

Management Standard – Objectives, Targets and Performance Improvement

Vedanta Resources Plc

Sustainability Governance System


Management Standard

Objectives, Targets and Performance Improvement

Management Standard – Objectives, Targets and Performance Improvement

Standard Title:	Objectives, Targets and Performance Improvement	Date of Revision	30/01/2021
Standard:	VED/CORP/SUST/MS 5	Revision:	v.2

Document Issue and Revision History		
DATE	REVISION NUMBER	CHANGE SUMMARY
02/12/2011	1	Initial issue.
30/01/2021	2	Signatory Update.

Authorised by:	Andrew Lewin
Signature	
Position:	Group Head HSE and Sustainability

Confidentiality

This document and its contents are the copyright property of Vedanta Resources Plc. The release of this document to any third party outside of Vedanta is strictly prohibited without prior consent.

Management Standard – Objectives, Targets and Performance Improvement

1. PURPOSE

The purpose of this Management Standard is to describe the arrangements and requirements for establishing, implementing, tracking and communicating objectives and targets to drive continual improvement in Vedanta’s sustainability performance and the health and safety of its employees and contractors.

2. SCOPE

This Management Standard is mandatory and applies to all Vedanta 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 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
ALARP (As Low as Reasonably Practicable)	Consideration of the risk against the benefits or non-benefits that are needed to implement measures/controls to avoid the risk – where the cost (not just financial) of implementation of the measures is disproportionate to the benefits, it is not consider to be reasonably practicable.
Continual Improvement	A recurring process of enhancing the sustainability governance system in order to achieve improvements in overall sustainability performance consistent with Vedanta Mission, Values and Code of Conduct.
Key Performance Indicator	A specific parameter that provides information about Vedanta’s operational and management performance.
Objective	An objective is a broad statement and goal, consistent with the overall sustainability policies of Vedanta Group and its subsidiary companies.
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.
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

Management Standard – Objectives, Targets and Performance Improvement

Term	Definition
	shareholders, lenders, employees, communities, industry, governments and interested third parties.
SMART	SMART is an abbreviated term that provides guidance on how targets should be designed and achieved – they should be S pecific, M easurable, A ttainable, R elevant and T ime-bound
Target	A target is a specific statement detailing a desired outcome, typically with a specific metric or measurement of performance that indicates whether an objective is being achieved.
Top Management	All managers, and their line reports, that report directly to the most senior manager who has ultimate accountability at a Vedanta operation (who may also be a senior manager of one of Vedanta’s subsidiary companies). A top management structure may also exist at the subsidiary Company level and Vedanta Group level.
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.)

4. PROGRAMME REQUIREMENTS

All Vedanta subsidiary companies and operation are required to follow the requirements listed below with regards to the setting of objectives and targets to drive performance improvement.

4.1. General Requirements

To support the high level (or ‘overarching’) goals of Vedanta’s sustainability policies, objectives and targets should be established to support Vedanta’s commitment to improving its sustainability performance and that of its contractors. The achievement of these objectives and targets will drive continual improvement over time.

- a) The objectives and targets must be developed and aligned (or consistent with) Vedanta’s sustainability policies, technical and management standards and guidance documents (collectively the Sustainability Framework).
- b) Objectives and targets shall consider the results of risk assessment processes and the effectiveness of the associated control measures.
- c) The objectives and targets should be designed to quantify, through the establishment and tracking of key performance indicators, the organisation’s commitment to improvement in sustainability performance. See also *Data Management, Performance Monitoring and*

Management Standard – Objectives, Targets and Performance Improvement

Reporting Management Standard MS10 and the relevant *Compliance and Performance* sections of the Vedanta Management and Technical Standards.

- d) When developing the objectives and targets, it is necessary to consider the financial, operational, technological and business limitations of the organisation.
- e) Whilst each Vedanta Company shall set and manage its own objectives and targets relevant to its operations, it will also need to ensure that these objectives and targets are aligned, and are designed to support, the achievement of Vedanta Group objectives and targets.
- f) Objectives and targets need to be integrated into contractor management systems.

4.2. Setting objectives and targets

- a) A set of objectives, consisting of broad statements and goals (that are often medium to long term in nature), shall be set and which set out the overriding considerations of how the organisation will improve its sustainability performance.
- b) A set of targets shall be established which set out specific statements and desired outcomes (that are often more short-term in nature). The targets should be measurable (and should typically have associated key performance indicators), and provide a clear indication of how the objectives are being addressed.
- c) The targets shall be developed with consideration towards making them SMART:
 - S: specific (not always applicable to objectives)
 - M: measurable (not always applicable to objectives in a direct sense)
 - A: attainable
 - R: relevant
 - T: time-bound
- d) Objectives and targets shall be developed so as to have an appropriate 'degree of stretch' (i.e. be appropriately challenging), thereby requiring a meaningful improvement in performance, whilst also remaining realistically achievable within the prescribed timeframe.
- e) Objectives and targets shall reflect all legal and regulatory requirements that apply to the business or site, and any other requirements to which Vedanta subscribes.
- f) Targets shall be designed in a manner that ensures that the data relating to the key performance indicators associated with the target is auditable and independently verifiable.
- g) Objectives and targets should be set where improvements will be most likely to reduce sustainability risks to the organisation, its employees, the environment and other relevant stakeholders (i.e. the focus should be on the higher priority risks where the establishment &

Management Standard – Objectives, Targets and Performance Improvement

implementation of objectives and targets will deliver the greatest impact). Wherever possible these should be rationalised by a cost benefit analysis.

