


Meeting Date:	Wed, 28 Jul 2010 15:00	Proxy Deadline:	Mon, 26 Jul 2010	Type:	AGM	Issue date:	Thu, 15 Jul 2010
Meeting Location:	The Institute of Civil Engineers, One Great George Street, London SW1P 3AA						
Current Indices:	FTSE 100	FTSE EuroFirst	MSCI Europe				
Sector:	Mining						

PROPOSALS	ADVICE
<p>1 Receive the Annual Report The company's Business Review meets ASB RS guidelines in our view. Basic environmental policy and reporting in place. However the environmental performance data reported is not up to date. We also note that the company made political donations during the year.</p>	Oppose
<p>2 Approve the Remuneration Report Disclosure of cash remuneration is poor. Annual bonuses were paid in the year despite use of safety as a performance criterion and the 41 employee and contractor fatalities in a single incident during the year. The LTIP adopts only one performance condition (relative TSR). The lower target and the vesting scale are not deemed sufficiently stretching. Assurance on achievement of LTIP targets are given by the same consultants that provide internal audit services. Large salary increases for the chief executive and the deputy chief executive have not been justified. Termination provisions for Mr N. Agarwal and Mr Mehta are not clearly disclosed. No mitigation statement is provided.</p> <p>Rating:DCD</p>	Oppose
<p>3 Approve the dividend A final dividend of US\$27.5 cents per ordinary share is proposed. Together with the interim dividend of US\$27.5 cents, this amounts to a total dividend of US\$45.0 cents per ordinary share. Covered by earnings.</p>	For
<p>4 To re-appoint Naresh Chandra Senior Independent Director. Chair of the group Health, Safety and Environment Committee. Chair of the remuneration committee. PIRC considers the failure of the company to recognise and address weaknesses in health and safety controls exposed by the incident at the Balco power plant during the year is a significant indicator of poor governance. The failure of the group to engage with explicit investor led ESG concerns over the impact of group activities on the Niyamgiri region and the control issues raised by the fatalities are evidence of a lack of competent oversight in our view. We also have concerns over the payment of annual bonuses by the committee of which he is chairman in apparent contradiction of the safety criteria upon which such awards can be made and the award of unexplained significant salary increases to executives in the yearWe advise opposition.</p>	Oppose
<p>5 To re-appoint Euan Macdonald Non-Executive Director. Member of remuneration committee. PIRC considers the failure of the company to recognise and address potential weaknesses in health and safety controls and procedures is a significant indicator of poor governance. The failure of the group to engage with explicit investor led ESG concerns over the impact of group activities on the Niyamgiri region and the control issues raised by the fatalities are evidence of a lack of competent oversight in our view. We also have concerns over the payment of annual bonuses by the committee of which he is a member in apparent contradiction of the safety criteria upon which such awards can be made and the award of unexplained significant salary increases to executives in the year. We advise opposition.</p>	Oppose

6	<p>To re-appoint Aman Mehta Non-Executive Director. Chairman of the audit committee and member of the remuneration committee. PIRC considers the failure of the company to recognise and address potential weaknesses in health and safety controls and procedures is a significant indicator of poor governance. The failure of the group to engage with explicit investor led ESG concerns over the impact of group activities on the Niyamgiri region and the control issues raised by the fatalities are evidence of a lack of competent oversight in our view. We also have concerns over the payment of annual bonuses by the committee of which he is a member in apparent contradiction of the safety criteria upon which such awards can be made and the award of unexplained significant salary increases to executives in the year. We advise opposition.</p>	Oppose
7	<p>Appoint the auditors Deloitte LLP proposed. Inappropriate non-audit fees during the year were 90% of audit fees and greater than 25% on a three year aggregate basis. We recommend an abstain vote.</p>	Abstain
8	<p>Allow the board to determine the auditors remuneration Standard proposal.</p>	For
9	<p>Issue shares with pre-emption rights Authority limited to one third of the issued share capital and expires no later than the next AGM. Within recommended limits.</p>	For
10*	<p>Issue shares for cash Authority limited to less than 5% of the issued share capital and expires no later than the next AGM. Within recommended limits.</p>	For
11*	<p>Authority to facilitate full conversion of the 2017 Bonds into ordinary shares The company is seeking shareholder authority in order to permit the directors to exercise the company's conversion rights attached to the US\$883 million convertible bonds due 2017 issued by Vedanta Resources Jersey II Ltd, a subsidiary of the company. The company would issue or deliver ordinary shares in exchange of the convertible bonds.</p> <p>Vedanta Resource Jersey II Limited ('VRJL – II') issued 4.0 % US\$883 million guaranteed convertible bonds on 30 March 2010. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VRJL II, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc. The bondholders have the option to convert at any time from 10 May 2010 to 23 March 2017. The loan notes are convertible at US\$51.9251.</p> <p>If the notes have not been converted, they will be redeemed at the option of the Company at any time on or after 14 April 2013 subject to certain conditions, or be redeemed at the option of the bondholders on or after 29 April 2013 to 30 March 2015.</p> <p>At 10 June 2010, these bonds represent conversion rights in respect of up to 17,005,263 ordinary shares, corresponding to 6.25% of the company's total ordinary share capital.</p> <p>The terms of the contracts under which the relevant bonds were issued allowed for redemption of the bonds in cash or shares. The board appears to be seeking authority to elect that the settlement be fully in shares. In the notes to the accounts there is a statement to the effect that the terms of the bond will be modified within the next 12 months to allow the carrying value as at the date of modification to be reclassified into equity. Beyond this there is no disclosure as to why the board is pursuing the authority to avoid settling the bond with cash and we advise opposition.</p>	Oppose
12*	<p>Authorise Share Repurchase Authority limited to 10% of the issued share capital and expires no later than the next AGM. Within acceptable limits.</p>	For
13*	<p>Notice of general meetings The proposed resolution reflects the implementation of the EU Shareholder Rights Directive into English law, which took place on 3 August 2009 as implemented by the company in its Articles of Association. Under the regulations, the minimum notice period for general meetings (other than Annual General Meetings) will</p>	For

increase to 21 days unless certain conditions are met, in which case it may be 14 days.

PIRC considers that all companies should aim to provide at least 20 working days notice for general meetings in order to give shareholders sufficient time to consider what are often complex issues; however, we recognise that the proposed change is permissible by the Companies Act and recommend support.

14* Amend Articles

For

The board is seeking shareholder approval to adopt new articles primarily to reflect the implementation of the Shareholders' Rights Regulations and to reflect the remaining provisions of the Companies Act 2006 and certain amendments to the Uncertificated Securities Regulations 2001. Significant changes include the following. First, the Act reduces the importance of the memorandum of association and limits the information that companies are obliged to include in it. Also, all the provisions of the memorandum, including the objects clause, are now to be treated as forming part of the articles. However, a company may remove these provisions from its articles by a special resolution. In addition, under the Act a company may proceed as though its objects clause is unrestricted. In line with the legislation, the company is seeking to delete the majority of the provisions of its memorandum, including the objects clause, and to remove them from its articles.

