

Supplier Relationship Management

Guideline Document

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Table of Contents

- 1. Supplier Relationship Management (SRM) at Syngene 3**
 - 1.1 Key objectives of SRM at Syngene 3
- 2. Supplier rationalization..... 4**
- 3. Supplier segmentation 5**
 - 3.1 Steps for Supplier Segmentation 6
 - 3.2 Additional Supplier lists to be maintained by Strategic Sourcing 6
- 4. Governance Plan 7**
- 5. Supplier Performance Assessment 10**
- 6. Relationship Management..... 13**
- 7. Supplier Offboarding and Exit..... 15**
- 8. Appendix – Item and Supplier Categorization 17**

1. Supplier Relationship Management (SRM) at Syngene

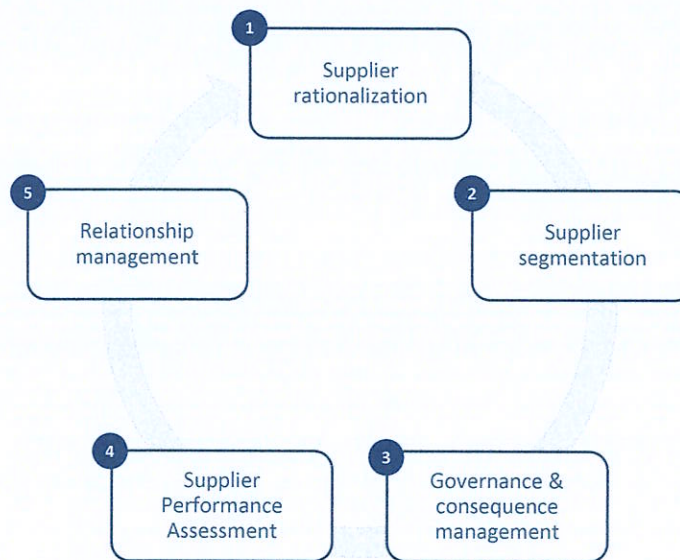
Syngene manages a complex supply chain that involves procuring diverse materials to cater to different requirements of each business function. This diversity in requirements demands the Strategic Sourcing function to harness a wide range of suppliers spread across multiple geographies. The Supplier Relationship Management (SRM) program at Syngene has been designed to enable efficient management of its supply base.

1.1 Key objectives of SRM at Syngene

The SRM framework aims to guide Syngene establish mutually beneficial relationships with the most strategic and critical suppliers. The key objectives of SRM program include:

1. Increasing productivity of category managers and buyers at Syngene through prioritized, tailored engagement of the supply base
2. Driving consistent supplier performance in an effective and sustainable manner
3. Managing supply risk and compliance by increasing visibility on upstream supply chain for critical materials and services
4. Enabling cost optimization and increasing efficiency of Syngene's supply chain by extracting value through innovation and joint development from mutually benefitting relationships with supplier.

Syngene's SRM framework follows a 5-step annual cycle driven by Category Managers for respective spend categories of materials and services:



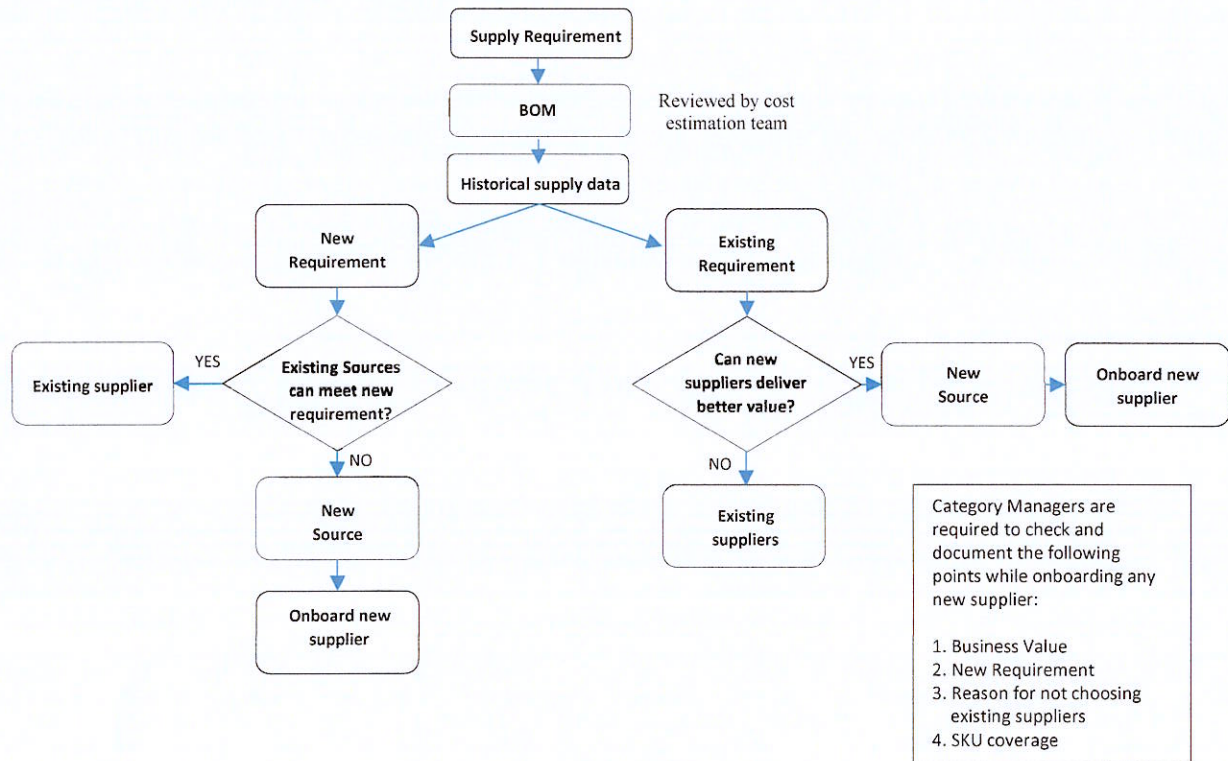
Continuous cycle of Supplier Relationship Management activities

