Supplier Due Diligence System

1. INTRODUCTION

To establish an effective internal management for due diligence to identify, assess, and where appropriate manage potential risks associated with our mineral supply chains, in line with Vedanta's the 5-step framework of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Due Diligence Guidance).

2. SCOPE

Vedanta Limited - Sterlite Copper

3. DEFINITIONS

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

Term	Definition
Annex II risks	Risks covered under Annex II of the OECD Due Diligence Guidance. These include: - Serious human rights abuses: o Any forms of torture, cruel, inhuman and degrading treatment; o Any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily; o The worst forms of child labour; o Other gross human rights violations and abuses such as widespread sexual violence; o War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide. - Direct or indirect support to non-state armed groups; - Risk associated with the contracting of public or private security forces; - Bribery and fraudulent misrepresentation of the origin of the materials; - Money laundering; - Non-payment of taxes, fees, and royalties due to governments.
Area	For the purpose of this procedure, an area can include national or sub- nation level designation
Armed Conflict	Refers to the definitions as outlined by the Geneva Contentions, namely: - International armed conflict: all cases of declared war or of any armed conflict that may arise between two or more high contracting parties, even if the state of war is not recognized, the convention shall also apply to all cases of partial or total occupation of the territory of a high contracting party even if the said occupation meets

	with no armed resistance (Geneva Convention, 1949, common art.2). - Non-international armed conflict: armed conflicts that are non- international in nature occurring in one of the High contracting parties' (Geneva Convention, common article 3, 1949). In simple terms, this means armed conflict between an internationally recognized government and a non-state armed group, or among non-state armed groups.
Conflict-Affected and High-Risk Area (CAHRA)	Area identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law. (OECD (2016), OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264252479-en)
CAHRA determination	The process whereby a country is assessed against the methodology defined in this document, to evaluate whether the country may fall under the definition of CAHRA and, as a consequence, determined as high-risk.
Country of Origin	The country where the ore was mined.
Good governance	Refers to the definition of the UN Office of the High Commissioner for Human Rights (OHCHR) to mean the process whereby public institutions conduct public affairs, manage public resources and guarantee the realization of human rights in a manner essentially free of abuse and corruption, and with due regard for the rule of law.
Human Rights	Human rights as defined by the following core international conventions and instruments: •Universal Declaration of Human Rights (1948) •International Covenant on Civil and Political Rights (1966) •International Covenant on Economic, Social, and Cultural Rights (1966) Universal Human Rights Instruments
High-Risk	Supply chains or Business Partners where material is mined or transported through a CAHRA; and / or where a red flag is identified.
Low-risk	Supply chains and Business Partners for which no red flags have been identified.
Red flag	An alert that potential risks of adverse impacts or adverse impacts may occur along the mineral supply chains.
Red flags identification	The process whereby the information provided by a Business Partner is reviewed to identify the presence of red flags along the mineral supply chain.
Risk (of adverse impacts)	For the purpose of this procedure, risks are defined in relation to the potentially adverse impacts of the company's operations, which result from the company's own activities or its relationships with third parties, including Business Partners and other entities in the supply chain. Such risks cover, at a minimum, Annex II risks. Adverse impacts which may be associated with extracting, trading, handling and exporting minerals from CAHRA.

Transit	Shipping of goods between origin and final destination, including through countries and across international borders, without discharging the cargo.
Transport	Movement of goods from one location to another.
Upstream assurance mechanism	Upstream assurance mechanisms can be industry led, government, private, or non-profit led. Some upstream mechanisms may also be referred to as upstream joint initiative or institutionalized mechanism.

4. PROGRAMME REQUIREMENTS

Vedanta Limited-Sterlite Copper follows the requirements listed below with regards to the due diligence system.

4.1. Internal Management

4.1.1 Responsible Supply Chain Policy

To ensure the responsible sourcing of minerals & metals, including when sourcing from CAHRA, Vedanta Limited-Sterlite Copper complies with the following:

a. Vedanta Limited-Sterlite Copper adopts a Sustainable Sourcing Policy which includes:
- A reference to the OECD Due Diligence Guidance and a commitment to implement its 5-step due diligence framework.
- A reference to, and/or a list of, the risks associated with sourcing from CAHRAs, as described in the OECD Due Diligence Guidance, Annex II;

b. Vedanta Limited-Sterlite Copper communicates the policy to Business Partners and includes it into contracts and/or agreements.

c. Vedanta Limited-Sterlite Copper communicate the policy publicly.

4.1.2 Resourcing

Vedanta Limited-Sterlite Copper ensures the following resources are in place:

- Internal organizational support and accountability for the due diligence system, emphasizing that potential supply chain risks should be taken seriously and appropriate risk management or mitigation strategies sought promptly;
- Trained competent employees or failing that, external resources who are experienced in supply chain due diligence and in dealing with CAHRA-related risks.
- An auditable system for recording and storing all information and documentation related to the due diligence system (see 4.1.4 Reporting and Recording) for a minimum of 5 years;
- A written procedure for due diligence with responsibilities assigned for each step as well as management oversight, and;
- A budget allocation to implement due diligence.

4.1.3 Training

Vedanta Limited-Sterlite Copper provides training for managers and relevant employees (including, but not limited to, the purchasing department, the legal department, the sustainability department, etc) on the company's policy and practices for supply chain due diligence, relevant to their responsibilities, which include as a minimum:

- expectations for Business Partners;
- routes available to report potential red flags or risks the relevant department or management;
- routes available to respond to identified risks;
- roles and responsibilities for overseeing and executing due diligence, and;
- recording and tracking procedures.

4.1.4 Internal Reporting and Recording

All information and documentation collected for due diligence purposes is registered, documented and tracked with controlled access.

As a minimum the following information is recorded:
- Information on KYC (4.1.5)
- Information collected through the system of control and transparency (4.1.5)
- Outcome of the red flags identification process and risk assessment process (4.2)
- Actions implemented, monitoring information and outcome of the risk management process (4.3)

Vedanta Limited-Sterlite Copper has defined a process to report red flags and the outcome of the risk assessment (4.2) to senior management.

4.1.5 System of control and transparency

Vedanta Limited-Sterlite Copper collects the following set of information from Business Partners, together with supporting evidence:

- Information on the ownership structure and beneficial ownership through a Vendor Onboarding Form
- Information on the type of material (whether mined or recycled);
- Quantities, expressed in volume or weight of materials received;
- Information on the country of origin of the material sourced;
- Information on the transport/transit countries relevant to the material sourced;
- Information on the sourcing and due diligence practices of the Business Partners.
- Information on the conformance to EITI standard for suppliers from EITI supporting countries.

Vedanta Limited-Sterlite Copper adopts procedures for material control and can reconcile material inputs and outputs through mass balance.

Vedanta Limited-Sterlite Copper seeks to establish a chain of custody or traceability system for all mineral supply chains, with a focus on red-flagged supply chains (4.2.1). This includes documenting Country of mine origin and smelter, smelter details including RMAP status and due diligence summary, transport routes and handover points (including loading and offloading countries), documentary evidence such as chain-of-custody declarations, transport waybills, and mine-site documentation where available.

4.1.6 Business Partners engagement

Vedanta Limited-Sterlite Copper adopts the following measures:

- Communicate Vedanta Limited-Sterlite Copper Sustainable Sourcing Policy to all direct Business Partners of mineral supply chains;
- Incorporate Vedanta Limited-Sterlite Copper Sustainable Sourcing Policy into contracts or written agreements with Business Partners;
- Monitor Business Partners' conformance with Vedanta Limited-Sterlite Copper Sustainable Sourcing Policy, including, where appropriate, through audits;
- Seek to support and build capacity with Business Partners to improve performance and conformance

with Vedanta Limited-Sterlite Copper Sustainable Sourcing Policy.

4.1.7 Grievance mechanism

Vedanta Limited-Sterlite Copper follows the requirements described in the *Technical Standard – Grievance Mechanism* with regards to the mechanisms for handling and resolving both employee and other external stakeholder grievances. The suppliers can share grievances regarding the risks covered in the sourcing policy through Vedanta's whistle blower email ID: vedanta.whistleblower@vedanta.co.in. the custodian of E-Mail ID will be Group Head – Management Assurance.

