

Focus on Managing Material Issues to Ensure Positive Outcomes

Material issues help us develop a more comprehensive, inclusive and consistent sustainability strategy. Any matter is considered material if it has the potential to significantly affect our ability to create, sustain and deliver value to our stakeholders in the short, medium and long term.

To protect ourselves from the possible adverse impact of material issues to our business, we undertake a detailed materiality assessment once every three years. The assessment guides us in the formulation of strategic priorities and to better understand our sustainability risks and opportunities. We had last carried out such assessment in FY2019 through a third party. Inputs were taken from key internal and external stakeholders. In FY2020, our Executive Committee reviewed and revalidated the Materiality

assessment and a core committee was formed to identify the long-term goals to address the top eight material issues, thus interlinking sustainability into business decisions.

The rigorous and formal materiality process involving extensive internal and external stakeholder dialog led to the setting up of ambitious "Sustainability Goals 2025". The detailed action plans and sub-action plans, wherever needed, have been identified under each goal to drive actions towards

high priority areas necessary for the accomplishment of goals over a period of next five years. Hindustan Zinc believes that these goals shall act as not just independent targets, but rather as a collective scorecard that requires tangible progress across different functions to bring about the desired positive outcome. To further ensure fulfillment of goals, various communities have been appointed for the implementation of action plans under the leadership of a Sustainability Committee, chaired by CEO.

The Sustainability Goals 2025



The Sustainability Goals along with action and sub-action plans have been reported in detail in Hindustan Zinc's Sustainability Review Report FY2021.

Inclusion of Sustainability Criteria in Employee Incentive and Performance

Sustainability is an integral part of the way we do business. We follow Vedanta Sustainability framework and implement its requirements across units. This framework contains the management and technical standards and policies to guide us to drive our efforts towards the material issues. All the sites every year undergo Vedanta Sustainability Assurance Programme to ensure the implementation of Vedanta Sustainability framework that provides site-wise scores against the 13 pillars of Sustainability.

We use the scores to understand our relative performance and to determine the performance bonus of each individual including the CEO and Executive Committee members. The safety performance at Hindustan Zinc and Vedanta Sustainability Assurance Programme (VSAP) scores are key part of everyone's KPIs and performance of both is linked with performance bonus of the senior leadership and all employees.

CEO and Other Senior Leadership

Our CEO's performance-based compensation is determined through a combination of the Company's financial results, such as revenue and operating profit, besides non-financial indicators such as leadership, progress on strategic goals, and contribution to sustainability performance.

CEO's KRA – Make Hindustan Zinc a zero-harm organization by establishing and inculcating the safety culture and implementing efforts towards achievement of Sustainability Goals 2025 and Vedanta Sustainability framework. [In leaders score card, there is 20% weightage to the VSAP score and Zero Fatality]

ExCO KRA – Make Hindustan Zinc a zero-harm organization by fostering a safe and risk-free work environment through elimination of incidents/injuries and implementing Vedanta Sustainability framework. [KPI – VSAP score and Zero fatality]