Secondly, the company seeks to delete the provisions in its articles relating to the authorised share capital, given that the Companies Act has abolished the requirement to have an authorised share capital. A number of other changes are also proposed in the new articles, including in relation to: redeemable shares; voting by corporate representatives; notice of meetings; voting by proxies on a show of hands; adjournments for lack of quorum; and the Chairman's casting vote. We consider these changes acceptable.

15* Approval sought to reduce the amount standing to the credit of the share premium account

Abstain

Shareholders are asked to approve the reduction of the company's Share Premium Account from US\$ 197million to US\$ 190 million. If this resolution passes the reduction will be effective only after the approval of the High Court of Justice of England and Wales. The company has expressed the intention of using the revenues obtained through the operation to repurchase its own shares whilst maintaining sufficient cash to maintain its dividend policy.

We consider that the company has not sufficiently clarified to shareholders how its debt policy is affecting shareholders interests. Due to the insufficient level of disclosure over how the revenues proceeding from this operation will be used, we recommend an abstain vote.

*** = Special Resolution**

Directors

- Board composition is effectively controlled by the controlling shareholder, Volcan, which is in turn controlled by the executive chairman and his immediate family. Mr Agarwal was the founder of the businesses of Vedanta Resources, lead the company as chief executive to the floatation on the London Stock Exchange and was nominated Executive Chairman in 2005.
- PIRC has concerns over the lack of transparency of the recruitment process particularly with regard to the appointment of the chief executive of the company, Mr Mehta.
- While there is a clear separation of powers at the head of the company in terms of positions and responsibilities, we would question if this applies in practice, as all of the executives are connected to the executive chairman and the controlling shareholder.
- All non-executives are independent under PIRC guidelines, and despite the fact that they comprise a majority of the board, the existence of the controlling shareholder and its ability to appoint directors to the board brings the overall board balance into question.
- The nomination committee composition does not comply with PIRC guidelines since the executive chairman of the Board and controlling shareholder is the committee's chairman.

Remuneration

- Disclosure of cash remuneration is poor.
- The LTIP adopts only one performance condition (relative TSR). The lower target and the vesting scale are not deemed sufficiently stretching.
- Assurance on achievement of LTIP targets given by the same consultants that provide internal audit services.
- Large salary increases for the chief executive and the deputy chief executive have not been justified.
- Termination provisions for Mr N. Agarwal and Mr Mehta are not clearly disclosed. No mitigation statement is provided.

Audit and reporting

- 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.
- Consultancy-related non-audit fees are equivalent to approximately 91% of the audit fee during the year, and are greater than 25% of the audit fee on a three-year aggregate basis. This raises independence concerns over the external auditors.

Share capital and shareholder relations

- The company has been the subject of a UNPRI shareholder engagement with regard to its mining practices, health and safety, community relations and board level responsibility for CSR management. Concerns have been expressed about the failure to communicate effectively with shareholders on these matters which have lead to disinvest by some.
- At the time of Listing, the Company and Volcan, the majority shareholder, entered into a relationship agreement (the 'Relationship Agreement') to regulate the ongoing relationship between them.

Under the terms of the Relationship Agreement, the Board, and Nominations Committee will at all times consist of a majority of Directors who are all 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.

Company's Primary Objective and/or Strategy

- The company's vision is to be a world- class metals and mining company and to generate strong returns for shareholders. It's strategy to realise this vision is based on: organic growth, optimising returns, the group structure and seeking additional investment opportunities. General market factors affecting the company's performance are described.

Key Performance Indicators

- The company has disclosed a range of financial key performance indicators within the business review. Non-financial key performance indicators include total number of women in the total permanent employee workforce, lost time injuries per million manhours worked and a CSR Footprint which represents the geographical reach of community engagement.

PIRC Analysis

- The company has reviewed its performance during the year and its prospects in light of specific market conditions for metals and the countries in which it operates. Although the company reports on a range of both financial and non-financial KPIs, non-financial KPIs are not specifically linked to the company's strategy and objectives.
- The business review meets basic requirements in our view.

Environment

- Vedanta discloses an Environment Policy. However, PIRC believes that the company should improve this policy to ensure that it includes board responsibility for environmental matters.
- A HSE Committee is in place, and includes board-level membership.
- The Sustainable Development Report 2010 has not yet been published and therefore there is insufficient up to date group-wide environmental data available.
- Last year, the company reported figures on carbon footprint, energy, water, and waste regarding the previous year. However, the disclosed figures are not contextualized/comprehensively discussed from a risk management perspective, an analysis which is critical to shareholders. As an illustration, there is insufficient explanation of the increase in energy consumption noted from previous years, and/or an explanation of how the company plans to address the trend. A carbon foot-printing analysis was done for the Group's entire operations, the findings of which have only been minimally disclosed. Given the large scale and complexity of the company's operations, this disclosure is not considered useful from a risk analysis perspective.
- There is minimal disclosure of the targets relating to environmental indicators. As an illustration, there is a lack of climate change and energy targets at Group level which is seen to be a material omission.
- An environmental risk assessment of the company's value chain (coupled with appropriate disclosure in the sustainable development report) would allow the company and its shareholders to identify which areas of its operations should be prioritized for further action (e.g., increase operational efficiencies, low carbon technological investment etc), as it pertains to KPIs.
- The company uses stakeholder feedback to develop its environmental procedures however the basis for identification and selection of stakeholders with whom to engage is not fully disclosed.

Employment

- There is no overarching formal policy statement on general employment issues. There are policies on health and safety and equal opportunities which meet PIRC criteria.
- There is a code of conduct regarding human rights. However, given the level of scrutiny on the mining industry regarding human rights, a social impact assessment (which incorporates human rights) should be completed (and disclosed in the sustainable development report) on the company's value chain to determine stakeholder/issues prioritization from which CR strategies can be developed.
- Performance indicators were disclosed in the 2009 Sustainable Development report but no up to date data is available.
- From the OHSAS certification, it is possible that the company reports on health and safety targets and reports on its performance in this area; however, this information is not disclosed to shareholders.
- No employment targets are disclosed. Given the industry Vedanta operates in and the high number of fatalities during the year, we see the lack of health and safety targets as a material omission.
- During the year under review there were 27 fatalities of Vedanta employees and 40 fatalities for contractors.

Community

- The company discloses a policy statement on community involvement which does not meet PIRC criteria.
- Given the level of scrutiny on the mining industry regarding community engagement, a social impact assessment should be completed (and disclosed in the sustainable development report) on the company's value chain to determine stakeholder/issues prioritization from which CR strategies can be developed.
- The company uses stakeholder feedback to develop its community procedures however the basis for identification and selection of stakeholders with whom to engage is not fully disclosed.
- During the year, the Group made charitable donations of US\$1.1 million paid to the Sterlite Foundation (2009: US\$0.86 million) and other charitable donations of US\$0.63 (2009:1.52million).

