

Management Standard – Stakeholder Materiality and Risk Management

Vedanta Resources Plc

Sustainability Governance System


Management Standard

Stakeholder Materiality and Risk Management

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Management Standard – Stakeholder Materiality and Risk Management

1. PURPOSE

The purpose of this Management Standard is to ensure sustainability-related risks are managed in an effective manner and that Vedanta adopts a rigorous risk analysis process to make informed and proactive decisions. This includes consideration of corporate sustainability risks that could significantly impact Vedanta operations and activities and our stakeholders.

2. SCOPE

This Management Standard is mandatory and applies to all Vedanta subsidiaries and their operational or managed sites, including new acquisitions, corporate offices and research facilities, and to all new and existing employees and contractor employees. This Standard is applicable to the entire operation lifecycle (including exploration and planning, evaluation, operation and closure).

3. DEFINITIONS

Definitions of key terms and concepts used in this document are shown in the following table.

Term	Definition
Affected Communities	Local communities directly affected by the new or existing project.
Competency	A combination of knowledge, skills and experience which enable individuals to undertake responsibilities and perform activities to a recognised standard and quality on a consistent basis.
Competent person	An individual who has the necessary and sufficient knowledge, skills and experience as well as the necessary experience (practice) to complete their responsibilities safely, effectively and consistently.
Employee	An individual who is engaged to work directly for Vedanta on either a part-time or full-time basis and for a fixed period or on permanent basis and is salaried. By virtue of the individual's contract of employment, the employee is obliged to adhere to Vedanta's terms and conditions of employment (specific to Group or the subsidiary employing the individual), and is protected by national (where it exists) and international laws concerning labour and working conditions.
Hazard	An object, property or an activity that can cause adverse effects e.g. a high voltage electricity supply or a toxic chemical may present a hazard, meaning that they present the potential for harm.
ICMM	The International Council on Mining and Metals (ICMM) was established in

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Term	Definition
(International Council on Mining and Metals)	2001 and seeks to drive performance improvement through its members which comprise 20 mining and metals companies as well as 30 national and regional mining associations and global commodity associations.
IFC (International Finance Corporation)	Member of the World Bank that finances and provides advice to private sector ventures and projects in developing countries.
Materiality	Sustainability-related issues that are deemed to be relevant or present a significant risk to Vedanta and its stakeholders.
Operation(s)	A location or activity that is operated by a Vedanta Company and is part of the Vedanta Group. Locations could include mines, refineries, ports or transportation activities, wind farms, oil and gas development sites, offices including corporate head offices and research and development facilities.
Resources	Resources may include financial, human and specialised skills, organisational infrastructure, plant, equipment and technology.
Risk	The effect of uncertainty on objectives (as defined by the ISO 31001 Standard). Uncertainties include events (which may or not happen) and uncertainties caused by a lack of information or ambiguity.
Stakeholder	Persons or groups that are directly or indirectly affected by a project as well as those that may have interests in a project and/or the ability to influence its outcome, either positively or negatively. This can refer to shareholders, lenders, employees, communities, industry, governments and international third parties.
Sustainability issues	These are issues that Vedanta and its operations are required to manage on an on-going basis and which are part of the Vedanta sustainability model (responsible stewardship, stakeholder engagement and adding value). Issues include, but are not limited to, health, safety, environmental and social risk management, community relations, human rights, biodiversity, water management, HIV/Aids, product stewardship, stakeholder engagement, suppliers and contractor management etc.
Sustainability risks	Internal and external risks that could have significant impact on Vedanta and could include environmental risks, social risks, financial risks, economic risks, reputational risks, legal enforcement, operational risks and risks associated with acquisitions and joint ventures.
Vedanta Company	A subsidiary of Vedanta Group either fully or majority owned that has its own management structure (e.g. Hindustan Zinc Limited, Vedanta Aluminium Limited, Sterlite Industries limited, etc.)

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4. PROGRAMME REQUIREMENTS

All Vedanta subsidiary companies and operations are required to follow the requirements listed below with regards to stakeholder materiality and risk management.

