

# Corporate Governance Report



Anil Agarwal  
Chairman

## Highlights

- > Review of corporate governance policies and procedures
- > Debate on Board composition and diversity
- > Roll out of anti-bribery programme

## Dear Shareholder,

### Our Governance Philosophy

How we ensure the Board provides effective leadership is a combination of many factors. Good leadership stems from having the right people on the Board, with clear lines of responsibility, sound Board processes with access to comprehensive information on which to base decisions. I believe one of our strengths is the ability to have open and frank debate about the issues put to us and the challenges we face. We are proud of our experienced Board members and have the support of an excellent management team. However, we are not complacent and use the annual performance evaluation process and feedback from stakeholders to implement improvements to our way of operating.

### Our Governance Year

The focus by regulators, government and investors on governance issues and how companies and Boards conduct themselves rightly continued during the year. Several key developments in particular have received our attention. This was the first full year that the new UK Corporate Governance Code ('2010 Code') applied to Vedanta, the publication of the Davies Report (Women on Boards), the introduction of the UK Bribery Act and the continued spotlight on executive remuneration. How we addressed these issues is set out below.

### UK Corporate Governance Code

Whilst we already complied with nearly all of the new 2010 Code's provisions we took the opportunity to review certain of our governance policies and practices to ensure they meet best practice standards.

### Davies Report

We continued our internal debate on Board composition set in the context of the aim to have female representation on our Board. Whilst we operate in traditionally male orientated industries and cultures, we have taken steps to encourage the recruitment and career progression of women professionals throughout our Group.

As Chairman of the Nominations Committee, I personally conducted workshops covering different sections of the work force to ascertain and aid empowerment of women in our Group.

### Anti-bribery Programme

A comprehensive Anti-Bribery Programme was implemented across the Group. Going forward it will be the remit of the Audit Committee to ensure that our anti-bribery and corruption programmes are robust.

### The Year Ahead

The Board has set the following objectives for the coming year:

- > **Strategy**  
Continue to develop and review Vedanta's strategic direction and make amendments as appropriate.
- > **Succession planning**  
We are aware of the tenure of our Non-Executive Directors, make-up of the Board and input from shareholders on Board composition. This is an issue that has been continuously debated and will be addressed during the year.
- > **Remuneration**  
As a result of the continued debate around executive remuneration there is likely to be legislation governing how remuneration is set and approved. In any event we will seek to have best practice in terms of our remuneration policies and ensure remuneration is linked to strategy and Company performance.
- > **Risk**  
Further development of the Board's view of risk tolerance and risk appetite.
- > **Branding**  
Review of Group-wide branding.

Lastly, we value contact and input from our shareholders throughout the year and also at our Annual General Meeting. Please be assured that we do take note of the issues raised which helps to inform future decisions.

**Anil Agarwal**  
Chairman  
16 May 2012

### The UK Corporate Governance Code

As a company with a premium listing on the London Stock Exchange, Vedanta is subject to the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 (the '2010 Code'). The 2010 Code is available from the Financial Reporting Council's website, [www.frc.org.uk](http://www.frc.org.uk). The Code is centred around the themes of leadership, effectiveness, accountability, remuneration and relations with shareholders. This Corporate Governance Report provides details of our approach to governance, our policies, processes and structures and explains how we have complied with the main principles of the 2010 Code.

Disclosures on share capital and related matters as required by the Disclosure and Transparency Rules (DTR7.2.6) may be found in the Directors' Report.

### Compliance With the 2010 Code

With the exception of the following matters, the Company has throughout the year ended 31 March 2012, fully complied with all of the provisions of the 2010 Code:

#### Code Provisions A.3.1

Anil Agarwal was appointed as Executive Chairman in 2005. Mr Agarwal was the founder of the businesses of Vedanta Resources and steered the phenomenal growth of the Group since its inception in 1976 including the flotation of Vedanta Resources plc on the London Stock Exchange and promotion to a FTSE 100 company. This meant that Mr Agarwal did not meet the strict independence criteria as defined in Code Provision B.1.1 on his appointment in 2005 because he was previously the Chief Executive and, through Volcan Investments Ltd ('Volcan'), members of his family have a controlling interest in the Company. Mr Agarwal is pivotal in helping to achieve the strategic objectives of Vedanta through his skills in seeking out value creating acquisitions and projects. In addition, the fact that he dedicates himself full time to his role of Executive Chairman, enables him to balance executive duties with providing leadership to the Board. As its Chairman Mr Agarwal encourages debate and challenge and sets high ethical standards. For these reasons the Board is unanimously of the opinion that his continued involvement in an executive capacity is vitally important to the success of the Group.

#### Code Provision B.2.1

Under the Relationship Agreement put in place at the time of Listing, Volcan will be consulted on all appointments to the Board. The Nominations Committee therefore works collaboratively with Volcan when making appointments to the Board and, to this extent, differs from the process set out in Code Provision B.2.1 which stipulates that the Nominations Committee should lead the process for Board appointments.

# Corporate Governance Report continued

## How does the Board Provide Effective Leadership?

### Members of our Board

The Board, chaired by Anil Agarwal, currently has six Directors comprising the Executive Chairman, two Executive Directors and three independent Non-Executive Directors. Membership of the Board as at the date of this report and attendance of the Directors at Board meetings for the year are shown below. Board composition is reviewed regularly by the Nominations Committee.

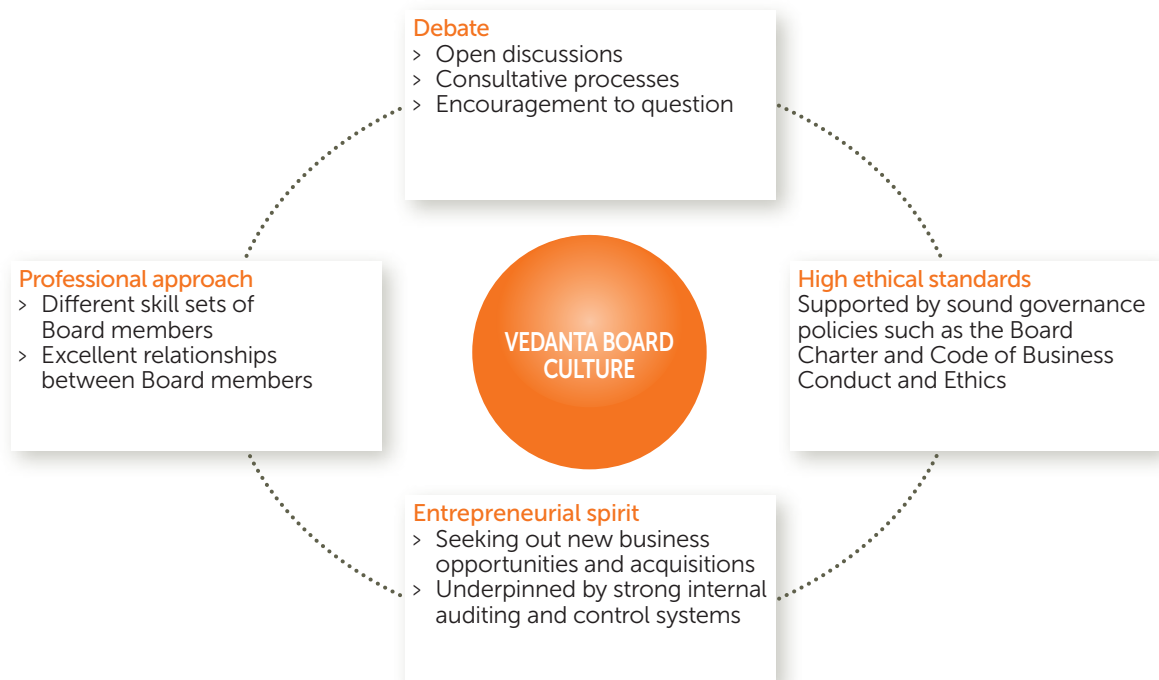
Name, title	Date of appointment	Number of Board Meetings attended
<b>Executive Directors</b>		
AK Agarwal Executive Chairman	16 May 2003	8/10
N Agarwal Deputy Executive Chairman	24 November 2004	10/10
MS Mehta Chief Executive	1 October 2008	9/10
<b>Non-Executive Directors</b>		
N Chandra Non-Executive Director and Senior Independent Director	18 May 2004	10/10
A Mehta Non-Executive Director	24 November 2004	9/10
ER Macdonald Non-Executive Director	23 March 2005	10/10

### Board Culture

Board culture has been cited as having played an important part in corporate failures in recent years. Within Vedanta the cornerstone's of open debate, high ethical standards and professionalism ensures that the Group can grow and develop within an ethical and professional framework which balances risk and entrepreneurship.