Issue alert

- The construction of a bauxite mining project in India by Sterlite Industries (a subsidiary of Vedanta Resources Plc) has faced numerous delays due to concerns over environmental damage and the issuing implications for the livelihood of the local tribes, the Dongria Kondh. In July 2010, Mineweb reported that the project could be 'irrevocably delayed, given the strong stance of the Indian government's Union Ministry of Environment and Forests.' The ministry has set up a new committee to investigate the alleged violation of forest rights of tribal people living there, as well as the impact on wildlife. Though India's Supreme Court approved the project in August 2008, the firm has since been waiting for an environmental clearance. The mine in question has been the source of much controversy for the company and last year led the UK

government to declare that it 'did not respect the rights of the Dongria Kondh.' NGO's such as Action Aid and Survival International had been expressing their concerns about the mining project. A number of investors have expressed their concern to the company and some have withdrawn investment - in November 2007, the Norwegian Government Pension Fund withdrew its investment from Vedanta due to concerns over the company environmental and human rights record. Similar concerns also led both the Church of England and the Joseph Rowntree Charitable Trust to disinvest from Vedanta in February and June 2010.

- The company states that it is committed to implementing rehabilitation measures in the Niyamgiri area, as prescribed by The Indian Supreme Court and the Orissa State Government.
- The controversy affecting the bauxite mining and aluminium refining project in Orissa suggests that a gap may exist between disclosed environmental/community policies and procedures and company practice, in addition to the company's failure to communicate effectively with shareholders on these matters, thereby creating a potential reputational risk to the company which may undermine shareholder value over the long term. In early July 2010 the Orissa state government ordered a fresh survey of the forest area to settle the claims under Forest Right Act.

In September 2009 a power-plant chimney being built at an aluminum-producing unit of Vedanta Resources plc collapsed in the district of Korba in eastern India, killing 41 people. Shortly after the incident, the company was accused by Korba district police chief of having broken the law by embarking on the construction in the first place. In November, following a two month police investigation, three officials from Vedanta's subsidiary, BALCO, were arrested and charged with "culpable homicide". Press reports allege that the three arrested are Balco's vice-president, who was also the plant's project manager, its associate general manager and a graduate trainee engineer.

FINANCIAL PERFORMANCE

	2010 \$	2009 \$	2008 \$
Year End	31 March	31 March	31 March
Earnings per share (¢)	219.60	76.40	305.40
Dividend per ordinary share (¢)	45.00	41.50	41.50

FINANCIAL ADVISORS & COMPANY CONTACT

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1.DIRECTORS

1.1 BOARD OF DIRECTORS

PIRC assesses a non-executive director's independence according to PIRC's shareholder guidelines. Comments represent PIRC's analysis based on information in the report and accounts. *A = audit committee, R = remuneration committee, N = nomination committee, C = CSR or Ethics Committee, * = committee chairman.*

Board changes during year (after previous AGM): None.

Anil Agarwal		Chairman (Executive)	
Age:	56	Date Appointed:	1976
Shares:	162322440	Options:	0
Severance Entitlement	6 months rolling	LTIP:	97000
Other Positions:	Sterlite [Ch], BALCO [dir], HZL [dir], Vedanta Alumina Ltd [dir]		
Comment:	Mr Agarwal is founder of the Company and has previously been Chief Executive. He became executive chairman on 23 March 2005. Mr Anil Agarwal's holding of 162,250,000 shares (included above) are registered in the name of Volcan Investments Limited which is a company owned by a family trust and which owns 60% of the company's issued share capital.		

Mahendra S Mehta		Chief Executive	
Age:	54	Date Appointed:	2008
Shares:	39521	Options:	0
Severance Entitlement	3 months rolling	LTIP:	25500
Other Positions:	Hindustan Zinc Limited [CEO]		
Comment:			

Navin Agarwal		Executive Director	
Age:	49	Date Appointed:	2004
Shares:	213360	Options:	0
Severance Entitlement	6 months rolling	LTIP:	64500
Other Positions:	None disclosed.		
Comment:	Deputy executive chairman. Mr Agarwal is the brother of the Executive Chairman, Mr Anil Agarwal, and chairs the Executive Committee.		

Naresh Chandra		Senior Independent Director	
Age:	75	Date Appointed:	2004
Shares:	0	Options:	0
Severance Entitlement		LTIP:	0
Other Positions:	ex-Indian Government Committee on Corporate Governance [Ch], ex-Indian Ambassador to the US, ex-Senior Adviser to the Prime Minister, ex-Cabinet Secretary, ex-Indian Home		

Secretary

Comment: Independent by the company, independent by PIRC.

Aman Mehta		Non-Executive Director			
Age:	63	Date Appointed:	2004	Committees:	A*, R
Shares:	0	Options:	0	LTIP:	0
Severance Entitlement					
Other Positions:	ex-HSBC [Ch and CEO of HSBC USA Inc., DepCh of HSBC Bank Middle East with responsibility for the Group's operations in the Middle East]				
Comment:	Independent by the company, independent by PIRC.				

Euan Macdonald		Non-Executive Director			
Age:	70	Date Appointed:	2005	Committees:	A, R, N
Shares:	0	Options:	0	LTIP:	0
Severance Entitlement					
Other Positions:	ex-HSBC Securities and Capital Markets, India [ExecVCh], ex-SG Warburg [Ch-SBC Warburg India]				
Comment:	Independent by the company, independent by PIRC. We note that Mr Macdonald has held a position at HSBC, as did Mr Aman Mehta. The board has previously explained that both Mr Macdonald and Mr Mehta had no involvement with Vedanta prior to their appointment.				

1.2 Board Composition (after AGM)

Directors	Number	% of board
Executive Directors	3	50.00
Independent NEDs	3	50.00
'Connected' NEDs	0	0.00
Other	0	0.00
Total	6	100.00

1.3 BOARD COMMITTEES (AFTER AGM)

	Number of members	% indp Co. View	% indp PIRC View	Meetings last year
Whole Board	6	50.00	50.00	12.00
Audit	3	100.00	100.00	4.00
Remuneration	3	100.00	100.00	3.00
Nomination	3	66.67	66.67	3.00

Number of NED-only meetings in year: n/d

1.4 Best Practice

This table sets out PIRC's assessment of the company's compliance with standards of best practice as set out in PIRC's Shareholder Voting Guidelines. n/d = Not Disclosed.