2. Supplier rationalization

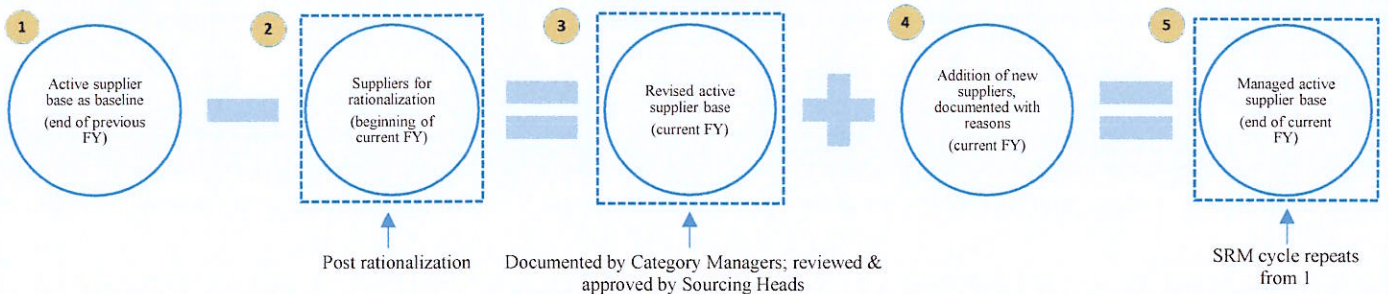
The preliminary step to managing Syngene’s supply base is to identify and weed out the transactional (low or negligible spend, tail spend), non-performing and non-compliant suppliers. The goal of this exercise is to improve the productivity and channel the focus of Category Managers towards closely managing the most significant suppliers. The rationalization targets for upcoming financial year will be set as per the recommendations from spend analysis and inputs from Category Managers on respective spend categories.

Note: Rationalization target for the inaugural cycle of SRM is to reduce from ~3800¹ suppliers to <1800² suppliers in the active supplier base.

The addition of new suppliers to the active supplier base requires the Category Manager to document the reasons for not leveraging the existing supply base. The corresponding Sourcing Head is responsible for the review and approval of new supplier addition to the supply base. process of managing addition and deletion of suppliers during any Financial Year has been depicted below:



Documenting addition of new suppliers



Supplier rationalization cycle

¹ Data as per Active Supplier List as on 5th of April excluding sample series suppliers, GMP suppliers, intercompany codes & government entities

