

REMUNERATION REPORT

INTRODUCTION

This Remuneration Report sets out the policies and practices adopted by the Company in respect of members of the Board and provides details of their remuneration and share interests for the year ended 31 March 2008.

The Executive Directors are based in India (with the exception of Mr Anil Agarwal, who is UK-based), along with the majority of the Group's professional management. Consequently their remuneration is set by reference to the prevailing rates within that market.

The Remuneration Report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 ('the Regulations') (Schedule 7A, Companies Act 1985). Part II of the report sets out the information on which the auditors are required to report to the Company's members.

The report has been approved by the Board and signed on its behalf by the Chairman of the Remuneration Committee. A resolution to approve this report will be proposed at the Company's Annual General Meeting to be held on 31 July 2008.

PART I (UNAUDITED)

REMUNERATION COMMITTEE (THE 'COMMITTEE')

The Board has established a Remuneration Committee in accordance with Provision B.2.1 of the Combined Code to determine on behalf of the Board the Company's policy on the remuneration and terms of engagement of the Executive Directors and certain senior executives. The Chairman of the Committee is Mr Naresh Chandra. The other members of the Committee are Mr Euan Macdonald and Mr Aman Mehta. All three members of the Committee served during the year and are all independent Non-executive Directors.

The Committee is primarily responsible, on behalf of the Board, for setting the remuneration policy and packages of the Executive Directors. In so doing, the Committee makes recommendations to the Board on:

- the Company's overall policy on executive and senior management remuneration;
- remuneration packages for individual Executive Directors, including basic salary, bonus, performance-based short- and long-term incentives, pensions and other benefits; and
- the design and operation of the Company's share incentive schemes.

Mr A Thirunavukkarasu (Head Corporate HR) advises the Committee on the policies and practices being applied and acts as the secretary to the Committee. He also provides input into discussions concerning the remuneration and benefits offered to the Executive Directors during the year.

The Committee met three times during the year.

REMUNERATION POLICY

The Committee's principal focus continues to be the attraction and retention of high-calibre executives,

incentivising them to develop and implement the Group's strategy so as to enhance long-term shareholder value. A consistent approach is used in determining the remuneration of the Senior Management Group. Both performance- and non-performance-related components of the remuneration packages for Executive Directors and the Senior Management Group are therefore set by reference to local market practice in India. Against this backdrop, the Board's overall objective is to have in place a remuneration policy that helps facilitate the development of managers from within the existing operations, whilst offering remuneration packages that reflect the Group's position as a pre-eminent player in the Indian metals and mining sector in particular and the manufacturing sector as a whole.

Accordingly, the Board remains committed to the principle of retaining and incentivising managers by ensuring that the structure of individual packages remains in line with market practice, whilst also taking into account the performance of the individual and the Company as a whole.

The following factors are taken into consideration while setting remuneration levels for the Executive Directors and the Senior Management Group:

- levels of remuneration throughout the Group;
- market practices prevailing in the countries in which executives work; and
- market practices in the Indian mining and manufacturing sectors (in respect of operational management) and in all sectors (in respect of corporate and supporting functions), excluding certain very high-paying sectors, for example, financial services.

The Group attempts to align the interests of the Senior Management Group with those of the shareholders by linking share and cash incentives to corporate performance. This is measured by reference to the key performance indicators as discussed in the Financial Review on pages 50 to 61. Therefore, the remuneration packages of the Senior Management Group comprise:

- a salary for day-to-day performance of duties;
- a performance bonus as an incentive to meet short-term goals – these are set by reference to individual key result areas ('KRAs'), personal qualities and the financial performance of the Company;
- awards under the long-term incentive plan ('LTIP', referred to below) to incentivise long-term and strategic performance;
- the short-term incentive plan ('STIP') for members of the Senior Management Group below Board level within the overall LTIP Scheme;
- benefits in kind in accordance with local market practices; and
- cash reward for completing strategic projects.

Given the India-focused approach taken to remuneration policy, it has not been felt necessary to appoint independent compensation and benefit consultants to advise the Committee on remuneration matters during the year.