The unit shall ensure that upon receiving the grievances, they are addressed in a timely manner and the resolution adopted to address the grievance shall be communicated to the supplier/transit operator. Following the communication of resolution, the supplier/transit operator shall be requested to give feedback on the resolution provided. The feedback received from the supplier or transit operator, along with the adopted resolution, is recorded and integrated into the risk identification process to ensure that controls are adequate and effective in preventing recurrence.

4.1.8 Monitoring and Evaluation

a) The due diligence system is subject to internal monitoring and evaluation annually to ensure its effectiveness or sooner if its efficacy comes into question.

4.2. Red flags Identification and Risk Assessment

4.2.1 Red Flags Identification

Vedanta Limited – Sterlite Copper conducts a thorough assessment of its mineral supply chain to identify any sourcing from Conflict Affected High Risk Areas (CAHRAs). The methodology and resources utilized for determining CAHRAs are outlined in Annexure 1 of this procedure. Upon confirming that materials are sourced from CAHRAs, an evaluation of the supplier is conducted to establish subnational CAHRA status. This evaluation ensures that the specific area of origin is accurately classified as a CAHRA region. If the supplier is determined to be associated with a CAHRA during this subnational assessment, a red flag is raised against the supplier. All suppliers flagged in this manner are then subjected to an enhanced due diligence process as detailed in the risk assessment section 4.2.2.

4.2.2 Risk Assessment

Where red flags are identified, Vedanta Limited-Sterlite Copper undertakes enhanced due diligence to map the factual circumstances of the presence of Annex II risks, starting with a KYC of the supplier with high-risk transactions or obtain independent third-party audit reports of these suppliers detailing entity details and CAHRA risk presence. In case there is no independent third-party report, KYC shall be collected, followed by desk-top assessment including qualitative data assessment template (Annexure IV) and evaluation of all the sites and transport routes based in CAHRA. The data collected shall have up to date information on the political, economic, social and security context of the CAHRA. The Sourcing Category Lead at Vedanta Limited Sterlite Copper conducts these assessments as part of the supplier onboarding process. Additionally, these assessments are performed annually and outcome discussed during management reviews, or whenever Vedanta Limited Sterlite Copper becomes aware of any Annexure II risks associated with a supplier's supply chain operations. The desktop assessment shall collect online data relevant to the Annex II risks as outlined in OECD guidelines and proof of payments shall be verified based

on payment verification process document (Annexure V). The program shall assess the supplier along with any other upstream parties involved including mine supplying the material. The KYC document for high-risk supplier transactions is shown in annexure III of this document. The KYC document is also assessed for the conformance of suppliers to EITI standards wherein the country of the supplier supports EITI. If the supplier fails to meet the requirements of EITI, they are subject to risk management 4.3.

The outcome of the desktop assessment shall determine whether it is necessary to proceed to the next step, namely an on-the-ground assessment of the supplier to evaluate the presence of Annex II risks. Where required, Vedanta Limited – Sterlite Copper conducts on-the-ground assessments with the support of reputed third-party service providers, who collect all relevant information relating to the risks outlined in Annex II of the OECD Guidelines The report submitted by the third-party service provider shall be considered as final for determining the risk associated with the supplier. Vedanta Limited – Sterlite Copper shall ensure the completion of on ground assessment for the suppliers in CAHRA region within two years of determining as CAHRA via desktop assessment.

If on-site assessments in CAHRAs will not be possible for longer than a year despite company's best efforts (due to government travel ban, or other restrictions linked to a pandemic or another extraordinary circumstance), Vedanta Limited-Sterlite Copper will seek to conduct a remote assessment in the interim. While this approach is not equivalent to an onsite assessment, this can still yield information material to risk identification, assessment and mitigation and demonstrate that the company is still seeking to meet enhanced due diligence obligations. Vedanta Limited-Sterlite Copper will still conduct on- site assessments as soon as possible within the outlined two-year timeline or consider pausing sourcing until access to the site for assessment purposes is restored.

When sourcing materials from a CAHRA, alternative to on-site assessment, Vedanta Limited-Sterlite Copper may choose to utilize upstream assurance mechanisms such as RMAP/Copper mark JDDS certification to support part of its due diligence activities. The suppliers shall perform and submit their assessment report done through the RMAP/Copper Mark JDDS or equivalent for conformance to responsible business practices, which substitute for the third party on ground assessment requirement. If the supplier is not RMAP/Copper Mark JDDS/ equivalent conformant, Vedanta Limited-Sterlite Copper will request the suppliers to be part of such certification programs, provide training and review the status during due diligence checks and management reviews.

4.3. Risk Management

Where risks are confirmed under 4.2.2 including inputs received from grievance reporting and feedback received, Vedanta Limited-Sterlite Copper will design a risk management strategy in line with the risk management plan document (Annexure -VII). The strategy will be consistent with the following standards:

- Continuing trade while pursuing ongoing mitigation of the risk.
- Immediately suspending trade or disengagement with the Business Partner were the company identifies a reasonable risk of adverse impacts or actual adverse impacts that are deemed too severe (tier 3 risks, these include serious human rights abuses and support to non-state armed groups) or after failed attempts at mitigation within reasonable timescales (6 months).

Where risks are confirmed under 4.2.2, Vedanta Limited-Sterlite Copper implements and monitors a risk management plan. The plan is consistent with the following standards:

- It is complete with mitigation actions including clear performance objectives and qualitative and/or quantitative indicators to measure and promote significant improvements within reasonable timescales;
- It is developed in consultation with Business Partners and stakeholders, where applicable;
- Retained as documented information.

4.3.1 Risk Management Strategy

The following procedure is developed in line with the ANNEX III Suggested Measures for Risk Mitigation and Indicators for Measuring Improvement OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (third edition)

4.3.1.1 Comprehensive Procedure for Risk Management Strategy

A) Reporting Findings of the Supply Chain Risk Assessment

1. **Conduct Supply Chain Risk Assessment**

   - **Identify Risks:**

     - **Environmental Risks:** Assess potential impacts on ecosystems, pollution, resource depletion, and climate change.

     - **Social Risks:** Evaluate risks related to human rights violations (e.g., child labor, forced labor), community displacement, and labor conditions.

     - **Governance Risks:** Identify risks associated with corruption, lack of transparency, and non-compliance with local and international laws.

   - **Assessment Tools:**

     - Use risk assessment matrices to categorize risks based on likelihood (high, medium, low) and impact (critical, significant, minor).

     - Conduct stakeholder interviews and surveys to gather insights from various sources in the supply chain.

     - Review existing reports and studies related to the regions and suppliers involved.

2. **Document Findings**

   - **Comprehensive Report:**

     - Create a detailed report that includes:

       - Executive summary of findings

       - Detailed descriptions of identified risks

       - Sources of these risks (e.g., specific suppliers, geographic regions)

       - Potential impacts on operations, reputation, and compliance

       - Suggested mitigation strategies tailored to each identified risk

     - Include visual aids such as charts or graphs to illustrate risk levels.

3. **Report to Senior Management**

   - **Presentation:**

     - Schedule a formal presentation with designated senior management.

- Use visual aids (slides, charts) to present key findings effectively.

- **Recommendations:**

  - Provide actionable recommendations for immediate actions (e.g., engaging with specific suppliers) and long-term strategies (e.g., policy changes).

  - Discuss the potential implications of each risk on business operations and reputation.

B) Devise and Adopt a Risk Management Plan

1. **Develop a Risk Management Plan**

   - **Objectives:**

     - Define clear objectives for risk management that align with corporate social responsibility goals and compliance requirements.

   - **Components of the Plan:**

     - **Risk Identification:** List all identified risks from the assessment phase.

     - **Risk Assessment Methods:** Specify how risks will be assessed moving forward (e.g., regular audits, supplier self-assessments).

     - **Risk Treatment Strategies:** Outline specific actions to mitigate each risk identified.

       - For example:

         - Training programs for suppliers on ethical sourcing practices

         - Implementation of monitoring systems for environmental compliance

         - Engagement with local communities to address social concerns

     - **Monitoring Processes:** Establish how progress will be tracked over time (e.g., KPIs, reporting schedules).

2. **Strategy Selection**

   - Choose one of the following strategies based on the assessment:

     - **Continue Trade:** Proceed with trade while implementing measurable risk mitigation efforts. This may include:

       - Regular audits of supplier practices

       - Enhanced communication regarding expectations for compliance

     - **Temporarily Suspend Trade:** Halt trading activities while pursuing ongoing risk mitigation efforts. This may involve:

       - Engaging with suppliers to develop action plans within a specified timeframe.