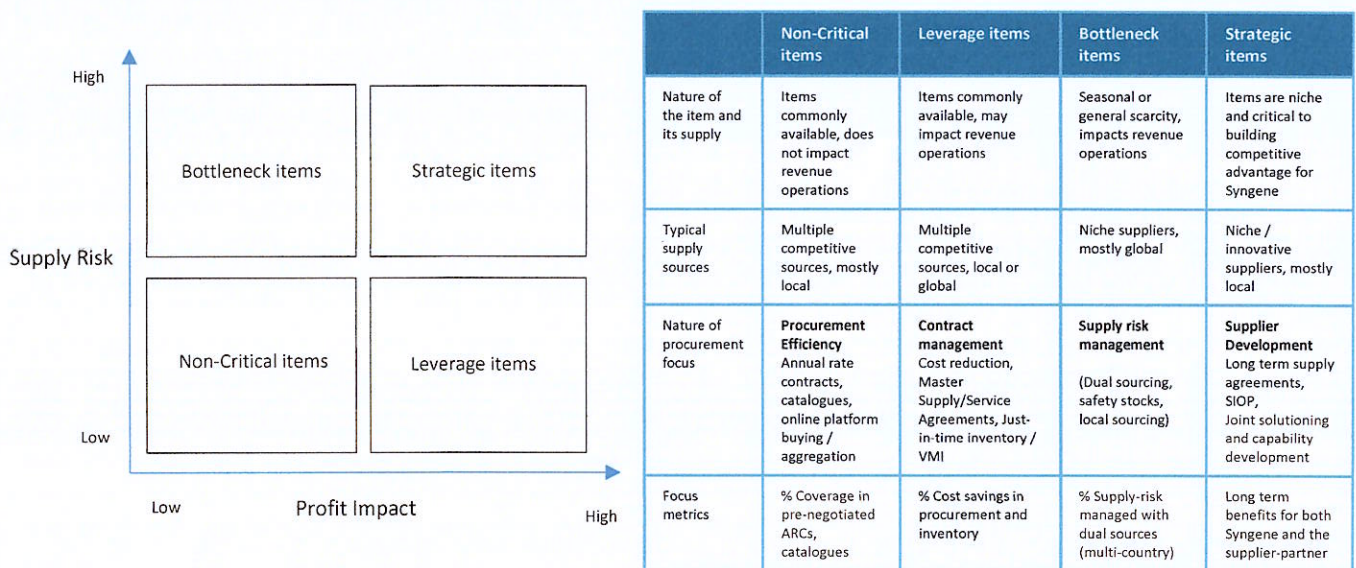
² As per the AOP Plan

3. Supplier segmentation

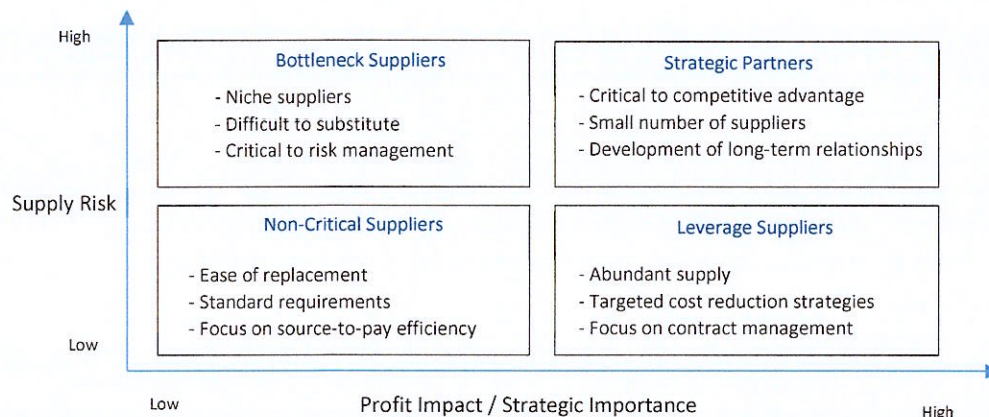
The objective of the segmentation exercise is to guide the Category Managers and buyers to map the active suppliers against the appropriate engagement mechanisms based on strategic importance, criticality to Syngene and risks involved. The Supplier Segmentation Matrix (based on the Kraljic matrix, as shown below) provides the guiding principles for supplier segmentation exercise and for end-to-end supplier life cycle management.

As per this framework, the Category Managers are responsible to categorize the active suppliers into ‘strategic partners’, ‘bottleneck suppliers’, ‘leverage suppliers’ and ‘non-critical suppliers.’ These suppliers are identified based on categorization of the materials and services procured as per the “item segmentation- matrix”. The two key attributes of the matrix include:

1. **Supply risk:** indicates the extent of potential operational and financial impact on Syngene upon supply failure (in the present and/or in future). Key examples (not exhaustive) of operational and financial impact include loss of revenues, increase in costs or delay in operations due to non-availability, delayed delivery, quality rejections or non-compliance.
2. **Profit impact:** indicates the extent of impact on Syngene’s top line (total actual or potential revenues) and / or bottom line (total actual or potential annual spend).

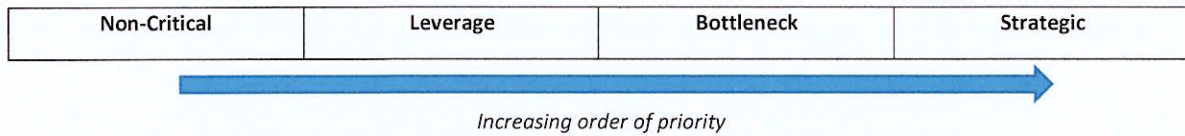
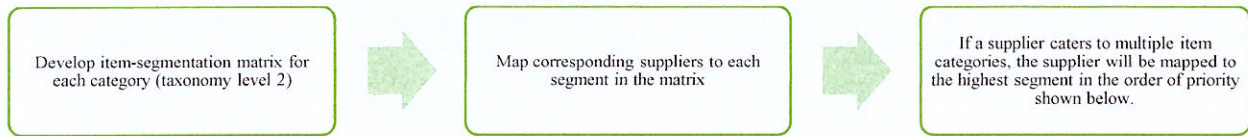


Item Segmentation Matrix



Supplier Segmentation Matrix

3.1 Steps for Supplier Segmentation



An example for item & supplier categorization has been shown in the Appendix section.

3.2 Additional Supplier lists to be maintained by Strategic Sourcing

All the onboarded suppliers in Syngene will be part of approved supplier lists. In addition to this, all category managers are required to prepare and maintain the following:

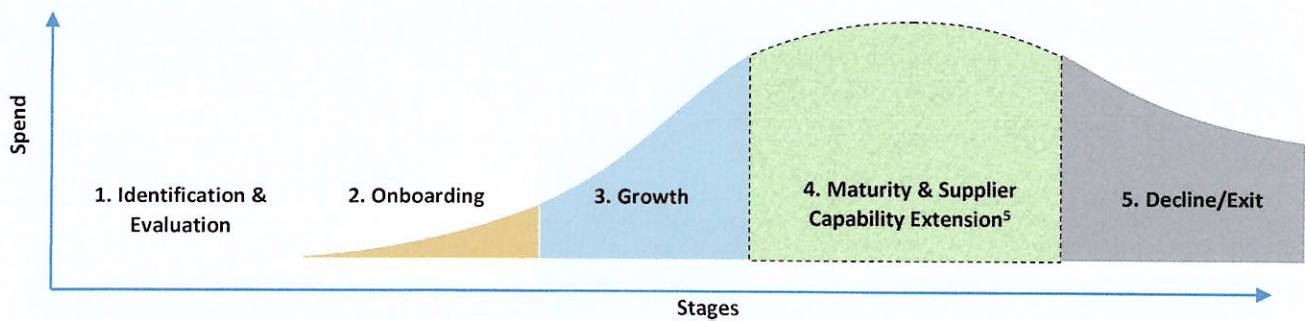
1. Approved Supplier List (ASL)	2. GMP Suppliers List	3. Preferred Supplier List (PSL) <i>To be prepared for each procurement spend category</i>			
Criteria					
All onboarded Suppliers	All GMP approved suppliers	Strategic	Bottleneck	Leverage	Non-critical
		All Strategic Suppliers	All Bottleneck Suppliers	Suppliers with a score of >95*	Suppliers with a score of >98*

* According to scores derived from Vendor Performance Evaluation

4. Governance Plan

Establishing effective governance is key to unlocking value from SRM program. It is crucial to ensure the alignment of stakeholders within the organization on how relationships with each supplier need to be managed including ownership of supplier relationships, organizational hierarchies for interactions, internal governance processes, and the extent and manner of interactions.

