



# **Supply Chain Due Diligence** **Report**

***(July 2023 – July 2024)***

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# A. Introduction

## About this Report

- I. At Hindalco Industries Limited, we are committed to upholding our responsibility to respect human rights and to refrain from any action which contributes to the financing of conflict.
- II. As part of such commitment, this due diligence report has been prepared in accordance with Step 5 of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (hereafter, “**OECD Due Diligence Guidance**”), the best practice framework for responsible sourcing and due diligence in mineral and metal supply chains.
- III. It is intended to provide an assessment of our company’s adherence to the OECD Due Diligence Guidance, documenting our efforts in promoting responsible business practices throughout our supply chains. By systematically reviewing our due diligence processes and outcomes, this report underscores our commitment to continuous improvement and to inform our stakeholders of the progress we make.

## Scope of the Report

- I. This Due Diligence Report covers our copper unit and the following reporting period: July 2023 - July 2024 (“Reporting Period”).
- II. Where updated information is already available for the period proceeding July 2024 at the time of writing, such information has been integrated into the report to provide a better understanding of our continuous improvement efforts.

## B. Company Information

Hindalco Industries Limited (“Hindalco”) is the metals flagship company of the Aditya Birla Group. Established in 1958, Hindalco is today an industry leader in aluminium and copper, operating 47 units in 10 countries and including a workforce of nearly 40,000 people from diverse nationalities.

### Overview of Copper Operations in India

- I. Hindalco’s copper division operates one of the largest single location custom copper smelters in the world. The custom copper smelter at Dahej in the state of Gujarat (west coast of India) houses two copper smelters, two refineries, two rod plants, a captive power plant, a captive oxygen plant, phosphoric acid plant, precious metal recovery plant, captive jetty and other utilities.
- II. Hindalco produces LME grade copper cathodes, continuous cast copper rods in various sizes, and precious metals like gold and silver.

## C. Company Management System

### Company Supply Chain Policy

- I. In 2023, Hindalco had a number of policies addressing human rights and ethical business practices, covering the risks in scope of the OECD Due Diligence Guidance. Relevant policies include:
  - A Human Rights Policy, aligned with the United Nations Declaration of Human Rights (UDHR) and the International Labor Organization’s Principles against Human Trafficking, Child Labor, Forced Labour, and discrimination.
  - An Indigenous People’s Rehabilitation, Resettlement and Protection (IPRR Policy), which articulates Hindalco’s commitment to respect the legal and customary rights and interests of Local Communities in their lands and livelihoods and their use of natural resources.
  - A Whistle-blower Policy, which represents the bedrock of Hindalco’s grievance redressal mechanism.
  - A sustainability mining charter, which provides a holistic framework to accelerate the shift from compliance focused operations to sustainability focused operations and become future ready to meet the rising demand of metals and minerals.

All such policies are publicly available on the Company website: <https://www.hindalco.com/investor-centre/policies>.

- II. In 2023, a dedicated Supply Chain Policy specifically addressing due diligence in mineral and metal supply chains was under development. The Policy was completed in early 2024, coming into effect on June 28th, 2024, with the purpose to formalize and

collect, into one single policy document, Hindalco's approach to responsible supply chain management of mineral and metal supply chains from Conflict-Affected and High-Risk Areas (CAHRAs). This Policy is also available on the Company website: <https://www.hindalco.com/upload/pdf/responsible-sourcing-policy.pdf>.

- III. In line with the recommendations of the OECD Due Diligence Guidance, Hindalco's Responsible Supply Chain Policy covers all risks in scope of the OECD Due Diligence Guidance (also referred to as Annex II risks), as well as the Company approach to managing such risks if identified:
  - Serious abuses associated with the extraction, transport, or trade of minerals:
    - any forms of torture, cruel, inhuman and degrading treatment;
    - any forms of forced or compulsory labour;
    - the worst forms of child labour;
    - other gross human rights violations and abuses such as widespread sexual violence;
    - war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.
  - Direct or indirect support to non-state armed groups.
  - Risk associated with the contracting of public or private security forces.
  - Bribery and fraudulent misrepresentation of the origin of minerals.
  - Money laundering.
  - Non payment of taxes, fees and royalties due to governments.