- Monitoring progress closely before resuming trade.
- **Disengage with Supplier:** Terminate relationships with suppliers where risk mitigation is deemed unfeasible or unacceptable. This decision should consider:
  - The severity of the identified risks
  - The supplier's willingness to cooperate in mitigation efforts.

3. **Consult Stakeholders**

- Engage with relevant stakeholders throughout the process:
  - Schedule consultations with suppliers to discuss findings and proposed strategies.
  - Involve local authorities in discussions about community impacts and regulatory compliance.
  - Collaborate with civil society organizations that specialize in responsible sourcing or human rights advocacy.
- Document all consultations and agreements reached during these discussions.

4. **Incorporate Suggested Measures**

- Utilize suggested measures from Annex III of the Due Diligence Guidance to enhance the risk management plan:
  - Develop indicators for measuring success in mitigating identified risks.
  - Create a timeline for implementing specific measures.

C) Implement the Risk Management Plan

1. **Execution of the Plan**

- **Assign Responsibilities:**
  - Designate specific team members or departments responsible for various aspects of the plan (e.g., procurement, compliance).
- **Training:**
  - Provide training sessions for staff involved in supply chain management on risk identification and mitigation strategies.
  - Ensure that all team members understand their roles in implementing the plan.

2. **Monitor and Track Performance**

- **Key Performance Indicators (KPIs):**
  - Establish KPIs relevant to each identified risk (e.g., number of audits conducted, percentage compliance among suppliers).
- **Regular Reviews:**
  - Schedule regular reviews (monthly or quarterly) to assess progress against KPIs.
  - Use dashboards or reporting tools to visualize data trends over time.

3. **Reporting Back to Senior Management**

- Provide periodic updates to senior management that include:

    - Status of risk mitigation efforts against established KPIs

    - Any adjustments made based on performance data or stakeholder feedback

- Include insights from consultations with stakeholders.

D) Undertake Additional Assessments

1. **Conduct Follow-Up Assessments**

- Regularly reassess risks at defined intervals or when significant changes occur in supply chain dynamics (e.g., new suppliers, regulatory changes).

- Evaluate the effectiveness of implemented measures through updated data collection methods.

2. **Documentation of Changes**

- Maintain thorough records of all assessments, findings, adjustments made to the risk management plan, and communications with stakeholders.

- Ensure transparency by documenting changes in procedures or policies based on assessment outcomes

4.4. Third-Party Auditing

Vedanta Limited-Sterlite Copper seeks to promote third-party auditing at Business Partners (wherever deemed fit by Vedanta Limited-Sterlite Copper).

Vedanta Limited-Sterlite Copper may seek third-party auditing of its own due diligence system and practices, in line with the requirements of this standard, or an external Voluntary Sustainability Standard, as applicable.

4.5. Public Reporting

Vedanta Limited-Sterlite Copper reports annually to the public on the actions taken and outcome of the due diligence system. The report includes, at a minimum, the following information:

- The company's policy for supply chain due diligence;
- The company's management systems;
- The methodology and results of the risk assessment;
- Where applicable, the steps taken to manage risks.

Vedanta Limited-Sterlite Copper report annually to the LME, as appropriate, to ensure compliance with the LME reporting requirements.

5. ROLES AND RESPONSIBILITIES

Vedanta Limited-Sterlite Copper ensures that roles and responsibilities for implementing and complying with this Standard are allocated.

Detailed responsibilities, authorities and accountabilities are as follows -

S. No.	ACTIVITY	RESPONSIBILITY	AUTHORITY
4.1.1	Development and review of the Sustainable Sourcing Policy	[Deputy Manager - Sourcing Sterlite Copper] – input from Sustainability Officer	Director – RM Sourcing Sterlite Copper
	Internal communication of the policy to relevant departments	Deputy Manager - Sourcing Sterlite Copper	
	Communication of the policy to Business Partners	Respective Sourcing category lead	
4.1.2	Implementation, oversight and review of the due diligence procedure	RM Sourcing	Deputy Manager - Sourcing Sterlite Copper
	Budget allocation for due diligence		
4.1.3	Internal training for due diligence	Sustainability Officer	
4.1.4	Storing and recording of due diligence information	Respective Sourcing category lead	
4.1.5	Development and implementation of a KYC process	Sourcing Category Lead	Deputy Manager/ Category Lead - Sourcing Sterlite Copper
	Development and implementation of material Control procedures/mass balance	Category Lead - Sourcing Sterlite Copper Mass Balance – Finance Controller	Deputy Manager - Sourcing Sterlite Copper
	Establishment of a chain of custody or traceability system; Collection of due diligence information from Business Partners on due diligence, mineral origin, etc.	Sourcing Category Lead	
4.1.6	Incorporation of the policy into contracts and agreements; Engagement of the Business Partner to set up a risk management plan;	Sourcing Category Lead	Deputy Manager - Sourcing Sterlite Copper
	Development of a Business Partner capacity building programme.	Sourcing Category Lead	
4.1.7	Collection and investigation of grievances	Sourcing Category Lead	Deputy Manager - Sourcing Sterlite Copper

S. No.	ACTIVITY	RESPONSIBILITY	AUTHORITY
4.1.8	Internal monitoring and evaluation of the due diligence system	Deputy Manager - Sourcing Sterlite Copper	Director – RM Sourcing Sterlite Copper
4.2.1	Red flags identification and CAHRA determination	Sourcing Category Lead	Director – RM Sourcing Sterlite Copper
4.2.2	Enhanced due diligence / risk assessment over red-flagged supply chains	Sourcing Category Lead	Director – RM Sourcing Sterlite Copper
4.3	Development and implementation of the risk management plans	Sourcing Category Lead	
4.4	Assessment of Business Partners' due diligence performance and auditing	Third Party	Deputy Manager - Sourcing Sterlite Copper
4.5	Compilation of the due diligence report and reporting to the LME	Deputy Manager - Sourcing Sterlite Copper	

6. COMPLIANCE AND PERFORMANCE

Vedanta Limited-Sterlite Copper ensures compliance with the requirements of this standard:

- Vedanta Limited-Sterlite Copper has a Sustainable Sourcing Policy, which is publicly available;
- The due diligence system resource requirements are included as line items in annual plans, capital and operational expenditure forecasts and committee meeting agendas;
- Roles, responsibilities and accountabilities have been clearly defined and documented for due diligence;
- Vedanta Limited-Sterlite Copper has a grievance mechanism for both employees as well as other external stakeholders appropriate to the local context;
- Vedanta Limited-Sterlite Copper identifies red flags and assesses potential risks in the supply chain;
- Vedanta Limited-Sterlite Copper reports annually on supply chain due diligence.

7. REVIEW

This Technical Standard is periodically audited and reviewed every 2 years to determine its accuracy and relevance with regard to legislation, education, training and technological changes.

9. CROSS REFERENCE

- Vedanta Technical Standard – Due Diligence
- Vedanta Technical Standard – TS04 – Grievance Mechanism
- Vedanta Limited-Sterlite Copper Sustainable Sourcing Policy

ANNEXURE I: RED FLAGS IDENTIFICATION AND CAHRA DETERMINATION METHODOLOGY

Introduction:

This methodology has been designed to support Vedanta Limited-Sterlite Copper in the implementation of its due diligence system, in line with the recommendations of the OECD Due Diligence Guidance, and in conformance with the responsible sourcing requirements of the LME.

Specifically, 'CAHRA' determination is an important component of Step 2 of due diligence "Identify and assess risks in the supply chains" of the OECD Due Diligence Guidance, and to conform with requirement 4.2.1 of this standard.

Where the mineral supply chain is determined to be originating from/associated with CAHRA, a red flag is raised, and the company must carry out enhanced due diligence to better understand the factual circumstances of the red-flagged operations / supply chains and confirm the potential presence of 'Annex II risks' and, if appropriate, design risk management strategies to address such risks (4.2.2 and 4.3 of this standard).

Where the mineral supply chain is determined not to be originating from/associated with CAHRA, the implementing company can move on to 4.4 of this standard.