- h) Objectives and targets shall be set at several levels within the organisation. Often broader objectives will be set at higher levels of management, whilst operational targets may be set at the department level by department managers.
- i) Operations shall ensure that there is an effective dialogue allowing two-way communication and consultation with employees and relevant contractors when establishing objectives and targets.
- j) Objectives should be made flexible where possible, setting out the results that are desired, but allowing management and employees at the operational level the flexibility to define how these are to be achieved.
- k) Business and operational objectives and targets shall compliment sustainability objectives and targets and not be contradictory i.e. must not result in poor or inappropriate behaviours that could compromise sustainability (including safety) performance.
- l) Ensure senior management and employees with responsibilities for setting objectives and targets have the competency, and where necessary the adequate training, to set them effectively.

4.3. Meeting objectives and targets

- a) Each Vedanta Company shall establish, implement and maintain a programme for achieving its objectives and targets.
- b) Formal systems need to be established to ensure that objectives and targets are clearly assigned to the relevant functions and levels within the organisation, with individual actions allocated to specific managers and employees via an action plan.
- c) An action plan shall be established for the delivery of each objective and target, and should include as a minimum:
 - Details of the action(s) required to achieve the objective/target
 - Work area or functional group to which this relates
 - Resources required and where these will come from
 - Overall responsibility for the management and completion of each action
 - Deadline by which the action(s) should be completed
 - Current status of the action(s)
 - Sign-off by appropriate level of management upon completion.

Management Standard – Objectives, Targets and Performance Improvement

- d) An agreed schedule for review of the action plan shall be established to ensure that progress is regularly evaluated.
- e) The objectives and targets, along with the corresponding action plan, shall be communicated in a clear manner so that they are understood by all relevant employees and contractors at each appropriate level, and their commitment to the delivery of the objectives and targets is agreed.
- f) Each Vedanta Company must ensure that adequate resources are made available to meet the established objectives and targets within the agreed timeframe, including:
 - Personnel resources
 - Technical resources
 - Financial resources
- g) Objectives and targets should be met through the efficient use of resources, and adhere to the ALARP (As Low As Reasonably Practicable) principles
- h) Ensure senior/top management and employees with responsibilities for implementing actions and, where appropriate contractors, have the competency, and where necessary the adequate training, to perform the actions required for successful delivery of the objectives and targets.

4.4. Monitoring and reviewing objectives and targets

- a) Formal responsibilities shall be assigned and processes put in place for the monitoring of progress towards meeting the objectives and targets.
- b) Where progress falls short of the requirements towards meeting the objectives and targets, an analysis of the reason for the variance will be conducted and based on the outcome of the analysis, additional actions (including where necessary the provision of additional resources) shall be taken to enable the objectives and targets to be met in a timely manner.
- c) Processes shall be put in place to ensure that the objectives and targets are reviewed on a periodic basis, to ensure that they remain set at an appropriate level and are still relevant to the business. Processes shall also meet the requirements of the *Management Review and Continual Improvement Management Standard MS14*.
- d) The objectives and targets should be modified and updated as required, based on the outcome of the above periodic review.
- e) Progress towards objectives and targets, and any modifications to them, shall be communicated in a timely and effective manner to all relevant employees and contractors.
- f) Ensure senior/top management and employees with responsibilities for monitoring and reviewing the objectives and targets have the competency, and where necessary the adequate training, to do this effectively.

Management Standard – Objectives, Targets and Performance Improvement

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 they comply with the requirements of this standard. Performance against meeting the requirements of this Standard shall be periodically assessed, 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:

- Each Vedanta Company establishes a set of objectives and targets that are in line with Vedanta's broader sustainability policy, and drives continual improvement in sustainability performance over time;
- Targets are developed with consideration towards making them SMART;
- Objectives and targets are developed in consultation with the employees and contractors who will ultimately be responsible for achieving them;
- A programme is established to ensure objectives and targets are achieved, underpinned by an action plan for each objective/target;
- Adequate resources (personnel, technical, financial) are provided to enable the objectives and targets to be met in a timely manner;
- Progress towards achieving the objectives and targets is monitored and communicated, and an analysis of the reason for any variance is made leading to follow-up actions being taken where progress appears to be falling short;
- Objectives and targets are periodically reviewed, and updated/modified as necessary.

7. 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

Management Standard – Objectives, Targets and Performance Improvement

other circumstances, it shall be reviewed no later than 24 months since the previous review.

8. REFERENCES

Doc. Ref.	Title
MS 01	Leadership, Responsibilities and Resources
MS 10	Data Management, Performance Monitoring and Reporting
MS 14	Management Review and Continual Improvement
TS 12	Employee Consultation and Participation
TS 21	Sustainability Data Management