Syngene's governance program of suppliers involve several actions and steps for each stage in the supplier life cycle. Following chart depicts the elements of lifecycle management of suppliers:



Supplier Lifecycle Management

- 1.1. Price Discovery
- 1.2. QCS & negotiation
- 1.3. Due diligence – Technical, Financial, Risk, Compliance*
- 1.4. Sample ordering and evaluation*
- 1.5. Supplier audit*
- 1.6. CDA⁴

- Documentation**
- 2.1. ABAC checklist⁷
 - 2.2. Tax Residency Certificate / TRC (if applicable)
 - 2.3. MSME certificate
 - 2.4. ESG Checklist
 - 2.5. KYC / Bank, GST, and PAN details
 - 2.6. Code of Conduct
 - 2.7. Supplier Qualification
 - 2.8. Manufacturer qualification
 - 2.9. Contract development with service levels and KPIs (ARC, MSA, SOW⁴ etc.)
 - 2.10. Master data creation

- 3.1. Tech Support
- 3.2. Upskilling on GMP and QMS framework
- 3.3. Payment Tracker⁶
- 3.4. Payment Reconciliation⁵
- 3.5. Supplier development*
- 3.6. Sample development
- 3.7. Performance Management⁸
- 3.8. Tax reconciliation
- 3.9. Supplier audits – Safety, Technical & Quality
- 3.10. Regulatory audit support
- 3.11. Consequence Management*
- 3.12. Order Management
- 3.13. Contract renewals & renegotiations
- 3.14. Governance hierarchy involving HOD & category managers
- 3.15. Grievance Management

Includes all steps from Growth stage; additional aspects which include:

- 4.1. Systems integration
- 4.2. Supplier upskilling
- 4.3. Periodic audits
- 4.4. SIOP⁵
- 4.5. Sharing of strategic data & business plans
- 4.6. ESG Assessment
- 4.7. Dedicated SPOCs
- 4.8. Quarterly & Annual Business reviews
- 4.9. Supplier summits / Rewards & recognitions
- 4.10. Supplier satisfaction survey

- 5.1. Sanctions/ Penalties
- 5.2. Payment Reconciliation
- 5.3. Risk Evaluation (Material/Service)
- 5.4. Alternative supplier identification

Governance aspects
Engagement aspects (Covered in 'Relationship Management')

* As per business requirements

4. ARC – Annual Rate Contracts
MSA – Master Supply / Service Agreements
SOW – Statement of Work
SIOP – Sales, Inventory and Operations Planning
MSME – Ministry of Micro, Small, & Medium Enterprises
HOD – Head of Department
CDA – Confidentiality agreement
SPOC – Single point of contact
QCS – Quotation Comparative Statement

5. Only a selective important and high value suppliers (mix of all segments) would reach Maturity Stage.

6. Payment tracker for Strategic Partners and to ensure compliance for MSME suppliers. Consolidation of Payment terms & Guidelines on supplier advance payments to be finalized.

7. Anti-Bribery Anti-Corruption (ABAC) compliance is mandatory for all suppliers. Existing suppliers to be ABAC compliant by Mar '24.

8. Framework for Performance Management for different supplier segments (both GMP & non-GMP) to be charted out based on plan provided.

The execution of governance plan is tailored to each supplier segment for each stage of the supplier life cycle, as detailed in the table below:

Lifecycle Stage	S.No	Stages	Governance	Strategic Partners	Bottleneck Suppliers	Leverage Suppliers	Non-critical Suppliers
Identification & Evaluation	1.1	Price Discovery	CM, Cost estimation*	✓	✓	✓	✓
	1.2	QCS & Negotiation	CM, Cost estimation*	✓	✓	✓	✓
	1.3	Due Diligence – Technical, Financial, compliance & risk	CM, Legal, Finance	✓	✓	✓	✓
	1.4	Sample ordering & Evaluation	CM, OU*	✓	✓	✓	✓
	1.5	Supplier Audit – site audits for facility & capability evaluation	CM	✓	✓	Desktop audit	Desktop audit
	1.6	CDA	CM & Legal	✓	✓	✓	✓
Onboarding	2.1	ABAC declaration & checklist	PO & Legal	✓	✓	✓	✓
	2.2	TRC (if applicable)	PO	✓	✓	✓	✓
	2.3	MSME Certificate (if applicable)	PO	✓	✓	✓	✓
	2.4	ESG Checklist ¹⁵	PO	✓	✓	✓	✓
	2.5	KYC	PO	✓	✓	✓	✓
	2.6	Code of Conduct	PO	✓	✓	✓	✓
	2.7	Supplier Qualification	CM	✓	✓	✓	✓
	2.8	Manufacturer Qualification	CM	✓	✓	✓	✓
	2.9	Contract Development	CM & Legal	✓	✓	✓	✓
	2.10	Master data creation	PO	✓	✓	✓	✓
Growth	3.1	Tech Support	CM & OU	✓	✓	✗	✗
	3.2	Upskilling on GMP & QMS	CM & QA	✓	✗	✗	✗
	3.3	Payment Tracker ⁵	PO & Finance	✓	✓	✓	✗
	3.4	Payment Reconciliation	PO & Finance	✓	✓	✓	✓
	3.5	Supplier Development	CM	✓	✗	✗	✗
	3.6	Sample Development	CM & OU	✓	✗	✗	✗
	3.7	Performance Management	CM & PO	✓	✓	✓	✓
	3.8	Tax Reconciliation	PO & Finance	✓	✓	✓	✓