*"We believe that ethical and economic values are interdependent and that the business community must always strive to operate within accepted norms established by national and international authorities."*

From Vedanta's Code of Business Conduct and Ethics



**The Role of our Board**

At the highest level the Board operates by setting strategy and objectives, reviewing progress against these objectives and incorporating feedback into its decision making processes.

**The Board sets**

- > Vision
- > Values
- > Strategy
- > Business model

**The Board**

- > Oversees
- > Challenges
- > Reviews risk

**The Board receives feedback from**

- > Board members
- > Committees
- > Management
- > Stakeholders

It is the role of the Board to promote the success of the Company with a view to increasing its long-term value. As part of their decision making processes the Directors have a responsibility to consider the long-term consequences of their decisions, the interests of the Company's employees, the need to foster relationships with other stakeholders, the impact of the Company's operations and the environment and the need to maintain high standards of business. This is achieved by ensuring its governance processes, as described below, are comprehensive and robust.

**What are the Board's Responsibilities?**

The Board's responsibilities are set out in a formal schedule of matters reserved for its attention. This schedule of matters has been reviewed in light of the introduction of the 2010 Code to ensure new provisions, such as responsibility for risk appetite, were properly reflected. In summary the main areas of the Board's remit covers:

- > Setting of Group strategy and objectives;
- > Setting of the Group's values and standards;
- > Review of performance against strategy, objectives, business plans and budgets and agreeing corrective action where necessary;

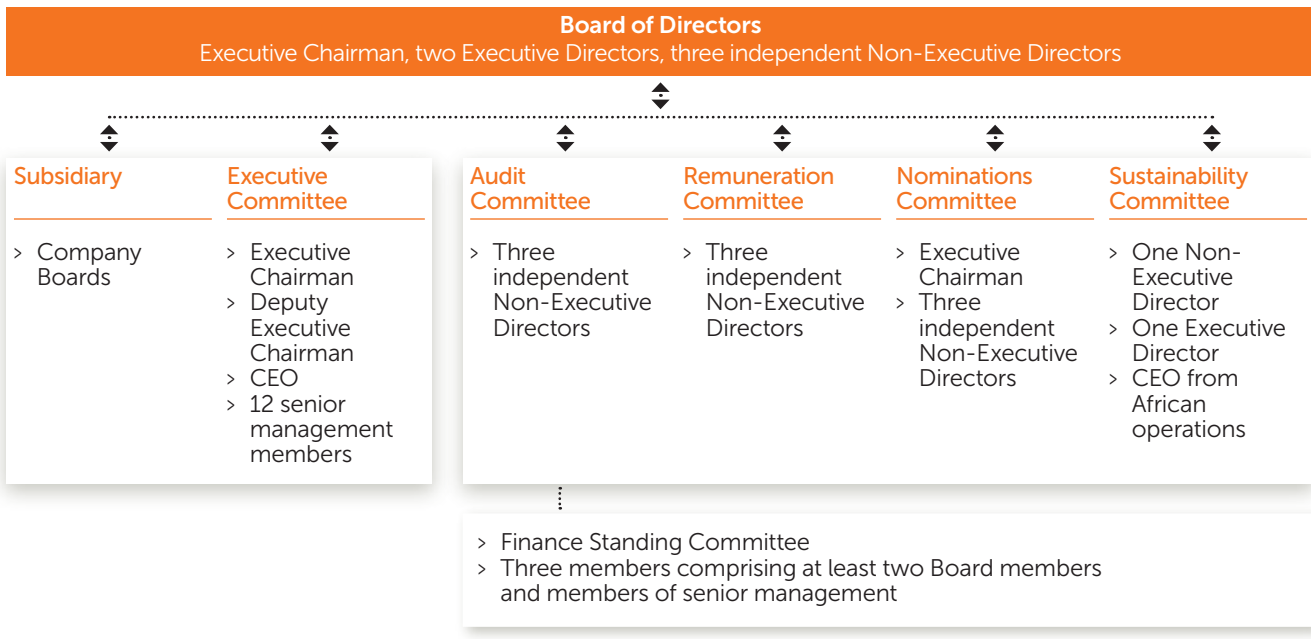
- > Approval of major business acquisitions and disposals;
- > Approval of major capital projects;
- > Review of nature and extent of risks;
- > Ensuring maintenance of effective systems of internal control and risk;
- > Review and approval of Group policies including those on health and safety and the Group's Code of Conduct;
- > Approval of dividend policy

**The Role of our Board Committees**

Certain of the Board's responsibilities are delegated to Board Committees, which operate within defined terms of reference. The main Board Committees are the Executive, Remuneration, Audit, Nominations, and Sustainability Committees. The relationship between the Board, its Committees, Group subsidiaries and information flows are shown below.

**Our Governance Framework**

The relationship between the Board, Board Committees and subsidiary companies with their individual written responsibilities and the reporting structure as shown below forms the backbone of the governance framework.



# Corporate Governance Report continued

All of the committees are authorised to obtain legal or other professional advice as necessary, to secure the attendance of external advisers at their meetings and to seek information from any employee of the Company in order to perform their duties. Under the terms of reference of the committees only the members of each committee have the right to attend committee meetings. However, other Directors or management together with other expert persons may attend meetings at the invitation of the Committee Chairman. The Secretary to the committees is Deepak Kumar, apart from the Sustainability Committee whose secretary is Tony Henshaw, Chief Sustainability Officer. The full terms of reference of the committees are available from the Company's website [www.vedantaresources.com](http://www.vedantaresources.com).

The Executive Committee is comprised of three Board members and 12 members of senior management whose biographies are given on pages 58 to 61. The Executive Committee is responsible for supervising all aspects of the operational performance of the Group. It implements strategic plans formulated by the Board, monitors

### What are the Roles of our Board Members?

There is a clear division of responsibility between the functioning of the Board and executive responsibility for running the business. The Board has an established policy which sets out the key responsibilities of the Executive Chairman, Deputy Executive Chairman, Senior Independent Director and the Chief Executive Officer. These responsibilities were reviewed during the year to account of the new requirements of the 2010 Code and are summarised below.

#### Executive Chairman's Role

As Executive Chairman, Anil Agarwal devotes the majority of his time to the Company's business. The Chairman's other current responsibilities are set out in the biographies on page 58. There have been no changes to the Chairman's other commitments during the year:

- > Leading the Board, ensuring its effective functioning and setting its agenda
- > Upholding the highest standards of integrity and governance practices throughout the Group
- > Facilitating constructive relationships between Directors
- > Review of induction and training needs of the Directors
- > Development of strategy and objectives for approval by the Board
- > Seeking new business opportunities
- > Ensuring communication and dialogue with shareholders and effective use of the AGM

operational and financial performance of the Group's subsidiaries, allocates resources in line with delegated authorities, develops and reviews the budgets of subsidiary companies. The Executive Committee therefore has a key role in putting the Board's plans and policies into action. The Chief Executive Officer, MS Mehta, keeps the Board informed of the Executive Committee's activities through his standing reports made to the Board.