REMUNERATION REPORT CONTINUED

SALARIES, PENSIONS AND OTHER BENEFITS

Salaries and Cost to Company

Salaries for Executive Directors and members of the Senior Management Group are set by reference to those positions of comparable status, skill and responsibility in the metals and mining industries, and in the manufacturing and engineering industries more generally.

Mr Anil Agarwal has a service agreement with the Company under which he received a salary of £750,000 per annum.

The basic remuneration of executives in India is referred to as 'cost to company' ('CTC') which represents an aggregate figure encompassing basic salary and allowances.

Mr Navin Agarwal and Mr Kaura both have service agreements with Sterlite Industries (India) Ltd ('Sterlite') which have been augmented by letters of appointment to the Board of the Company. During the year, Mr Agarwal was entitled to CTC of INR 31,800,000 per annum and Mr Kaura was entitled to CTC of INR 20,680,000 per annum pursuant to their Sterlite service agreements. They were both entitled to benefits in kind. Under their letters of appointment to the Board of the Company, Mr Navin Agarwal and Mr Kaura are each paid fees of £60,000 per annum, to reflect the amount of time they spend on Board business.

Salaries are reviewed on an annual basis and changes will generally be implemented with effect from 1 April each year taking into account the period of service during the year.

The salary levels of the Executive Directors agreed by the Committee on 12 May 2008 take effect from 1 April 2008 and are as follows:

	Designation	Vedanta salary from 1 April 2008 (£)	Sterlite salary from 1 April 2008 (INR)	Total (£)
AK Agarwal	Executive Chairman	925,000	–	925,000
N Agarwal	Deputy Executive Chairman	60,000	45,200,007	628,339
KK Kaura	Chief Executive	60,000	28,700,004	420,870

Note: Exchange rate of INR79.53 to £1 as at 1 April 2008.

Pensions

The Company does not provide post-retirement benefits to Mr Anil Agarwal and this is reflected in the determination of his overall remuneration package. The Indian-based Executive Directors are entitled to contribute to the Provident Fund, a Gratuity and Superannuation Fund which provides pension benefits consistent with local market practices. These are defined contribution pension arrangements.

Benefits in Kind

Mr Anil Agarwal is provided with a car and fuel in the UK for business and personal use. For his frequent business trips to India, Mr Agarwal is also provided with a car and driver for business use and is entitled to the exclusive use of Company-owned furnished accommodation.

Benefits in kind provided to Indian-based senior executives are set in line with local market practices and include private medical insurance, accident insurance, the use of a car and driver, and for certain individuals, the provision of accommodation, either in Company-owned or leased premises. Mr Navin Agarwal and Mr Kaura are provided with leased accommodation. Mr Navin Agarwal was also reimbursed club membership fees.

Performance Bonus

The Company operates a performance bonus scheme providing the Executive Directors and the Senior Management Group with an opportunity to earn a cash amount based on the achievement of stretching performance targets. The bonus targets are reviewed by the Committee at the beginning of the financial year over which performance will be measured. The bonus is non-pensionable.

The maximum bonus payable to the Executive Directors is 100% of annual base salary, whilst for other members of the Senior Management Group, the maximum bonus payable is 50% of CTC. In respect of Mr Navin Agarwal and Mr Kaura, salary means the aggregate of their Vedanta salary together with their CTC payable by Sterlite.

Performance conditions are attached to all bonus arrangements, which are set by reference to individual KRAs, personal quality measures and the financial performance indicators of the Group. The majority of KRA targets are linked to the Group's key performance indicators (see the Financial Review on pages 50 to 61). However, certain KRAs monitor performance in respect of softer issues, or 'enablers', for example, people management, thus allowing a more rounded approach to be taken to incentivisation.

For the year ended 31 March 2008, the payment of the annual bonus was dependent on the achievement of a combination of individual and corporate objectives, financial performance components, operational performance and strategic development which correlated to the responsibilities of the individual and the Group budget for the year, as well as the achievement of key strategic milestones. This year, the bonus includes one-off payments relating to successful Listing of Sterlite Industries India Limited on New York Stock Exchange.

