers must develop and implement programs to prepare for, prevent, and respond to potential infectious disease outbreaks among employees.

Health and Safety Communication

Suppliers must provide workers with appropriate workplace health and safety information and training in a language they understand, covering all identified workplace hazards, including mechanical, electrical, chemical, fire, and physical hazards. Health and safety information must be clearly posted in the facility or in a location identifiable and accessible to workers. Training must include specific risks to relevant demographics, such as gender and age, if applicable. Training must be provided to all workers before beginning work and regularly thereafter. Workers must be encouraged to raise health and safety concerns without fear of retaliation.

Natural Disaster Risk Mitigation

Suppliers must be aware of natural disasters relevant to their facilities, such as earthquakes, droughts, floods, and typhoons, and assess their likelihood and potential impact on personnel injury, property damage, and operational disruptions. Risks must be mitigated through hardware protection, emergency response procedures, training and drills, and conducting emergency plans.

8. Management Systems Requirements

Suppliers must adopt or establish a management system suited to the size, nature, and context of their operations. The management system should contain the following elements:

Company Commitment

Suppliers must establish policy statements on human rights, health and safety, environmental protection, and ethics. These statements should affirm the supplier's commitment to due diligence and continuous improvement, be endorsed by executive management, made public, and communicated to workers in a language they understand through accessible channels.

Management Accountability and Responsibility

Suppliers must clearly identify senior executives and company representatives responsible for implementing the management systems and associated programs. Senior management should regularly review the status of the management system.

Legal and Customer Requirements

Suppliers must adopt or establish a process to identify, monitor, and understand applicable laws, regulations, and customer requirements, including the requirements of this Code.

Risk Assessment and Risk Management

Suppliers must adopt or establish a process to identify and manage risks related to legal compliance, environmental, health and safety, labor practices, and ethics. This includes assessing risks of severe human rights and environmental impacts associated with their operations. Suppliers must determine the relative significance of each risk and implement appropriate procedural and physical controls to manage these risks and ensure regulatory compliance.

Improvement Objectives

Suppliers must establish written performance objectives, targets, and implementation plans to improve their social, environmental, and health and safety performance. This includes periodically assessing their performance in achieving these objectives.

Training

Suppliers must establish training programs for managers and workers to implement policies, procedures, and improvement objectives, and to meet applicable legal and regulatory requirements.

Communication

Suppliers must establish a process for communicating clear and accurate information about their policies, practices, expectations, and performance to workers, suppliers, and customers.

Worker/Stakeholder Engagement and Access to Remedy

Suppliers must establish processes for ongoing two-way communication with workers, their representatives, and other relevant stakeholders. This process should aim to obtain feedback on operational practices and conditions covered by this Code and to foster

continuous improvement. Workers should be given a safe environment to provide grievances and feedback without fear of reprisal or retaliation. Suppliers must also provide information on alternative dispute resolution mechanisms.

Audits and Assessments

Suppliers must conduct periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code, and customer contractual requirements related to social and environmental responsibility.

Corrective Action Process

Suppliers must establish a process for the timely correction of deficiencies identified by internal or external assessments, inspections, investigations, and reviews.

Documentation and Records

Suppliers must create and maintain documents and records to ensure regulatory compliance and conformity to company requirements, maintaining appropriate confidentiality to protect privacy.

Supplier Responsibility

Suppliers must establish a process to communicate Code requirements to next-tier suppliers and to monitor their compliance with the Code.

9. Reviewing and Updating this Code

BDL will periodically review and update this Code as necessary. When this Code is updated, BDL will notify Suppliers by email and provide a copy of the updated Code. The updated version will be effective after notification.

10. Non-compliance of Code

Supplier shall strive to comply with the code. If a Supplier is unable to comply with one or more terms of this Code, they shall notify BDL to mutually agree on corrective measures in a phased manner.

11. Acceptance

Name of Supplier	
Name of Signatory of Supplier	
Position	
Date	
Location	
Signature	

A copy of the Code, signed and dated on behalf of the Supplier, should be returned to BDL.