

Management Standard – Auditing and Assurance

Vedanta Resources Plc

Sustainability Governance System


Management Standard

Auditing and Assurance

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Management Standard – Auditing and Assurance

1. PURPOSE

The purpose of this Management Standard is to ensure that an effective audit and assurance programme is in place in relation to the management of sustainability-related risks and overall sustainability performance. This includes having a system that evaluates conformance to Vedanta Group requirements, Company and operations requirements, stakeholder requirements and regulatory requirements where these apply and to provide assurance to the Vedanta Board and its stakeholders that sustainability risks are being managed appropriately and to a consistent level across the business.

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
Assurance	A governance process by which Vedanta provides accurate and current information to stakeholders about the efficiency and effectiveness of its policies and operations, and the status of its compliance with statutory obligations.
Audit	A systematic assessment or review of the effectiveness of implementation of sustainability programmes (including systems and processes) using defined criteria or protocols. An audit can be undertaken by internal or external personnel and the results/findings of an audit will be documented.
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

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Term	Definition
	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.
ICMM (International Council on Mining and Metals)	The International Council on Mining and Metals (ICMM) was established in 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.
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	Combination of probability or frequency of certain hazardous occurrences and severity of impacts resulting from an occurrence.
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 interested 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

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Term	Definition
	Aluminium Limited, Sterlite Industries limited, etc.)

4. PROGRAMME REQUIREMENTS

All Vedanta subsidiary companies and operations are required to follow the requirements listed below with regards to auditing and assurance.

4.1. Auditing and Assurance Approach

- a) Vedanta Group shall ensure an effective audit and assurance process is implemented throughout the business. Vedanta shall ensure an audit process is systematic and structured so that audits (including independent and third party audits) are programmed and undertaken; audit findings and actions are recorded and reported; where required, corrective actions are tracked; the actions are communicated to those potentially affected; and monitoring and verification mechanisms are implemented to ensure the findings and resulting actions continue to be managed effectively. It should be noted that audit processes associated with the acquisition of additional sites/plants from outside of Vedanta or the divestment of Vedanta sites are excluded from this Standard and are covered separately under the *Acquisitions, Divestment and Joint Venture Due Diligence* Management Standard MS08.
- b) Vedanta Group shall appoint a nominated individual with responsibilities for managing the Group assurance programme. Responsibilities shall include development of a scheduled audit programme and developing the objectives, scope and detailed methodology to meet Group requirements
- c) Each operation/business shall have an equivalent auditing and assurance process as outlined in Section 4.2 below.

4.2. Audit Process

- a) Vedanta operations shall ensure a formal audit programme is in place to assess conformance with Vedanta Group requirements, Company and operation requirements, stakeholder requirements and regulatory requirements, as applicable.
- b) The documented audit programme shall set out the scope and objectives, roles and responsibilities and resources required for each audit.
- c) Operations shall develop and maintain audit materials (including checklists, protocols, and templates) to deliver consistent audit approaches.
- d) Each year, CEOs of Vedanta Group companies will submit a completed checklist / questionnaire supplied by Vedanta Group confirming the status of compliance with the Vedanta Group Sustainability Framework.

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- e) Internal audits shall be undertaken on a periodic basis as determined by the risk profile of the operation.

4.3. Audit Findings

- a) Audit findings and corrective actions shall be recorded and detailed in an action plan. Photographs should be used to document the findings on the ground where possible.
- b) Action plans shall identify the corrective actions required, accountabilities and responsibilities, timescales for completion and, where appropriate, resource requirements and reporting and performance measures in order to meet audit requirements. Audit findings shall be addressed and closed out within 3 months as a maximum (exceptions are permitted for significant audit findings that require capital investment or other long term solutions).
- c) Findings arising from audits that relate to the following shall be reported to Vedanta Group in a timely manner:
 - Immediate risk of human harm;
 - Extensive/permanent environmental impact;
 - Extensive/permanent societal impact;
 - A likelihood of regulator intervention or prosecution against the operation / Vedanta.

4.4. Competencies and Auditor Evaluation

- a) Vedanta Companies and/or Vedanta operations shall appoint a competent person with responsibilities to oversee and manage the audit programme.
- b) The competent person shall ensure adequate internal resources (including personnel and financial) are made available to conduct and complete the audit schedule. Where internal resources are not available, the operation shall identify external resources (e.g. specialist expertise) with the appropriate competencies to support the audit programme.
- c) Vedanta operations shall ensure a lead auditor is assigned for all audits. The lead auditor shall take responsibility for the audit, audit team members and ensure it meets operation and Vedanta Group requirements and expectations. Assigned lead auditors shall have received appropriate training and shall be competent to lead audits on behalf of the operation.
- d) Auditors assigned to undertake audits shall be evaluated to ensure they meet the appropriate competency levels established for the audit programme.
- e) Competent personnel shall be assigned with roles and responsibilities to implement/maintain and monitor the effectiveness of audit processes.

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- f) Audit processes and documentation shall be reviewed on a periodic basis to ensure they remain relevant and appropriate to the Vedanta operation and its activities and that audit findings have been effectively tracked and implemented.

4.5. Communication

- a) The outcomes of audits, including findings and the action plan, shall be communicated to relevant personnel.
- b) The outcomes of audits, including findings and the action plan, shall be communicated to personnel who have roles and responsibilities to implement/maintain or monitor the effectiveness of audit programme.
- c) As appropriate, the outcomes of the audits shall be communicated to external stakeholders who may be affected by audit findings.

4.6. Documentation

- a) All audit reports (including internal and external audits) and associated documentation shall be maintained and available.

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 operation 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:

- A formal audit process is in place;
- An audit schedule is established and appropriately resourced;

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- A Manager at the operation level has been assigned with ultimate responsibility and accountability for the audit programme;
- Audit reports are maintained and are available;
- Audit reports and findings are identified, evaluated and authorised by competent personnel;
- Action plans have been updated to take into account audit findings where these have been identified;
- Audit findings and actions to address findings have been communicated to respective operations and affected personnel.

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 19011:2002	Guidelines for quality and/or environmental management systems auditing http://www.iso.org
Global Reporting Initiative (GRI)	G3 Guidelines http://www.globalreporting.org/ReportingFramework/G3Guidelines/

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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
MS 08	Acquisition, Divestment and Joint Venture Due Diligence
TS 21	Sustainability Data Management