EMPLOYEE SHARE SCHEMES

The Group aims to provide superior rewards for outstanding performance and a high proportion of 'at risk' remuneration for Executive Directors. Three types of employee share schemes were approved by shareholders on Listing. The Board has no intention at present to introduce any further share schemes.

The Vedanta Resources Share Reward Plan was adopted solely for the purpose of rewarding employees who had contributed to the Company's development and growth over the period leading up to the Company's Listing in December 2003. No further awards have been made under that plan nor are any planned in the future.

Similarly, it is not intended that options will be granted in the foreseeable future under the Vedanta Resources Share Option Plan, adopted to provide maximum flexibility in the design of incentive arrangements over the long-term.

LONG-TERM INCENTIVE PLAN ('LTIP')

Consistent with the Board's objective of developing the potential inherent within the wider management group, the principal focus during the year under review has again been on broadening the constituency of employees eligible to participate in the LTIP.

Since its launch in 2004, the Company's performance, measured in terms of Total Shareholder Return ('TSR', being the movement in the Company's share price plus reinvested dividends), has been compared over a three-year period from the date of grant with the performance of the companies constituting the FTSE Worldwide Mining Index (excluding precious metals).

The LTIP rules do not specify the comparator companies and so in November 2006 the Remuneration Committee agreed to adopt a specific list of companies as a comparator group for the purpose of facilitating periodic assessments of the Company's TSR performance. Following Rio Tinto's acquisition in November 2007 of Alcan, a major producer of aluminium, the Committee reviewed the list with a view to identifying a replacement for Alcan. As a result of this review, the Committee decided that Alcan should be replaced by Alcoa, a dominant player in the aluminium business globally. The full list of companies against whose performance Vedanta's TSR is measured is as follows:

1. Anglo American
2. Grupo Mexico
3. Xstrata
4. Vale
5. Antofagasta
6. Rio Tinto
7. BHP Billiton
8. Hindalco
9. Teck Cominco
10. Alcoa

The maximum value of shares that can be conditionally awarded to an Executive Director in a year is 100% of annual salary. The maximum value of shares that can be awarded to members of the Senior Management Group is calculated by reference to the fixed salary (CTC) and share-based remuneration consistent with local market practice.

Nominations for awards under the LTIP are made by the chief executive officers of each operating company and heads of large independent projects based on guidelines issued by the Group. Individuals are assessed and categorised by reference to the importance of their roles to the relevant business unit, past performance and future potential. The size of awards is linked to fixed salary, being a factor of CTC, based on how the individual has been assessed in accordance with the Group's guidelines.

The extent to which an award vests will depend on the Company's TSR ranking against the comparator group at the end of the three-year performance period.

The vesting schedule is shown in the table below, with straight-line vesting in between the points shown rounded down to the nearest whole share.

Vedanta's TSR Performance against Comparator Group	% of award vesting
Below median	nil
At median	40
At or above upper quartile	100

REMUNERATION REPORT CONTINUED

The performance condition is measured by taking the Company's TSR over the four weeks immediately preceding the date of grant and over the four weeks immediately preceding the end of the three-year performance period and comparing its performance with that of the comparator group. The information to enable this calculation to be carried out on behalf of the Committee will be provided by the Company's advisers. The Committee considers that this performance condition provides a reasonable alignment of the interests of the Executive Directors and the Senior Management Group with those of the shareholders.

As the majority of the Group's employees are domiciled in India, the Remuneration Committee has to be cognisant of Indian market practice in order to be sure of retaining high calibre employees in that market. The most common form of executive share option scheme in India is one in which a certain percentage of options vest every year, and the total options vest fully (100%) over three to four years. However, the full extent of awards under the Vedanta LTIP is known only after three years. In addition, unlike the LTIP, the benefits under these schemes are not linked to relative TSR performance with a peer group of companies. Considering the multiplicity of factors (including vesting term duration, performance relative to peer group companies) that determine benefits under LTIP, the Remuneration Committee believes that 40% vesting for median performance is warranted, and the minimum required to maintain the LTIP's role as a strong motivational and retention tool for the high calibre management team.

In November 2007, the Remuneration Committee resolved to award LTIP options to 2,148 employees in respect of 1,692,349 ordinary shares, commensurate with the objective of ensuring that remuneration packages remain competitive, especially given the increasingly competitive labour market in India, where most of the Group's employees are based.

