Sustainability Framework

TECHNICAL STANDARD

Social Investment Management
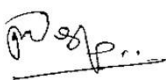
Hindustan Zinc Limited

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DATE	REVISION NUMBER	CHANGE SUMMARY
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Confidentiality

Contents

1.   INTRODUCTION

The purpose of this Technical Standard is to provide guidance on how best to establish Social Investment and Community Development programmes, and ensure they are managed effectively to realise the full benefits to the local communities, broader society and HZL itself. Social Investment is an important mechanism for HZL to support its broader sustainability goals, and ensure its social license to operate. It stems from the belief that our growth has true meaning when it creates betterment opportunities for the people around us. This standard has been adopted from the parent company Vedanta 's Sustainability framework.

2.   SCOPE

3.   **This Technical Standard is mandatory and applies to all HZL subsidiaries, operations and managed sites, including new acquisitions, corporate offices and research facilities and to all new and existing employees. This Standard is applicable to the entire operational lifecycle (including exploration and planning, evaluation, operation and closure).**
DEFINITIONS

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

Term	Definition
Affected Party	Stakeholders who are affected by the company or operation, both positively and negatively. Within this, effort is made to distinguish between those that are directly affected and indirectly affected by the company or operation.
Communication	Dialogue between HZL and affected or interested parties. Communication is exchanging (giving and receiving) information. Communication enables HZL to convey the aspects, risks and opportunities of their operations, and to receive information from a range of stakeholder's concerns, questions and suggestions shared in response.
Community profile	A community profile sets out the demographic, socio-political, economic, educational and other relevant characteristics of the area, and should be prepared with the assistance of local consultants if necessary.
Consultation	Consultation is not the same as communication although both are two-way processes. Consultation is purposeful and deliberately seeks input from stakeholders in order to shape relations and the development of programmes. It involves the business, key individuals, organisations and groups affected by or interested in the development and outcomes of the issue/process being discussed. The aim is to ensure mutual understanding and for all parties to be able to manage decisions that have a potential to affect all concerned. A good consultation process needs to be supported by a strong communication programme.
Exit / handover strategy	An explicit indication of the time duration of HZL's engagement in each project, and post-project maintenance and ownership protocols (in case of infrastructure projects).
Grievance	A concern, complaint or feedback raised by any stakeholder either affected or interested in company operations. Both concerns and

Term	Definition
	complaints can result from either real or perceived impacts of a company's operations.
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 mining and metals companies as well as 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.
Interested Party	Persons or groups who, although not affected by the HZL operations, have an interest in or influence over HZL and its operations. This might include welfare organisations, non-government organisations, local businesses and political groups.
Operation(s)	A location or activity that is operated by a HZL Company and its subsidiaries. Locations could include exploration activities, mines, smelters, refineries, wind farms, offices including corporate head offices and research and development facilities.
Records of communication / consultation	Records of communication / consultation may include key e-mails, letters, newsletters, memorandums, complaints, opportunities for improvement, records of distribution/attendance, records of formal and informal meetings and records of commitments. Note: the businesses need to identify communications that are critical to ensure avoidance of risks (both to community and employees).
Representative Participation	Through stakeholder engagement all stakeholders and parts of society are represented and able to participate in dialogue with operations which they are directly impacted by or interested in.
Strategic Social Investment	Community development activities relating to the operation's overall social, environmental and economic responsibilities, which are linked to operational impacts and focus on promoting project related opportunities for local communities and other stakeholders.
Social Investment	Community development activities relating to the operation's overall social, environmental and economic responsibilities, but which might be unrelated to a project's direct impacts and hence are largely philanthropic in nature.
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.
Stakeholder engagement	An umbrella term encompassing a range of activities and interactions between HZL and stakeholders over the life of a project that are

Term	Definition
	designated to promote transparent, accountable, positive, and mutually beneficial working relationships. Stakeholder engagement includes stakeholder identification and analysis, information disclosure, communication, problem/conflict anticipation and prevention, ongoing consultation, formation of partnerships, construction of grievance resolution mechanisms, negotiated problem solving, employee involvement in social initiatives, regular reporting forums and procedures, and other related management activities.
Vulnerable Groups	Individuals or groups within the project area of influence who could experience adverse impacts more severely than others based on their vulnerable or disadvantaged status. This vulnerability may be due to an individual's or group's race, sex, language, religion, political, or other opinion, national or social origin, property, birth or other status. In addition other factors should be considered such as gender, ethnicity, culture, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources.

