

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board of Vedanta Resources plc believes that high standards of corporate governance are critical to maintaining investor confidence and the integrity of the Group. The Board also believes that its corporate governance framework must reflect the changing nature of the Group's businesses.

The objective of this report is to provide details of the Group's governance policies, processes and structures and its compliance with the principles of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 ('the Code').

STATEMENT OF COMPLIANCE WITH CODE PROVISIONS

With the exception of the following matters, the Company has throughout the year fully complied with the principles set out in Section 1 of the UK Financial Reporting Council's Combined Code on Corporate Governance adopted in June 2006.

First, as previously reported, the Executive Chairman, Mr Anil Agarwal, did not meet the independence criteria on appointment because he was previously the Chief Executive of the Company and, through Volcan Investments Ltd ('Volcan'), he and his family have a controlling interest in the Company [Code Provision A.2.2 and A.3.1].

As the founder of Vedanta, Mr Agarwal has built the Group since its inception in 1976. The Board considers that Mr Agarwal has made a major contribution to the Company's phenomenal growth and development into a FTSE 100 company and that he has been responsible for leading the Group to strong profitability and cash flows. Mr Agarwal's appointment in March 2005 as Executive Chairman allowed him to step back from operational management and focus on turning new opportunities into value-creating projects, thereby extending the Group's exceptional growth pipeline into the future. The Board is unanimously of the opinion that his continued involvement in an executive capacity is vitally important to the success of the Group.

Second, pursuant to the Relationship Agreement and as disclosed at the time of listing, Volcan will be consulted on all appointments to the Board. The Nominations Committee therefore works collaboratively with Volcan over making appointments to the Board and, to this extent, the Board appointment process differs from that set out in Code Provision A.4.1.

THE BOARD

ROLE AND RESPONSIBILITIES OF THE BOARD

The role of the Board is to provide leadership to the Group in a manner which maximises opportunities to develop its portfolio of businesses profitably whilst assessing and managing the associated risks. The Board assesses the strategic objectives of each business, monitors performance, ensures the availability of financial, management and other resources required to meet the objectives, sets Group standards of conduct and ensures that effective controls are in place to manage risk and that the interests of investors and other stakeholders are taken into consideration.

The Board has adopted a schedule of matters reserved for its consideration to ensure that it is in a position to deliver its strategic objectives, monitor performance and maintain effective controls whilst delegating operational management to the Executive Committee and the businesses. Such matters reserved to the Board include, but are not limited to, approving Group strategy and annual budgets, major capital expenditure, major acquisitions and disposals.

There are five Board Committees: Executive, Remuneration, Audit, Nominations and Health, Safety and Environment. Each has its own clearly defined terms of reference and reports directly to the Board. Additional information on the Executive, Remuneration, Audit and Nominations Committees is given later in this report and, in the case of the Health, Safety and Environment Committee, in the Sustainable Development Report on pages 62 to 73.

BOARD BALANCE AND INDEPENDENCE

The Board comprises the following members:

Mr AK Agarwal	Executive Chairman
Mr N Agarwal	Deputy Executive Chairman
Mr KK Kaura	Chief Executive
Mr N Chandra	Non-executive Director and Senior Independent Director
Mr A Mehta	Non-executive Director
Dr SK Tamotia	Non-executive Director
Mr ER Macdonald	Non-executive Director

All four Non-executive Directors served throughout the year ended 31 March 2008 and up to the date of this report. There have been no new appointments to the Board during the year.

Brief biographies of all of the Directors are set out on page 74.

The Board considers that all of the Non-executive Directors are independent of the Group as defined by Code Provision A.3.1. In making its assessment, the Board has considered the fact that Mr Mehta and Mr Macdonald have held previous 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). At the time of their appointments, the Board considered that neither Mr Mehta's nor Mr Macdonald's previous employments included the provision of corporate finance services in London by the HSBC Group (and thus they had no involvement with the Group prior to their appointment) and that the value of the business transacted between the Company and the HSBC Group was less than 1.0% of the turnover of either organisation. The Board therefore remains of the view that these circumstances will not affect the judgement exercised by either Mr Mehta or Mr MacDonald and therefore considers them to be independent.