## Management Structure

- I. In early 2024, Hindalco also formalized a dedicated Due Diligence Standard Operating Procedure (SOP), with the purpose to establish an effective internal management system for due diligence. This includes establishing key roles and responsibilities for each step of due diligence.
- II. The Procurement, Operations, Finance, Legal, and Enterprise Risk Management (ERM) teams are in charge of implementing our due diligence management system, each team being in charge of the steps relevant to their respective functions, as outlined in our Due Diligence SOP
- III. Due diligence training for all relevant personnel is planned for 2024 at regular intervals.

## Internal Systems of Control and Transparency

Hindalco has established an internal system of control and transparency to collect all information needed to implement all applicable steps of the due diligence.

### Focus on the Copper Unit:

- I. In 2023, the system of control and transparency implemented by the copper unit relied on Hindalco's vendor assessment process, which included the following steps:

1. Evaluating supplier capability through a review of suppliers' registration form completed upon onboarding, and covering compliance, financials, quality control, environmental and safety measures, labour practices (including forced labour, child labour, and discrimination in employment), sustainability, risk aspects, and other related parameters.
  2. Based on the outcome of step 1, recommending contract awards, extensions, or renewals.
  3. Conducting self-assessment and risk evaluation as described in the *Red Flags Identification & Risk Assessment* section of this Report.
- I. Regarding information on material origin and transit, Hindalco maintains digital records of supplier data through an ERP system. The Copper Concentrate procurement team also manually monitors the order progress. The procurement team schedules, documents, and tracks the entire procurement process, while all transactions are conducted through bank instruments managed by the Finance team. The concentrate procurement team ensures end-to-end tracking and monitoring.
  - II. Approximately >90% of the total procurement occurs via sea transportation. Independent tracking platforms like Marine Traffic, Vessel Finder, and individual shipping company websites are utilised for daily tracking of vessels and containers. For container shipments, our Logistics team arranges the last-mile transportation from the disport to the plant. For domestic shipments, transportation is facilitated by the Indian Railways as well as by road.
  - III. To trace the origin of raw materials, relevant information is obtained from suppliers, including:
    - Certificate of Origin (CoO)
    - Certificate of analysis issued by the mine
    - Transportation certificates such as Bill of Lading and records (e.g., import records)
    - Daily tracking of performing vessels
  - IV. Hindalco conducts a comprehensive analysis of the transportation mode used for raw materials/products from the manufacturing site to their respective destinations to evaluate potential environmental impacts. The following information is gathered from suppliers:
    - Details of transportation service providers.
    - Estimated quantities of products/raw materials to be transported.
    - Alternative transportation modes in case of unavoidable circumstances.
  - V. During the first half of 2024, Hindalco further strengthened and formalized its system of control and transparency through the development of two supplier questionnaires: the Know Your Counterparty (KYC) & Due Diligence Questionnaire, and the Enhanced Due Diligence Questionnaire. The purpose of these questionnaires is to ensure that the Company collects all information relevant for due diligence, specifically:

- KYC data including information on suppliers' identity, nature and legality of suppliers' business operations; their owners and beneficial owners.
  - Information needed to identify potential red flags, such as information on material origin and transit.
  - For red-flagged supply chains, information needed to further assess the factual circumstances of extraction, transport, trade, handling, processing and export, to confirm the potential presence of Annex II risks.
- VI. At the time of writing, the Questionnaire has been sent to 20+ suppliers. We were successful in receiving 85% responses and 15% is work in progress.
- VII. This is in addition to other supplier-specific screening that is conducted by Hindalco using third-party screening agencies including Dun & Bradstreet which provides snapshot into the financial health of our suppliers along with other critical financial insights critical in determining long-term collaborations with our suppliers.