BEST PRACTICE PRINCIPLE AND CRITERIA: DIRECTORS	ANALYSIS
<p>A. There should be a clear division of responsibilities at the head of the company</p> <p>a) There is a separate chairman and chief executive</p> <p>b) The chairman has not previously been chief executive</p> <p>c) There is a senior independent director</p>	<p>Yes</p> <p>No</p> <p>Yes</p>
<p>B. The board should contain sufficient numbers of independent non-executives</p> <p>d) There are at least three non-executives on the board</p> <p>e) At least a third of the board is independent by PIRC guidelines</p> <p>f) At least 50% of the board excluding the chairman are independent</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>
<p>C. All directors should be accountable to shareholders by facing regular re-election</p> <p>g) All directors are required to seek regular re-election</p> <p>h) All directors face election every year</p>	<p>Yes</p> <p>No</p>
<p>D. There should be an independent and transparent appointments and review process</p> <p>i) Nomination committee composition complies with PIRC guidelines</p> <p>j) Recruitment practices for new directors are transparent</p> <p>k) There is evidence that a process for succession planning exists and is regularly reviewed.</p> <p>l) Process for regular board and individual appraisals and outcome is disclosed</p> <p>m) NEDs should annually appraise the chairman's performance</p> <p>n) Individual director's attendance at board and committee meetings is disclosed</p> <p>o) There is evidence that training needs for the board are regularly reviewed and acted upon</p>	<p>No</p> <p>No</p> <p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>No</p>

1.5 Board Analysis

Comments on principle A

There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.

We have concerns over the actual separation of powers at the head of the company. Nonetheless, we note that the company has further outlined the division of responsibilities between the deputy executive chairman and the chief executive.

Comments on principle B

Non-executives are central to an effective and accountable board structure. They should meet at least once a year without executives present (A.1.3) and the annual report should include reference to the number of such meetings. Shareholders may benefit from non-executives serving on the board who can add value whilst not having an outsider's independent perspective. However, such appointments need to be assessed as part of the board's evaluation of its own requirements. PIRC places great importance on there being sufficient number of independent Non-Executive Directors (NEDs) to be able to effectively counterbalance the executive element.

There is an adequate balance between executives and non executives on the board. The majority of the board, excluding the chairman, is independent by PIRC guidelines.

Comments on principle C

It is fundamental to good corporate governance that all directors are required to seek regular re-election by shareholders. The Combined Code provides that: All directors should be subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of no more than three years. (A.7.1) PIRC considers annual re-election for each director to be best practice. In the absence of annual election, we believe that shareholders should have the opportunity for an earlier vote where there is a significant change in an existing director's role. We define this as: the chairman or chief executive stepping down from the role but remaining on the board; and an existing director becoming chairman or chief executive.

Comments on principle D

It is important that the process of board appointments is fully described, in order to demonstrate that appointments have been made on merit and against objective criteria. Boards should look to provide a balanced, meaningful report, bearing in mind the different skills, knowledge and experience the directors bring to the board. The appraisal process should be described for both nonexecutives and executives, including the criteria used and minimum requirements set. Appraisals should be undertaken in relation to individual directors, committees and the board as a whole, and general outcomes should be disclosed. The director or committee responsible for the process should be identified. Companies should consider the appointment of an independent third-party to conduct the review.

Information on meeting's attendance is clearly set out. We would expect the company to describe the process of appointment of the new chief executive. The nomination Committee composition does not comply with PIRC guidelines since the executive chairman of the Board and controlling shareholder is its Committee's Chairman.

2. DIRECTORS REMUNERATION

2.1 Board Remuneration

	2010		2009		2008
Non-executive directors		% change		% change	
Fees	275,000.00	-17.00	334,000.00	0.00	334,000.00
Others					
Non-executives' total	275,000.00	-17.00	334,000.00	0.00	334,000.00
Executive directors					
Salaries	1,895,435.00	5.00	1,796,000.00	18.00	1,520,000.00
Annual Bonus	573,000.00	-12.00	653,000.00	-29.00	920,000.00
Other Performance Related					
Other Emoluments	114,000.00	-25.00	153,000.00	-24.00	202,000.00
Executives' total cash	2,582,435.00	0.00	2,602,000.00	-1.00	2,642,000.00
Defined benefits and defined contributions schemes	122,000.00	-17.00	147,000.00	70.00	86,000.00
Share Option Gains					
LTIP Gains	402,300.00	66.00	241,834.00	-84.00	1,566,000.00
Compensation Payments					
TOTAL EXECUTIVES	3,106,735.00	3.00	2,990,834.00	-30.00	4,294,000.00

HIGHEST PAID DIRECTOR	2010 Mr AK Agarwal		2009 Mr AK Agarwal		2008 Mr AK Agarwal
Salary	1,170,125.00	26.00	925,000.00	23.00	750,000.00
Annual Bonus	305,000.00	9.00	278,000.00	-38.00	450,000.00
Other Performance-Related					
Other Emoluments	56,000.00	9.00	51,000.00	-59.00	126,000.00
Total Cash	1,531,125.00	22.00	1,254,000.00	-5.00	1,326,000.00
Share option gains					
LTIP gains	1,058,400.00				
Pension increase					
TOTAL	2,589,525.00	106.00	1,254,000.00	-5.00	1,326,000.00

Average Executive Director (annualised)	2010 of 3.0		2009 of 3.0		2008 of 3.0
Salary	631,812.00	5.00	598,667.00	18.00	506,667.00
Total Emoluments	860,812.00	0.00	867,333.00	-1.00	880,667.00

Comments on table

The salaries for Navin Agarwal and Chief Executive MS Mehta include salaries pursuant to service agreements with Sterlite Industries (India) Ltd, a Group company. These salaries, referred to as 'Cost to Company' (CTC) encompass basic pay and allowances.

The Company does not provide pension benefits to Mr Anil Agarwal, which is reflected in the determination of his overall remuneration package. Defined contributions to pension funds are included within the CTC payable to an individual in India.

Comparative salary ranking

Highest paid director:	7th out of 10
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Average executive:	8th out of 10
Comparator used:	FTSE 100 General Mining

2.2 Executives' incentive bonus structure

Remuneration Advisers:Hewitt New Bridge Street

Scheme	Annual bonus scheme
Maximum Award	100% of annual salary. In respect of Mr Navin Agarwal and Mr MS Mehta salary means the aggregate of Vedanta salary together with CTC payable by Sterlite.
Performance Conditions	Personal quality measures and financial and non-financial KPIs
Comment	Bonuses during the year were approximately 30% of the aggregate base salaries (Vedanta plus Sterlite Industries).

Scheme	The Vedanta Resources Long Term Incentive Plan
Maximum Award	100% of annual salary
Performance Conditions	Awards vest depending on TSR growth over three years compared to a Comparator Group which includes ten companies. 40% of awards vest at median and 100% at or above upper quartile. Awards vest on a straight-line basis between these two points.
Comment	Awards corresponding to approximately 100% of salary were granted during the year.

2.3 Best Practice

This table sets out PIRC's assessment of the company's compliance with standards of best practice as set out in PIRC's Shareholder Voting Guidelines. It is based on disclosure in the report and accounts. n/d = not disclosed.

