



Communication on Progress

Year: 2010

STATEMENT

Example: Being a good corporate citizen is an ambition enthusiastically embraced at all levels within our company. As a member of the Global Compact, we believe that our business policies incorporate the ten principles. Our Board fully supports our actions in working towards sustainability goals – in particular those contained in the UN Global Compact – and endorses the future priorities and specific targets we set out in our report. Through our support of the United Nations Global Compact, we also aim to move the agenda forward on performance related to human rights, labour rights, the environment and the fight against bribery and corruption. Our Code of Conduct, approved by the Board on 13th October 2009, reflects the UN Global Compact principles to which HPL is committed. Here we summarised the progress we have made against these principles and we will continue to follow them up in future.

A handwritten signature in blue ink, appearing to read 'C. Faernessen', is positioned above a horizontal line.

08/04/2011, Carl M. Faernessen, General Manager



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| | Global Compact Principle | Action Taken & Impact Achieved and/or Plans for the upcoming Year |
|-------------------------------------|---|---|
| <input checked="" type="checkbox"/> | <p>1: Businesses should support and respect the protection of internationally proclaimed human rights;</p> | <p>Though not formally enunciated as a Company policy, HPL is committed to adhere to all internationally proclaimed human rights. In particular, HPL recognizes human dignity, non-discrimination, equality before law and freedom of association.</p> <p>Recognizing that human life and dignity comes first, HPL emphasizes "safety first" in all its operations. HPL conducts all its business with the highest regard to safety and good health.</p> <p>HPL has carried out safety training and safety audits related to all its activities. HPL plans to continue this emphasis in human safety and plans to further improve its safety performance.</p> |
| <input checked="" type="checkbox"/> | <p>2: and make sure that they are not complicit in human rights abuses</p> | <p>HPL has not been complicit in any human rights abuses and will continue to maintain this record.</p> <p>HPL adheres to Nepal's labor laws which protect the rights and interests of the workers.</p> |
| <input checked="" type="checkbox"/> | <p>3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> | <p>HPL recognizes supports and works closely with the HPL Employees' Union, to jointly strive for the progress and prosperity of the Company and all its employees.</p> <p>HPL held a number of meetings with the HPL Workers' Union during 2010 to discuss employees' benefits and working conditions. In 2007, HPL signed a three-year agreement on employees' benefits with the Workers' Union. HPL renegotiated this agreement in July 2010 for a one-year period.</p> |
| <input checked="" type="checkbox"/> | <p>4: the elimination of all forms of forced and compulsory labour;</p> | <p>HPL does not believe in nor does it practice forced and compulsory labour. HPL believes in paying adequate and appropriate compensation to all its employees. HPL will continue this practice in future.</p> |
| <input checked="" type="checkbox"/> | <p>5: the effective abolition of child labour;</p> | <p>HPL adheres to Nepal's Labor Act, which specifically states that children (defines as persons below 14 years of age) shall not be employed in any establishment. HPL does not believe in nor does it practice child labour. HPL will continue this practice in future.</p> |
| <input checked="" type="checkbox"/> | <p>6: and the elimination of discrimination in respect of employment and occupation.</p> | <p>Clause 5.4.4 of HPL's Personnel Manual states that HPL undertakes not to discriminate against any employee on the basis of religion, caste, sex or creed.</p> <p>HPL has a well documented recruiting process that emphasizes wide advertisement of vacant positions, and also selection through a transparent interview process.</p> |

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| | | <p>HPL has and will continue to implement this principle of non-discrimination with respect to employment.</p> |
| ☒ | <p>7: Businesses should support a precautionary approach to environmental challenges;</p> | <p>HPL carries out all its activities with a focus on environmental responsibility. It ensures that all its activities have no or minimal impact on the environment.</p> |
| ☒ | <p>8: undertake initiatives to promote greater environmental responsibility;</p> | <p>HPL carries out activities that have a positive impact on the environment. Examples of these activities are:</p> <ul style="list-style-type: none"> • Slope stabilization activities • Reforestation • Release of water downstream of the dam during the dry season • Implementation of an efficient solid waste disposal system for offices, the staff quarters, guest house and other company facilities. |
| ☒ | <p>9: and encourage the development and diffusion of environmentally friendly technologies.</p> | <p>HPL operates a run-of-river hydropower plant, which is a very environmentally friendly electricity generation technology</p> |
| ☒ | <p>10: Businesses should work against all forms of corruption, including extortion and bribery.</p> | <p>HPL Code of Conduct states that HPL employees will never offer or accept bribes, facilitation payments, kickbacks or any other improper payment for any reason. The Code of Conduct has drawn on various laws related to anti-corruption including the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. It has also integrated recommendations of Transparency International.</p> <p>HPL strictly enforces its Code of Conduct. There have not been any cases of corruption in HPL during 2010.</p> |

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