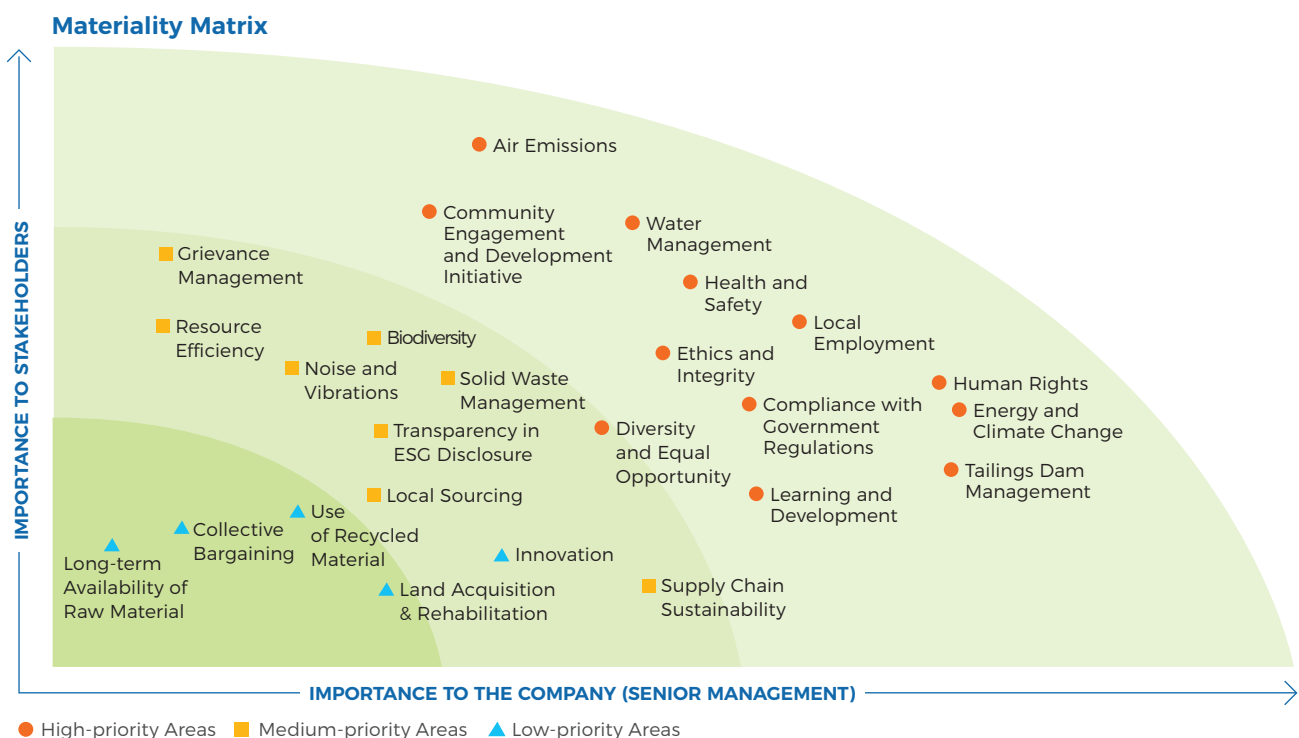
All Executives

Performance-based compensation is determined by the VSAP Scores along with business performance. To give an enhanced focus, the weightage on VSAP Scores has been assigned as 17.5% for senior management and 15% for others. Further, in case of any fatality the overall pay-out under performance-based compensation will be reduced by 10%, 20% & 25% for 1, 2 and more than 2 fatalities respectively. Consequence management is based on responsibility matrix, provision for penalizing in the form of withdrawal of last increment or demotion, or even nil/partial payment of Performance pay Scheme.

Contractors



Expanding our safety ethos to cover business partners too, we are increasingly linking payments / incentive & penalty with safety performance. For majority, monthly safety scorecards are already in place for performance evaluation, and more will be progressively brought into the ambit of payment linkage with compliance to safety metrics.

Materiality Assessment Result






Responding to Material Priorities

Hindustan Zinc's detailed materiality assessment resulted in identification of 24 total material topics which have been categorized into high, medium and low priority topics [as depicted in the infographic below]. For the purpose of disclosure, 12 high importance material topics have been covered in the respective sections in the report. These topics have also been covered in detail in Hindustan Zinc's Sustainability Review Report FY2021. For certain topics where Hindustan Zinc feels that it is relevant to also cover downstream and upstream entities, the approach has been included based upon the relevance of the topic to Hindustan Zinc. These topics have been helpful in the development of overall sustainability strategy of Hindustan Zinc with due consideration of changing environment and stakeholder expectations in mind.

ENVIRONMENT	Why is It Material	How We Manage It	Performance in FY2021	Strategic Linkage & SDGs Impacted
 <p>Water Management</p>	<p>Water is essential to life and critical to our business. Unavailability of water can have an adverse impact on business. Also, inefficiency in managing water can lead to community unrest and potential regulatory consequences.</p>	<p>We are dependent upon water, a precious natural resource. Water conservation is particularly important for us as we operate in a water-stressed region.</p> <ul style="list-style-type: none"> > Increasing efficiency in water usage and exploring less water-intensive technologies > Using alternative water sources to reduce dependency on freshwater > Replenish water within local watersheds and rainwater harvesting 	<p>Reduction in specific water consumption: 4%*</p>	<p>S5</p> <p>6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>
 <p>Tailings Dam Management</p>	<p>In worst-case scenario, tailings dams failure can lead to loss of life, injuries and damages to the environment, as well as our Company's reputation. It can also entail significant financial costs/losses and stoppages in production.</p>	<p>Malfunctioning tailings dams can cause huge environmental impact. Hence, we accord top priority to managing them responsibly.</p> <ul style="list-style-type: none"> > Responsible Tailings Storage facility > Effectiveness of reclaim water system > Surveillance of Tailings Dams > Effectiveness of Emergency Planning and Response > Utilization of Tailings in Backfilling > Replacement of wet tailing disposal system with dry tailing disposal 	<p>Zero incidents associated with existing tailing facilities</p>	<p>S1 S5</p> <p>9 INDUSTRY, INFRASTRUCTURE AND BUILDINGS 11 SUSTAINABLE CITIES AND COMMUNITIES 15 LIFE ON LAND</p>