BEST PRACTICE PRINCIPLE AND CRITERIA: REMUNERATION	ANALYSIS
<p>Executive remuneration should be determined by a formal and independent procedure</p> <p>1) Remuneration committee membership meets PIRC guidelines</p> <p>2) Where remuneration consultants are appointed, a statement should be made available of whether they have any other connections with the company.</p>	<p>Yes</p> <p>Yes</p>
<p>There should be full and transparent disclosure of remuneration</p> <p>3) Are executive share schemes' long term performance measures linked to non-financial KPIs?</p> <p>4) Pay elsewhere in the company is considered in determining directors' pay</p> <p>5) The intended balance of the pay package is fully described</p> <p>6) Duration of contracts and company liabilities on termination are given</p> <p>7) Compensation payments or significant changes in policy are fully explained</p> <p>8) Takeover provisions attached to share schemes disclosed</p>	<p>No</p> <p>Yes</p> <p>Yes</p> <p>No</p> <p>Yes</p> <p>No</p>
<p>Longer term incentives should provide rewards scaled towards superior performance</p> <p>9) Maximum vesting targets are challenging relative to performance required</p> <p>10) Minimum vesting targets are challenging relative to performance required</p> <p>11) Vesting scales are sufficiently broad and geared towards better performance</p> <p>12) There are at least two concurrent performance criteria one of which uses a comparator group or index</p> <p>13) Remuneration committee cannot amend share schemes without prior shareholder approval</p> <p>14) Remuneration committee has no discretion to determine payouts on a takeover</p>	<p>Yes</p> <p>No</p> <p>No</p> <p>No</p> <p>n/d</p> <p>n/d</p>
<p>Remuneration structure as a whole should not be excessive</p> <p>15) Total potential rewards under all incentive schemes are not excessive</p> <p>16) Directors are required to build up a significant shareholding</p> <p>17) Schemes available to enable all employees to benefit from business success</p> <p>18) Other remuneration practices do not raise concerns</p> <p>19) Performance Period is 5 years or more</p> <p>20) If performance period is 4 years or less there is an additional holding period applied</p>	<p>Yes</p> <p>No</p> <p>Yes</p> <p>No</p> <p>No</p> <p>No</p>
<p>Contracts policy should balance potential costs to the company with directors' interests</p> <p>21) No current directors have rolling contracts in excess of one year</p> <p>22) Contracts do not provide for liquidated damages in excess of one year's salary in any circumstances</p> <p>23) Future bonuses are not taken into account in determining compensation</p>	<p>Yes</p> <p>n/d</p> <p>n/d</p>

2.4 Analysis

Disclosure

Figures

Disclosure of policy is acceptable. However, the disclosure of cash remuneration is inadequate and inconsistent. Page 79 of the annual report shows salary for Messrs N Agrawal and M Mehta as £626,000 and £227,000 respectively. Page 76 shows salaries for the same directors as £824,000 and £333,000. The company states on page 74 that salary figures comprise "Cost to Company" and salary however on page 76 it is stated that fixed salary is a factor of CTC. Elsewhere on page 76 the terms fixed salary and CTC are used synonymously. The failure to clearly define CTC leads to a lack of clarity around the calculation of the maximum award under the LTIP given that the maximum award is comprised of "annual salary and CTC fees". To add to the confusion the LTIP share options' exercise price is expressed in USD but the market price on exercise is in GBP. The company also provides an aggregate gain on exercise figure, however this cannot be verified by shareholders given the currency discrepancy. We consider the lack of expected value calculations for share awards to be a material omission.

Policy

Pay policy is linked to the company's objective of developing management from within the existing operations. The remuneration committee report contains a statement that pay elsewhere in the group is taken into account when determining directors' pay. The composition of non-executive directors' fees is clearly set out. However there is no explanation why the committee has decided to increase the base salaries of the chief executive and the deputy chief executive by 21% and 72% respectively in 2010. Poor disclosure of prior year comparative salary obscures the 2010 rises. The rises will also impact on maximum potential annual bonus and LTIP awards which are set at a fixed percentage of salary. No specific explanation has been provided by the company. PIRC notes that salaries were increased without justification in 2008 by approximately 25%.

Performance targets

Maximum awards are stated for both short and long term awards however specific performance targets have not been disclosed under the annual bonus scheme. Annual bonuses have been awarded to all three executive directors for the year to March 2010. A statement on page 75 makes clear that these awards are dependent on "effective stakeholder management which resulted in recognition and achievement of awards in CSR, safety, quality, business excellence and best employer status. In light of the loss of 41 lives in an incident at Vedanta's Balco power plant in September 2009 it is not clear how the award of bonuses can be reconciled with stated policy. Vesting targets and maximum potential awards attached to the LTIP are disclosed and the vesting scale is clear.

Disclosure rating: D

Balance of incentive and reward

Long term incentives

The upper vesting target attached to the LTIP is sufficiently stretching in our view in light of the level of available award. We are further concerned that Ernst & Young LLP are paid to give assurances on performance against LTIP and bonus targets whilst being paid to provide tax and internal audit services to the group. We consider this to be a clear conflict of interest. However, we consider 40% of salary to be excessive for median performance. In our view, TSR vesting scales should stretch over at least three deciles in order to incentivise superior performance. In addition, all longer term incentive schemes should apply at least two performance criteria concurrently to determine the vesting of an award.

Excessiveness

Salaries are within the lower quartile of the sector. The combined incentive remuneration awarded during the year is not excessive in our view. However, the chief executive and the deputy chief executive received a considerable increase in salary. Directors are not required to build up shareholding in the company, although we are aware that the executive chairman is a controlling shareholder. Dilution limits are in line with best practice.

Incentive/reward rating: C

Contracts

Executive directors are retained on (up to) six months rolling contracts. The Executive Chairman's contract allows for payments in lieu of notice on termination of contract, equal to basic salary and benefits during the notice period. Termination provisions for Mr N. Agarwal and Mr Mehta are not clearly disclosed. No mitigation statement is provided.

Contracts rating: D

Overall rating for remuneration report: DCD

3.1 Auditor's Remuneration

Auditors: Deloitte LLP

Date appointed:

Audit partner: n/d

Responsible since:

	2010	2009	2008
Statutory audit fee	1.10	0.74	0.65
Non-audit work undertaken by the auditors - PIRC category 1			
Audit-related, mandatory or regulatory	0.80	0.63	0.60
Tax compliance			
Other non-audit work undertaken by the auditors - PIRC category 2			
Other tax services	0.10	0.07	0.05
Acquisition-related	0.70	0.28	
Other services	0.20	0.21	0.30
Total non-audit fees (ex. category 1 work)	1.00	0.56	0.35
Total PIRC category 2 non-audit as percent of Statutory audit fee	90.91%	76.30%	53.85%

3.2 Best Practice

This table sets out PIRC's assessment of the company's compliance with standards of best practice as set out in PIRC's shareholder voting guidelines. n/d = not disclosed.