Methodology and thresholds:

Vedanta Limited-Sterlite Copper's CAHRA determination process is based on credible sources of data covering 3 criteria: conflict, human rights, and governance, as described in the next sections. A CAHRA is identified as follows:

Step 1: Initial Country-level CAHRA determination:

CHARA is identified if any of the following conditions are met:

a. The Country is having scores lower than threshold limit set by Vedanta Limited - Sterlite Copper for the country wise scores in the RMI Due Diligence Risk Scorecard. The score card is available as part of RMI Global Risk Map : https://analyze.eiq.ai/risk-landscape/global?view=RMI; The RMI Due Diligence Risk Scorecard is based on their assessment database of Human Rights, Governance and Conflict. The threshold value utilized in the overall risk score for the identification of CAHRA is 4.99. These threshold values are in line with the high and extreme risk-band categorization of areas defined in the RMI Indices methodology document. The thresholds defined by the RMI Due Diligence Risk Scorecard for grading is mentioned in the section "CAHRA Determination Sources" of this document. The RMI score card also provides information on Sanctions imposed by the United Nations, European Union and/or the Office of Foreign Assets Control (OFAC).

b. The Country is the Democratic Republic of the Congo (DRC) or one of its nine adjoining countries as outlined in Section 1502 of the Dodd Frank Act (DFA 1502), namely Angola, Burundi, Central African Republic, Republic of Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia (the 'Covered Countries');

c. The Country is identified as high risk in the EU indicative and non-exhaustive list of CAHRAs, provided by the European Commission pursuant to Article 14.2 of the European Union Regulation 2017/821 available here: https://www.cahraslist.net/cahras.

To perform the CAHRA identification, a CAHRA determination tool is present as shown in annexure 2 of this

document which considers the above-mentioned criteria for outcome.

Step 2: In-depth Regional-level CAHRA determination:

Where a CAHRA is identified, further research is conducted to determine whether the conditions triggering CAHRA may be limited to specific regions or districts of the Country of interest. The following sources are used to confirm the presence (or absence) of Annex II risks at the regional level:

- The RMI Global Risk Tool sub-national level CAHRA determination tool, which collects in-depth details on the subnational level occurrence of violations pertinent to Human Rights, Conflicts, and Governance..

- The sub-national level reports of EU indicative and non-exhaustive list of CAHRAs, provided by the European Commission pursuant to Article 14.2 of the European Union Regulation 2017/821 available here: https://www.cahraslist.net/cahras.

- Where necessary, additional credible, internationally recognized resources may be used, such as government data; independent media reports; NGO /civil society reports; industry and trade data; independent research institution data.

Step 3: Confirmation:

Once the sub national level CAHRA is identified, a red flag is triggered for the suppliers who are then subject to enhanced due diligence as mentioned in 4.2.2.

If a red flag is triggered due to a broader issue that cannot be discretely localized (e.g., if there is evidence of broader conflict, governance and/or human rights abuses in the country where minerals are mined, stored, processed and/or transported through), Vedanta Limited-Sterlite Copper must not label a sub- national area as low-risk.

CAHRA Determination Sources:

The tools used to identify CAHRAs have their own data sources which are available on their websites. Data sources for each of the tool is mentioned below.

a. **RMI Due Diligence Risk Scorecard:**

It grades the likeliness that a country could meet the OECD definition of a CAHRA, as either Extreme, High, Medium, and Low. It is based on the consolidation of seventeen indices published by international institutions and civil society bodies, which measure the prevalence of conflict, corruption and governance weaknesses, and shortcomings in human rights and labour rights. The seventeen indices are:

- Control of Corruption (WGI) (Category: Governance Index): Published annually by the World Bank under the Worldwide Governance Indicators database (WGI), the Control of Corruption Index reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

- Corruption Perceptions Index (CPI) (Category: Governance Index): Transparency International's Corruption Perceptions Index (CPI), published annually, ranks 180 countries and territories by their perceived levels of

public sector corruption according to experts and businesspeople.

- Political Stability Index (WGI) (Category: Governance Index): Published annually by the World Bank, the Political Stability and Absence of Violence/Terrorism index measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism.

- Rule of Law (WGI) (Category: Governance Index): Published annually by the World Bank, the Rule of Law index reflects perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

- Security Apparatus Index (WGI) (Category: Governance Index): Published annually by the World Bank, Security Apparatus index is based on security threats to a state, such as bombings, attacks and battle-related deaths, rebel movements, mutinies, coups, or terrorism.

- Order and Security Index (WJP) (Category: Governance Index): Published by the World Justice Project (WJP) annually, Order and security index measures how well a society ensures the security of persons and property.

- Regulatory Enforcement Index (WJP) (Category: Governance Index): Published by the World Justice Project (WJP) annually, Regulatory enforcement index measures the extent to which regulations are fairly and effectively implemented and enforced at a country level.

- Fragile States Index: Human Right & Rule of Law (TFP) (Category: Human Rights Index): The Fragile States Index is an annual ranking of countries based on their levels of stability and the destabilising pressures they face. The Index is based on the Fund for Peace's proprietary Conflict Assessment System Tool (CAST) analytical platform. The index assesses states' vulnerability to conflict or collapse according to 12 social, economic, and political indicators.

- Global Slavery Index – Proportion in slavery (WFF) (Category: Human Rights Index): Global slavery index-proportion in slavery is published by Walk Free Foundation (WFF) identifies risk in countries based on the percentage of people involved in modern slavery (forced labor and forced marriage).

- Human Development Index (UN) (Category: Human Rights Index): Published by United Nations every 2 years, the Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development. The HDI can also be used to question national policy choices, asking how two countries with the same level of GNI per capita can end up with different human development outcomes.

- ILAB Child and Forced Labor Index (US Dept. of Labor) (Category: Human Rights Index): The US Department of Labor published the ILAB Child and Forced Labor index which is based on the count of child and forced labor instances identified during production and manufacturing of minerals / metal products. No count = no score, 1 count = high risk, 2 or more = extreme.

- Fundamental Human Rights (WJP) (Category: Human Rights Index): The Fundamental human rights index is published by the World Justice Project which measures absence of discrimination, right to life and security, due process, freedom of expression and religion, right to privacy, freedom of association and labor right.

- TiP Report Index (US Dept of State) (Category: Human Rights Index): The TIP report index is published by US department of State which categorizes countries on the extent of their governments' efforts to comply

with the "minimum standards for the elimination of trafficking" found in Section 108 of the Trafficking Victims Protection Act (TVPA). This is a non-scoring index.

- Global Peace Index (VH) (Category: Conflict Index): The Global Peace Index published by the vision of humanity (VH) which measures 163 countries' peacefulness using a broad range of 23 indicators that show the extent to which a country is involved in domestic and international conflict, as well as the level of harmony or discord within a nation.

- Uppsala Conflict Data Program (UCDP) – Georeferenced Event Dataset (Category: Conflict Index): UCDP keeps track of state-based, one-sided, and non-state conflicts at a country level with estimated sum of number of deaths. Countries with 1-5 deaths are ranked as Medium Risk, 6-49 deaths ranked as High Risk and number of deaths more than 50 ranked as Extreme Risk, countries without any data will be not considered in the calculation.

- The Armed Conflict Location & Event Data Project (ACLED) (Category: Conflict Index): The ACLED provides detailed breakdown of each country's conflicts. The index is calculated based on weighted sum of number of battles, violence or explosions, riots, and violence against civilians. The following weights are assigned for events to calculate the aggregated events count. (0.5 battles + 0.3 violence/explosions + 0.1 riots + 0.1 violence against civilians).

- Heidelberg Conflict Barometer (HIIK) (Category: Conflict Index): The Heidelberg Institute for International Conflict Research's (HIIK) annually published Conflict Barometer grades countries based on the intensity of sub-national, national, or international conflict they are currently experiencing, according to publicly available data.

Data Collection: Data collection involves downloading relevant datasets from public domain sources. The indicators should map and correlate the underlying theme for each pillar. The indicators should assist with the broader identification of risks in the topics and the potential impact to businesses. And lastly, the set of indicators should be quantifiable to conduct numerical analysis.

Data Processing: Public domain indicators while being relevant may not always be fully accurate due to varying periodical updates. Data processing involves conducting descriptive statistical analysis which includes calculating the mean, standard deviation and by plotting the distribution of the data sets to understand the spread of the data. This allows to interpret the data, check for outliers, choose the type of normalization algorithm and how to deal with missing data. After multiple testing scenarios, the current approach to missing data is to treat them as no value and assign a lower confidence score to the overall score based on the weighting assigned to the missing data.

