



## SUPPLY CHAIN MANAGEMENT

### Strategic Significance

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A large proportion of the work associated with Orocobre's activities is conducted by suppliers and contractors, be it on site as part of ongoing operations or project development, in the provision of services to the Company's offices or in the transport of products and raw materials across supply and distribution channels.

Optimising the Company's supply chain not only enables Orocobre to minimise costs and risks to the business but also ensures business continuity and reliability. Ensuring standards and expectations in terms of social and environmental performance are understood, respected and upheld by suppliers is also critical as it reduces the Company's reputational risk, safeguards its social licence to operate and enables Orocobre to increase its broader contribution to the UN Sustainable Development Goals.

Given Orocobre's commitment to Shared Value, great focus is also placed on enabling, developing and acquiring suppliers and contractors from the local communities. Ensuring a rapid transition from "capability to deliver" to "capacity to deliver" enables the Company to expand its local supplier base, enhance reliability and quality of service delivery, and enhance social and environmental performance across the entire value chain.

Effective Supply Chain Management is also critical for Orocobre to remain a valuable partner to its customers, as it enables the effective and efficient delivery of high quality product on time and without complication.

### Impact Boundary

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This management approach disclosure refers exclusively to Sales de Jujuy S.A. and its activities.

The Company's Supply Chain can be broken into three distinct areas: Procurement, Logistics and Operations.

- **Procurement:** Selection of suppliers based on specific technical, financial and sustainability criteria.
- **Logistics:** Inbound delivery of materials to site; outbound delivery of final product to market.
- **Operations:** The delivery of work contracts and services across operations and project development activities.

Procurement is a key component of the Company's sustainability performance management. The procurement function is responsible for determining and enforcing selection criteria for suppliers in accordance with Company standards and requirements.

Inbound and outbound logistics are managed by Orocobre, but the activities themselves do not fall within Orocobre's operational control. That said, transport providers are monitored closely to ensure compliance with the Company's performance standards. Opportunities to optimize logistics to enhance environmental and safety performance along the broader value chain are also considered.

The operational area of Orocobre's supply chain relates largely to contract management and the monitoring of supplier performance against technical, financial and sustainability criteria. This area of the supply chain covers on-site contractors and service providers and is included in the Company's sustainability data and performance metrics.

Supplier social and environmental performance is directly attributable to the Company and as such it must meet Company standards.

## Management Approach

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### Commitment

Orocobre's Supplier Code of Conduct defines its commitments and expectations regarding Supply Chain Management. To support the Company's commitment to the UN Guiding Principles suppliers are required to demonstrate adherence to Company policies regarding Human Rights, Environment, Labour and Corruption. These include, but are not limited to:

- [Anti-bribery and corruption Policy](#)
- [Human Rights Policy](#)
- [Environmental Policy](#)
- [Code of Conduct](#)

As part of Orocobre's commitment to advancing the SDGs, and in particular [SDG 8: Decent Economic Growth](#), the Company seeks to support productive activities, decent job creation, entrepreneurship and to encourage the development and growth of micro-, small-, and medium-sized enterprises in the local supply chain. Orocobre also acknowledges the importance of sustainable procurement practices in the achievement of [SDG 12: Responsible Consumption and Production](#).

### Management Systems

Orocobre manages and monitors the environmental, social and governance performance of its suppliers through selection, procurement, and service-delivery.

- **Selection:** Contract-specific screening criteria is used when inviting vendors to provide products or services. The criteria incorporate social, environmental and financial factors and consider vendor capability, reputation and performance in the marketplace including reference validation.
- **Procurement:** Contract-specific valuation criteria are outlined in the Request for Proposal and incorporated in the tender review process to ensure technical capability, sustainability performance and supporting credentials are evaluated in the procurement process.
- **Service-Delivery:** A contract-management system (SICOP) is used to document all supplier relationships and manage vendor service delivery at site to ensure compliance with statutory and contractual requirements. Supplier evaluations are performed on an ongoing basis to evaluate compliance with health, safety, environment and community standards as well as scope-of-work and contract requirements.

Orocobre's Health, Safety and Environment team supports the Procurement team with site-based inspections and evaluations, and the Shared Value team supports with the identification, facilitation and development of the local community supplier base.

### Responsibilities

Group-level responsibility for Supply Chain Management rests with the Chief Operations Officer.

At an operational level Procurement and Operational Supply Chain is managed by the Director of Finance and Administration.

### Grievance Mechanisms

The Company currently has grievance mechanisms in place to enable its suppliers and other associated stakeholders to raise any queries, concerns or complaints they might have with regards to supplier obligations. These mechanisms include communication channels for internal end-users, whistleblower hotlines for supplier

employees, a community grievance procedure and customer complaints register. More communication and engagement methods are covered in the [Stakeholders Relations](#) management approach disclosure.

### **Monitoring and Reporting**

To monitor and evaluate the performance of Orocobre's Supply Chain the Company has implemented an integrated system for contractor control: "SICOP". SICOP integrates with SAP to assist in maintaining records of contractors' supplier requirements, certifications, payment records and workforce details, enabling direct management of site access based on supplier and contractor compliance with performance requirements.

### **FY19 Update**

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To enhance product quality, workplace safety and operational productivity Orocobre continues to maintain both visibility and control of its suppliers.

Quality of feedstock materials can impact the chemical production processes and in turn, the quality of the final product. The operational team is working to better control production inputs and processes so that quality and consistency of Orocobre's products can be further enhanced.

Contractor safety performance was a core focus during FY19. Contractor inductions and certifications were streamlined with evaluations now conducted at the SDJ office (in San Salvador de Jujuy) prior to arrival at the Olaroz Lithium Facility. This eliminated administrative tasks for onsite safety teams ensuring all necessary safety training and certifications are approved prior to arrival.

A Supplier Code of Conduct was introduced in FY19 outlining minimum standards required for all suppliers, including adherence to Orocobre's suite of social and environmental policies.

In FY20, the company will focus on:

- Enhancing controls to ensure supplier compliance with performance standards
- Capacity building programs to support local suppliers' compliance with these standards
- Review criteria for the selection of suppliers to ensure the Company upholds its commitments to quality, cost, social and environmental performance.

For more Supply Chain data refer to the [Value Chain Performance Data](#).