BEST PRACTICE PRINCIPLE AND CRITERIA: AUDIT	ANALYSIS
A. The auditors should be independent of the company and management	
a) No directors have a significant connection with the auditors	Yes
b) Audit firm is subject to regular fixed-term rotation	No
B. Non-audit fees should be disclosed and should not potentially affect independence	
c) An adequate breakdown of the nature of non-audit fees is provided	Yes
d) Level of non-audit fees do not raise independence concerns	No
C. Independent audit committee demonstrates accountability and expertise	
e) A fully independent audit committee exists comprising at least three members	Yes
f) Audit committee includes at least one member with significant financial experience	Yes
g) The audit committee report on its activities complies with PIRC guidelines	Yes
h) Audit committee's policy on awarding non-audit work is fully described	No
i) The audit committee should review "whistleblowing" arrangements	Yes
D. Effective Internal Controls	
j) There has been a review of the effectiveness of the internal audit arrangements	Yes

3.3 Audit and Reporting Analysis

Comments on principle A

PIRC believes there is a risk that over time an auditor's familiarity with the audit client's affairs may result in excessive trust. If the same firm continues to hold the position of auditor for many years, then previous judgements are not subject to outside scrutiny. We do not consider that rotation of the audit partner, within the same firm, is sufficient. We continue to maintain that rotation of the audit firm after a period of five years is best practice.

Comments on principle B

Concerning non-audit fees we continue to disagree with the view that audit firms can be employed to provide consultancy services to the management at the same time as undertaking a statutory audit on behalf of the shareholders. PIRC firmly believes that other commercial interests can compromise auditors in their ability to confront directors on difficult issues. We do however operate a materiality threshold for non-audit fees when one of the big four audit companies are engaged, and only when this threshold is exceeded will we make an assessment as to the excessiveness of non-audit work in relation to audit work.

Consultancy-related non-audit fees are equivalent to approximately 91% of the audit fee during the year, and are greater than 25% of the audit fee on a three-year aggregate basis. This raises independence concerns over the external auditors.

Comments on principle C

The Code requires that the committee should be provided with sufficient resources, that its activities should be reported in a separate section of the directors' report (within the annual report) and that the chairman of the committee should be present to answer questions at the AGM. PIRC believes that the audit committee's report is a cornerstone of good governance and that its approval should become a regular agenda item at the AGM of companies. When constructing the report, the board should be aware of the guidance provided in the Smith Report PIRC believes such a report should cover the issues dealt with by the committee in the year under review rather than merely describing the duties of the committee.

Although the audit committee report is satisfactory, we would welcome a limit fee regarding the approval of non-audit fee.

4. SHARE CAPITAL & SHAREHOLDER RELATIONS

4.1 AGM Control Structure

Type	Nominal Currency	Issued (millions)	Authorised (millions)	Par value
Ordinary shares	USD	296.10	400.00	0.10
Limited voting ord shares	USD			
Non-voting ord shares	USD			
Preference shares	USD			

Significant changes in issued capital: None.

4.2 Disclosed Ordinary Shareholdings (at 24 May 2010)

Directors' interests	54.9%
Volcan Investments Limited (includes A Agarwal and DP Agarwal's indirect interests)	60.0%

4.3 Best Practice

This table sets out PIRC's assessment of the company's compliance with standards of best practice as set out in PIRC's shareholder voting guidelines. n/d = not disclosed.

BEST PRACTICE PRINCIPLE AND CRITERIA: SHAREHOLDERS	ANALYSIS
A. Shareholders have an opportunity to vote on dividend policy	
a) Declared dividend or policy is put to the vote	Yes
B. Shareholders should have adequate information and access to all directors	
b) Sufficient biographical information on all directors is disclosed	Yes
c) Justification for new director appointments is provided	n/a
d) Meetings between NEDs and shareholders are reported	Yes
C. All ordinary shares should have equal rights	
e) Each ordinary share has equal voting rights	Yes
f) There is no controlling shareholder	No
g) No persons have the right to designate directors to the board	No
D. Voting by shareholders should be democratic and transparent	
h) All voting is conducted by poll	Yes
i) The levels of proxy votes have been disclosed	Yes
j) Steps taken in understanding of the views of major shareholders	

4.4 Share Capital and Shareholder Relations Analysis

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Comments on principle A

PIRC considers distribution policy fundamental both to the income requirements of investors and to a company's investment and financial planning. Shareholders have a clear financial interest in maintaining and increasing their income from dividends and other distributions, but without compromising the company's long-term future. The directors may be under pressure to increase short-term distributions, but they must exercise their duty to the company as a whole.

The Board is seeking shareholder approval for the dividend policy

Comments on principle B

PIRC believes that shareholders should be prepared to engage with companies where they have concerns or where an issue is unclear, in order to convey their opinions and raise the quality of debate. In the same way, companies should welcome the opportunity to engage with shareholders and prospective investors.

Comments on principle C

The ultimate controlling party of the Group is Volcan, which is controlled by the executive chairman's family and holds 58.16%. Under the terms of the Relationship Agreement, the Board and Nominations Committee will at all times comprise a majority of Directors who are independent of Volcan and the Agarwal Family, and the Remuneration and Audit Committees shall at all times consist 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.

Comments on principle D

PIRC considers poll voting to be the most appropriate way for listed companies to undertake business at general meetings. Insertion of a provision in company Articles mandating poll voting on all resolutions at general meetings will avoid the need for a chairman to decide on use of his powers to call a poll in the event that those present at a meeting deciding on a different voting outcome to that suggested by the postal proxy vote.

5. OPERATING AND FINANCIAL REVIEW OR BUSINESS REVIEW

5.1 Best Practice

This provides our interpretation of compliance with key guidelines on best practice as set out in ASB Reporting Statement: Operating and Financial Review (January 2006). N.B. Only information in the company's OFR or Business Review is taken into account below except in interpreting guidelines (vii) and (ix) where information elsewhere in the annual report is also considered

BEST PRACTICE FRAMEWORK AND CRITERIA: OFR	ANALYSIS
A. Overview	
i) Does the company have an OFR or Business Review?	Yes
ii) Does the OFR/Business Review have a forward-looking orientation?	Yes
B. Business Nature, Objectives and Strategies	
iii) Does the company explain the market or regulatory environment in which it operates?	Yes
iv) Does the company explain its objectives and/or strategies?	Yes
v) Are the company's objectives and strategies linked to social, environmental or ethical (SEE) matters?	No
C. Analysis of Development and Performance	
vi) Does the company report main trends and factors affecting performance in the year under review AND future prospects?	Yes
vii) Does the company report on risks and uncertainties affecting long-term value?	Yes
viii) Does the OFR contain sufficient disclosure of material issues concerning stakeholders (apart from shareholders) that may affect performance?	Yes
D. Key Performance Indicators	
ix) Does the company disclose both financial and, where appropriate, non-financial key performance indicators in support of its analysis of past and future performance?	Yes

5.2 Analysis

iv) The company's vision is to be a world-class metals and mining company and to generate strong returns for shareholders. Its strategy to realise this vision is based on: organic growth, optimising returns, the group structure and seeking additional investment opportunities.

vi) The company has reviewed its performance during the year and its prospects in light of specific market conditions for metals and the countries in which it operates. The annual report includes a description on the Indian market place as well as an overview of the global market for each of the commodities that it mines.

vii) The company has provided detailed information on financial risks. It has also briefly laid out political, legal, regulatory and safety, health and environmental risks.

viii) The sustainable development report is referred to within the business review although it is not yet available on the website. Previous sustainability reports included information on safety performance, environment, and community and employee issues such as health and education.