*During FY2021

ENVIRONMENT	Why is It Material	How We Manage It	Performance in FY2021	Strategic Linkage & SDGs Impacted
 <p>Air Emissions</p>	<p>Failure to comply with emission norms and minimize air emissions could lead to negative long-term impact on the environment and society, with imposition of levies/ fines, escalation in costs related to monitoring and reporting, among others.</p>	<p>Large-scale air emissions can cause serious impact on the environment and local communities. We continuously work towards reducing air emissions.</p> <ul style="list-style-type: none"> ➤ Improving air quality through well-designed air pollution control systems ➤ Effective Dust management ➤ Continuous monitoring and reporting 	<p>Reduction in SO_x emission: 16%*</p>	<p>S5</p> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION</p>
 <p>Energy & Climate Change</p>	<p>Energy and climate change are issues of material importance as they provide both challenges and opportunities for our business and communities. They are also material to the continuity of our business and improving productivity in the new global environment.</p>	<p>The rising challenges of climate change and resource scarcity have put us on a path of transformation to a low carbon economy.</p> <ul style="list-style-type: none"> ➤ Reducing fossil fuel-based energy use in our operations by using innovative energy efficiency technologies and process optimization ➤ Shifting to renewables and/or low-carbon solutions where possible 	<p>During the year, the Company produced solar power of 83.43 mn units, waste heat energy of 203.13 mn units and wind power of 362.93 mn units leading to avoid 5,51,695 ton of CO₂ through green power.</p>	<p>S3 S5</p> <p>7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION</p>
 <p>Biodiversity Management</p>	<p>Biodiversity provides many of the ecosystem services. If improperly managed, mining, smelting and exploration activities have the potential to negatively affect biodiversity and ecosystem services. Impact could be loss of protected species and habitat fragmentation. Such risks could affect our social license to operate as well as our reputation.</p>	<p>We work to proactively manage our impact on biodiversity and strive to protect the ecosystems in which we operate.</p> <ul style="list-style-type: none"> ➤ Biodiversity assessment ➤ Implementing biodiversity protection and conservation initiatives across locations 	<p>96,380 saplings planted during the year</p>	<p>S2</p> <p>15 LIFE ON LAND</p>













*During FY2021

SOCIAL	Why is It Material	How We Manage It	Performance in FY2021	Strategic Linkage & SDGs Impacted
 <p>Health & Safety</p>	<p>Focus on health and safety performance has intensified over the years. Failure to ensure health and safety could result in increased cost of litigation, reduce availability of manpower, or even threaten the viability of operations in worst-case scenarios.</p>	<p>Health and safety of our people is our top priority. It is our constant endeavor to make our workplace free of fatalities, injuries and occupational diseases.</p> <ul style="list-style-type: none"> Identifying, understanding, controlling and eliminating the risks associated with hazards at workplace, including man-machine interactions, molten metal handling and underground fire Structured skill improvement/ competency enhancement of employees and contract workers Implementing new innovative technologies to reduce manual interventions Monitoring exposures for better and timely controls 	<ul style="list-style-type: none"> LTIFR: 0.97* Safety trainings: 0.65 mn man-hours Occupational illness cases: 0 	<div> <div>S1</div> <div>S3</div> <div>S5</div> </div> <div>   </div>
 <p>Learning & Development</p>	<p>Failure to provide sufficient learning and development opportunities could lead to higher employee attrition. It can also affect our employer brand and overall reputation.</p>	<p>Long-term career growth of our employees is critical to our business and we promote the same through regular training and learning & development initiatives. This further helps in the expansion of our know-how and intellectual capital.</p>	<p>1,162 learning and development programs conducted</p>	<div> <div>S1</div> <div>S2</div> <div>S3</div> <div>S5</div> </div> <div>   </div>