CORPORATE GOVERNANCE REPORT CONTINUED

Mr Naresh Chandra is the Senior Independent Director ('SID'). His primary responsibilities are to lead discussions at meetings of the Non-executive Directors, provide an effective channel of communication between the Chairman and Non-executive Directors, ensure that the views of the Non-executive Directors are given due consideration and provide a point of contact for any shareholder who wishes to raise concerns which the normal channels of communication through the Chairman and Chief Executive have failed to resolve, or for which contact is inappropriate.

During the year, the Chairman held regular meetings with Non-executive Directors without the Executive Directors being present.

BOARD MEETINGS AND ATTENDANCE

The Board met four times during the year in the ordinary course of business and maintains close dialogue between meetings. Board committees are appointed to deal with the execution of specific projects requiring Board approval. The Board is updated regularly by these committees on the development of these projects. The terms of reference of Board committees are reviewed from time to time in order to enhance the decision-making process.

Each member of the Board receives information comparing the performance of each business and of the Group with the annual budget each quarter and is given sufficient briefing materials with the agenda in advance of each Board meeting to enable informed decisions to be made. In addition to these formal processes, Directors are in regular communication with the senior executives.

The Chief Financial Officer, Mr DD Jalan, attends all Board meetings to represent the finance function and act as a conduit between the Board and the Executive Committee.

Directors' attendance at Board and committee meetings during the year.

Director	Board		Audit Committee		Remuneration Committee		Nominations Committee		Health, Safety & Environment Committee	
	A ⁽¹⁾	B ⁽²⁾	A	B	A	B	A	B	A	B
AK Agarwal	4	4	-	-	-	-	3	3	-	-
N Agarwal	4	4	-	-	-	-	-	-	-	-
KK Kaura	4	4	-	-	-	-	-	-	3	3
N Chandra	4	4	4	4	3	3	3	3	-	-
A Mehta	4	4	4	4	3	3	-	-	-	-
SK Tamotia	4	4	-	-	-	-	3	3	3	3
ER Macdonald	4	4	4	4	3	3	3	3	-	-

Notes:

1. A = Maximum number of meetings the Directors could have attended.
2. B = Number of meetings attended.

Only members of a Board committee are entitled to attend the relevant committee meetings, although other Directors may attend Board committees at the invitation of the relevant committee chairman.

There were no changes to the membership of the Board during the year. The Board, chaired by Mr Anil Agarwal, has seven Directors comprising the Executive Chairman, two Executive Directors and four independent Non-executive Directors. The Non-executive Directors possess a range of experience and are of sufficiently high calibre to bring to bear independent judgement on issues of strategy, performance and resources that are vital to the success of the Group.

Based on the recommendation of the Nomination Committee, the Board in its meeting on 21 March 2008 decided that Kuldeep Kaura, Chief Executive Officer, will retire on 30 September 2008 and will be succeeded by Mahendra S Mehta, currently the Chief Executive of Hindustan Zinc Limited. Mr Mehta joined Sterlite Industries (India) Limited in April 2000. Prior to assuming his current role at Hindustan Zinc, he worked in the management team of Sterlite's Copper business and as Head of Group Marketing. During the past two years, Mr Mehta has made a significant contribution to the rapid growth of Hindustan Zinc.

CHAIRMAN AND CHIEF EXECUTIVE

There is a clear division of the responsibilities between the running of the Board and executive responsibility for running the business, so that no one person has unfettered powers of decision-making. The Board has an established policy which sets out the key responsibilities of the Executive Chairman and Chief Executive. A clear separation is maintained between the responsibility of the Chairman and the Chief Executive, as detailed below:

Chairman

- Setting a vision for Vedanta, formulating its strategy and creating a growth pipeline of profitable business opportunities
- Providing leadership to the Board and ensuring its effectiveness
- Ensuring that there is effective communication with shareholders
- Facilitating the effective contribution of Non-executive Directors
- Overseeing corporate governance arrangements in compliance with the Code

Chief Executive

- Developing the executive team
- Supporting the Executive Chairman in the delivery and implementation of strategy
- Optimising the Group's assets and management and allocation of resources
- Supporting the Executive Chairman in effective communication with various stakeholders
- Creating and maintaining a sound control environment

RELATIONSHIP AGREEMENT

At the time of listing, the Company and Volcan, the majority shareholder, entered into an agreement ('the Relationship Agreement') to regulate the ongoing relationship between them. 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 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 independent Non-executive Directors make up a majority of the Board and Vedanta's ability to operate independently of Volcan is protected by the Relationship Agreement.