6. CORPORATE SOCIAL RESPONSIBILITY

6.1 Environmental Best Practice

This table sets out PIRC's assessment of the company's compliance with standards of best practice as set out in PIRC's shareholder voting guidelines. n/d = not disclosed.

BEST PRACTICE PRINCIPLE AND CRITERIA: ENVIRONMENT	ANALYSIS
A. There should be a comprehensive, published policy a) Group-wide environmental policy published	Yes
B. There should be clear lines of accountability and management b) Is there board-level responsibility for environmental issues either in the form of a CR committee or a specific director bearing responsibility?	Yes
C. Procedures for stakeholder engagement should be evident c) Environmental standards required of suppliers d) Evidence of structured consultation process to gauge stakeholder views	No No
D. Companies should report fully on performance e) Target setting disclosed f) Performance evaluated against targets	No No
E. Audits, external standards and independent verification should be used g) Formal procedures in place for monitoring performance and evaluating outcomes h) Environmental reporting is externally verified	Yes No

6.2 Analysis

Comments on principle A	<p>PIRC expects every listed company to publish a comprehensive environmental policy. Publishing a policy provides a clear message both internally and externally. Such policy documents should be formal statements describing the group's approach to dealing with environmental issues in its operations.</p> <p>A good policy statement should acknowledge the board's responsibilities on environmental issues; cover all group companies; include a commitment to appropriate reporting; and set out the board's objectives in addressing their main environmental impacts, particularly direct and indirect greenhouse gas emissions, energy use, water consumption and waste production.</p> <p>The company has an environmental policy in place. However, given the sector it operates in, PIRC expects that the company should have a more comprehensive policy in place. The company's environmental policy statement does not acknowledge board level responsibility, or identify that it covers all Group companies. This was noted last year and since then there has been no improvement on the policy.</p>
Comments on principle B	<p>The Group Health, Safety and Environment Committee is chaired by non-executive director Naresh Chandra. The group CEO, as well as chief executives of the Zinc, Copper, and Aluminum businesses are also on the committee</p>

As part of ensuring stakeholder accountability, boards should have a structured process of consultation and engagement to gauge and respond to a variety of stakeholder views. Once opinions have been canvassed, they should form part of the review process for policy and objectives

Comments on principle C

In terms of environmental standards required of suppliers, the company states that it "encourages contractors and suppliers to align with our principles and practices". It also states that, premium products are tested in simulated conditions for its performance features including environmental performance. However, there are no measurable standards required of all suppliers or a process to audit their compliance. PIRC believes that the company needs to be more rigorous in both its disclosure and ultimately its analysis of the environmental performance of its supplier base, starting with a stakeholder engagement exercise, the outcome of which would serve to establish a sustainable supply chain management policy or code of conduct.

In terms of evidence of structured consultation processes, according to the 2009 Sustainable Development report (2010 Report not yet available), the company used The World Business Council for Sustainable Development matrix to prioritise stakeholders, based on their influence on and the impact of our activities on them. A structured process of engagement was adopted using a three-pronged approach – keeping the stakeholders informed, engaging with them and forging partnerships to address their needs and concerns. This exercise was conducted by an external agency and its findings reported aided the company in prioritising stakeholder needs and determining issue materiality. However, full disclosure on the materiality analysis was not observed in the sustainable development report. In other words, the basis for identification and selection of stakeholders with whom to engage has not been made clear.

Comments on principle D

The company states that the HSE committee sets annual targets and monitors progress in line with policies. However, these targets are not disclosed and therefore we cannot assess any progress against these targets. Furthermore, the Sustainable Development Report for 2010 has not yet been published and therefore there is limited disclosure of up to date environmental data. PIRC believes that it is best practice for environmental reporting to cover a range of environmental indicators which give actual data at a group-wide level and that this data published along with the annual report. This is not the case at Vedanta. Looking at previous reporting, it is unclear which indicators cover the whole group and which cover only certain subsidiaries although we note that a carbon footprint for the group was reported in last year's reporting which was an improvement on previous years. In addition, in some cases, percentage reductions are provided rather than the actual data. We recognise that some performance may be evaluated against targets as part of the ISO14000 process but this information is not disclosed. PIRC considers that all targets should be quantified and time limits should be set by the company, and ultimately disclosed to shareholders.

Comments on principle E

All the company's operations are certified for ISO14001. The company applies environmental impact assessment practices and there are designated HSE managers across the Group. In terms of external verification for reporting, the company's 2009 sustainable development report was audited by KPMG in accordance with ISAE 3000.

Note that ISAE 3000 aligns the assurance process to the reporting organization's definition of the scope (boundary) of the report and the assurance engagement (which may focus on less than the whole report, as in this case). As such, the materiality analysis of an ISAE 3000 audit would be within the chosen boundary of the organization. However, the AA1000AS audit aligns the assurance process to the material interests of the organization's stakeholders, so requiring from the outset that the assurance practitioner highlights any omissions or misrepresentations in the report as a whole, which could impact on the intended users' behaviour. Given the level of stakeholder scrutiny afforded the mining industry, it is PIRC's recommendation that an AA1000AS audit be incorporated into the independent verification process.

6.3 Performance Indicators - Environment

		Unit of measurement	2010	2009	2008	KPI in business review	Target set
a)	Greenhouse Gas Emissions - Direct	ghg - metric ton CO2e	n/d	21408700.0		No	No
b)	Greenhouse Gas Emissions - Indirect	ghg - metric ton CO2e	n/d	1468710.0		No	No
c)	Water Consumption	water - m3	n/d	277733.0		No	No
d)	Landfill	landfill - Metric Tonnes	n/d	109196.0		No	No

a) Data for the year under review not yet available.

b) Data for the year under review not yet available

c) Data for the year under review not yet available

d) Data for the year under review not yet available

6.4 Employment Best Practice

This table sets out PIRC's assessment of the company's compliance with standards of best practice as set out in PIRC's shareholder voting guidelines. n/d = not disclosed.