The Finance Standing Committee enables efficient consideration and approval of routine bank and financing issues and allotment of shares under the Group's Long-Term Incentive Plan. All minutes of the Finance Standing Committee are reviewed by the Board. The committee Chairman also reports to the Board on the outcome of Committee meetings at the next subsequent Board meeting.

Details of the membership, terms of reference and attendance at meetings of the Audit, Remuneration, Nominations and Sustainability Committee are given in their respective reports on pages 75 to 91.

#### Chief Executive Officer's Role

Mehandra Mehta is the Chief Executive Officer:

- > Recommending to the Board annual budgets and delivery of the same
- > Optimising the Group's assets and management and allocation of resources
- > Creating and maintaining a sound control environment
- > Implementation of strategy and Group policies and procedures
- > Supporting the Executive Chairman in effective communication with various stakeholders
- > Providing leadership to the senior management team and nurturing the talent pool
- > Managing ESG issues in conjunction with the Sustainability Committee

### Deputy Executive Chairman's Role

Navin Agarwal is the Deputy Executive Chairman:

- > Chairman of the Executive Committee
- > Supports the Chairman in leadership of the Board
- > Delivery of Group's strategy in conjunction with the CEO
- > Development of fund raising initiatives
- > Global investor relations
- > Oversees execution of Greenfield projects
- > Overseeing development of top talent throughout the Group

### The Senior Independent Directors' Role

Naresh Chandra is the Senior Independent Director.

Given the executive nature of the Chairman's position the Senior Independent Director's position is key in achieving a balance between the executive and non-executive functions:

- > To provide a channel of communication between the Chairman and Non-Executive Directors
- > To ensure that views of Non-Executive Directors are given due consideration
- > To provide a point of contact for shareholders who wish to raise concerns which the normal channels of communication through the Chairman and Chief Executive have failed to resolve
- > To act as a sounding board for the Chairman
- > To meet with the Non-Executive Directors at least once a year to appraise the Chairman's performance and on such other occasions as are deemed appropriate

### The Role of the Non-Executive Directors

The Non-Executive Directors are of high calibre bringing a variety of rich experiences in different fields which range from holding senior positions within the Indian Government, (including roles with responsibilities for corporate governance), to banking and emerging market finance. This enables them to bring independent judgement on issues of strategy, performance and resources which are vital to the success of the Group. They play a key part in challenging the performance of management.

### Board Balance and Independence

With the exception of the Chairman, who is presumed under the 2010 Code not to be independent, the Board considers all of the Non-Executive Directors to be independent.

In making its assessment, the Board has considered the fact that Aman Mehta and Euan Macdonald previously held senior management positions within subsidiary companies of HSBC Holdings plc (which acted as the joint global co-ordinator and book runner when the Company listed in 2003). They retired from these roles in 2003 and 2002 respectively. The Board considered that neither Mr Mehta nor Mr Macdonald had any involvement with the Group prior to their appointment. The Board therefore remains of the view that they are independent.

The Nominations Committee considers the question of independence of the Non-Executive Directors prior to recommending their annual re-election and particular scrutiny is given to the performance of those Non-Executive Directors who have served on the Board for six years or more. In 2012 Naresh Chandra and Aman Mehta will have served on the Board for seven and eight years respectively. In addition both Directors serve on the Board of Cairn India as Non-Executive Directors. The Nominations Committee concluded that Messrs Chandra and A Mehta continue to be independent in nature. In reaching this

decision the Nominations Committee considered all of the criteria set out in the 2010 Code in relation to determining independence and in addition that both Directors:

- > Robustly challenge, express views and actively contribute to Board Meetings;
- > Bring differing skill sets and experience to the Board make up;
- > Absent themselves in the event that there are any conflicting issues arising from their Directorships with Cairn India

### Relationship Agreement

At the time of Listing, the Company and Volcan, the majority shareholder, entered into a relationship agreement to regulate the ongoing relationship between them. A new relationship agreement was entered into in December 2011 (the 'Relationship Agreement') the terms of which are the same as that entered into on Listing updated for legal and regulatory requirements where appropriate. The principal purpose of the Relationship Agreement is to ensure that the Group is able to carry on business independently of Volcan, the Agarwal family and their associates. Under the terms of the Relationship Agreement, the Board, and Nominations Committee will at all times consist of a majority of Directors who are independent of Volcan and the Agarwal family. Whilst the Remuneration and Audit Committees shall at all times comprise only of Non-Executive Directors, Volcan is entitled to nominate for appointment as Director such number of persons as is one less than the number of Directors who are independent of Volcan, the Agarwal family and their associates. The Board considers these to be adequate safeguards in that Directors who are independent of Volcan make up a majority of the Board and Vedanta's ability to operate independently of Volcan is protected by the Relationship Agreement. In addition, in accordance with Provisions B.1.2 of the 2010 Code, at least half of the Board, excluding the Chairman, comprise Non-Executive Directors determined by the Board to be independent.

# Corporate Governance Report continued

The Audit Committee is responsible for reviewing matters arising in relation to the Relationship Agreement and related party transactions on behalf of the Board.

## Conflicts of Interest

The Board has established a procedure for the disclosure of interests and other related matters in line with published guidance and the Companies Act 2006. Each Director must disclose actual or potential conflicts to the Board and any changes are disclosed and noted at each Board meeting. The Board will authorise potential or actual conflicts as appropriate. Directors with a conflict will not participate in the discussion or voting concerning the matter in question. These procedures have proved to be effective during the year. Related party transactions, which include those in respect of any Director, are disclosed in Note 38 on pages 160 to 161.

## How our Board Operates

### Board Meetings

The Board meets on a regular basis and met formally on 10 occasions during the year. As well as formal meetings, written resolutions are passed with the approval of the

whole Board on routine matters as required in order to facilitate efficient decision making processes. In addition ad hoc discussions take place between the Directors on a variety of topics throughout the year. The Chairman and the Non-Executive Directors met without the Executive Directors present during the year.

The Chairman, assisted by the Company Secretary, is responsible for ensuring that the Directors receive accurate, timely and clear information on all relevant matters in order to take informed decisions and to discharge its duties. Directors are provided with regular detailed briefings on the Group's business, the markets within which it operates and the overall economic environment and updates on fiscal policy changes. The Board also routinely receives before each Board meeting detailed information on business and financial performance, ongoing projects, fund raising initiatives, activities of the Board Committees and investor relation updates. Presentations and verbal updates are also given at Board meetings by the Executive Directors and senior management as appropriate. Directors are encouraged to challenge and make further enquiries from the Executive Directors and senior management.