Normalization: Normalization is required prior to any data aggregation and analysis of multiple data sets because the indicators are measured in different units. Normalization technique rescales the maximum value in the indicator data set to 10 and scale down all other data relative to the maximum with the minimum value set at zero. This ensures consistency during evaluation and calculation of overall risk by country.

Case 1: If the maximum value in the data set is the indicator for best performance, the following algorithm is used,

$$(a)+((x-a) \times (b-a))/(B-A)$$

Where,

a = minimum value in the normalized range (0)

b = maximum value in the normalized range (10)

x = value to be normalized (country score from public domain data set)

A = minimum value from the public domain data set

B = maximum value from the public domain data set

Case 2: If the minimum value in the data set is the indicator for best performance, the following algorithm is used

$$10 - [\{(a)+((x-A)x(b-a))\}/(b-a)]$$

where,

a = minimum value in the normalized range (0)

b = maximum value in the normalized range (10)

x = value to be normalized (country score from public domain data set)

A = minimum value from the public domain data set

B = maximum value from the public domain data set

Calculation of risk scores: Overall Index - The overall index for each map is calculated using the formula below,
Overall Index $= [(Pillar1) \times (1/3)] + [(Pillar2) \times (1/3)] + [(Pillar3) \times (1/3)]$

Where, for the RMI Due Diligence Risk:

Pillar 1 = Conflict risk score
Pillar 2 = Governance risk score
Pillar 3 = Human rights risk score

The indicators comprising each pillar are aggregated similarly and are listed in the tables at the end of the document with the associated weights.

Risk Band
All risk scores are on a 0-10 scale and the scores are categorized into four equal risk bands. The risk scores closer to 0 are considered extremely risky and scores closer to 10 are considered low risk. The risk band categories and the associated ranges are tabulated below.

Risk Bands	Min Score	Max Score
Extreme	0.00	2.49
High	2.50	4.99

Medium	5.00	7.49
Low	7.50	10.0

Confidence Score

All countries are assigned a confidence score based on the availability of data sources. If countries have data from all sources, the confidence score is assigned 100%. In case of countries with missing data source(s), the confidence score is calculated by excluding the weightings associated with the missing data source(s).

b. Dodd Frank Act:

The Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd- Frank Act) was passed by the US Congress in July 2010. It includes Section 1502, a disclosure requirement that calls on companies to determine whether their products contain conflict minerals (tin, tantalum, tungsten, and gold) – by carrying out supply chain due diligence – and to report this to the Securities and Exchange Commission (SEC).

The Dodd-Frank Act covers a specific set of countries, which are the Democratic Republic of the Congo (DRC) and its nine adjoining countries, namely Angola, Burundi, Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia.

In line with the best practice (for example, the RMI RMAP Standard), Vedanta Limited-Sterlite Copper adopts a conservative approach, through including in its CAHRA determination process the countries identified as high-risk by Dodd-Frank by default. This means that countries covered by Dodd- Frank trigger a CAHRA determination in Vedanta Limited-Sterlite Copper's methodology, by default.

c. EU CAHRA map:

On 1 January 2021 the EU Conflict Minerals Regulation (Regulation (EU) 2017/821) entered into force in the EU, introducing due diligence obligations for union importers of tin, tantalum, tungsten and gold. On December 17, 2020 pursuant to Article 14.2 of Regulation (EU) 2017/821, the European Commission Directorate General for Trade (DG TRADE) published an indicative, non-exhaustive list of CAHRAs.

Again, in line with the best practice (see, for example, the RMI RMAP Standard), Vedanta Limited-Sterlite Copper adopts a conservative approach, through including in its CAHRA determination process the countries identified as high-risk by the EU by default.

Recording, monitoring, and review:

Vedanta Limited-Sterlite Copper reviews each resource for updates once a year, and more frequent than that, where deemed necessary based on relevant changes in circumstances (e.g., at beginning of a new sourcing relationship, or in occasion of the outbreak of a new conflict).

Vedanta Limited-Sterlite Copper records the countries and / or areas identified as CAHRA.

Annexure II: CAHRA Determination Tool:

The CAHRA determination procedure described in this Annexure I is supported by the CAHRA Determination Tool, screenshot shown below.

Annexure III: KYC Document for High-Risk suppliers

The KYC procedure mentioned in the risk assessment is supported by the KYC format, screenshot shown below.

3.3.	What information do you collect about your suppliers?	☐ Name of the enterprise ☐ Registered address ☐ Enterprise ownership ☐ Origin of materials ☐ Permits & Licence (E.g.: Mine, Export Permit)	☐ Occupational health and safety policy ☐ Environmental policy ☐ Human Rights policy ☐ Communities' policy
3.4.	Have you conducted any assessments or audits of your suppliers to evaluate safety, quality, environmental, social, and governance (ESG) practices, and responsible mineral sourcing standards?	☐ Online assessments ☐ On-Site assessments ☐ Third-party Audits ☐ No Assessments	
3.5.	Do you have policies/ procedures/ Due Diligence guidance for responsible supply chain sourcing of Minerals from Conflict-Affected and High-Risk Areas (per OECD due diligence guidance)?	☐ Yes (Provide website link for reference/ Share soft copy) ☐ No	
3.6.	Do you follow zero tolerance for "any form of forced or compulsory child labour, slavery, human trafficking, and anti-money laundry directly or through contracted labour"?	☐ Yes (Provide website link for reference/ Share soft copy) ☐ No	

4.	**Tax and EITI Disclosure**		
4.1	Do you publish annual tax transparency reports? (Provide Latest Report)	☐ Yes	☐ No
4.2	All tax and statutory payments are paid as required:	☐ Yes	☐ No
4.3	Are you sourcing from an EITI Member country?	☐ Yes	☐ No
4.4	If yes, is your supplier (s) or producer publishing tax transparency reports in line with "EITI Standard" requirements as stated in their "expectations for EITI supporting companies"?	☐ Yes	☐ No

5.	**Annex II risk conformance per "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (CAHRAs)"**		
5.1	Do you confirm that there are no reported instances of serious human right abuses such as torture, cruel or inhumane treatment, forced labour, child labour or violation of international humanitarian law, associated with your operations.	☐ Yes	☐ No
5.2	Do you confirm that your operations are not linked to non-state armed groups or involved in financing armed conflict/terrorism through direct or indirect routes.	☐ Yes	☐ No
5.3	Do you confirm that your operations do not directly or indirectly support any public or private security forces illegally controlling mine sites or engage in human right violations.	☐ Yes	☐ No
5.4	Do you confirm that your business practices do not involve bribery or fraudulent misrepresentation about the origin of minerals.	☐ Yes	☐ No
5.5	Do you confirm that your operations are not involved in any forms of money laundering activities related to mineral transactions.	☐ Yes	☐ No
5.6	Do you confirm that your operations pay all required taxes, fees, and royalties to governments as per local regulations.	☐ Yes	☐ No

I hereby declare that the information provided in the KYC documents is correct and complete to the best of my knowledge.

Name: Signature:
Designation: Date:
Place:
Access our policies on Responsible Mineral Sourcing at https://www.sterlitecopper.com/vendors/vendor-policy/

For Internal Purpose Only
1) The supplier has substantiated responses with appropriate evidence.
2) The KYC has been validated by undersigned.

Sourcing Lead officer name: Signature:

Annexure IV: Qualitative Risk Assessment Template

vedanta
transforming for good

sterlite copper

"Supplier Name"

Qualitative Assessment – OECD Annex II Risks

1. **Risks and Assessment Indicators**

The smelter is assessed for the Annex II Risks as per OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and on up to date information of political, security, economic and social context of the CAHRA. The specific indicators and data sources are as listed below.