DIRECTORS' DEALINGS IN SHARES

The Company has a policy based on the Model Code published in the Listing Rules, which covers dealings in securities and applies to Directors and senior management. A comprehensive insider list is maintained and all participants are notified of close periods.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

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 Directors. Directors undertake visits to operations and have discussions with local management.

All 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.

All Directors have access to the Company's professional advisers whom they can consult where they find it necessary in order to better discharge their responsibilities. No Director took such professional advice during the year. The Directors attend other update briefings in order to familiarise themselves with new regulatory requirements.

PERFORMANCE EVALUATION

During the year, the performance of the Board, its main committees and the individual Directors were formally and rigorously evaluated under the leadership and direction of the Chairman. A questionnaire was circulated to Directors concerning their individual performance and that of the Board as a whole and its main committees. Responses were collated and summarised, open and frank Board discussions held concerning the results and issues raised were addressed.

The evaluation process concluded that the Board as a whole and its main committees had functioned effectively during the year and that the individuals had also performed well, with each member making a significant contribution to the Company. The mix of skills and experience on the Board was felt to be appropriate.

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.

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD COMMITTEES

EXECUTIVE COMMITTEE

The Executive Committee, comprising the Executive Directors and the senior management within the Group who head the Group's principal businesses and corporate functions, meets on a monthly basis to consider the operating performance of each of the principal subsidiaries. Mr Navin Agarwal chairs the Executive Committee.

The Board's role is to set the Company's values and standards, determine its strategic objectives and monitor operational performance. The Executive Committee supports the Board in fulfilling this role and is essentially responsible for the operational performance of the Group including:

1. Implementing and delivering the strategic plans formulated by the Board;
2. Monitoring operational and financial performance;
3. Prioritising and allocating resources;
4. Developing and reviewing objectives and budgets with subsidiary company boards to ensure that these fall within agreed targets and parameters set by the Board;
5. Approval of capital expenditure; and
6. Review of the Human Resources Policy and Treasury Policy.

NOMINATIONS COMMITTEE

The Nominations Committee consists of Mr Anil Agarwal (chairman), Mr Chandra, Dr Tamotia and Mr Macdonald. The Committee is responsible for succession planning for the Board, making recommendations concerning candidates for appointment as Executive or Non-executive Directors of the Company. The selection process will generally involve benchmarking and interviews with a selection of candidates. In addition, the Committee makes recommendations concerning the structure, size and composition of the Board.

The Combined Code requires that all directors be re-elected at intervals of no more than three years and that Non-executive directors should be appointed for specific terms. Accordingly:

1. In November 2007, Mr Mehta's and Dr Tamotia's contracts expired and were renewed for a further period of two years. Mr Macdonald's three-year contract was renewed in March 2008. All three are therefore required to stand for re-election in terms of the Company's articles;
2. Mr Chandra, who is engaged on a contract renewable every 12 months, was re-appointed in June 2007 and will again stand for re-election this year.

The Company's articles require that at every AGM, one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office. The Directors to retire by rotation shall be those who have been longest in office since appointment or re-appointment. Accordingly, Mr N Agarwal and Mr Kaura must offer themselves for re-election, having been elected at the 2005 AGM following their appointment to the Board on 4 May 2005.

Following the performance appraisal referred to above, the Board was satisfied that the performance of Messrs Mehta, Tamotia, Kaura, Macdonald, Chandra and Navin Agarwal continues to be effective and that each one of them continues to demonstrate commitment to the role. Accordingly, the Board recommends their re-election at the 2008 Annual General Meeting.

A copy of the Nomination Committee's terms of reference is available on request from the Company Secretary.