BEST PRACTICE PRINCIPLE AND CRITERIA: EMPLOYMENT AND HUMAN RIGHTS	ANALYSIS
<p>A. There should be a comprehensive, published policy</p> <p>a) Group-wide employment policy published</p> <p>b) Health and safety policy published</p> <p>c) Policy includes a commitment to equal employment opportunities so as to encourage diversity in the workforce</p>	<p>No</p> <p>Yes</p> <p>Yes</p>
<p>B. There should be clear lines of accountability and management</p> <p>d) Board level responsibility for human resource issues identified</p>	<p>No</p>
<p>C. Procedures for stakeholder engagement should be evident</p> <p>e) Trade union negotiating framework, works councils or similar strategic-level procedures for information and consultation</p> <p>f) Company undertakes regular employee satisfaction surveys</p>	<p>No</p> <p>Yes</p>
<p>D. Companies should report fully on performance</p> <p>g) Employment performance indicators are disclosed</p> <p>h) Target setting disclosed</p>	<p>Yes</p> <p>No</p>
<p>E. Audits, external standards and independent verification should be used</p> <p>i) Performance evaluated against targets</p>	<p>No</p>

6.5 Analysis

<p>Comments on principle A</p>	<p>PIRC expects every listed company to publish a comprehensive employment policy. Publishing a policy provides a clear message to both internal and external stakeholders. Such policy documents should be formal statements describing the group's approach to dealing with employment issues in its operations.</p> <p>A formal employment policy statement should cover all group companies, acknowledge the board's responsibilities on employment issues, include a commitment to or evidence of appropriate reporting; and set out the board's objectives for addressing their main employment impacts</p> <p>Although there is no overarching employment statement, PIRC considers that the company has in place an acceptable health and safety and equal opportunities policy.</p> <p>Note that the company trains employees on basic human rights as part of our organisation's Code of Conduct, however no dedicated human rights policy was noted.</p>
<p>Comments on principle B</p>	<p>Board directors with responsibility for health and safety issues are identified, but not for overall human resource issues.</p>

As part of ensuring stakeholder accountability, boards should have a structured process of consultation and engagement to gauge and respond to a variety of stakeholder views. Once opinions have been canvassed, they should form part of the review process for policy and objectives

Comments on principle C

According to the last year's Sustainable Development report, the company used The World Business Council for Sustainable Development matrix to prioritise stakeholders. This exercise was conducted by an external agency and its findings aided the company in prioritising stakeholder needs and determining issue materiality. Employment engagement tools used in the company include questionnaires, one-to-one meetings, satisfaction surveys, and communications meetings. However, full disclosure on the materiality analysis was not observed in the sustainable development report. In other words, the basis for identification and selection of stakeholders with whom to engage has not been made clear. The company states that they have long-term settlement with the trade unions but no further information is provided.

Comments on principle D

Employment and health and safety key performance indicators (KPIs) were disclosed in the previous sustainable development report but no up to date figures are available. Employment KPIs previously disclosed included employee age breakdown, gender information, total employee turnover and attrition and total man-hours of training. Health and safety KPIs include number of facilities with OHSAS 18001 Certification (all except Copper Mines of Tasmania), and Lost Time Injury and Frequency Rate. No target setting has been disclosed for employment or health and safety KPIs.

Comments on principle E

Formal occupational health and safety management systems (i.e., OHSAS 18001) are in place at the majority of the unit operations. However, it is not clear whether or not employment performance is evaluated against targets.

6.6 Performance Indicators - Employment

	Unit of measurement	2010	2009	2008	KPI in business review	Target set
a) Workforce Fatalities			22.0			
b) Company Spending on Employees' Training	total in meeting currency	n/d	56.62		No	N
c) Employee Turnover	percent	n/d	10.9		No	N

b Cost not disclosed but training time was equivalent to 156,000 man-days.

c Data for the year under review not yet available

6.7 Community Investment Best Practice

This table sets out PIRC's assessment of the company's compliance with standards of best practice as set out in PIRC's shareholder voting guidelines. n/d = not disclosed.

BEST PRACTICE PRINCIPLE AND CRITERIA: COMMUNITY INVESTMENT	ANALYSIS
<p>A. There should be a comprehensive, published policy</p> <p>a) Group-wide community policy published</p>	<p>No</p>
<p>B. There should be clear lines of accountability and management</p> <p>b) Is there board-level responsibility for community issues either in the form of a CR committee or a specific director bearing responsibility?</p>	<p>No</p>
<p>C. Procedures for stakeholder engagement should be evident</p> <p>c) There is evidence that the company is forming partnerships with external bodies</p> <p>d) There is evidence that the company uses feedback to develop appropriate procedures</p>	<p>Yes</p> <p>No</p>
<p>D. Audits, external standards and independent verification should be used</p> <p>e) Company reporting is in accordance with GRI or has had external review</p>	<p>Yes</p>

6.8 Analysis

<p>Comments on principle A</p>	<p>PIRC believes it is best practice for a community investment policy to be a formal statement outlining the company's position on community involvement. Such a policy should include identification of the company's responsibilities to community stakeholders, the role the company plays in wider society and a description of the company's charitable and community investment objectives. In addition, a company should demonstrate it has: informed investors of relevant responsibilities for such issues within the company; established partnerships, where appropriate, with external bodies that may include charities, voluntary organisations, trusts, community support groups or local authorities; and set up a reporting framework to ensure that feedback from community stakeholders is used to develop future policy and procedures.</p> <p>Vedanta's People and Community policy goes some way to meeting these best practice criteria. However, given the industry in which it operates, the policy should be more comprehensive to include more detail about its specific responsibilities and its commitment to promote human rights in line with internationally recognised standards.</p>
<p>Comments on principle B</p>	<p>There is no such apparent commitment at Vedanta Resources plc; however, improved disclosure on the issue may address this concern.</p>
<p>Comments on principle C</p>	<p>There is some evidence that the company is forming partnerships with external bodies and that the company uses feedback to develop appropriate procedures. Specifically, the company used The World Business Council for Sustainable Development matrix to prioritise stakeholders, based on their influence on and the impact of our activities on them. However, full disclosure on the materiality analysis was not observed in the sustainable development report. Further information on the basis for identification and selection of stakeholders with whom to engage should be disclosed. Although there is evidence that the company uses feedback to develop procedures, there is limited information on what feedback the company has received and on how it was used to improve its</p>

procedures.

The 2010 Sustainable Development report was not published at the time of drafting this report.

Comments on principle D For the company's 2009 sustainable development report, independent verification conducted by KPMG considered their reporting procedures were sufficient to comply with A+ application level of GRI-G3 guidelines.

6.9 Performance indicators - Community Investment

	Unit of measurement	2010	2009	2008
a) Cash Donations (UK)	total in meeting currency	n/d	860000.0	
b) Cash Donations (Global)	total in meeting currency	1730000.0	2300000.0	
c) Other Company Giving (in kind)				
d) Political Donations (Europe)	total in meeting currency	3660000.0	0.0	
e) Political Donations (outside EU)	total in meeting currency	0.0	0.0	

d Figure is for political donations in India either through a trust or directly in respect of the Indian general election.

e No donations are made in the EU or UK.

APPENDIX: COMPLIANCE WITH COMBINED CODE OF BEST PRACTICE 2006

Under the listing rules, UK companies are required to make the following disclosures. This table is PIRC's assessment of the company's statements.

Listing rule compliance

Listing Rule		
	a) There is a statement of how the company has applied the Combined Code's principles	Yes
	b) There is a compliance statement; specifying the code provisions with which the company has not complied, if any.	Yes
	c) The board considers that the company complied with the code in full for the whole period	No
	d) Is combined code compliance statement complete?	No

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