OECD DDG Annex II	Indicator	Data source
1. Serious human rights abuses – Serious abuses associated with extraction, transport or trade of minerals:		
(i) Torture, cruel, inhuman, and degrading treatment	1. Prevalence of torture, cruel, inhuman, and degrading treatment (Cases per 1 million inhabitants)[11].	• Case-file information (e.g., United Nations Organization Stabilization Mission – MONUSCO (2020) and UN (2020a) • DDP incident reporting (for examples see Handbook) • "Specific instances" brought to National Contact Points (NCPs) – offices set up by governments that have adhered to the OECD Guidelines for Multinational Enterprises
(ii) Forced or compulsory labour	Prevalence of forced / compulsory labour (cases per 1 million inhabitants).	• Global Slavery Index (Walk Free Foundation, 2018) • ILO (2020a): Forced labour, modern slavery, and human trafficking DDP • incident reporting (for examples see Handbook) • "Specific instances" brought to National Contact Points (NCPs) – offices set up by governments that have adhered to the OECD Guidelines for Multinational Enterprises
(iii) Worst forms of child labour	Prevalence of worst forms of child labour (cases per 1 million inhabitants).	• ILO (2020b): Child Labour • United Nation Children Fund (UNICEF)'s Multiple Indicator Cluster Survey (UNICEF, 2014) • ILO, UNICEF and World Bank (2018) • Alliance 8.7 (n.d.) • DDP incident reporting (for examples see Handbook) • "Specific instances" brought to National Contact Points (NCPs) – offices set up by governments that have adhered to the OECD Guidelines for Multinational Enterprises

(iv) Gross human rights violations / Widespread sexual violence	Prevalence of widespread sexual violence (cases per 1 million inhabitants).	• Demographic and Health Survey (ICF, 2020) • Harvard Humanitarian Initiative / United Nations Development Programme (UNDP) surveys (e.g. HHI, 2020) • Reported Cases of Sexual Violence in South Kivu Province, DRC – Ministry of Gender, DRC Government • Kivu Security Tracker (KST, 2020)
(v) War crimes / serious violations of international humanitarian law / crimes against humanity / genocide	Conflict-related deaths per 1 million inhabitants.	• United Nations (UN) Group of Experts reports (UN, 2020b) • Non-Governmental Organisation (NGO) reports (Amnesty International, 2020; HRW, 2020. Enough, 2020) • Armed Conflict Location and Event Data Project (ACLED)

2. Direct or indirect support to non-state armed groups		
i) Illegally controlled mine sites, transportation routes, trading hubs	Documented adverse incidents[12] of illegally controlled mine sites, transportation routes, trading hubs.	• Supply chain incident reports (Reported as part of corporate Step 5 reports) • 3rd party incident reporting (for examples see Handbook) • UN Group of Experts reports • Investigative journalism / research reports (e.g. on illegal trade) • "Specific instances" brought to National Contact Points (NCPs) – offices set up by governments that have adhered to the OECD Guidelines for Multinational Enterprises • DDP incident reporting
ii) Illegally taxed or extorted money or minerals at mine site access points, transportation routes and/or trading hubs	Documented adverse incidents of illegally taxed or extorted money or minerals at mine site access points, transportation routes and/or trading hubs.	
iii) Illegally taxed or extorted intermediaries, export companies and/or international traders	Documented adverse incidents of illegally taxed or extorted intermediaries, export companies and/or international traders.	

3. Public or private security forces		
	Documented adverse incidents regarding security forces in the past 3-5 years.	• Investigative journalism / research reports • DDP incident reporting (for examples see Handbook)

4. Bribery and fraudulent misrepresentation of the origin of minerals		
	Documented adverse incidents regarding bribery and fraudulent misrepresentation in the past 3-5 years.	• Investigative journalism / research reports • OECD Portal for Supply Chain Risk Information (OECD, 2018d) • DDP incident reporting (for examples see Handbook)

5. Money laundering		
	Documented adverse incidents involving money laundering in the past 3-5 years.	• Investigative journalism / research reports • OECD Portal for Supply Chain Risk Information (OECD, 2018d) • DDP incident reporting (for examples see Handbook)

6. Non-payment of taxes, fees and royalties due to governments		
	Documented adverse incidents regarding the non-payment of taxes, fees and royalties due to governments in the past 3-5 years.	• Investigative journalism / research reports • OECD Portal for Supply Chain Risk Information (OECD, 2018d) • DDP incident reporting (for examples see Handbook) • Extractive Industries Transparency Initiative (EITI, 2020)

Context Area	Guiding Indicators	Guiding Data Sources
Political Stability	- Government effectiveness - Rule of law - Presence of corruption - Political violence or instability	- World Bank Worldwide Governance Indicators - Transparency International Corruption Perceptions Index - Uppsala Conflict Data Program (UCDP) - Economist Intelligence Unit Country Reports
Economic Conidtion	- GDP per capita - Unemployment rate - Economic inequality - Prevalence of informal economy	- World Bank Development Indicators - International Monetary Fund (IMF) Country Reports - African Development Bank Statistics
Social Context	- Human development index - Ethnic/religious tensions - Education and literacy rates - Population displacement or migration	- United Nations Human Development Report - Internal Displacement Monitoring Centre (IDMC) - UNICEF Country Statistics - International Organization for Migration (IOM) Reports
Security Environment	- Crime rates - Presence of armed groups - Frequency of violent incidents - Effectiveness of law enforcement	- Armed Conflict Location and Event Data Project (ACLED) - UN Security Council Reports - Local and international media - UCDP

2. **Incidents detected vs Followed Up vs Impacted – OECD CAHRA DDG ANNEX II Risks**

Adverse Impact Variable	# of relevant incidents identified	# of relevant incidents followed-up	# of relevant incidents mitigated
Human-rights serious abuses – Serious abuses associated with extraction, transport, or trade of minerals			
Incidents of torture, cruel, inhuman, and degrading treatment.			
Incidents of forced / compulsory labour.			
Incidents reported of worst forms of child labour.			
Incidents reported of sexual violence.			
Incidents reported of conflict-related deaths.			
Direct or indirect support to non-state armed groups			
Incidents reported of illegally controlled mine sites, transportation routes, trading hubs.			
Incidents reported of illegally taxed or extorted money or minerals at mine site access points, transportation routes and/or trading hubs.			

Incidents reported of illegally taxed or extorted intermediaries, export companies and/or international traders.			
Public or private security forces			
Incidents related to public or private security forces.			
Bribery and fraudulent misrepresentation of the origin of minerals			
Incidents related to bribery and fraudulent misrepresentation.			
Money laundering			
Incidents related to money laundering.			
Non-payment of taxes, fees, and royalties due to governments			
Incidents related to non-payment of taxes, fees, and royalties due to governments.			
Net Total Number of incidents recorded			

3. Results

3.1 OECD Annex II Risk

Risk	Response for Smelter	Risks Identified	Action Plan
1. Presence and/or involvement of non-state armed groups			
2. Occurrence of serious human rights abuse			
3. Occurrence of money laundering			
4. Occurrence of non-payment of taxes, fees and royalties due to governments			
5. Presence and role of public or private security forces			
6. Occurrence of bribery and fraudulent misinterpretation of the origin of minerals			

3.2 Contextual Risk Result

Context Area	Assessment Result	Mitigation / CAPA required.
Political Stability		

Sensitivity: Public (C4)

Economic Conidtion		
Social Context		
Security Environment		

Annexure V: Process to verify payment in supply chain: Extraction, Trade, Transport, and Export of Minerals

Process to Verify Payments in the Supply Chain: Extraction, Trade, Transport, and Export of Minerals

Objective:

This process ensures that all payments related to extraction, trade, transport, export, taxes, royalties, government compensations, and security forces are properly documented, verified, and compliant with responsible sourcing standards, particularly for high-risk transactions. It covers the entire supply chain from extraction to final product, with a focus on regions identified as Conflict-Affected and High-Risk Areas (CAHRAs).

1. Identification of High-Risk Transactions and Suppliers

Criteria for High-Risk Transactions:

- **Geographic Location (CAHRAs):**
    - Transactions and suppliers located in regions that meet the OECD's definition of Conflict-Affected and High-Risk Areas (CAHRAs), where the risk of armed conflict, human rights abuses, or corruption is significant.

- **Risk Factors to Flag:**
    - **Governmental or regulatory non-compliance**: Suppliers with a history of non-payment of taxes, fees, or royalties.
    - **Armed groups or public/private security**: Involvement of armed groups or public/private security forces in mineral extraction, transportation, or trading.
    - **Human rights abuses**: Any history of or involvement in forced labor, child labor, or other human rights violations.
    - **Bribery, money laundering, or corruption**: Documentation indicating suspicious payments or financial irregularities.
    - **Environmental or safety violations**: Mining operations or trading activities with significant non-compliance to environmental or safety regulations.

