SUSTAINABLE SOURCING POLICY

Rev 1.0

FSN E COMMERCE VENTURES LIMITED

JUNE 2025

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A. Introduction

Nykaa is committed to integrating sustainability across all aspects of its procurement and supply chain operations. We ensure that our sourcing decisions minimize environmental impact, promote social responsibility, and uphold ethical business practices.

B. Applicable regulatory requirements in India

Under the Securities and Exchange Board of India (SEBI) Business Responsibility and Sustainability Reporting (BRSR) framework, listed companies are required to adopt and disclose sustainable sourcing procedures and practices. This Sustainable Sourcing Policy aligns with SEBI's BRSR requirements by ensuring that procurement and supply chain operations integrate Environmental, Social, and Governance (ESG) principles. The policy establishes a structured approach to ethical sourcing, supplier compliance, and ESG due diligence, reinforcing Nykaa's commitment to transparency, responsibility, and sustainable business operations.

C. Scope of Policy

This policy covers both direct and indirect procurement activities and provides a framework for ethical and sustainable sourcing practices. It applies to all immediate business partners and stakeholders, including service and supply partners. These frameworks are based on five core principles: respect for fundamental labor rights and human rights, ensuring safe and healthy working conditions, minimizing negative environmental impacts, adhering to ethical business practices and combating corruption, and implementing strong corporate governance practices.

Aligning our business partners with this policy is an ongoing journey at Nykaa.

D. Policy Objectives:

I. Social Responsibility: Uphold fair labor practices, support local communities, and ensure that suppliers follow ethical practices.
II. Economic Efficiency: Maintain cost-effectiveness while promoting long-term sustainability by optimizing procurement and supply chain operations.
III. Environmental Responsibility: Reduce the environmental footprint of our supply chain by sourcing sustainably produced goods, reducing waste, and promoting eco-friendly practices.

E. Nykaa Sustainability Approach for Value Chain Partners:

a. Social:
   i. Encourage suppliers or service providers who adhere to fair labor practices, including fair wages, safe working conditions, and the prohibition of forced or child labor.
   ii. Prefer the suppliers or service providers that promote diversity and inclusion within their workforce and business practices

iii. Encourage suppliers or service providers to engage with local communities, providing support and creating positive social impacts.
iv. Encourage suppliers or service providers who engage to minimize risks associated with Occupational Health and Safety at their workplace locations.
v. Encourage suppliers or service providers who maintain zero tolerance for any form of forced or compulsory child labor, directly or through contracted labor at partners' workplace locations.

b. Governance:
i. Encourage suppliers or service providers to conduct appropriate risk assessments and due diligence to promote ethical business practices and policies at their respective work locations.
ii. Encourage suppliers or service providers to maintain transparency in the supply chain, including full disclosure of sourcing locations, materials, and practices.
iii. Encourage that all suppliers comply with local and international laws and regulations related to environmental, social, and governance standards.
iv. Encourage the Promotion of products that are tested without harming animals or contributing to animal welfare.

c. Environment:
i. Encourage Suppliers that that prioritize sustainable, recyclable, or biodegradable materials to reduce environmental impact.
ii. Support suppliers committed to reducing their carbon footprint through energy efficiency, waste reduction, and renewable energy use. Encourage reduced plastic usage and adoption of sustainable packaging such as recyclable, reusable, or compostable materials. Encourage that suppliers comply with environmental laws and ESG regulations
iii. Encourage the Promotion of products that are tested without harming animals or contributing to animal welfare.

F. ESG Expectations from Business Partners:

We expect business partners to comply with the provisions of this Sustainable Sourcing Policy. Engagement will be undertaken to collaboratively enhance practices aligned with this policy.

G. Nykaa Sustainability Practices:

Nykaa will implement sustainability practices as a strategic enhancement to our business operations, helping us achieve our goals of a responsible and sustainable supply chain. We will focus on continuous improvement through collaboration on technology, innovation, and digitalization with our business partners to drive long-term value creation and mutual growth. Nykaa's sustainability practices includes:

1. Leveraging our scale and influence to contribute to a fairer, more inclusive, and equitable way of doing business.
2. Building capacity and partnerships with strategic business partners by supporting them in upskilling and enabling them to share responsibility for integrating sustainability, human rights, and performance monitoring into their systems.
3. Integrating ESG criteria as part of the supplier and business partner screening and selection process.

4. Seeking higher standards of performance from key business partners through our Sustainable Supply Chain Questionnaire, which will cover social and environmental aspects, product lifecycle management, and—where applicable—set reduction targets for GHG emissions and resource efficiency.
5. Conducting assessments of critical business partners to gain deeper insight into their social, ethical, and environmental practices, and their alignment with our sustainability goals, using a clear and comprehensive process.
6. Encouraging internal stakeholders to promote sustainability in the supply chain, including the adoption of energy-efficient products and exploring cost-effective sustainable alternatives.
7. Encouraging our business partners to provide cost-effective, environmentally, and socially responsible products and services.
8. Exploring opportunities with carefully screened partners to use raw materials with a lower environmental footprint and preferring partners that prioritize practices to reduce Nykaa's carbon footprint and improve overall environmental performance.
9. Optimizing our supply chain through increased domestic/local procurement and by developing inventory management practices that reduce the environmental impact of material movement.
10. Reducing fossil fuel consumption by optimizing logistics routes and collaborating with business partners to shift toward greener fuels.
11. Establishing recycling, repurposing, and reuse contracts with key partners to support circular economy practices
12. Creating shared business value through sustained collaboration with our supply chain partners, with the goal of progressively achieving sustainable supply chain practices

H. Implementation:

1. Business partners are required to adhere to this policy and **sign the Supplier code of conduct**. Continuous collaboration and improvement of practices are encouraged.
2. Each Procurement team should lay down their procedures with this sustainable sourcing policy.