Details of the awards held by the Executive Directors as at 31 March 2008 are shown in the table of Directors' Long-Term Incentive Awards on page 89.

SHORT-TERM INCENTIVE PLAN ('STIP')

As reported last year, in February 2007 the Committee approved a short-term incentive plan, within the existing LTIP Scheme, covering selected employees other than Executive Directors. The STIP was similar to the existing LTIP scheme in all respects, save for having a performance period of just 12 months. The objective of launching the STIP had been to address the need to retain senior and middle managers in the face of increased competition, especially keen in India where the majority of the Group's managers are based.

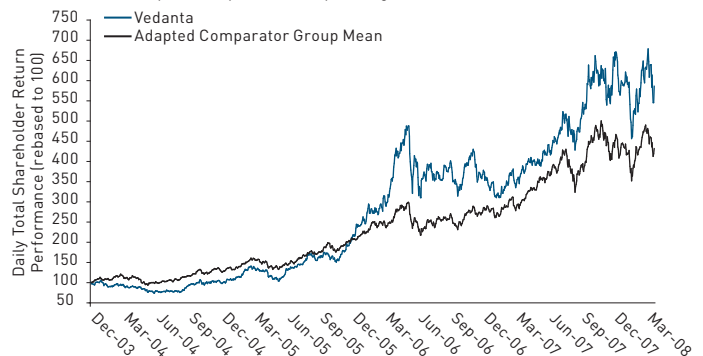
At the end of this 12-month period, Ernst & Young reviewed the Company's TSR performance relative to the comparator group in order to determine the proportion of the awards that vest under the terms of the STIP. In order to qualify for 100% vesting, the Company's TSR had to be in the top quartile of the comparator group. Ernst & Young reported that TSR performance over the 12 months to 1 February 2008 had been in the top quartile, triggering 100% vesting. Accordingly, the Remuneration Committee approved the issue of 481,050 ordinary shares to 557 eligible employees.

TOTAL SHAREHOLDER RETURN PERFORMANCE GRAPH

The graph below shows the TSR performance of the Company in comparison with that of the comparator group for the period from 10 December 2003 (the date of Listing) to 31 March 2008. To provide more detail, the graph presents performance on a daily basis rather than using year end dates as required by the Regulations.

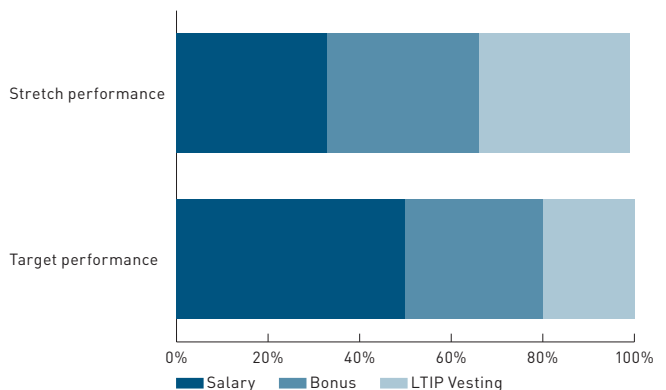
Daily Total Shareholder Return Performance

10 December 2003 (Listing) to 31 March 2008
Vedanta versus Adapted Comparator Group Average (rebased to 100)



RELATIVE IMPORTANCE OF FIXED AND VARIABLE PAY

A significant proportion of the remuneration of the Executive Directors is performance-linked. The chart below demonstrates the balance of fixed and variable pay in these circumstances for the Executive Directors assuming (i) maximum bonuses were paid and full vesting of LTIP awards ('Stretch Performance') and (ii) actual bonus payouts as earned in 2008 and median vesting of LTIP awards ('Target Performance').



EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Mr Anil Agarwal and Mr Navin Agarwal are employed under contracts of employment with the Company which are not for a fixed term but which may be terminated by not less than six months' notice. Provision is made in their contracts for payment to be made in lieu of notice on termination. In the case of Mr Anil Agarwal, this would be equal to basic salary and costs to the Company for providing certain benefits during the notice period or part thereof.