Initial Identification:

- Each transaction involving a supplier located in a **high-risk region** will be flagged based on the supplier's **geographic location**, **risk profile**, and **prior history**.

Documentation Review:

- Maintain a **list of high-risk suppliers** and monitor each transaction based on geographic and risk factors.
- Documentation from **each transaction**, including contracts, invoices, commercial agreements, and shipping records, will be maintained for review.

2. Collection of Payment Documentation

Required Documentation for Each High-Risk Transaction:

1. **Payment Receipts:**

    - Verified copies of **payment receipts** for all financial transactions involved in the mineral supply chain, including payments made for extraction, transport, trade, and export.

2. **Transaction Logs and Invoices:**

    - Detailed **transaction logs** from traders, suppliers, and intermediaries, including invoice copies showing amounts, payment terms, and specific details on the minerals traded.

3. **Tax, Royalties, and Fees Documentation:**

    - **Proof of payment for taxes and royalties** to the government, including any relevant environmental and extraction fees.

    - Copies of official receipts from government tax authorities or official customs records that confirm the correct payment of royalties, taxes, and fees.

4. **Government Compensations or Security Payments:**

    - **Government compensation records**, showing payments made for any regulatory or licensing activities associated with mineral extraction or trade.

    - **Payments to private/public security forces**: Full documentation of any payments made to security forces for protection during the transport of minerals or operations at the mining site.

5. **Bills of Lading and Transport Documentation:**

    - Copies of **Bills of Lading** and **transport receipts**, ensuring transparency of mineral transit and movement through high-risk regions.

6. **Payments to Armed Groups or Illegal Entities (if applicable):**

    - In cases where payments are made to armed groups, evidence of these payments must be disclosed and scrutinized carefully to ensure compliance with responsible sourcing protocols.

3. Verification of Payment Information

Cross-Verification Process:

1. **Internal Verification:**

    - **Verify transaction receipts** against the invoices and payment logs to ensure all payments align with contractual obligations.

- Ensure that **tax payments** and **royalties** reflect the correct amounts as specified by the local law and industry standards.

2. **Verification with External Sources:**

- **Government Authorities:**
  Cross-check payments with **government tax records**, **royalty payments**, and **customs authorities**. This can be done through official channels such as the **Extractive Industries Transparency Initiative (EITI)** or similar transparency programs.

- **Private/Public Security Forces:**
  Verify that any payments made to security forces (either private or public) are legitimate and compliant with responsible sourcing laws and guidelines.

- **Payment to Armed Groups:**
  If any payment to armed groups is disclosed, the **OECD Due Diligence Guidance** should be followed to assess the nature and impact of these payments and whether they breach any international regulations.

3. **Third-Party Audits and External Validation:**

- If discrepancies or concerns arise, third-party **auditing firms** specializing in conflict minerals or responsible sourcing can be engaged to verify payment flows and compliance.

- **External verification:** Auditors can be tasked with reviewing payment logs, invoices, and any unusual payment patterns to identify potential red flags.

4. Documentation and Record Keeping

Record Management:

1. **Centralized Database:**
   All payment records, including receipts, invoices, contracts, and government verification documents, must be logged into a **centralized database** for future audits, tracking, and legal compliance.

2. **Payment Verification Reports:**
   A **payment verification report** should be created for each high-risk transaction, detailing the amounts paid, the recipients, and any verified discrepancies. These reports will be shared with senior management and the compliance team for further action.

3. **Document Retention:**

   o All payment records, including payment receipts, invoices, and third-party audit reports, should be retained for at least **5 years**, in accordance with OECD guidelines and **RMAP** requirements.

5. Escalation and Risk Management

Escalation Process for Discrepancies:

1. **Red Flags Identified:**
   If discrepancies or red flags (e.g., payments to armed groups, improper payments for taxes, or unverified payments to security forces) are identified, these issues should be immediately escalated to the **Compliance Officer** and **Senior Management**.

2. **Investigative Action:**
   - The compliance team will **investigate** the discrepancies and work with the trader or supplier to rectify the issue, which may include seeking **additional documentation** or engaging third-party auditors.
   - If payments are found to be improper or non-compliant, the transaction will be **halted** until the issue is resolved.

3. **Supplier Engagement:**
   - The trader or supplier will be required to provide **additional evidence** for verification or take corrective actions to resolve the discrepancies. Non-compliant suppliers may face suspension or termination of business relationships.

6. Continuous Monitoring and Audits

Ongoing Monitoring:

1. **Quarterly Audits:**
   The **Compliance Team** will conduct **quarterly audits** of the payment verification system to ensure all high-risk transactions are fully compliant and that payment documentation is accurate and up to date.

2. **Annual Supplier Audits:**
   High-risk suppliers will undergo **annual audits** to ensure they maintain proper payment records and comply with the traceability and verification requirements.

3. **Training for Traders and Suppliers:**
   Traders and suppliers will receive **annual training** on proper documentation practices, the importance of responsible sourcing, and their role in maintaining accurate payment records.

7. Implementation Timeline and Responsibilities

Timeline:

- The **payment verification process** will be fully operational within **60 days** of approval, with all relevant parties trained and aware of the procedures.

Responsibilities:

- **Sourcing Manager:**
  Responsible for ensuring that all payment-related documentation is gathered for each high-risk transaction and reviewed for accuracy.

- **Compliance Officer:**
  Oversees the process, ensures compliance with OECD and RMAP standards, and leads the escalation of any identified issues.

- **Internal Audit Team:**
  Reviews the system and conducts regular audits to ensure ongoing compliance with traceability and payment verification standards.

Annexure VI: Risk Screening Checklist

Comprehensive Risk Screening Checklist

1. Supplier and Supply Chain Overview

Parameter	Details	Evidence/Source
Supplier Name	Name of the supplier (or trader, if applicable)	Supplier Registration/Contract
Supplier Type	Identify whether the supplier is a smelter, mine, trader, or other part of the supply chain	Supplier Profile
Supply Chain Tier	Primary, secondary, or third-party supply chain tier	Procurement Database
Geographical Location(s)	Location of extraction, processing, trade, and export. Include risk zones (CAHRAs or conflict zones)	Supplier Documentation, Maps
Risk Zones	Identify areas with known risks: CAHRAs, conflict zones, or regions with known human rights violations	Public/NGO Reports, Government Reports
Certifications	List of relevant certifications (RMAP, ISO, etc.)	Certification Records
Sourcing Agreement	Whether the supplier has signed a responsible sourcing agreement and submitted the required sourcing statement	Sourcing Agreement Document
Responsible Sourcing Statement	Supplier's commitment to ethical sourcing practices	Supplier Statement

2. Risk Categories to Assess (OECD Annex II)

Armed Groups & Conflict Financing

Risk Factor	Description	Assessment Criteria	Evidence/Source
Presence of Armed Groups	Are armed groups involved in or near the extraction or processing areas?	Armed groups listed in conflict zone reports	NGO/Media Reports, Local Authorities
Conflict Financing	Does the supplier's operation provide funding to armed groups or militias?	Financial links to armed groups, corruption reports	Financial Reports, Audit Documents

Geographic Risk	Are the supplier's operations located in known conflict zones or CAHRAs (Conflict-Affected and High-Risk Areas)?	Review of operational regions (CAHRAs)	Public/NGO Reports, Local Government Reports

Human Rights & Labor Practices

Risk Factor	Description	Assessment Criteria	Evidence/Source
Child Labor	Is there evidence of worst forms of child labor?	Reports on child labor incidents, working conditions	NGO Reports, Local Authorities
Forced Labor	Is there any indication of forced or bonded labor?	Investigations, audits on forced labor	Supplier Audits, Third-Party Reports
Human Rights Violations	Are there violations of human rights (e.g., abuse of workers, indigenous peoples' rights)?	NGO reports, government findings, community complaints	Human Rights Watch, Local Authorities
Worker's Rights	Do workers have the right to unionize, work under safe conditions, and earn a fair wage?	Legal compliance, union presence, health & safety audits	Supplier HR Policies, Third-Party Audits

Security Forces

Risk Factor	Description	Assessment Criteria	Evidence/Source
Involvement of Security Forces	Are public or private security forces involved in the supplier's operations?	Contracts with security forces, reports of security issues	Supplier Contract, Security Force Reports
Violence or Abuses by Security Forces	Are security forces linked to human rights abuses, violence, or intimidation?	Records of abuses, investigations into security forces	Investigative Reports, News Coverage