## Grievance Mechanism

- I. Hindalco implements a comprehensive grievance mechanism to address any concerns or grievances that may arise.
- II. The grievance mechanism operates through a dedicated helpline that can be accessed via multiple channels, including calls, messages, and emails.
- III. The anonymity of individuals who utilize the helpline is strictly protected under our Whistleblower Policy, which ensures that the informant's details are kept confidential. This policy promotes a safe and secure reporting environment, encouraging individuals to come forward without fear of reprisal.
- IV. To ensure widespread awareness and accessibility, we have employed various methods to advertise our helpline. Regular emails are sent to all employees and stakeholders, emphasizing the availability and importance of the mechanism. Additionally, informative flyers are prominently displayed on notice boards across our premises, serving as a constant reminder of the helpline's existence. The helpline and related policies are also integrated into our code of conduct, applicable to both internal employees and suppliers. Furthermore, these policies are an integral part of our training programs, ensuring that all individuals are familiarized with the mechanism and understand the procedures involved.
- V. Our grievance mechanism operates under the supervision of a dedicated central team and a digested software tool, equipped with adequate access control measures. Each complaint is assigned a case manager, who is tasked with the responsibility to ensure proper handling and investigation of each grievance.
- VI. It is crucial to emphasize that in no event is any information regarding the complainant divulged. Strict confidentiality measures are in place to protect the identity of individuals who come forward with grievances. To enhance transparency, we maintain

a Management Information System (MIS), which includes comprehensive records of all grievances received and their subsequent resolution.

VII. Any comments, questions, or grievances related to the topics covered in this Policy may be addressed via Hindalco's grievance mechanism:

Email ID	Toll-free Hotline	Web Portal
<a href="mailto:abg.ethicshelpline@integritymatters.in">abg.ethicshelpline@integritymatters.in</a>	1800- 102-6969	<a href="http://www.abgethicshelpline.integritymatters.in">www.abgethicshelpline.integritymatters.in</a>

VIII. In 2023, no grievances relevant to the scope of this Report were raised.

## Record Keeping System

- I. All information and documentation collected for due diligence purposes is documented, recorded, and kept physically/digitally at the site of manufacture and/or our corporate / registered office in Mumbai, Maharashtra, India, with controlled access, for at least 5 years.
- II. At a minimum, the following information is collected and recorded:
  - Completed KYC & Due Diligence Questionnaires, and supporting documentation (e.g. copies of identification of suppliers' owners and beneficial owners).
  - Documentary evidence for the identification of upstream actors in the supply chain, traceability, or chain of custody, including, as appropriate (e.g. contracts and agreements, transport documentation, export/import documentation, etc.).
  - Documented mass balance (e.g. evidence of transactions of material received at site, inventory, losses, and sales quantities).
  - Completed Red Flags Identification & CAHRA Determination Tool.
  - Completed Enhanced Due Diligence Questionnaires, and Enhanced Due Diligence & On-the-ground Assessment Tool, if necessary.
  - Documentary evidence of risk management strategies and plans, if necessary.
  - Annual due diligence report and other reporting documentation (e.g. LME RFA).



## D. Red Flags Identification & Risk Assessment

Hindalco has implemented a formal system to identify potential red flags and Annex II risks within its mineral and metal supply chains.