## What the Board Did During the Year

The main items of business considered by the Board during the year are summarised below:

Area of Responsibility	Item
<b>Leadership and strategy</b>	<ul style="list-style-type: none"> <li>&gt; Review of the Business Plan</li> <li>&gt; Strategy review</li> <li>&gt; Review and approval of fund raising initiatives</li> <li>&gt; Consideration of various projects and bids</li> <li>&gt; Review and approval of acquisitions and disposals</li> <li>&gt; Approval of Prospectus for Cairn Acquisition</li> <li>&gt; Review of future outlook of the Group's businesses</li> <li>&gt; Discussions on Group restructuring</li> <li>&gt; Approval of dividend</li> </ul>
<b>Values and corporate governance</b>	<ul style="list-style-type: none"> <li>&gt; Reports from the Board Committees</li> <li>&gt; Review of the results of performance evaluation of the Board and Committees</li> <li>&gt; Implementation of Bribery Act processes and procedures</li> <li>&gt; Approval of amended Code of Conduct and values statement</li> </ul>
<b>Performance</b>	<ul style="list-style-type: none"> <li>&gt; Review of Business Performance Reports</li> <li>&gt; CEO Reports and production highlights</li> <li>&gt; Reports on financial performance</li> <li>&gt; Project updates</li> </ul>
<b>Internal controls and risk</b>	<ul style="list-style-type: none"> <li>&gt; Report from the Audit Committee on effectiveness of internal controls and risks</li> <li>&gt; Project capex approvals</li> <li>&gt; Review of risk policy/risk matrix</li> </ul>
<b>Relations with shareholders</b>	<ul style="list-style-type: none"> <li>&gt; Regular Investment Relations updates</li> <li>&gt; Performance of Vedanta shares</li> <li>&gt; Review of largest institutional shareholders</li> <li>&gt; Investor feedback on proposed restructuring</li> <li>&gt; Annual General Meeting arrangements</li> </ul>

## Area of Responsibility

### Reporting

## Item

- > Review and approval of Annual Report and Accounts and Preliminary Announcement
- > Review and approval of half year report

### Sustainability

- > Briefings on sustainability issues including implementation of Scott Wilson report, meetings with investors and NGOs
- > Discussions on HSE performance reviews

### How are Appointments to the Board Made?

The Nominations Committee is responsible for succession planning and making recommendations concerning candidates for appointments to the Board. Under the terms of the Relationship Agreement entered into with Volcan as the major shareholder, Volcan will be consulted by the Nominations Committee on appointments to the Board. The selection process will entail preparing a job description for the role, benchmarking and interviews with a selection of candidates. External search agencies will also be used where this is felt to be appropriate and adds value to the process. It is part of the Nominations Committee remit to consider candidates from a wide range of backgrounds, based on objective criteria and merit of the candidate. As part of this consideration the Nominations Committee will consider diversity, including gender, and the benefits this can have for a balanced decision making process.

### Our Directors' Commitment

In respect of the appointment of Non-Executive Directors to the Board, the candidates will be made aware of the time commitment expected of them which will be reflected in their letter of appointment. Candidates are also required to disclose their other time commitments to ensure that they have sufficient time to fulfil their role as a Director. The terms and conditions of appointment of the existing Non-Executive Directors sets out their duties and time commitments and are available on request from the Company's registered office.

There is a policy in place in respect of a full time Executive Director taking on a Non-Executive directorship in a listed company. The approval of the Chairman must be sought before an Executive Director may take on a Non-Executive directorship outside of the Group.

### Development and Training of our Directors

Appropriate induction is provided to all Directors on appointment to the Board and programmes of continuing professional development are arranged as required, taking into consideration the individual qualifications and experience of the Director. In addition Directors have access to the Company's professional advisers whom they can consult where they find it necessary in order to better discharge their duties.

During the year, the Directors received legal and regulatory updates. In particular this year a full briefing was given on the new UK Corporate Governance Code and the UK Bribery Act. Directors undertake visits to operations and have discussions with management on an ongoing basis.

The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman on governance matters. Under the Company's Articles of Association the appointment and removal of the Company Secretary is a matter for the Board as a whole.



# Corporate Governance Report continued

## How are the Board, its Committees and Individual Directors Evaluated?

During the year, the performance of the Board, its main committees and the individual Directors were formally and rigorously evaluated under the direction of the Chairman. The evaluation was carried out by circulation of a detailed questionnaire concerning the Board, its Committees and the individual Director's performance. The responses were collated and summarised. The Chairman spoke individually to all the Directors in respect of the results and the Board also collectively discussed the results. A summary of the areas reviewed and results of the evaluation are shown below.

Area Assessed	Main Comments	Action
<b>The Board</b> <ul style="list-style-type: none"> <li>&gt; Leadership</li> <li>&gt; Setting strategy</li> <li>&gt; Risk management</li> <li>&gt; Management of resources</li> <li>&gt; Reviewing performance</li> <li>&gt; Communication with shareholders</li> <li>&gt; Board composition and structure</li> </ul>	<p>Strong entrepreneurial leadership with sound management of risk and human and financial resources. Board process and provision of information was good</p> <p>The need to develop relationships with stakeholders was recognised. There was also awareness of need to review Board composition</p>	<p>Continue active engagement with stakeholders re social responsibility issues in particular</p> <p>Review recruitment possibilities in light of Board composition</p>
<b>Individual Directors</b> <ul style="list-style-type: none"> <li>&gt; Preparation</li> <li>&gt; Contribution</li> <li>&gt; Development of knowledge and skills</li> <li>&gt; Contribution to strategy and risk</li> <li>&gt; Relationships with Board members</li> <li>&gt; Training needs</li> </ul>	<p>Directors were well prepared and contributed effectively to meetings. A variety of methods were used for training</p> <p>Good strategy and risk management discussions were held and Board relationships were very good</p>	<p>Chairman to review training/development needs</p>
<b>Performance of Board Committees</b> <ul style="list-style-type: none"> <li>&gt; Performance against the Committee's remit</li> </ul>	<p>Performance of all the Committees remains effective with the Audit Committee in particular receiving excellent comments</p>	<p>Nomination Committee to focus on succession planning and nurturing top talent</p> <p>Sustainability Committee to engage and develop Group wide policy</p>

As in previous years, the Non-Executive Directors, led by the Senior Independent Director, considered as part of the evaluation process, the performance of the Chairman and provided him with feedback.

### Re-election of Directors

The Company's Articles of Association stipulate that all Directors must submit themselves for election at the annual general meeting following their appointment and thereafter by rotation at least once every three years. However, in accordance with the 2010 Code it is proposed that all Directors will stand annually for re-election beginning with the 2012 Annual General Meeting. Non-Executive Directors are only put forward for re-election if, following performance evaluation, the Board believes the Director's performance continues to be effective and demonstrates commitment to the role.

### How do we Ensure Accountability and Manage Risk?

The Board has a responsibility to ensure that financial information provided is accurate and balanced as well as ensuring that its activities are properly controlled and risk assessed and monitored. Vedanta has in place well established reporting and management assurance systems that ensure rigorous standards are maintained.

### Financial and Business Reporting

The Group has a comprehensive financial reporting system, which is reviewed and modified in line with Accounting Standards. These procedures ensure that all published financial information is accurate. Vedanta's Financial reporting procedures are based on five main elements:

- > Financial information supplied by subsidiary companies and consolidated at central level
  - Management accounts are prepared on a monthly basis and reviewed by the Executive Committee;
  - Management accounts are reviewed by the Board at least quarterly;
  - Performance is monitored against key performance indicators throughout the financial year and forecasts are updated as appropriate;
  - Annual operational budgets are prepared by each operating subsidiary and consolidated into a Group Budget which is reviewed and approved by the Board
- > Internal audit provides assurance concerning processes and accuracy at each operating company
- > External auditor assurance
  - Full year audits and half year review are carried out on the published financial statements
- > Review by the Audit Committee of:
  - Year-end reporting plans
  - Briefings on legal, tax and accounting issues;
  - Consideration of the financial statements and disclosures in accordance with financial reporting standards;
  - Going concern statements with supporting cash flow, liquidity and funding forecasts.
- > Review by the Audit Committee and the Board of the preliminary and half year announcements, the annual report and accounts and any other announcements including financial information.

The Directors' statement of responsibilities for preparing the accounts may be found on page 97 and the auditor's statement about their reporting responsibilities may be found on page 98. A statement on the Board's position regarding the Group as a going concern is contained in the Directors' Report on page 95.