	3.9	Supplier audits – Safety, Technical & Quality	CM, EHSS & QA	✓	Desktop Audits	Desktop Audits	Desktop Audits
	3.10	Regulatory audit support	CM	✓	✗	✗	✗
	3.11	Consequence Management	CM, Legal & Finance	✓	✓	✓	✓
	3.12	Order Management	PO	✓	✓	✓	✓
	3.13	Contract renewals & renegotiations	CM	✓	✓	✓	✓
Maturity	4.1	Technology Integration	CM & PO	✓	✓	✓	✓
	4.2	Supplier Upskilling	CM	✓	✗	✗	✗
	4.3	Periodic audits	CM	✓	✗	✗	✗
	4.4	SIOP	CM	✓	✓	✗	✗
	4.5	Sharing of strategic data & business plan	CM	✓	✗	✗	✗
	4.6	ESG Assessment ¹⁵	CM	✓	✓	✓	✗
Decline/Exit (Consequence Management)	5.1	Sanctions/Penalties	CM & Finance	✓	✓	✓	✓
	5.2	Payment Reconciliation	CM, PO & Finance	✓	✓	✓	✓
	5.3	Risk Evaluation	CM	✓	✓	✗	✗
	5.4	Alternate Supplier	CM	✓	✓	✓	✓

*CM = Category Managers; PO = Procurement Operations, OU = Operating Unit, QA = Quality Assurance, EHSS = Environmental, Health, Safety & Security

¹⁵ Only a select pool of bottleneck and leverage suppliers will be assessed based on ESG criteria

5. Supplier Performance Assessment

Assessing and managing performance of the suppliers is critical to driving an effective SRM program. It involves periodic tracking, reporting, and reviewing of critical operational parameters with the suppliers. The intensity and level of engagement for managing the performance varies with the supplier segment as per Section 3 – the highest for Strategic Partners and lowest for non-critical suppliers.

Shown below is the performance assessment framework based on balanced scorecards tailored for different segments of suppliers:

Balanced scorecards to gauge supplier performance with review frequency*			
Strategic	Bottleneck	Leverage	Non-critical
Key attributes with metrics: 1. Operational performance a. On-time delivery b. Delivery in full c. Delivery against specifications d. RFP responsiveness 2. Compliance a. Quality rejections b. Documentation c. Safety d. Sustainability e. Adherence to cGMP ³ 3. Risk a. Business continuity 4. Strategic fit a. Innovation and solutioning b. Customer collaboration	Key attributes with metrics: 1. Operational performance a. On-time delivery b. Delivery in full c. Delivery against specifications d. RFP responsiveness 2. Compliance a. Quality rejections b. Documentation c. Safety d. Adherence to cGMP ³ 3. Risk a. Business continuity	Key attributes with metrics: 1. Operational performance a. On-time delivery b. Delivery in full c. Delivery against specifications 2. Compliance a. Quality rejections b. Documentation c. Adherence to cGMP ³	Key attributes with metrics: 1. Operational performance a. On-time delivery b. Delivery in full c. Delivery against specifications 2. Compliance a. Quality rejections b. Documentation
Quarterly reporting	Half Yearly reporting	Yearly reporting	Yearly reporting
Quarterly review	Half Yearly review	Yearly review	N/A

According to the current SOP having document number: **SOP-GMP-PUR-0002**, performance of a supplier is evaluated based on the following criteria:

- 1. cGMP compliance³ (A):** The performance evaluation is done based on outcome of Syngene audit observations, compliance to T&Cs and compliance to good documentation practice. (Applicable only for GMP materials)
- 2. Quality performance (B):** Suppliers shall be assessed considering quality related issues reported during receipt of materials, testing and usage of materials for its intended purpose.
- 3. Delivery performance (C):** Evaluation considering on time delivery and logistics related issues.
- 4. Responsiveness and Communication (D):** This aspect should be considered for evaluation of suppliers by considering the hands-on experience by the relevant sourcing personnel.
- 5. Innovation / Technical (E):** This aspect should be considered for evaluation of suppliers by considering the hands-on experience by the relevant sourcing personnel and past manufacturing experience/capability of supplier.
- 6. Safety (F):** This is measured based on the safety incidents reported by the supplier impacting materials/services supplied to Syngene.

³ cGMP aspects wherever applicable

* List only indicative and not exhaustive

The aggregate performance score shall be calculated by addition of individual scores as stated below:

Aggregate performance score (%) = cGMP compliance score³ in % (A) + Quality performance score in % (B) + Delivery performance score in % (C)+ Responsiveness & Communication performance score in % (D) + Innovation / Technical performance score in % (E) + Safety performance score in % (F)

The weightages for all the above six criteria has been given in the table below:

GMP Suppliers						
Type of Suppliers	cGMP Compliance (A)	Quality Performance (B)	Delivery Performance (C)	Responsiveness and Communication (D)	Innovation/Technical (E)	Safety (F)
GMP – (All Segments of Suppliers) [†]	15 %	40 %	30 %	5 %	5 %	5 %

Non GMP Suppliers ¹¹ (Opex)						
Types of Suppliers	Quality Performance (A)	Documentation compliance (B)	Delivery Performance (C)	Responsiveness and Communication (D)	Innovation/Technical (E)	Safety (F)
Strategic & Bottleneck	15 %	20 %	50 %	5 %	5 %	5 %
Leverage & Non-Critical	15 %	20 %	55 %	5 %	-	5 %