4. PROGRAMME REQUIREMENTS

All HZL operations are required to follow the requirements listed below with regards to the mechanisms for designing, implementing and evaluating Social Investment & Community Development programs effectively.

4.1. General requirements

Social Investment plays a key role within HZL's overall strategy to promote social and economic development amongst the local communities and broader society in which it operates. Whilst the operations itself can make significant contributions to the local communities (such as through employment, its supply chain, development of infrastructure and payment of taxes), an effective Social Investment programme can enhance these positive impacts and socioeconomic benefits. The key requirements set out below will ensure that maximum benefit can be realised for the local communities, broader society and HZL itself:

a) HZL shall ensure that the Social Investment programme is strategic i.e. aligned with the company's own business goals, whilst responding to real community needs, and implemented through local partnerships that build local capacity and sustainable development.

b) HZL shall establish a clear strategy from the outset mapping out what is to be achieved through its Social Investment programme, while keeping some room for one-off activities, as per need.

c) HZL shall ensure that the Social Investment programme is supported by an effective broader strategy for engagement between the company and communities, with robust programmes in place for stakeholder engagement, grievance mechanisms and managing environmental and social impacts. The requirements for these are set out in their corresponding standards.

d) The Social Investment programme shall focus on activities and projects where HZL's operations can also leverage non-financial company resources (e.g. the skills of its staff).

e) Social Investment projects shall be focused primarily on the local communities in the areas that HZL operates, and secondarily on national or regional initiatives.

f) A small number of high quality and focused initiatives is preferable to spreading resources across a broad range of initiatives.

g) The Social Investment programme shall include both short-term and long-term objectives, although there needs to be a primary focus on achieving sustainable long-term benefits, and avoiding community dependency on the initiatives.

h) The strategy shall be developed in collaboration/consultation with the local communities and shall be implemented through partnerships with other key stakeholders, such as local and national government, local and international NGOs, international donor organisations, and other companies operating in the area.

i) The strategy shall aim to build the capacity of local implementing partner organisations and community based organisations (CBOs) in the local area.

j) To the extent possible, the outputs and outcomes of the company's social investment programme shall be identified and shall be measurable.

k) HZL can optimize its own benefits from its Social Investment programme by ensuring that effective internal and external communication plans are in place to share the achievements with all relevant stakeholders.

l) HZL's Social Investment programme relates to added value investment, and must not be confused with the company's obligations or attempts to mitigate adverse impacts on the local communities from its operations.

4.2. Identifying the business case

A key element of making HZL's Social Investment strategic depends on aligning the organisation's business goals and competencies with the development priorities of the local communities. The following points must be considered:

a) Identification of which key business drivers can benefit most from the Social Investment programme (e.g. enhanced reputation, productivity gains, risk reduction).

b) Employees across all functions of HZL's operations must be made aware of the Social Investment programme, and understand their roles in supporting good company-community relations.

4.3. Understanding the Social Investment environment

Gaining a clear understanding of the needs of the local communities, along with the characteristics and complexities of the local landscape (in terms of stakeholders and their relationship to the company), plays an important role in reducing the risk of developing ineffective or unrealistic programmes. HZL operations shall carry out the following:

a) A community profile shall be prepared, with the assistance of local consultants as required, to set out the demographic, socio-political, economic, educational and other relevant characteristics of the area.

b) A comprehensive stakeholder analysis shall be undertaken, with the assistance of local consultants as required, to map out all local stakeholders and understand their relationships to the operation, their key concerns, their development needs and priorities.

c) HZL shall utilise the stakeholder analysis to identify those groups that are most vulnerable to the operations and those that are most in need of help from the Social Investment programme.

d)   HZL shall identify all stakeholder groups that are already involved in development work in the area, such as local government, donor agencies, NGOs, community-based organisations and other companies operating in the area. For each stakeholder group, the following should be identified:

- The development work already taking place, so duplication of efforts and initiatives are avoided.