### Methodology

#### Focus on the Copper Unit:

- I. In 2023, Hindalco's copper unit implemented our vendors' risk identification process, which includes an evaluation of vendors' risks during two stages – once upon onboarding, and biennially for assessment of selected critical vendors.
- II. Before onboarding, suppliers are categorized as critical or non-critical based on factors such as the volume and value of supply, as well as the non-substitutability of the supply. Critical suppliers are given priority for risk assessment. If a supplier is identified as potentially posing a high risk to the producer, the following assessment process is conducted:
  - Self-assessment questionnaire.
  - Virtual or physical audit if deemed necessary.
  - Secondary research.
  - Deployment of third-party resources if required.
- I. Each supplier also undergoes an evaluation covering multiple parameters, including ESG factors such as health and safety, environmental awareness, labour management, and human rights, as well as statutory compliance. To this end, a special task force has been formed, comprising stakeholders from the Central Procurement Team and Legal Function to conduct due diligence. The taskforce verifies the information submitted by vendors during the onboarding process and periodically reviews their standing.
- II. After selection, each supplier is required to adhere to our Supplier Code of Conduct. Contracts are established encompassing clauses that explicitly prohibit bribery, corruption, extortion, or embezzlement, affirming our commitment to upholding human rights, including labour and other rights, and treating individuals with dignity and respect, and emphasizing our expectation that suppliers operate in an environmentally responsible and efficient manner to minimize adverse environmental impacts, conserve natural resources, and provide a safe and healthy working environment.
- III. An annual exercise is conducted at the end of each financial year to collect and assess the supplier's financial reports, compliance adherence documents related to labour, environment, financial compliance, sustainability, and other relevant areas based on their responses.
- IV. In early 2024, Hindalco further aligned its internal systems with the recommendations of the OECD Due Diligence Guidance, with the development of a dedicated Due Diligence SOP including clear steps for identifying red flags and so-called Annex II risks, as summarized below.

- V. The steps for CAHRA determination include:
- a. A preliminary country-level CAHRA determination assessment to identify potential country-level red flags including a review of whether the Country subject of analysis is covered by the Dodd Frank Act (DFA 1502) or is identified as high risk in the EU indicative and non-exhaustive list of CAHRAs provided by the European Commission pursuant to Article 14.2 of the European Union Regulation 2017/821 available here: <https://www.cahraslist.net/cahras>.
  - b. Where necessary, a regional-level assessment is conducted.
- VI. Our CAHRA Determination Methodology, is based on credible sources of information and data issued by independent third-party organizations, including specialized consultants, NGOs, IGOs, and research institutes, covering 3 criteria:
1. Conflict,
  2. Human rights, and
  3. Governance,

## Findings

### Focus on the Copper Unit:

- I. During the Reporting Period, the copper unit sourced input material from Chile, Peru, India, Philippines, Brazil, Canada, Indonesia, Australia, Papua New Guinea, Panama, Malaysia, United republic of Tanzania, Colombia, Zambia, Uzbekistan, and Botswana.
- II. A potential red flag was identified during the aforesaid Reporting Period based on the methodology described in this section.

## E. Risk Mitigation

- I. Our Responsible Supply Chain Policy describes the company's management approach to potential Annex II risks, as follows: where potential risks are identified, Hindalco favours adopting a risk management approach that is aligned to the principle of engagement. To this end, where necessary, Hindalco commits to engage with suppliers, as well as central or local governmental authorities, international organizations, civil society, and affected third parties, as appropriate, to design and adopt appropriate risk management plans, to improve and track performance with a view to preventing or mitigating risks through measurable steps taken in reasonable timescales. This includes building capacity within our supply chains through training and dialogue.
- II. However, the following risk management strategies are adopted where appropriate:

- Regarding serious abuses associated with the extraction, transport or trade of minerals, Hindalco will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party committing serious abuses as defined in this Policy.
  - Regarding direct or indirect support to non-state armed groups, Hindalco will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party providing direct or indirect support to non-state armed groups as defined in this policy.
  - Regarding public or private security forces, risk management of bribery and fraudulent misrepresentation of the origin of minerals, money-laundering, and non-payment of taxes, fees and royalties to governments, Hindalco will suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation within reasonable timelines.
- III. For the potential red flag identified during the Reporting Period, basis the Risk Mitigation strategies described above, we suspended all our operations with the concerned mine. Since the identification, no material has been sourced from the concerned mine nor have any orders been placed with the said mine.
- IV. The aforesaid single shipment amounted to less than 0.08% of the total sourced volume of Hindalco during the Reporting Period.

## F. Due Diligence Audits

Hindalco has not yet undertaken third-party audits of its due diligence system. At the time of writing, a Copper Mark audit against the Joint Due Diligence Standard for Copper, Lead, Molybdenum, Nickel and Zinc is scheduled for August-October 2024.

## G. Reporting

This Supply Chain Due Diligence Report fulfils the reporting expectations of the OECD Due Diligence Guidance and is made publicly available on the company website under Investor Centre > [Policies](#)