* In case of absence of data (during pilot phase) for any of the above parameters, the weightages will be distributed equally amongst the other evaluation parameters

Service Suppliers (Capex - Infra and Facilities)							
Types of Suppliers	Service Performance (A)	Documentation compliance (B)	Delivery Performance (C)	Responsiveness and Communication (D)	Innovation/ Technical (E)	Safety (F)	Frequency of Evaluation
Critical Project Suppliers ¹²	40 %	15 %	25 %	5 %	10 %	5 %	Quarterly
Non-Project Suppliers	Excluded from performance assessments						

Equipment and IT Suppliers (Capex)							
Types of Suppliers	Service Performance (A)	Documentation compliance (B)	Delivery Performance (C)	Responsiveness and Communication (D)	Innovation/ Technical (E)	Safety (F)	Frequency of Evaluation
Strategic	40 %	15 %	25 %	5 %	10 %	5 %	Quarterly
Bottleneck	40 %	15 %	25 %	5 %	10 %	5 %	Quarterly
Leverage (Top 20 Suppliers) ¹²	40 %	15 %	25 %	5 %	10 %	5 %	Yearly
Leverage (Remaining)	-	-	100 %	-	-	-	-
Non-Critical	-	-	100 %	-	-	-	-

¹¹ Performance Assessment weightages and metrics for Non-GMP and Service suppliers may undergo iteration after the pilot assessment (by)

¹² Number of suppliers may vary depending on spend criticality

Based on the aggregate score, final performance rating shall be arrived from the following matrix.

Aggregate Score (%)	Rating	Corresponding Actions
81-100	Good	No actions are recommended; Rewards and Recognitions discussed in relationship management section.
60-80	Satisfactory	Sourcing personnel shall evaluate the low scoring key "Supplier risk scoring parameters" and shall coordinate with supplier to identify improvement actions and implementation of the same shall be tracked during subsequent quarter supplier performance evaluation.
<60	Not Satisfactory	Sourcing personnel shall coordinate with supplier to receive appropriate CAPA with the timelines for implementation. The CAPA must be jointly reviewed with QA and agreed upon for its adequacy check and acceptance. The actions initiated shall be documented in the subsequent quarter's supplier performance evaluation report. If no response received from supplier after 5 follow-up emails or supplier is reluctant to recommend CAPA to improve their performance, sourcing personnel shall discuss with "sourcing head" and shall decide further course of actions

Detailed process of Supplier Performance Evaluation is documented in the SOP having document number: **SOP-GMP-PUR-0002**.

Category managers are responsible to drive the measurement, reporting, review, and management of performance for Strategic and Bottleneck suppliers due to requirement of subjective inputs at the time of performance evaluation. For Leverage and Non-Critical Suppliers, Operations team will be responsible for performance assessments as data can be directly fetched from SAP. Management of performance also involves highlighting the deviations from agreed minimum performance requirements, identification of the root causes and driving corrective actions and preventive actions (CAPA) with the suppliers with clear timelines and measurable outcomes. Failure to improve post CAPA will result in consequence management.

6. Relationship Management

The core of Syngene’s SRM program lies in the way relationships are managed with its suppliers under the four quadrants in the supplier segmentation matrix. The relationship management guidelines outlined in this section are tailored to each supplier segment and are focused on the following aspects:

- i. Account management – *who owns the relationship?*
- ii. Engagement and communications – *frequency and the nature / extent to which the supplier is engaged?*
- iii. Performance management – *how is performance rewarded, course-corrected, handled?*

The goal of these guidelines is to meet the core objectives of each business division of Syngene in the most efficient and effective manner through allocation of optimum resources and efforts to manage each supplier.

Syngene aims to invest most of its time and resources to engage and build partnerships with its strategic partners since the potential benefits to be realized are mutual and significantly contribute to building long term competitive advantage for each other. It is critical to establish dedicated and periodic communication channels with the strategic partners to jointly design the business roadmap, set long term plans, and build innovative solutions.

Maintaining close ties with bottleneck suppliers is crucial to proactively plan and de-risk Syngene’s supply chain for bottleneck items. If the supplier is monopolistic in nature, building trust and incentivising the relationship to keep it motivated must be the priority. The time and efforts spent on managing these suppliers should be solely to measure and mitigate risks with communication channels always open.

Leverage and non-critical suppliers are the least significant supplier segments from the perspective of relationship potential due to the abundance of supply options in the market. Leverage suppliers require best-in-class contract management efforts to extract the best value (cost savings) as per the service level agreements. Negotiations and managing supplier performance are the two key focus areas for leverage suppliers. For non-critical suppliers, the focus is on minimizing manual intervention for the sourcing and purchasing processes through long term rate cards, order catalogues etc. Efforts on managing these suppliers should confine to tracking of operational metrics and adherence to compliance.

The table below outlines the key aspects of relationship management for different segments of suppliers:

Key dimensions of relationship mgmt.	Guidelines by sub-dimension	Strategic partners	Bottleneck suppliers	Leverage suppliers	Non-critical suppliers
Account management <i>(In case of spend by multiple sourcing teams, SPOC will be chosen from the team with the highest spend; Performance assessment of such suppliers will be done jointly with inputs from all the teams involved)</i>	Relationship owner / Single point of contact	User function lead + Sourcing lead	Sourcing Lead + Category Manager	Category Manager	Category Manager
Engagement and communications	Engagement with Head of Strategic Sourcing & above	✓	×	×	×
	Engagement calendar <i>(with agenda, roadmap)</i>	✓	×	×	×
	Periodic site visits	✓ Yearly	✓ <i>(on-need basis)</i>	✓ <i>(on-need basis)</i>	×
	Supplier summits	✓	×	×	×