- Any groups that can help in the delivery of the programme through strategic partnerships.

e)   Particular challenges to consider and mitigate during this scoping phase include:

- Exclusion of certain groups, such as women or vulnerable groups, from participation due to cultural norms within local communities.

- Previous actions that may have created mistrust among the local communities.

- Problems with local governance, such as corruption, lack of capacity or political will.

- Low capacity amongst local organisations.

- Conflict or post-conflict situation, with risks of aggravating existing tensions or sparking new conflict.

4.4. Engage communities

It is critical to the success of the Social Investment programme that communities are engaged. Key elements of effective community engagement include:

a)   The communities shall be engaged throughout the development and implementation of the Social Investment programme.

b)   The emphasis shall be placed on facilitating community decision-making and ownership.

c)   Participatory approaches shall be used to facilitate engagement, and project implementation through existing community based organisations, groups or institutions shall be encouraged.

d)   The expectations of communities shall be carefully managed throughout the process.

e)   Key stakeholders, such as local government and community-based organisations, shall also be involved.

f)   HZL shall take steps to ensure that all voices from the community are heard, with particular focus on ensuring the participation of women and vulnerable groups.

4.5. Developing the Social Investment programme

a)   A limited set of Social Investment themes with clearly defined beneficiaries shall be selected. These shall focus on areas which are best suited for company-community collaboration, incorporating key social development priorities for both communities and government, and contributing to the business objectives of HZL. These themes should also be selected based on the ability for their implementation through partnerships with local NGOs and the local government.

b)   Important themes on which to focus may include capacity building, health, education, agriculture, animal husbandry, women's empowerment, employment, micro-finance, skills training, environment and biodiversity.

c) Target groups of beneficiaries should focus on vulnerable groups whose aspirations and needs can be addressed by Social Investment activities, and might include women, children and youth, marginalised groups, farmers and others.

d) Once the thematic areas and beneficiary groups have been selected, individual projects should be selected and developed based on the following criteria:

- Positive impact on sustainable development

- Local participation and capacity building

- Implemented through partnerships with local organisations

- Good fit with existing development activities in the area

- Sustainability, delivering lasting benefits and avoiding dependency

- Replicable across other communities

- Measurable and quantifiable outputs and outcomes

- Transparency, open to internal and external scrutiny

e) Whilst a limited number of high quality projects are preferable to spreading resources thinly across a wide range of projects, an element of diversification of the Social Investment portfolio in terms of thematic area, risk and time horizon is also preferable.

f) Once individual projects have been selected the following details, as a minimum, should be documented for each project:

- Introduction and background to the project

- Objectives, targets and key performance indicators

- Key outputs expected, and beneficiary groups

- Roles and responsibilities of parties managing the project

- Budget and other resources required

- Timelines and milestones during the project

4.6. Implementing and managing the programme

a) There are a number of implementation models that HZL shall consider for delivering their Social Investment programmes:

- In-house implementation;

- Company Foundation or Fund;

- Third party implementation;

- Multi-stakeholder partnership.

b) The following shall be considered whilst deciding on the most appropriate implementation model:

- Direct implementation performed in-house allows HZL's staff to use their skills to address community needs, and gives HZL direct involvement in the design and delivery of the project. However, there is a risk that the project may not be sustainable, at least until local capacity has been built.

- Implementation via third parties such as NGOs and community groups, or in partnership with these third parties, is in most cases seen as best practice because it:

  - Improves sustainability of the project, through involvement of local organisations and building their capacity.

  - Utilises the experience, skills and perspectives of civil society organisations, which often have expertise to offer in the context of Social Investment projects.

  - Draws upon the local knowledge of civil society organisations, and the trust they have within the local community, which can increase HZL's credibility.