Mr Navin Agarwal has a letter of appointment with Vedanta which may be terminated by giving six months' notice. Mr Kaura has a letter of appointment with Vedanta which may be terminated by giving three months' notice. In the case of their service agreements with Sterlite, these may be terminated by giving three months' notice. Mr Kaura's contract with the Group has been extended until 30 September 2008. Mr Kaura will retire on 30 September 2008 and will be succeeded by Mahendra S Mehta, currently the Chief Executive of Hindustan Zinc Limited. Mr Navin Agarwal's appointment as a director of Sterlite will expire on 31 July 2008, being the expiry date specified in his Sterlite contract, whilst his appointment as a Director of Vedanta is a rolling contract.

Copies of all Executive Directors' service contracts and the letters of appointment of the Non-executive Directors are available for inspection during normal business hours at the registered office of the Company.

Individual Service Contract Details

	Date of contract	Notice period	Outstanding term
AK Agarwal	27 November 2003	6 months	Rolling notice period
N Agarwal (Vedanta)	4 May 2005	6 months	Rolling notice period
N Agarwal (Sterlite)	1 August 2003	3 months	Until 31 July 2008
KK Kaura (Vedanta)	4 May 2005	3 months	Until 30 September 2008
KK Kaura (Sterlite)	20 October 2004	3 months	Until 30 September 2008
N Chandra [†]	1 June 2007	3 months	Until 31 May 2008
A Mehta	24 November 2004	3 months	Until 23 November 2009
SK Tamotia	24 November 2004	3 months	Until 23 November 2009
ER Macdonald	23 March 2005	3 months	Until 22 March 2010

Note:

[†] Mr Chandra is engaged on a contract renewable every 12 months.

Non-executive Directors' Fees

The Board is responsible for setting Non-executive Directors' fees and during the year commissioned Hewitt New Bridge Street Consultants ('HNBS') to undertake a peer group review of current fee levels. HNBS's review took account of the Group's complexity, the significant travel and time commitments required for attending Board and other meetings in India and the UK and the risk profile of the Company. Accordingly, Non-executive Directors' fees have been revised as follows:

1. Base fee, £60,000.
2. Committee membership fee, up to £5,000.
3. Committee chairmanship fee, up to £20,000.

In the case of fees paid in respect of membership and chairmanship of Board committees, the fee depends on the scope of the committee concerned.

Chairman's Salary

The Chairman's salary is approved by the Board (without the Chairman being present) on the recommendation of the Committee.

Non-executive Directors' Letters of Appointment

The Non-executive Directors have letters of appointment which may be terminated by either party by giving three months' notice. The Non-executive Directors' letters of appointment set out the time requirements expected of them in the performance of their duties. Non-executive Directors are normally expected to spend at least twenty days per year on Company business. There is no provision in the letters of appointment of the Non-executive Directors for compensation to be paid in the event of early termination.

REMUNERATION REPORT CONTINUED

External Appointments

The Board's policy on external appointments is that an Executive Director may, with the prior approval of the Board, accept one appointment external to the Group (other than any appointment to related parties or Volcan in the case of Messrs Anil Agarwal and Navin Agarwal) as a non-executive director of a publicly listed company anywhere and that the fees for any such appointment may be retained by the individual.

Currently, none of the Executive Directors holds any such outside appointments, other than Messrs Anil Agarwal and Navin Agarwal who hold directorships of related parties or Volcan.

Equity Dilution resulting from Employee Share Schemes

The dilution limits set out in the rules of the Employee Share Schemes in December 2003 allow up to an aggregate of 10% of the Company's issued share capital to be issued or issuable pursuant to awards under any of the Company's employee share schemes over a period of 10 years. Up to 5% of the Company's issued share capital may be used for the Company's discretionary schemes over a 10-year period. These dilution limits extend also to the STIP. Shares issued or issuable pursuant to awards made under the Reward Plan are not counted for these purposes. Currently, 1.33% (2007: 1.08%) of the Company's issued share capital is issuable in respect of outstanding awards under the LTIP.