	Sustainability summits ⁹	✓	✓	✓	×
	Feedback surveys & grievance management	✓	✓	✓	✓
Performance management	Periodic business reviews	Quarterly	Half-yearly	Yearly	Yearly
	Rewards and recognition	✓	✓	✓	✓
	Action plan for poor performance	Upskill & build capability	Penalize as per service level agreement	Penalize as per service level agreement (<i>exit & onboard alternate if issue persists</i>)	Penalize as per service level agreement (<i>exit & onboard alternate if issue persists</i>)

Relationship owner / Category manager is responsible to drive the relationship management plan

Based on the aggregate score from the supplier’s performance assessment, the annual rewards and recognition program may be executed in Q4 FY as follows:

Annual Rewards & Recognitions	Strategic	Bottleneck	Leverage	Non-Critical	Sustainability awards
Minimum score	>= 95	>= 98	100	100	Criteria as per ESG guidelines
Nature of Rewards	Monetary award (Trusted partner)	Non-Monetary award (Supply chain Resilience Award) Nominated suppliers will be enrolled into Syngene’s preferred list of suppliers for the following FY	Non-Monetary award (Operational excellence) Nominated suppliers will be enrolled into Syngene’s preferred list of suppliers for the following FY	Non-Monetary award (Operational excellence)	Rewarded to suppliers meeting ESG goals and targets.

⁹ Sustainability Summits only targeted for high-risk suppliers

7. Supplier Offboarding and Exit

Syngene follows a consequence management matrix to take appropriate steps on suppliers during events of non-compliance, potential risks posed, non-relevance or non-adherence to performance / service level standards. The respective category manager is responsible for documenting any such occurrences or events with sufficient supporting evidence. The following table outlines the various scenarios and corresponding recommended actions in this regard:

The severity and criticality must be gauged either by the category managers or supply chain head or both based on case-to-case basis based on the aggregate scores obtained through performance assessments . The criticality and severity of violation is indicated by the “Levels” (Level 1 being the lowest and level 5 being the highest) mentioned below in the criticality matrix:

Levels of Criticality	Corresponding Aggregate Score	Action
Level 1	60-80 (Satisfactory)	Continue business with warning issued for redressal (CAPA) as per a timeline agreed with Syngene’s category manager (Recommended: CAPA closure before next assessment)
Level 2	Repeated score between 60-80 or non-adherence to Level 1 CAPA	Penalize as per PO terms and conditions and reissue CAPA as per agreed timelines
Level 3	<60 or non-adherence to Level 2 CAPA	Penalize as per PO terms and conditions and reissue CAPA as per agreed timelines
Level 4	Repeated score of <60 or non-adherence to Level 3 CAPA	Hold the subsequent POs until CAPA closure or terminate the order (discretion upon Sourcing Lead)
Level 5	Repeated score of <60 or non-compliance to mandatory requirements	Blacklist Supplier (discretion upon Sourcing Lead)

Scenarios	Existing reference document	Actions for different categories of Suppliers			
		Strategic	Bottleneck	Leverage	Non-Critical
1. Non-Compliance to Tax Reconciliation	PO terms & Conditions*	Issue warning to rectify the errors	Issue warning to rectify the errors	Hold the GST amount until invoices have been cleared	Hold the GST amount until invoices have been cleared; Recover interests & penalize
2. Non-Compliance to Code of Conduct (Five levels are defined to gauge severity of cases: Actions to be taken accordingly)	Supplier Code of Conduct*	Continue business with warning for less severe cases / Penalize max 10% of order value for more severe cases. Reassess the suppliers	Continue business with warning for less severe cases / Penalize max 10% of order value for more severe cases. Reassess the suppliers	Penalize 10% - 50 % of order value based on severity. Terminate the order or blacklist the supplier for highest level of severity	Penalize 10% - 50 % of order value based on severity. Terminate the order or blacklist the supplier for highest level of severity
3. Non-Compliance to ABAC ¹³	<i>Newly Formulated</i>	Blacklist supplier	Blacklist supplier	Blacklist supplier	Blacklist supplier
4. Disclosure of confidential information	PO terms & Conditions*	Issue warning and legal action based on severity	Issue warning and legal action based on severity	Penalize supplier based on criticality and legal action	Penalize supplier based on criticality and legal action / Terminate contract and blacklist
5. Non-Compliance on GMP requirements	PO terms & Conditions*	Penalize supplier based on criticality	Penalize supplier based on criticality	100 % refund and cancel the order	100 % refund and cancel the order and blacklist the supplier
6. Unsatisfactory Quality & Rejections	PO terms & Conditions*	Alternate shipment within agreed timelines	Alternate shipment within agreed timelines	Alternate shipment within agreed timelines/ Penalize up to 10 % of order value or testing	Alternate shipment within agreed timelines/ Penalize up to 10 % of order value or testing

¹³ Checks to be conducted based on ESG assessments on a sample pool of high-risk suppliers