4.1. Stakeholder and Risk Materiality

- a) Vedanta Group shall engage with stakeholders to identify material and potentially material sustainability issues, risks and opportunities and include these in business planning processes. The defining of material topics shall take into account consideration of both internal and external factors (as defined by the Global Reporting Initiative, GRI) as follows:
- Internal factors will include key organisational values, policies, strategies, operational management systems, goals, and targets; the interests/expectations of stakeholders specifically invested in the success of Vedanta (e.g. employees, shareholders, and suppliers); significant risks to the organisation; critical factors for enabling organisational success; and the core competencies of the organisation and the manner in which they can or could contribute to sustainable development; and
 - External factors will include the main sustainability interests/topics and indicators raised by stakeholders; the main topics and future challenges for the sector in which Vedanta operates as reported by peers and competitors; relevant laws, regulations, international agreements, or voluntary agreements with strategic significance to the Vedanta and its stakeholders; and reasonably estimable sustainability impacts, risks, or opportunities (e.g., global warming, water scarcity, HIV-AIDS, poverty) identified through sound investigation by people with recognised expertise, or by expert bodies with recognised credentials in the field.
- b) Consideration of material risks will include reference to actual occurrences that have arisen within the organisation, near misses and potential occurrences.
- c) Material risk determination shall include consideration of environmental risks, social risks, financial risks, economic risks, reputational risks and risks associated with acquisitions and joint venture and operational risks. Material risk assessment shall take into account information gathered across the business, using operational/business sustainability risk registers. Material risk management associated with acquisitions and joint ventures shall meet the requirements as outlined in the *Acquisitions, Divestment and Joint Venture Due Diligence Management Standard*. It is noted that the *Acquisitions, Divestment and Joint Venture Due Diligence Management Standard* will address *IFC Performance Standard 1 – Assessment and Management of Social and Environmental Risks and Impacts* requirements in relation to establishing a process to identify and understand the risks associated with assets to be developed, acquired or financed which have yet to be financed.
- d) Vedanta Group shall maintain a sustainability risk register that includes sustainability risks that apply across the Vedanta companies. Material sustainability risks identified by Group

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shall be included in the overall Vedanta Group Risk Register. This register shall be reviewed annually via the Management Review process.

- e) Rank/prioritise material risks according to their importance to Vedanta Group and to Vedanta's stakeholders.
- f) Include existing and future (in the next 5 years or as deemed necessary to Vedanta) material threats along with an informed estimate of their likelihood as part of the risk identification and/or risk assessment process including consideration of material risks identified or considered by external peer companies or stakeholders, or where they have materialised within the extractive, metals, renewable energy and other peer industries;
- g) Vedanta Group shall ensure material sustainability risks, and Vedanta's approach to managing them, are communicated to all stakeholders who could potentially be exposed to the identified risks through the disclosure of relevant documentation.
- h) Each operation/business shall have an equivalent process to determine materials risks, and the outputs shall feed into Vedanta Group as outlined in Section 4.3 below.

4.2. Risk Management

- a) Vedanta Group shall ensure an effective sustainability risk management system is implemented throughout the business. Vedanta shall ensure the risk management process is systematic and structured so that hazards and events that have the potential to materially positively or negatively impact upon the company's sustainability performance and goals are identified; the risks associated with the identified hazards, events and their anticipated likelihood of occurrence are analysed and evaluated; required controls are identified and implemented such that the risks are reduced to a level which is as low as reasonably practicable; the relevant hazards, risks and controls are communicated to those potentially affected; and monitoring and verification mechanisms are implemented to ensure the risks continue to be managed effectively.

4.3. Operational Risk Management Process

Risk management processes, including identification and evaluation, at Vedanta Group level and Vedanta operations level shall meet requirements of the *IFC Performance Standard 1 – Assessment and Management of Social and Environmental Risks and Impacts*. This includes:

- having an effective management system in place appropriate to the nature and scale of Vedanta operations and commensurate with the level of its sustainability risks and impacts;
- identifying and evaluation of risks within the area of influence of Vedanta operations;
- Identifying risks related to all stages of the operation lifecycle including pre-construction, construction, operations, and decommissioning or closure. The scope of the identification

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process will be consistent with international good practice and will determine the appropriate and relevant methods and assessment tools;

- consideration of emissions of greenhouse gases and potential transboundary effects (e.g. pollution of air or international waterways) during the identification process;
- development of an action plan;
- establishing and managing a programme of mitigation and performance improvement measures and actions that address the identified social and environmental risks and impacts. This should include, where appropriate, consideration to involving representatives from Affected Communities to complement or verify monitoring activities; and
- consulting and communicating with local communities on identified risks and how they are being managed on an on-going basis.

4.4. Scope and context

- a) Vedanta operations shall define and communicate the scope of risk assessment processes. The scope of the risk assessment processes shall be appropriate to the nature, scale and complexity of the operations and associated hazards, and ensure a thorough risk assessment is undertaken;
- b) The context for risk management shall take into account legal and technical issues (e.g. forthcoming legislation or industry best practice standards), values and perceptions of stakeholders and Vedanta operations objectives;
- c) The context for risk management shall also take into account the competencies and capabilities of those involved in risk management activities and the resource requirements that might be required (e.g. financial, time, technical etc) to have an effective risk management process in place;
- d) The roles and responsibilities of those involved in risk management, the risk assessment methodology and the documentation/documents that will be generated from the risk assessment process (and which are required to be maintained) will also be defined;
- e) Vedanta operations shall identify and appoint a manager who, as part of their defined roles and responsibilities, has overall responsibility for managing sustainability risk assessment processes, including establishing their scope and context;
- f) An appropriate risk assessment methodology shall be determined which shall be appropriate to the Vedanta operation (e.g. high risk locations/activities may require a fully quantitative approach whilst lower risk locations/activities such as an office may require a qualitative approach).

4.5. Identification

- a) Vedanta operations shall review their activities and identify the potential hazards and events that may give rise to hazards. Routine, non-routine and emergency situations shall be considered during the identification process.