REMUNERATION COMMITTEE

The Remuneration Committee consists of Mr Chandra (chairman), Mr Mehta and Mr Macdonald, all of whom are independent Non-executive Directors. The Remuneration Committee is responsible, on behalf of the Board, for setting the remuneration policy and remuneration packages for the Executive Directors and for maintaining an awareness of the overall remuneration of the key operational and financial heads within the Group ('the Senior Management Group').

The Remuneration Report, which is presented on pages 83 to 89, sets out the remuneration policy and other disclosures concerning the remuneration of the Executive Directors. The Remuneration Report will be submitted for approval at the forthcoming AGM.

A copy of the Remuneration Committee's terms of reference is available on request from the Company Secretary.

ACCOUNTABILITY AND AUDIT

AUDIT COMMITTEE AND AUDITORS

The Audit Committee consists of Mr Mehta (chairman), Mr Chandra and Mr Macdonald, all of whom are independent Non-executive Directors. The Board considers that Mr Mehta has the relevant financial experience by virtue of his previous full time role at HSBC Bank and through his experience on the audit committees of other international companies. Mr Chandra, who chaired the Government of India's Committee on Corporate Governance, has a deep understanding of corporate governance issues in general and of the Indian environment in particular. During his career, Mr Macdonald has held senior positions in banking and financial services companies.

The activities of the Audit Committee are summarised below. In addition, 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 and findings, the Audit Committee gains further insights into the quality of financial reporting and internal control.

The Audit Committee reviews the Group's arrangement for its employees to raise concerns through whistleblowing policy in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

During the year, the Audit Committee's activities included:

- formally reviewing the Company's draft preliminary announcement, the Annual Report and half-year report;
- reviewing the Company's risk matrix;
- considering accounting issues and related disclosures in relation to the disposal of Sterlite Gold and the acquisition of Sesa Goa and integration of Sesa Goa's accounting processes into the Group's reporting framework;
- in consultation with the external auditor, determining the most appropriate accounting treatment of Sterlite's US ADR listing;
- reviewing the internal audit reports of the Company;
- approving the internal audit plan for 2008–09, which includes the review of Management Assurance Service function;
- review fraud or misappropriation cases if any;
- evaluating the performance and effectiveness of the external auditor. This was done using a detailed questionnaire, the results of which have been considered by the Committee and which formed the basis of the Committee's recommendation to the Board to recommend the re-appointment of Deloitte & Touche LLP as the Company's auditors for the year ending 31 March 2009;
- reviewing the external audit engagement, scope and strategy; and
- review of the Group's whistleblowing policy and regular update on the Group's preparation for future Sarbanes-Oxley compliance requirements.

A copy of the Audit Committee's terms of reference is available on request from the Company Secretary.

AUDITOR INDEPENDENCE

The Audit Committee and the Board place great emphasis on the objectivity of the Group's auditor, Deloitte & Touche LLP ('Deloitte'), in their reporting to shareholders. The audit partner and senior manager are present at Audit Committee meetings to ensure full communication of matters relating to the audit. The overall performance of the auditor is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided to senior members of Deloitte unrelated to the audit. This activity also forms part of Deloitte's own system of quality control. The Audit Committee also has discussions with the auditor, without management being present, on the adequacy of controls and on any judgmental areas. These discussions have proved satisfactory to date. The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are reviewed by the Audit Committee after discussions between the businesses and Deloitte and are then referred to the Board for approval.

Rotation of the audit partner's responsibilities within Deloitte is required by their profession's ethical standards. There is also rotation of key members within the audit team. Accordingly, the current signing partner of the firm is being rotated from next year.

The Committee has a policy for the provision of non-audit services by the auditors. Under this policy, the Audit Committee has agreed a scope of services which the external auditors are permitted to deliver to the Group. The policy also specifies which services are prohibited in order to safeguard the ongoing independence of the external auditors. An analysis of the non-audit fees can be found in note 8 to the financial statements.

Other than audit, the Chief Financial Officer is required to give prior approval of work carried out by Deloitte and its associates in excess of a predetermined threshold. Part of this review is to determine that other potential providers of the services have been adequately considered. These controls provide the Audit Committee with confidence in the independence of Deloitte in their reporting on the audit of the Group.