#### **Risk Management and Internal Control**

It is the Board's responsibility to determine the nature and extent of the risks it is willing to take to achieve its strategic objectives. The Directors also have overall responsibility for ensuring that the Group maintains a robust system of internal control to provide them with reasonable assurance that all information within the business and for external publication is adequate. Because of the limitations inherent in any system of internal control, this system is designed to meet the Group's particular needs and the risks to which it is exposed rather than eliminate risk altogether. Consequently it can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an established process for identifying, evaluating and managing significant risks faced by the Group in accordance with the Turnbull Guidance on Internal Control published by the Financial Reporting Council. This includes financial, operational and compliance control and risk management, to ensure shareholders' interests and the Company's resources are safeguarded. The process also covers significant risks that may arise from environmental, social and governance matters. At the operational level specialists are brought in where appropriate to review working practices and recommendations are implemented with the purpose of creating safe working environments.

The Board has approved the appointment of a Chief Risk Officer to further strengthen risk management processes.

In line with best practice, the Board has reviewed the internal control system in place during the year and up to the date of the approval of this report. The Board's review includes the Audit Committee's report on the risk matrix, significant risks and actions put in place to mitigate these risks. This review ensures that the internal control system remains effective. Where weaknesses are identified as a result of the review, new procedures are put in place to strengthen controls and these are in turn reviewed at regular intervals. Every risk has an owner who is responsible to ensure that controls are put in place in order to mitigate the risk. During the course of its review of the system of internal control, the Board has not identified nor been advised of any weaknesses or control failure that is significant.

The Group's internal audit activity is managed through the Management Assurance Services ('MAS') function and is an important element of the overall process by which the Board obtains the assurance it requires to ensure that risks are properly identified, evaluated and managed. The scope of work, authority and resources of MAS are regularly reviewed by the Audit Committee and its work is supported by the services of leading international accountancy firms (but specifically excluding the Group's external auditors). The responsibilities of MAS include recommending improvements in the control environment and ensuring compliance with the Group's philosophy, policies and procedures. The planning of internal audit is approached from a risk perspective. In preparing an internal audit plan, reference is made to the Group's risk matrix, inputs are sought from senior management, project managers and Audit Committee members and reference is made to past audit experience, financial analysis and the current economic and business environment.

Each of the Group's principal subsidiaries has in place procedures to ensure that sufficient internal controls are maintained. These procedures include a monthly meeting of the relevant management committee and quarterly meeting of the audit committee of that subsidiary. Any adverse findings are reported to the Audit Committee. The Audit Committee Chairman on occasions requests MAS to look at specific items and in addition asks the external auditors to focus their audit work on a specific area to be reported to him.

# Corporate Governance Report continued

The responsibilities, processes and information flows for ensuring that significant risks are recognised and reported up to Board level are shown below.

## The Board

- > Sets 'risk appetite'
- > Reviews significant reported risks
- > Reviews internal control and risk systems



## The Audit Committee

- > Reviews effectiveness of internal control/risk systems and reports to the Board
- > Reviews risk matrix/significant risks/status of risks/mitigating factors
- > Considers/approves remedial actions where appropriate
- > Reviews Action Plans put in place to mitigate risks
- > Reviews significant findings reported by MAS
- > Reviews internal audit plans
- > Assesses effectiveness of internal audit
- > Reviews whistleblower reports presented to MAS



## Management Assurance Services (MAS – Internal Audit Function)

- > Plans and carries out internal audits on a continuing basis
- > Recommends improvements to the control system
- > Reviews compliance with Group policies and procedures
- > Prepares risk matrix and Group's significant risks for review
- > Reports to the Audit Committee
- > Reviews findings with senior management
- > Investigates and takes action on whistleblower cases

The Head of MAS attends all Executive Committee and Audit Committee meetings of Vedanta. The MAS team plays a key role in SOX compliance at SILL and its subsidiaries.

## How do we Ensure that the Board is Responsibly Rewarded?

### Level and Make-up of Remuneration

The Board is sensitive to the need to achieve a balance between attracting and retaining the quality of directors required to run and manage a company of Vedanta's size and complexity and to avoid excessive pay awards. In the Remuneration Committee's terms of reference approved by the Board the Remuneration Committee is required to consider and give due regard to the recommendations of the 2010 Code and other guidelines published in respect of the remuneration of directors of listed companies such as that produced by the Association of British Insurers and National Association of Pension Funds.

A significant proportion of the Executive Directors' remuneration is performance related through the annual bonus and long-term incentive schemes. The fees of the Non-Executive Directors are independently reviewed and take into account the time commitments and responsibilities of the role. Additional fees are paid for acting as Chairman or being a member of one of the Board Committees.

The Remuneration Committee is responsible for setting the levels of remuneration for the Chairman and Executive Directors and also monitors the level and structure of remuneration for senior management. This is carried out with the assistance of the President – Group HR. The remuneration of the Non-Executive Directors is decided by the Board as a whole. No Director is involved in deciding his own remuneration. Further details of remuneration policy, Directors' remuneration, bonus, service contracts, shares interests and the activities of the Remuneration Committee are set out in the Remuneration Report on pages 83 to 91.

## How do we Engage with our Shareholders?

Communication with our shareholders takes many forms and is a continuous process. We welcomed the introduction of the Stewardship Code in 2010 to encourage the debate between companies and their shareholders and intend to do our part in engaging with our major shareholders. The main channels of communication with the investment community are through the Chairman, Deputy Chairman, Chief Executive Officer, Chief Financial Officer and Senior Vice President, Investor Relations. The Senior Independent Director and other Non-Executive Directors are also available as appropriate. The Directors as a whole keeps abreast of shareholder sentiment through regular detailed investor relations reports made to the Board.

## Channels of Communication

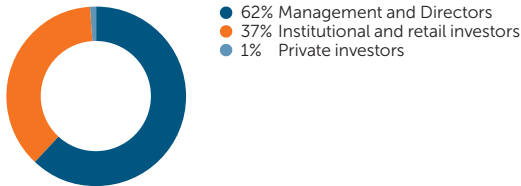
<b>Full year and half year results announcements</b>	<ul style="list-style-type: none"> <li>&gt; Released to the market</li> <li>&gt; Chairman, CEO and Chief Financial Officer presentations to institutional shareholders, analysts and the media</li> </ul>
<b>Production update/interim management statements</b>	<ul style="list-style-type: none"> <li>&gt; Released quarterly to the market followed by a conference call</li> </ul>
<b>Annual Report and Accounts</b>	<ul style="list-style-type: none"> <li>&gt; Available to all shareholders electronically, including interactively on the Company's website or hard copy on request</li> </ul>
<b>Press releases</b>	<ul style="list-style-type: none"> <li>&gt; Press releases are made to the market and media on key developments throughout the year</li> </ul>
<b>Meetings with institutional investors, analysts and brokers</b>	<ul style="list-style-type: none"> <li>&gt; Part of the investor relations programme initiated either by the Company or analysts and investors and managed at Group level through Ashwin Bajaj (Senior Vice President, Investor Relations). Site visits are organised for Analysts and Brokers for them to understand operation</li> </ul>
<b>Website</b>	<ul style="list-style-type: none"> <li>&gt; A wide range of information on the Company and its operations is available including the annual report and accounts, half yearly results, Sustainability Report, market announcements, press releases, share price and links to subsidiary company websites</li> </ul>
<b>Annual General Meeting</b>	<ul style="list-style-type: none"> <li>&gt; Attended by all of the Directors and members of senior management.</li> <li>&gt; As well as the formal business Shareholders can ask questions and talk to the Directors after the meeting</li> </ul>
<b>Responses to shareholder and stakeholder communications</b>	<ul style="list-style-type: none"> <li>&gt; There is ongoing dialogue with shareholders and other interested parties via email, letter and meetings particularly in relation to sustainability issues. The Chief Sustainability Officer meets with shareholder groups every quarter physically or via teleconferencing</li> </ul>

The Board has adopted a communications policy to ensure that other price-sensitive information is announced to the market in a timely and considered manner.