* Separately documented although sent cohesively as a single entity to the supplier

				to 10 % of order value or testing cost	cost / Cancel order and propose alternate supplier
7. Non-Adherence to Delivery timelines	PO terms & Conditions*	Penalize the supplier one percent of order value	Issue warning	Penalize the supplier up to 10 % of the order value	Penalize the supplier up to 10 % of the order value and cancel the order
8. Repeated instances of poor performance (<i>beyond agreed CAPA closure timelines</i>)	<i>Newly Formulated</i>	Issue warning, remove supplier from category and replace with alternate supplier	Issue warning, Search for alternate suppliers to meet requirement	Blacklist supplier and replace with alternative supplier	Blacklist supplier and replace with alternative supplier
9. On site Theft at supplier end	PO terms & Conditions*	Penalize INR 50,000 in addition to order value	Penalize INR 50,000 in addition to order value	Penalize INR 50,000 in addition to order value	Penalize INR 50,000 in addition to order value
10. External Geo-political sanctions on Suppliers	<i>Newly Formulated</i>	Continue business until alternative supplier is onboarded	Continue business until alternative supplier is onboarded	Replace with alternative supplier	Replace with alternative supplier
11. Lack of business requirement/ Change of business scope	<i>Newly Formulated</i>	Supplier offboarding and payment reconciliation	Supplier offboarding and payment reconciliation	Supplier offboarding and payment reconciliation	Supplier offboarding and payment reconciliation
12. Non-Compliance to Syngene's safety norms	<i>PO terms & Conditions*</i>	Issue warning and penalize on repeated instances as per safety guidelines. In case of non-adherence to PPEs refuse entry in company premises.	Issue warning and penalize on repeated instances as per safety guidelines. In case of non-adherence to PPEs refuse entry in company premises.	Issue warning and penalize on repeated instances as per safety guidelines. In case of non-adherence to PPEs refuse entry in company premises.	Issue warning and penalize on repeated instances as per safety guidelines. In case of non-adherence to PPEs refuse entry in company premises.

*List is indicative and not exhaustive

To mitigate the risk of supply failure after a supplier exit, alternate suppliers to be identified within 3 months from the date of closure of performance evaluation report. It is recommended to have a transition plan¹⁰ for the exiting supplier during the onboarding of an alternative supplier in such events. The respective category managers are responsible for preparation and execution of the plan with well-defined targets and timelines. This includes the following key actions to be issued by the category manager:

- i. Issue of a formal notice to the supplier in advance (as per termination clause in contract / agreement / PO) with documented reasons for termination. Additional documentation for submission includes details of prior actions taken for course-correction, status of CAPA (corrective action preventive action) along with appropriate objective evidence wherever applicable.
- ii. Ensure receipt of pending deliverables as per open order status and settle outstanding invoices and advances
- iii. Revoke access to Syngene's IT infrastructure, data, and physical buildings if any
- iv. Review data privacy and information security compliance, return of all intellectual property & sensitive data, and secure an affidavit from the supplier that any associated electronic copies on the supplier's infrastructure (including its employee devices) are deleted
- v. Securely store the records* of the supplier's performance history (balanced scorecards) and update the vendor master database (deactivate the supplier)

¹⁰ Course correction on ESG compliance for suppliers separately documented in sustainable procurement policy of Syngene

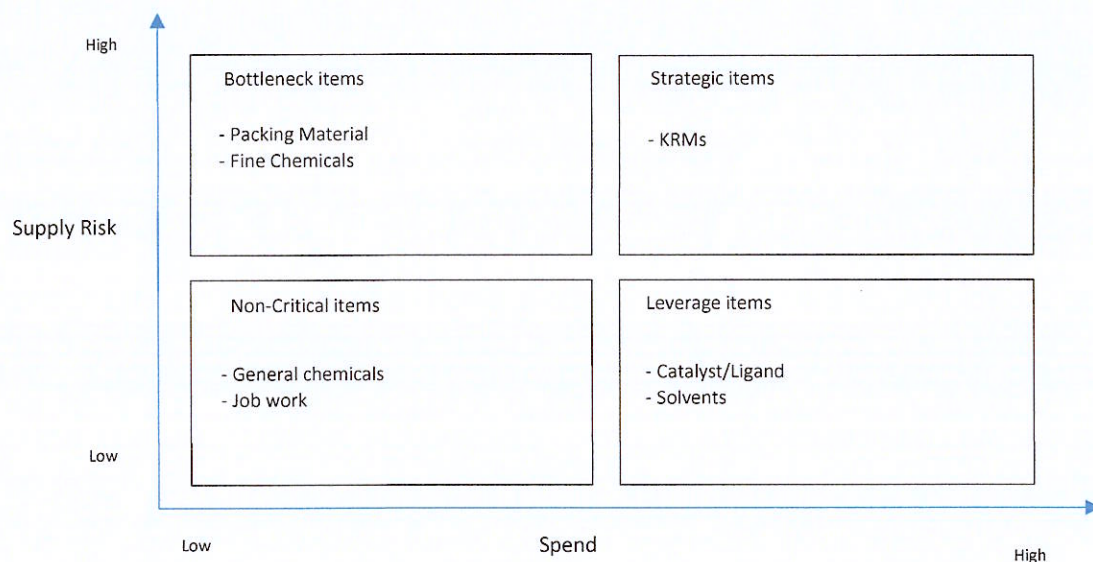
* Store the records in electronic format

8. Appendix – Item and Supplier Categorization

To understand Material and Supplier categorization better, we can take the example of Raw materials category:

Material Subcategory	Spend
Solvent	48,72,94,906
KRM	41,45,47,294
Fine chemicals	16,39,96,584
Catalyst/Ligand	11,17,17,025
Packing material	2,06,94,328
General chemicals	1,72,34,304
Oligos	1,25,82,314
Job work	14,61,244
Grand Total	1,22,95,28,000

Based on the Spend and Supply risks we can broadly categorize material subcategories in the following manner:



Further, in terms of Supplier Segmentation let us take the example of a supplier named Harvey Chem who supplies items in multiple item categories of Solvents and KRMs.

However, as per the supplier segmentation process illustrated in [Section 3.1](#), Harvey Chem will fall in the category of Strategic Partner (provided it satisfies the criteria of ensuring long term competitive advantage for Syngene) as the highest item category (as per the order of priority set) which it caters to is of strategic importance to Syngene.