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- b) The identification process shall include a review of relevant and available information (e.g. previous risk assessments, incident reports, industry standards, exposure monitoring information, stakeholder concerns etc), communications with relevant personnel and physical inspections of the location, operation or activity where appropriate.
- c) Identified activities and the hazards or unwanted events shall be documented using an appropriate and agreed risk assessment format.
- d) Vedanta operations shall maintain a current risk register that includes the risks identified for that location. The register shall be reviewed on an annual basis or when changes occur that potentially impact the risk profile of the location.

4.6. Analysis and Evaluation

- a) Existing risk control measures that are already in place for the activities/hazards or unwanted events shall be identified and evaluated by competent personnel to determine whether, with these controls in place, risks are reduced to a level which is as low as is reasonably practicable;
- b) The effectiveness of existing controls shall also be considered and taken into account;
- c) Where risk is not reduced to a level which is as low as reasonably practicable through the application of existing controls, additional controls shall be considered;
- d) The hierarchy of control shall be applied in identifying and assessing risk control options (e.g. elimination, substitution, engineering, separation, administration and, as a last resort, personal protective equipment (PPE) for health and safety risks);
- e) All existing risk controls which are considered to be appropriate shall be documented in the agreed risk assessment format.
- f) All work of persons under the age of 18 shall be subject to an appropriate risk assessment and regular monitoring of health, working conditions and hours of work.

4.7. Implementation

- a) Action plans to implement the required controls shall be defined. The action plans should identify the actions required, accountabilities and responsibilities, timescales for completion and, where appropriate, resource requirements and reporting and performance measures;
- b) The outcomes of the risk assessment process, including the hazards, controls and action plan, shall be communicated to personnel who are exposed or potentially exposed to the hazard;
- c) The outcomes of the risk assessment process, including the hazards, controls and action plan, shall be communicated to personnel who have roles and responsibilities to implement/maintain or monitor the effectiveness of control measures;

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- d) Documented risk assessment records shall be readily available and accessible to those affected by the operation or activity;
- e) All changes, including changes or modifications (both permanent and temporary) to processes, activities, operations etc, (and including retrospectively unplanned changes), shall be managed in accordance with the *Management of Change Management Standard*. Accordingly all associated risk registers and assessments shall be reviewed as part of the management of change process and the revisions communicated to relevant personnel as appropriate;
- f) Risk assessment documentation shall be reviewed on a periodic basis to ensure it remains relevant and appropriate to the Vedanta operation and its activities.

5. ROLES AND RESPONSIBILITIES

Vedanta Resources, subsidiaries, businesses, operations and sites shall ensure that roles and responsibilities for implementing and complying with this Standard are allocated. Key responsibilities shall be included in job descriptions, procedures and/or other appropriate documentation.

6. COMPLIANCE AND PERFORMANCE

Each Vedanta operation shall ensure that it complies with the requirements of this standard. Performance against the requirements of this Standard shall be assessed periodically, documented and, where required, reported to Vedanta Group. The assessment of performance shall include setting and reporting on key performance indicators (KPIs) where these have been established at Vedanta Group, Company or local level and which meet the requirements as set out in the *Sustainability Data Management Technical Standard*.

The evaluation of performance shall include, as a minimum, confirmation that:

- Stakeholders have been identified and engaged with;
- A Group and operational sustainability risk registers are in place and these have been reviewed and updated;
- A Risk Manager at the operation level has been assigned with ultimate responsibility and accountability for sustainability risk management issues;
- Risk assessments are conducted, documented, available and accessible;
- Risk assessments are reviewed by competent personnel;
- An action plan is in place to implement control measures where these have been identified;
- Hazards, risks and control measures have been communicated to affected personnel;

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- Control measures have been maintained and reviewed to ensure they are effective.

7. SUPPORTING INFORMATION

Reference	Description
ICMM (International Council of Mining and Metals)	The ICMM has produced and published good practice guidance on a range of health, safety, environment and community issues relating to mining. http://www.icmm.com/library
International Finance Corporation Performance Standards (PS) and PS Guidance Notes	The IFC has published Guidance Notes to guide the implementation of the full range of performance standards. These are available on the website. The guidance is currently being updated and draft versions (V2) are available however these have not yet been finalised and formally published. http://www.ifc.org/ifcext/sustainability.nsf/Content/PerformanceStandards
ISO 31000:2009	Risk Management -- Principles and Guidelines http://www.iso.org
Global Reporting Initiative (GRI)	G3 Guidelines http://www.globalreporting.org/ReportingFramework/G3Guidelines/

8. REVIEW

This Management Standard shall be periodically audited and reviewed to determine its accuracy and relevance with regard to legislation, education, training and technological changes. In all other circumstances, it shall be reviewed no later than 24 months since the previous review.

9. REFERENCES

Doc. Ref.	Title
POL 06	HSE Policy

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MS 08	Acquisitions, Divestment and Joint Venture Due Diligence
MS 07	Management of Change