# Corporate Governance Report continued

An analysis of the Company's shareholder base as at 31 March 2012 is shown below.

## Percentage of shares held by shareholder type

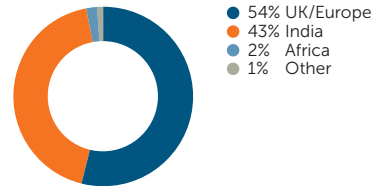


With over 60% of shares being held by management or Directors the investor relations process focuses on institutional and retail categories.

## Our Annual General Meeting

The Board uses the annual general meeting ('AGM') to communicate with shareholders and welcomes their participation and questions. This year's AGM will be held on 28 August 2012. Further details are given in the Notice of Meeting accompanying this Annual Report including the business to be considered at the meeting. The Notice is sent out at least 20 working days before the AGM. Voting at the AGM on all resolutions is by poll on a one share, one vote basis and the results of votes cast for, against and abstentions are available on the Group's website following the meeting. The Board believes that voting by poll allows the views of all shareholders to be taken into account regardless of whether or not they can attend the meeting and shareholders are actively encouraged to register their votes electronically in advance of the meeting

## Percentage of shareholders by country



All of the Directors, including the Chairmen of the Audit, Remuneration, Nominations and Sustainability Committees, attend the AGM in order to answer shareholders' questions.

Last year's AGM was attended by institutional and retail shareholders. There was active and robust debate on a variety of topics including Company performance and sustainability issues. All of the resolutions were passed with an average vote in favour of 97%.

The major geographical locations of shareholders are India and Europe. Therefore the use of channels of communication instantly accessible from anywhere in the world, such as the web, are key communication tools.

## The Audit Committee Report



**A Mehta**  
Chairman, Audit Committee

### Highlights

- > Embedding of acquisitions into control and risk management systems
- > UK Bribery Act roll out of policies

### Membership, Meetings and Attendance

The Audit Committee consists of the following independent Non-Executive Directors:

	Number of meetings attended
A Mehta, Chairman	5/5
N Chandra	5/5
ER Macdonald	5/5

Mr Mehta is considered to have recent and relevant financial experience. All members have had extensive management experience either in large international organisations or government and are financially literate.

We are aware of the increasing importance of the Audit Committee's role not just in reviewing financial performance but in ensuring robust risk management and control systems are in place to assist the Board assess the potential risks inherent in its strategic plans and objectives. Pivotal to this role is the operation of our Management Assurance Services function and the information they provide to the Audit Committee. Another key function of the Committee is to oversee the external audit and ensure that the external auditors' relationship with the Company remains independent and objective. Further details on the external auditors can be found in our report.

In order to carry out our duties effectively we receive high quality and detailed information from our finance function and internal and external auditors which is questioned, debated and challenged by members of the Audit Committee.

### The Audit Committee's Year

The Audit Committee has had a busy year. In particular attention has been focused on acquisition activity such as Anglo Zinc assets and Cairn India to ensure they are embedded into the audit and risk assessment processes. In addition time has been spent on reviewing steps put into place in light of the UK Bribery Act. The Bribery Act programme included engaging professional assistance, amending existing policies, putting together a training pack, carrying out awareness sessions for employees and implementing new procedures such as a Suppliers' Code of Conduct. In addition an Ethics Committee consisting of the CEO's of all business units has been formed.

### The Year Ahead

The Audit Committee's objectives for the forthcoming year include:

- > Review of changes to risk profile and support the Board debate on risk tolerance and appetite;
- > Review of Audit Committee membership;
- > Continuing to ensure that Cairn India operations are embedded into the Group's financial reporting procedures and risk profile;
- > Monitor progress on implementation of anti-bribery programme and roll out Code of Ethics;
- > Discuss with management the need to carry out a review of the external auditor position in line with developing regulation.

**A Mehta**  
Chairman, Audit Committee

# Corporate Governance Report continued

## The Audit Committee Report

### How our Audit Committee Operates

The Committee meets at least three times a year based on appropriate times in the financial reporting calendar. The Chairman of the Company, Executive Directors, Chief Financial Officer, Head of Internal Audit and other members of the senior management team (as invited by the Committee) together with the external auditors, regularly attend meetings. The Committee meets at least twice during the year with representatives from the external auditors without management being present. Regular reports are made to the Board of the Committee's activities. The Committee's agenda is based on its remit outlined below as appropriate to the stage in the reporting cycle. All items put to the Audit Committee receive in depth review and questioning.

### Performance Evaluation of the Audit Committee

Annual performance evaluation is used to feedback any concerns or improvements to how the Committee operates. The evaluation is carried out by detailed questionnaire of all Board members. The Audit Committee's performance in particular received high scores for its work and was assessed as carrying out its role effectively.

### What are the Responsibilities of the Audit Committee?

The Audit Committee's remit falls into four main areas: financial reporting, risk and the internal control environment, and oversight of external and internal audit processes. The detailed responsibilities of the Audit Committee are set out in its terms of reference which are available from the Company Secretary. The main responsibilities of the Audit Committee are to:

- > Monitor the integrity of the financial statements, including its annual and half-year results;
- > Review the Group's internal controls and risk management systems and consider the effectiveness of these systems;
- > Make recommendations to the Board concerning the appointment of the external auditor;
- > Review the independence of the external auditors;
- > Develop policy in relation to the provision of non-audit services by the external auditor;
- > Discuss with the external auditor the nature and scope of the audit;
- > Approve the remuneration of the external auditor;
- > Consider any matters arising in respect of the Relationship Agreement and related party transactions
- > Monitor the activities and effectiveness of the internal audit function (MAS) and consider their reports;
- > Review the Group's arrangements for its employees to raise concerns through its whistleblowing policy;
- > Monitor anti-bribery policies and procedures; and
- > Review reports from subsidiary company audit committees.

The Group's main subsidiaries, a number of which are listed on stock exchanges in India, have their own audit committees in accordance with local corporate governance requirements. By monitoring their discussions the Audit Committee gains further insights into the quality of financial reporting and internal controls throughout the Group. Furthermore the internal audit function presents issues arising from the subsidiaries to the Audit Committee on a regular basis. The external auditor partner, India, regularly attends both the subsidiary and Board Audit Committee meetings.

### What the Audit Committee did During the Year

The main areas of activity of the Audit Committee during the year are summarised below.