FINANCIAL REPORTING SYSTEMS

The Group has a comprehensive financial reporting system, which is reviewed and modified as circumstances require. Procedures include: preparing operational budgets for the forthcoming year for review and approval by the Board; preparing budgets and forecasts using conservative and consistent assumptions, which are continuously reviewed; monitoring performance against key performance indicators throughout the financial year and updating forecasts with reference to information on key risk areas. In addition, monthly management reports are prepared both on a divisional and consolidated basis. These are presented to the Executive Committee.

CORPORATE GOVERNANCE REPORT CONTINUED

INTERNAL CONTROL AND RISK MANAGEMENT

The Directors have overall responsibility for ensuring that the Group maintains a robust system of internal control to provide them with reasonable assurance that all information used within the business and for external publication is adequate. This includes financial, operational and compliance control and risk management, to ensure that shareholders' interests and the Company's assets are safeguarded. 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. 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. During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be 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. This process has been in place for the year under review and up to the date of signing of this report. It also provides assurance on the effectiveness of relevant internal controls. 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 not including the Group's external auditors). The Audit Committee has, during the year, reviewed the level of internal audit resources within the Group and believes that it is appropriate to the Group's size.

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 a quarterly meeting of the audit committee of that subsidiary. These committees are appointed by the board of directors of each relevant subsidiary and the minutes of their proceedings are reviewed by the Company Secretary. Any adverse findings are reported to the Audit Committee.

The responsibilities of MAS include recommending improvements in the control environment and ensuring compliance with the Group's procedures and policies.

The planning of internal audit is approached from a risk perspective. For internal audit purposes, the Group is divided into three auditable groupings, namely: manufacturing/operating entities, special projects and other entities. In preparing an internal audit plan, reference is made to the Group's risk matrix, inputs are sought from senior management and project managers and audit committee members and reference is made to past audit experience and financial analysis.

This process is designed to manage rather than eliminate the risk of failing to achieve the Group's business objectives. As such, the process can only provide reasonable rather than absolute assurance against material misstatement or loss.

RELATIONS WITH SHAREHOLDERS

DIALOGUE WITH INSTITUTIONAL SHAREHOLDERS

The Board recognises that meetings with analysts and shareholders constitute an important element of the Company's investor relations programme. A number of meetings were held with the Company's principal institutional shareholders during the year as well as with financial analysts and brokers, including a successful visit by a group of analysts to the Group's operations in India and Zambia. These meetings are initiated either by the Company or analysts and investors and are managed at Group level through Mr Sumanth Cidambi, Associate Director (Investor Relations), who also briefs the Board on the Company's relationships with its shareholders. The main channels of communication with the investment community are through the Chairman, Deputy Chairman, Chief Executive Officer and Associate Director of Investor Relations. The Senior Independent Director and Non-executive Directors are also available as appropriate.

The Group attends investor seminars which provide opportunities for two-way communication with investors and analysts and feedback is provided to the Board.

The Company announces its annual and half-year results to the London Stock Exchange and the press in advance of the publication of the annual and half-year reports. Summary reports are also published for the first and third quarters. Other price-sensitive information is announced as and when appropriate and the Board has adopted a communications policy to ensure that this is done in a timely and considered manner. Presentations are made to analysts and the press by the Chairman, Deputy Chairman and Chief Executive Officer and CFO following the release of the interim and preliminary announcements.

The half-year and annual reports are the primary means of communicating with all shareholders. Financial reports, press releases and other information about Vedanta are available on the website (www.vedantaresources.com).

CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING

This year's AGM will be held on 31 July 2008 at 3.00pm, at the Institution of Civil Engineers, One Great George Street, Westminster, London SW1P 3AA. The Notice of Meeting will be circulated at least 20 working days before the meeting. Shareholders will be given the opportunity to ask questions at the AGM. The Company will announce the numbers of proxy votes cast for, against or abstaining for each resolution and will make the chairmen of the Audit, Remuneration and Nominations Committees available to answer questions from shareholders.