  - Extends the reach and potential scale of the project, through the resources and community networks of the partner organisations.

c) However, the successful involvement of third parties will depend on the specific situation and the availability of suitable partner organisations.

d) Regardless of the implementation model selected, managing Social Investment programmes requires professionally-trained staff with skills and competencies in areas such as community organising, stakeholder engagement and issues management.

e) When establishing partnerships with other organisations, HZL must ensure that roles and responsibilities of all parties are outlined and documented, along with criteria for measuring success.

4.7. Sustainability, investing in capacity building and exit strategy

The long-term success of a project depends on its ability to become self-sustaining over time and avoid the creation of dependencies, so that HZL can reduce or withdraw support in due course without negative consequences. Capacity building should be an essential component of HZL's social investment programs, as strengthening local partner organisations and promoting self-reliance will greatly improve the likelihood of a positive legacy remaining once HZL's operations in the area cease.

4.8. Monitoring and evaluation of the programme

The company shall put in place an effective system for monitoring and evaluating the Social Investment programme to ensure that it meets its objectives, to measure the performance and successes of the programme, and to highlight any shortcomings and changes to the programme that may be required.

a) Effective monitoring and evaluation should provide HZL with clear information on:

  - The extent that the programme and individual projects are progressing against the objectives, indicators and milestones.

  - The impact that the investments are having on the intended beneficiaries.

  - How the project or programme is being viewed by the stakeholders, in particular the beneficiaries.

  - Any actions required to improve the implementation and management of the projects and programme.

b) An evaluation of the use of funds shall be carried out periodically to ensure they are being used appropriately and properly accounted for.

c) The objectives and targets shall be reviewed regularly to ensure that they are still appropriate, and updated where necessary.

d) Whilst the CSR programme measurement may not necessarily be quantitative in nature, progress and success should be quantified where possible.

4.9. Reporting and communicating the results

a) A communications plan shall be developed at the outset of the project, ensuring that information is delivered to key stakeholders in a timely, transparent and accountable way.

b) Internal and external stakeholders shall be engaged on a regular basis to keep them informed of progress and results from the Social Investment programme, and to manage their expectations effectively. These stakeholders should include:

- Beneficiary communities.
- Employees.
- Local and national government.
- Local and international NGOs.
- Media.

c) The messaging for each group shall be carefully tailored to their needs, and a range of communications tools and channels shall be used as appropriate.

d) Project partners shall be engaged to reinforce HZL messages to the appropriate stakeholders.

5. ROLES AND RESPONSIBILITIES

HZL 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 HZL operation shall ensure they comply with the requirements of this standard. Each HZL operation may develop their own context specific Social Investment Standards, but those shall not over-ride the provisions contained in this Standard.

Performance against meeting the requirements of this Standard shall be assessed periodically, documented and where required, reported to corporate. The assessment of performance shall include setting and reporting on key performance indicators (KPIs) where these have been established at HZL 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:

- Each HZL operation has developed a Social Investment programme, based on: - An understanding of the local conditions for Social Investment; - Consultation with the local communities.

- Key performance indicators have been developed to measure success of projects towards meeting their individual objectives, and the overall objectives of the programme;

- Partnerships are established with local community groups or NGOs to participate in the implementation and management of the projects;

- An effective system for monitoring and evaluation of projects has been established;

Sensitivity: Internal (C3)

7. SUPPORTING INFORMATION

Reference	Description
ICMM (International Council of Mining and Metals)	The ICMM has produced many best practice documents on a range of health, safety, environment and community issues relating to mining: http://www.icmm.com/library Included within this is a *Community Development Toolkit*: www.**icmm**.com/document/2
International Finance Corporation Good Practice Handbook (2010)	The IFC has published guidance on *Strategic Community Investment: A Good Practice Handbook*: http://www.ifc.org/ifcext/sustainability.nsf/Content/Publications_Handbook_CommunityInvestmentic A summarised 'Quick Guide' version of the handbook is also available.

8. REVIEW

This Technical 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 36 months since the previous review.