Area of Responsibility	Topic
<p><b>Financial Reporting</b></p> <p>It is one of the Committee's key duties to monitor the integrity of the financial statements. As part of this process it reviews in detail the preliminary results statements, the Annual Report and accounts and half year report. The appropriateness of accounting policies used is considered and external audit findings discussed. Details of financial reporting procedures in place are given on page 70 of the Corporate Governance Report.</p>	<ul style="list-style-type: none"> <li>&gt; Review and approval of Preliminary Announcement, Annual Report and financial statements</li> <li>&gt; Year End review of significant issues – impairment review, acquisition of Anglo Zinc Assets and Cairn India accounting</li> <li>&gt; Half year report planning and approval of half year report</li> <li>&gt; Discussions on impairment reviews</li> <li>&gt; Six monthly review of all pending tax issues</li> <li>&gt; Review of Audit Committee Report for the Annual Report and Accounts</li> <li>&gt; Six monthly review of legal cases to ensure appropriate provisions are made and disclosed</li> </ul>
<p><b>Internal Controls and Risk Management</b></p> <p>Details of the Company's internal control and risk management processes are discussed on pages 71 to 72. The Audit Committee reviews these processes and output from the regular review of risks carried out during the year by internal audit.</p>	<ul style="list-style-type: none"> <li>&gt; Internal audit review, review of control framework, review of whistleblowing cases, formation of ethics committee, review of legal cases</li> <li>&gt; Review of Subsidiary Audit Committee reports</li> <li>&gt; Going concern review of working capital forecasts, monthly projections, funding requirements</li> <li>&gt; Review of risk management programme, risk profile, significant risks, risk matrix and review of resulting action plans</li> <li>&gt; Review of 2012–13 internal audit plan</li> <li>&gt; Assessment of the performance of MAS (internal audit function)</li> <li>&gt; Review of Foreign Exchange policy</li> </ul>
<p><b>The Audit and External Auditors</b></p>	<ul style="list-style-type: none"> <li>&gt; Consideration of external Audit findings</li> <li>&gt; Review of key audit issues</li> <li>&gt; Review of materiality figure for the Audit</li> <li>&gt; Review of independence of the external Auditor and provision of non-audit services</li> <li>&gt; Performance review of the external Auditor</li> <li>&gt; Consideration of Audit fee</li> <li>&gt; Recommendation on reappointment of the external auditor</li> <li>&gt; Review of Management Representation Letter</li> <li>&gt; 2012 Audit Plan review</li> <li>&gt; Cairn India Audit Plan review</li> </ul>
<p><b>Governance</b></p>	<ul style="list-style-type: none"> <li>&gt; Briefing on UK Bribery Act, review of Anti Bribery Act programme</li> <li>&gt; Review of Committee's Terms of Reference</li> </ul>



# Corporate Governance Report continued

## The Audit Committee Report

### External Auditors

The Audit Committee is pivotal in monitoring the external audit and the relationship with the external auditor and further information on how this is achieved is set out below.

### The Audit Plan

A detailed Audit Plan is prepared by the external Auditors, Deloitte LLP, ('Deloitte') which is reviewed by the Audit Committee in depth. The Audit Plan sets out the audit scope, key audit risks identified, materiality issues, the client team working on the audit and the audit timetable. The audit scope covers the significant components of the audit and audit plans for each component and location. Each of the key audit risks is considered and the external auditors' response of how it will investigate these risks. This year a supplementary audit plan was prepared and reviewed for Cairn India as a recent acquisition.

### Auditor Independence

One of the key tasks of the Audit Committee is to review the external auditor's independence and monitor their continued effectiveness. The Audit Committee and the Board place great emphasis on the objectivity of the external auditor. The current external auditor, Deloitte LLP, have been the Company's auditors since listing in 2003. The rotation of the audit partner's responsibilities within Deloitte is required by their profession's ethical standards and there is also rotation of key members within the audit team. Deloitte are required to rotate the audit partner responsible for the Group audit every five years and the last audit partner rotation was in 2010. The Audit Partner responsible for the audit of Indian subsidiaries is being rotated this year. To ensure effective communication of matters relating to the audit, the Audit Partner and senior manager are present at Audit Committee meetings.

A key part of ensuring the independence of the external auditor is to have in place robust policies concerning matters that may affect their independence. The Company has in place policies on:

- > The independence and objectivity of the external auditor
- > Employment of former employees of the external auditor
- > Use of the external auditors for non-audit services

These policies are based on the APB Ethical Standards for Auditors and are regularly reviewed to ensure they are in line with best practice. These controls provide the Audit Committee with confidence that the independence of Deloitte in their audit function will be maintained.

### Provision by the External Auditor of Non-audit Services

The policy specifies certain services which the external auditors are prohibited from undertaking in order to safeguard their independence, such as work relating to the financial statements that will ultimately be subject to final audit and the provision of internal audit services. The policy also identifies those services which the external auditor is permitted to deliver to the Group. These include tax advisory services, and work on mergers, acquisitions and disposals. Of the permitted services any assignment in excess of US\$100,000 may only be awarded to the external auditor with prior approval of the Audit Committee.

All other permitted non-audit services will be reviewed by the Audit Committee on a bi-annual basis.

The Audit Committee receives a report every six months analysing the fees paid for non-audit work. This report includes safeguards put into place to ensure that any threats to the independence of the external auditor are mitigated. The majority of non-audit services provided by the external auditor are tax advisory services and corporate finance related work or transaction related work. A separate team within Deloitte LLP is used to carry out non-audit service work which is overseen by a separate partner. An analysis of non-audit fees can be found in Note 10 to the financial statements.

### Performance and Reappointment

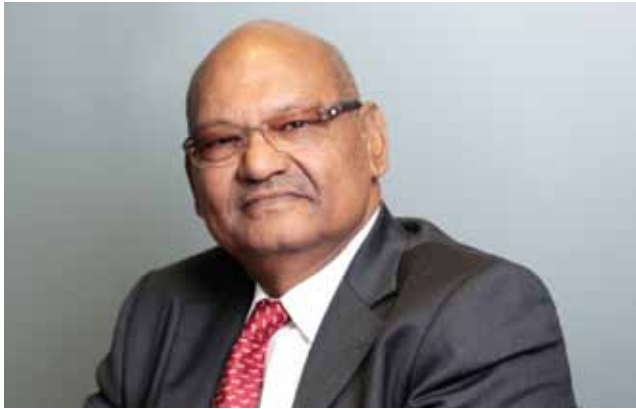
The overall performance and effectiveness of the auditor is reviewed annually taking into account the views of management. Feedback is provided on the evaluation to senior members of Deloitte who are unrelated to the audit. This activity also forms part of Deloitte's own system of quality control. The performance evaluation was carried out using a detailed questionnaire the results of which were considered by the Audit Committee. In addition this year the Audit Inspection Unit ('AIU'), part of the Financial Reporting Council, carried out a routine inspection of Vedanta's audit file. The AIU's findings are considered by the Audit Committee as part of the review of the external auditor.

Having reviewed the independence and effectiveness of Deloitte and being fully satisfied with the performance of Deloitte, the Audit Committee has recommended to the Board that the existing auditors, Deloitte, be reappointed as the Company's auditors and an ordinary resolution to reappoint Deloitte will be proposed at the forthcoming Annual General Meeting. There are no contractual obligations that restrict the Audit Committee's choice of auditor.

On behalf of the Board

**A Mehta**  
Chairman, Audit Committee  
16 May 2012

## Nominations Committee Report



Anil Agarwal  
Chairman, Nominations Committee

### Highlights

- > Extensive debate on Board composition
- > Focus on encouraging diversity throughout the Group

The Nominations Committee's role within Vedanta is seen as increasingly important. In reviewing Board composition it ensures that the right mix of skills and independent thought is represented on the Board. It also has a key role to play in bringing on talent from within the organisation.

### The Nominations Committee's Year

The focus this year has been on issues of diversity, succession planning and Board composition due to the Committee's awareness of the tenure of its Non-Executive Directors and publication of the Davies Report concerning representation of women on Boards. Both the Committee and Board have discussed at length the need for refreshing of the Board. Plans are well in hand to bring a new Non-Executive Director onto the Board to address these issues.

### The Year Ahead

The Nominations Committee objectives for the coming year are:

- > Finalise the review of Board and Committee membership;
- > Continue diversity drive within the Group;
- > Succession planning for senior management;
- > Plans on how to nurture talent from within Vedanta.

### A Agarwal

Chairman, Nominations Committee

### Membership, Meetings and Attendance

Membership of the Nominations Committee is in line with the requirements of the 2010 Code and is comprised of the following Directors:

	Number of meetings attended
A Agarwal, Chairman	2/2
N Chandra	2/2
ER Macdonald	2/2
A Mehta	2/2

### How our Nominations Committee Operates

The Committee meets at least two times a year. Other Executive Directors and members of the senior management team may attend meetings at the invitation of the Committee as appropriate. Reports are made to the Board of the Committee's activities.