I. Evaluation and Assessment:

Nykaa will collaborate with business partners who share our values and commitment to sustainability practices. We aim to establish a transparent and responsible supply chain that adheres to our Code of Conduct, covering aspects such as Health and Safety, Human Rights, Working Conditions, Business Ethics, and Environmental Stewardship.

We recognize the potential positive contributions we can make across economic, environmental, and social areas through our operations and supply chain. At the same time, we acknowledge the importance of implementing a **risk-based framework** to identify, prevent, mitigate, and account for actual and potential adverse impacts related to corporate governance, human rights, the environment, and ethical conduct.

To support this, we will:

1. Conduct due diligence assessments across our supply chain to anticipate, prevent, or mitigate adverse impacts.

2. Carry out assessments based on predefined criteria and weigh results against management and compliance factors such as applicable laws, regulations, and publicly available information.

3. Perform evaluations based on specific sustainability checkpoints and ensure alignment with our Sustainable Sourcing Policy. These assessments will form part of the evaluation process for critical business partners.
4. Collaborate with relevant business partners to develop tailored improvement or mitigation plans to address potential or current adverse impacts, with clearly defined and reasonable timelines.
5. Provide support to supply chain partners in strengthening their capabilities, including through training, knowledge-sharing.
6. Use policies, supplier code of conduct, contracts, and written agreements to integrate sustainability requirements into existing and new business relationships.
7. Consider disengagement from business partners only as a last resort—when the risk of adverse impact is too high or if agreed-upon mitigation efforts have failed.

J. Policy Violation:

Any violations of this policy, framework, or related guidelines will be addressed in accordance with the company's established procedures. Suppliers are expected to comply with the principles set forth in this policy and report any known or suspected violations. Failure to comply may result in appropriate corrective actions, including, where necessary, the termination of business engagements. This policy will be reviewed from time to time for its effectiveness and updated as required

K. Effective date:

This Policy is effective from 15 May 2025.

L. Document control:

Created by:	ESG team	March 2025
Reviewed by:	ESG Core Committee [CFO, CHRO & CIO], and MD & CEO	April 2025
Approved by:	CSR and ESG Committee of the Board of FSN E Commerce Ventures Limited	
Original policy effective from (date):	10 June 2025	
Current version number:	1.0	

M. Revision record sheet:

Sl. #	Version number	Date	Brief description of changes
1	1.0	10th June 2025	Original policy drafted inline to SEBI requirements

N. Reference: This policy has been developed with reference to globally accepted standards and best practices:

1. ISO 20400:2017 – Sustainable Procurement Guidance on integrating sustainability into procurement processes.
2. ISO 26000:2010 – Guidance on Social Responsibility Outlines social responsibility principles including human rights and fair practices.
3. ISO 14001:2015 – Environmental Management Systems Framework for environmental management and minimizing ecological impact.
4. United Nations Global Compact (UNGC) – 10 Principles Covers human rights, labor, environment, and anti-corruption.
5. United Nations Guiding Principles on Business and Human Rights (UNGPs) Standards for business conduct to avoid human rights violations.
6. UN Sustainable Development Goals (SDGs) Broad goals for sustainability in areas such as work, environment, and governance.
7. ILO Convention No. 138 – Minimum Age for Employment
8. ILO Convention No. 182 – Elimination of Worst Forms of Child Labour
9. ILO Convention No. 29 & 105 – Abolition of Forced Labour
10. ILO Convention No. 87 & 98 – Freedom of Association and Collective Bargaining
11. ILO Convention No. 155 – Occupational Safety and Health

O. Annexure: BRSR Core KPI

Sr. No.	Attribute	Parameter
1	Green-house gas (GHG) footprint	1) Total Scope 1 emissions (breakup of CO2, CH4, N2O, HFCs, PFCs, SF6, NF3) 2) Total Scope 2 emissions (breakup of CO2, CH4, N2O, HFCs, PFCs, SF6, NF3) 3) GHG Emission Intensity (Scope 1 +2)
2	Water footprint	1) Total water consumption 2) Water consumption intensity
3	Energy footprint	1) Total energy consumed 2) Energy intensity
4	Embracing circularity - details related to waste management by the entity	1) Plastic waste 2) E-waste 3) Bio-medical waste 4) Construction and demolition waste 5) Battery waste 6) Radioactive waste 7) Other Hazardous waste 8) Other Non-hazardous waste generated 9) Total waste generated 10) Waste intensity 11) Each category of waste generated, total waste recovered through recycling, re-using or other recovery operations 12) For each category of waste generated, total waste disposed by nature of disposal method
5	Enhancing Employee Wellbeing and Safety	1) Spending on measures towards wellbeing of employees and workers 2) Details of safety related incidents for employees and workers
6	Enabling Gender Diversity in Business	1) Gross wages paid to female employees 2) Complaints on POSH
7	Enabling Inclusive Development	1) Input material sourced from MSMEs/ small producers and from within India 2) Job creation in smaller towns
8	Fairness in Engaging with Customers and Suppliers	1) Instances involving loss / breach of data of customers 2) Number of days of accounts payable
9	Open-ness of business	1) Concentration of purchases & sales done with trading houses, dealers, and related parties 2) Loans and advances & investments with related parties