Corruption & Bribery

Risk Factor	Description	Assessment Criteria	Evidence/Source
Bribery & Corruption	Is there evidence of bribery, corruption, or unethical business practices?	Investigation of financial transactions and audits	Financial Audits, Legal Investigations
Money Laundering	Does the supplier's operation show signs of money laundering or other illicit financial practices?	Transactional analysis, suspicious activities	Financial Audits, NGO Investigations
Non-payment of Taxes, Fees, Royalties	Is the supplier non-compliant with taxes, fees, or royalties that are due to governments or stakeholders?	Audit reports on tax compliance and royalties	Tax Authority, Local Government Reports

3. Information Sources for Risk Data Collection

Source Type	Details	Purpose	Source URL/Documentation
Public Reports	Reports from local governments, UN, World Bank, NGOs, etc.	Provides credible risk data on child labor, armed groups, corruption	World Bank, UN, NGO Reports
Media Investigations	Reports from investigative journalists or media agencies	Highlights potential abuses, human rights violations, corruption	Media Articles, Investigative Reports
Supplier Audits	Results from internal or third-party supplier audits	Assesses compliance with labor laws, child labor, forced labor	Third-Party Audit Reports
Supplier Documentation	Supplier-provided documents such as self-assessments, declarations	Verifies supplier practices and commitments to ethical sourcing	Supplier Reports/Declarations
Government Reports	Local government reports and compliance checks	Validates tax payments, royalties, and compliance with national laws	Local Authorities, Tax Agencies

4. Mitigation Actions and Risk Management

Action Plan	Details	Responsible Person	Timeline	Status
Develop Mitigation Action Plan	Address identified risks by developing actionable steps, timelines, and responsible parties for each risk.	Sourcing Manager, Compliance Officer	30 Days	In Progress
Risk Prioritization	Prioritize risks based on severity, impact on supply chain, and the likelihood of occurrence.	Risk Management Team	15 Days	Completed
Establish Corrective Actions	For each identified risk, outline specific actions to mitigate, reduce, or eliminate the risk (e.g., audits, training).	Compliance Team, Supplier Engagement Manager	60 Days	Pending
Track & Monitor Risks	Set up a system to monitor risks on an ongoing basis and adjust mitigation actions as required.	Risk Management Officer	Ongoing	Ongoing
Periodic Review of Risk Management Plan	Review and update the risk management plan periodically to ensure effectiveness and respond to new risks.	Senior Management, Compliance Officer	Bi-Annually	Planned

5. Escalation Procedures

Escalation Level	Triggering Criteria	Action	Responsible
Tier 1 - Low Risk	Low-risk issues such as minor non-compliance or operational discrepancies.	Inform supplier; minor corrective actions requested	Procurement Team
Tier 2 - Medium Risk	Moderate risk issues requiring detailed corrective actions or monitoring, such as human rights concerns.	Escalate to senior management and schedule audit	Compliance Manager

Tier 3 - High Risk	High-risk issues such as child labor, forced labor, or armed group involvement.	Immediate suspension of supply or sourcing; escalation to external stakeholders	Senior Management, Legal Advisor

6. Follow-Up and Verification

Follow-Up Activity	Details	Responsible Person	Timeline
Mitigation Action Verification	Verify that all mitigation actions have been completed and are effective.	Compliance Officer, Supplier Manager	30 Days Post-Mitigation
Supplier Engagement and Communication	Continue to engage with the supplier regularly to ensure that risks are being managed appropriately.	Sourcing Manager	Ongoing
Periodic Risk Review	Conduct a full review of the risk assessment process to ensure risks are properly identified and addressed.	Risk Management Team	Annually

7. Final Risk Assessment

Risk Level	High / Medium / Low	Decision
Recommended Action	Suspend sourcing, continue sourcing with mitigation, or no action required.	Decision to be made by Senior Management.

Instructions for Use:

1. **Complete the Checklist**: For each supplier, fill out the risk screening checklist thoroughly using all available information sources.

2. **Assess Risks**: Use the checklist to categorize and assess the risk level associated with the supplier's operations.

3. **Document Mitigation Actions**: If high or medium risks are identified, create a clear action plan for mitigation and assign responsibilities.

4. **Monitor and Verify**: Continuously monitor the risk landscape and verify the effectiveness of implemented actions.

5. **Escalate If Necessary**: Follow the escalation procedures if risks cannot be mitigated or if serious issues arise.

6. **Update Regularly:** Revisit the checklist periodically to ensure that all risks are being adequately managed and documented.

Annexure VII – Risk Management Plan

RISK MANAGEMENT PLAN FOR RESPONSIBLE MINERALS SOURCING

1. PURPOSE

This Risk Management Plan provides a comprehensive framework for identifying, assessing, mitigating, tracking, escalating, and resolving risks in the mineral supply chain. The objective is to ensure full alignment with:

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (CAHRAs)
- Responsible Minerals Assurance Process (RMAP) Global Responsible Sourcing Due Diligence Standard
- Internal company Responsible Sourcing Policy

2. SCOPE

This Plan applies to all purchases of minerals and associated materials (including copper) from traders, suppliers, and smelters, regardless of tier, particularly those involving:

- RMAP-conformant smelters
- Sourcing via traders or intermediaries
- Minerals potentially originating from or transiting through CAHRAs

3. RISK IDENTIFICATION AND ASSESSMENT

3.1 Risk Identification Tools:

- Supplier KYC Documentation
- Country of Origin Declarations
- RMAP Conformant Smelter Listings
- OECD Annex II Risk Categories
- CAHRA Maps and External Intelligence (EU CAHRA list, RMI tools, IPIS, Global Witness, UN reports)

3.2 Structured Risk Screening:

A comprehensive checklist is used for all new suppliers and updates:

- Supplier identity and legitimacy
- Origin and transit countries
- Red flags as per OECD Guidance
- Human rights, corruption, conflict finance, and other risks listed in OECD Annex II

1

4. RISK RATING AND ESCALATION

Risk Level	Criteria	Action Required
Tier 1	RMAP smelter, full documentation, no CAHRA flag	Monitor annually
Tier 2	Minor documentation gaps, new supplier, CAHRA flag	Supplier engagement and enhanced due diligence
Tier 3	Non-conformant smelter, CAHRA linkage, red flags	Risk mitigation plan and possible sourcing hold
	Evidence of OECD Annex II abuses	Immediate disengagement and regulatory notification

5. MITIGATION STRATEGIES

- Written engagement with supplier to resolve gaps
- Corrective Action Plans (CAP) with timelines
- 3rd-party verification where required
- Temporary suspension or permanent disengagement depending on severity. (Tier 3)
- Internal escalation to legal and executive teams for decision-making

6. RISK TRACKING AND CLOSURE

Each identified risk is assigned a tracking number with the following attributes:

- Unique Risk ID
- Description of issue
- Source and smelter details
- Assigned risk level
- Action taken
- Responsible personnel
- Target completion date
- Verification signature and closure date

Status categories: Open / Under Mitigation / Closed

2

7. ROLES AND RESPONSIBILITIES

Role	Responsibility
Procurement Team	Initial screening, flagging potential issues
Compliance Officer	Detailed risk assessment, CAP validation
ESG/Legal Team	Escalation, disengagement decisions, stakeholder reporting
Senior Management	Final approvals for disengagement or high-risk decisions

8. TRAINING AND CAPACITY BUILDING

- Annual training for procurement, compliance, and legal teams
- Training on OECD Guidance, CAHRAs, RMAP requirements, and red flag indicators
- New employee onboarding with responsible sourcing orientation
- Training records retained for 5 years

9. DOCUMENTATION AND AUDIT PREPAREDNESS

Each risk file shall include:

- Completed Risk Screening Checklist
- Smelter RMAP verification evidence
- Supplier declarations
- CAHRA assessment results
- CAP and follow-up documentation
- Audit trail of communications and decisions

Documents will be:

- Digitally stored with version control
- Retained for a minimum of 5 years
- Available for third-party audits on request

10. MONITORING, REVIEW AND REVISION

- Annual review of the Plan
- Immediate update upon:
  - Regulatory change (OECD/RMAP)
  - Significant new risk
  - Supplier incident or red flag

3

K Arthy

Director RM Sourcing
Vedanta Ltd. - Sterlite Copper   Date: 06.01.2025