*During FY2021

SOCIAL	Why is It Material	How We Manage It	Performance in FY2021	Strategic Linkage & SDGs Impacted
 <p>Community Engagement & Development Initiatives</p>	<p>Failure to work closely with our communities can impact our relationships with them. This can affect our reputation and, in extreme cases, also affect our social license to operate.</p>	<p>Our brand reputation depends on the socio-economic development of the communities in the regions of our operations; We play a significant role in catalyzing such development.</p> <p>Increasing local employment and procurement opportunities</p> <ul style="list-style-type: none"> ➤ Strategically focusing on improving livelihoods and spurring prosperity in communities near our operations 	<p>Beneficiaries from CSR initiatives: 7 lacs+*</p>	<p>S5</p> 
 <p>Local Employment</p>	<p>Inability to generate local employment can affect our relationship with the community and have an adverse effect on our reputation. It can also harm our ability to attract the best talent from the industry.</p>	<p>We contribute to the development of the local economy through direct employment.</p>	<p>We continue to prioritize hiring from among the local community at our facilities during the year.</p>	<p>S3 S4 S5</p> 
 <p>Human Rights</p>	<p>Any deviation from this stated policy can lead to imposition of fines and legal actions. It can also affect our ability to attract talent and impact our reputation.</p>	<p>Our commitment to human rights is reflected in our values, policies and actions. We respect and always strive to protect human rights across our operations and value chain in all possible ways.</p> <ul style="list-style-type: none"> ➤ Respecting the rights of our key stakeholders affected by our activities ➤ Identifying and Assessing Human Rights Risks ➤ To increase awareness and internal alignment on human rights 	<p>Zero complaints relating to child labor, forced labor and involuntary labor.</p>	<p>S1 S2 S5</p> 

*During FY2021

GOVERNANCE	Why is It Material	How We Manage It	Performance in FY2021	Strategic Linkage & SDGs Impacted
 <p>Compliance with Government Regulations</p>	Any delay or failure to comply with government regulations could lead to heavy penalties, and/or legal action and affect our reputation. In worst-case scenario, it can threaten the viability of our operations.	We strictly adhere to all applicable laws and regulations at the sites of our operations. We also ensure that regulatory compliance is maintained across the value chain.	Digital tracking of reported legal cases, fines and other non-compliance issues with regard to applicable laws and statutes.	<div> <div>S2</div> <div>S5</div> </div> <div>    </div>
 <p>Ethics & Integrity</p>	Any deviation from compliance to this ethos can damage our relationships with stakeholders. In extreme cases, this can even threaten the continuity of our operations.	We have imbibed our business operations with corporate ethics and integrity. We diligently adhere to these across all our transactions.	Tracking of the number of unresolved whistle-blower and code of conduct non-compliance cases.	<div> <div>S1</div> <div>S2</div> <div>S3</div> <div>S4</div> <div>S5</div> </div> <div>    </div>
 <p>Supply Chain</p>	Our large and expanding landscape of operations comprise a plethora of activities. It starts from raw material procurement, production, distribution to final delivery to customers. It is therefore critical to ensure that our supply chain adheres to our principles & practices and walks the path of sustainability along with us.	Holistic supplier identification, selection and review processes Digitalization of the supply chain	133 New suppliers were screened for ESG criteria <ul style="list-style-type: none"> > 318 Local suppliers (Rajasthan based) are part of Tier-1 suppliers and constitute 63% of procurement spend > Out of total, 214 are critical Tier-1 suppliers and constitute 68% of procurement spend 	<div> <div>S5</div> </div> <div>  </div>
 <p>Diversity & Equal Opportunity</p>	Inability to promote diversity and equal opportunity could affect our employer brand and overall reputation.	We encourage diversity at workplace to promote the organization's collective experience and skill set. Providing the right work culture to promote inclusion Aligning policies to encourage diversity in workforce	<ul style="list-style-type: none"> > Female diversity within executives: 15%* > Overall female diversity of workforce: 11%* 	<div> <div>S5</div> </div> <div>  </div>

*During FY2021