### Performance Evaluation of the Nominations Committee

Annual performance evaluation is used to assess how the Nominations Committee is performing and feedback any suggested improvements. The performance of the Nominations Committee was assessed during the year and was considered to be effective in all areas of its remit.

# Corporate Governance Report continued

## Nominations Committee Report

### What are the Responsibilities of the Nominations Committee?

The responsibilities of the Nominations Committee are set out in its terms of reference which are available from the Company Secretary. The main responsibilities of the Nominations Committee are to:

- > Review the structure, size and composition of the Board (including the skills and experience required of its members) and make recommendations to the Board accordingly of adjustments that are deemed necessary;
- > Establish a policy in respect of diversity on the Board and consider Board composition in light of the benefits of diversity, including gender;
- > Consider candidates for appointment as either Executive or Non-Executive Directors and plan for succession in particular to the positions of the Board Chairman and Chief Executive;
- > Before an appointment is made prepare a description of the role and capabilities required;
- > In identifying suitable candidates consider the use of open advertising or external advisers to facilitate the search, consider candidates from a wide range of backgrounds;
- > Ensure that Non-Executive Directors receive a letter of appointment setting out what is expected from them in terms of time commitment;
- > Recommend to the Board whether to reappoint a Non-Executive Director either at the end of their term of office or when put forward for re-election, having regard to their performance and ability to continue to contribute to the Board. The Committee will confer with Volcan Investments Limited in this respect under the terms of the Relationship Agreement.

### What the Nominations Committee Did During the Year

The main areas of activity of the Nominations Committee during the year are summarised below.

Area of Responsibility	Item
<b>Board Composition and succession planning</b>	<ul style="list-style-type: none"> <li>&gt; Discussions of succession planning processes to ensure selection procedures incorporate Davies Report recommendations</li> <li>&gt; Approval of Policy on diversity</li> </ul>
<b>Performance of Directors</b>	<ul style="list-style-type: none"> <li>&gt; Consideration of performance of N Chandra and recommendation that he be reappointed as Non-Executive Director and Senior Independent Director for further one year term</li> <li>&gt; Review of A Mehta and N Agarwal performance prior to recommendation to shareholders to re-elect to the Board</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>&gt; Review and approval of new Terms of Reference</li> </ul>
<b>Annual Report</b>	<ul style="list-style-type: none"> <li>&gt; Approval of Nominations Committee Report</li> </ul>

### Diversity

We announced our aspirations for Board diversity during the year which is to have 25% of women on the Board by 2015. However, all appointments will continue to be made on merit. To achieve this target we will ensure that women candidates are considered routinely as part of the recruitment process. We will also monitor and encourage the progress of women in senior positions throughout the Group.

Vedanta operates within a traditionally male dominated industry. The current proportion of men to women within the Group is 92% men and 8% women whereas in the professional population the proportion is 88% men and

12% women. We are pleased to report that we do have a number of women in senior positions including in the areas of legal, Investor relation and Corporate Finance. We have also constantly improved the women professionals' intake from campuses from 10% to 20% thus ensuring improved talent pipeline for senior leadership roles in the future.

On behalf of the Board

**A Agarwal**  
Chairman  
16 May 2012

## Sustainability Committee Report



**Naresh Chandra**  
Chairman, Sustainability Committee

“Sustainability is one of Vedanta Resources’ five core values. It is built on Responsible Stewardship, Stakeholder Engagement and the Value Added to People. The Sustainability Committee is adding value to the Group by applying its collective mind to the development, implementation and assurance of Sustainability Management Systems across the businesses.”

### The Sustainability Committee's Year 2011–12

The Sustainability Committee met on four occasions in the FY 2011–12 on the 12 July 2011, 3 October 2011, 18 October 2011 and the 3 February 2012.

The Sustainability Committee approved the Sustainability Model and Framework, 2010–11 Sustainable Development Report and specifically each of the following Policies: HSE amendment, Biodiversity, Water, Energy and Carbon, Supplier and Contractor Management, Social, Human Rights and HIV/Aids.

The Sustainability Committee reviewed the investigation report and recommendations for each fatality that occurred in the Group.

The Sustainability Committee oversaw the following programmes:

- > Accident reduction and the prevention of harm to employees and contractors and reviewed the results
- > Reduction in Water use
- > Reduction in Energy and Carbon use
- > Clean Development Mechanism programmes
- > Implementation of the Scott Wilson Report recommendations including approval of the formal submissions to the lenders.
- > Waste Management

The Sustainability Committee debated and opined on the follow topics:

- > Medium Term Sustainability Target
- > The need for an ExCo Sustainability Sub-committee

### The Year Ahead

We expect the Sustainability Committee to maintain its focus on the above topics and to approve the medium term Sustainability targets, and Stakeholder Engagement Plan. Further, we expect to oversee human rights due diligence, while confirming our methodology for materiality, developing our sustainability risk profile and beginning a programme of supply chain audits.

**Naresh Chandra**  
Chairman, Sustainability Committee

### Membership, Meetings and Attendance

Membership of the Sustainability Committee and attendance at meetings is shown below.

	Number of meetings attended
N Chandra, Chairman	4/4
MS Mehta	4/4
J Janakaraj	4/4
T Henshaw (Secretary)	4/4

All invited CEO's or their representatives attended the meetings.

# Corporate Governance Report continued

## Sustainability Committee Report

### Performance Evaluation of the Sustainability Committee

Annual performance evaluation is used to assess how the Sustainability Committee is performing and feedback any suggested improvements. The performance of the Sustainability Committee was assessed during the year and was considered to be effective in all areas of its remit.

### What are the Responsibilities of the Sustainability Committee?

The responsibilities of the Sustainability Committee are set out in its terms of reference which are available at [www.vedantaresources.com/sustainability/hse\\_policy.html](http://www.vedantaresources.com/sustainability/hse_policy.html)

The main responsibilities of the Sustainability Committee are:

- > To recommend to the Board Group Sustainability policies, clearly setting out the commitments of the Group to manage matters of Sustainable Development effectively.
- > To advise the Board to enable it to discharge its responsibilities, having regard to the law and the expected international standards of governance.
- > To outline initiatives required to institutionalise a Sustainability culture through involvement of the employees at all levels.
- > To review and report to the Board the performance of the Group and its Group companies with respect to the implementation of a Sustainability Management System.

### What the Sustainability Committee Did During the Year

The main areas of activity of the Sustainability Committee during the year are summarised below.

Area of Responsibility	Item
<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>&gt; Unsafe condition elimination programme</li> <li>&gt; Review of accident root causes and action plans to eliminate fatalities and harm to employees and contractors</li> <li>&gt; Behavioural safety for all line management.</li> <li>&gt; Safety KPIs and medium-term targets</li> <li>&gt; Review of the Vedanta near miss reporting system</li> <li>&gt; Emergency planning</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>&gt; Review of environmental incidents</li> <li>&gt; Environment KPIs and medium-term targets</li> <li>&gt; Review of waste utilisation plans and initiatives</li> <li>&gt; Review of environmental footprints</li> <li>&gt; Strategy for water management</li> <li>&gt; Strategy for energy consumption and climate change</li> <li>&gt; Clean development mechanism programmes</li> </ul>
<b>System Development and Performance Reporting</b>	<ul style="list-style-type: none"> <li>&gt; Approval of Vedanta Sustainability Report 2010–11</li> <li>&gt; Oversaw the implementation of the recommendations of the Scott Wilson Report</li> <li>&gt; Approval of Scott Wilson update report to the lenders</li> <li>&gt; Approval of Vedanta sustainability policies</li> </ul>

On behalf of the Board

**Naresh Chandra**  
Chairman  
16 May 2012