PART II (AUDITED)

DIRECTORS' REMUNERATION

Year ended 31 March 2008

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 March 2008 for individual Directors who held office in the Company during this period. All amounts are in UK pounds sterling although payments in India under service contracts with Sterlite are paid in Indian rupees.

Directors' Remuneration

	UK salary £000	CTC fees £000	Pensions £000	Annual performance bonus £000	Benefits in kind £000	2008 total £000	2007 total £000
EXECUTIVE DIRECTORS							
AK Agarwal ⁽¹⁾	750	–	–	450	126	1,326	936
N Agarwal ⁽²⁾	60	394	63	303	41	861	645
KK Kaura ⁽³⁾	60	256	23	167	35	541	412
NON-EXECUTIVE DIRECTORS							
N Chandra	95	–	–	–	–	95	85
A Mehta	85	–	–	–	–	85	75
SK Tamotia	82	–	–	–	–	82	73
ER Macdonald	72	–	–	–	–	72	63
TOTAL	1,204	650	86	920	202	3,062	2,289

(1) Mr Anil Agarwal's benefits in kind include provision of a car and fuel in the UK for business and personal purposes.

(2) Mr Navin Agarwal's benefits in kind include use of leased accommodation in India, club membership and use of car and driver.

(3) Mr Kaura's benefits in kind include use of leased accommodation in India and use of car and driver.

Directors' Long-Term Incentive Plan Awards

Option granted	Award (US cents)	1 April 2007	Movements during the year	1 March 2008	Earliest/latest exercise dates	Date award exercised	Market price at exercise	Market price at grant	Aggregate gain on exercise grants
			Grants Exercised						
AK AGARWAL									
26 Feb 2004	0.10	120,000	- 120,000	-	26 Feb 2007 to 26 Aug 2007	13 Aug 2007	16.48	3.43	1,566,000
1 Feb 2006 [†]	0.10	42,500	-	42,500	1 Feb 2009 to 1 Aug 2009	-	-	9.89	-
14 Nov 2007	0.10	-	37,000	37,000	15 Nov 2010 to 14 May 2011	-	-	19.69	-
N AGARWAL									
1 Feb 2006 [†]	0.10	33,400	-	33,400	1 Feb 2009 to 1 Aug 2009	-	-	9.89	-
14 Nov 2007	0.10	-	24,500	24,500	15 Nov 2010 to 14 May 2011	-	-	19.69	-
KK KAURA									
1 Feb 2006 [†]	0.10	25,000	-	25,000	1 Feb 2009 to 1 Aug 2009	-	-	9.89	-
14 Nov 2007	0.10	-	16,500	16,500	15 Nov 2010 to 14 May 2011	-	-	19.69	-

[†] The performance conditions attached to LTIP awards granted in 2006 require the Company's TSR to equal or exceed the TSR performance of the median of the Comparator Group before 40% of the award can vest and to be equal to or greater than the performance of the Company at the upper quartile of that group for the whole award to vest. Awards vest on a sliding scale in between these points.

The mid-market price of the shares at 31 March 2008 was 2,096 pence and from 1 April 2007 to 31 March 2008 the share price varied between 1,342 pence and 2,367 pence.

Directors' Interests in Ordinary Shares

The interests of the Directors (which are beneficial unless otherwise stated) in ordinary shares at 31 March 2008 were:

	Ordinary shares at 1 April 2007	Ordinary shares at 31 March 2008
AK Agarwal	154,157,921	154,157,921
AK Agarwal	-	55,440
N Agarwal	200,000	200,000
KK Kaura	50,000	50,000
N Chandra	-	-
A Mehta	-	-
SK Tamotia	-	-
ER Macdonald	-	-

1. Mr Anil Agarwal and Mr Navin Agarwal each held nominee shares in direct and indirect subsidiaries. These holdings are non-beneficial.
2. Mr Agarwal's holding of 154,157,921 shares are registered in the name of Volcan Investments Limited.
3. There have been no changes in the beneficial shareholdings of the Directors between the end of the financial year and 12 May 2008.

Signed on behalf of the Board of Directors.

NARESH CHANDRA
CHAIRMAN OF THE REMUNERATION COMMITTEE

14 May 2008