



Vedanta Resources PLC and Lanjigarh
Refinery
**Independent Review of Sustainability Policies
and Practices**

Summary Report
17 November 2010

Prepared for

The Bank Lenders to Vedanta Resources

Vedanta Resources PLC and Lanjigarh Refinery – Independent Review Sustainability Policies and Practices – Summary Report
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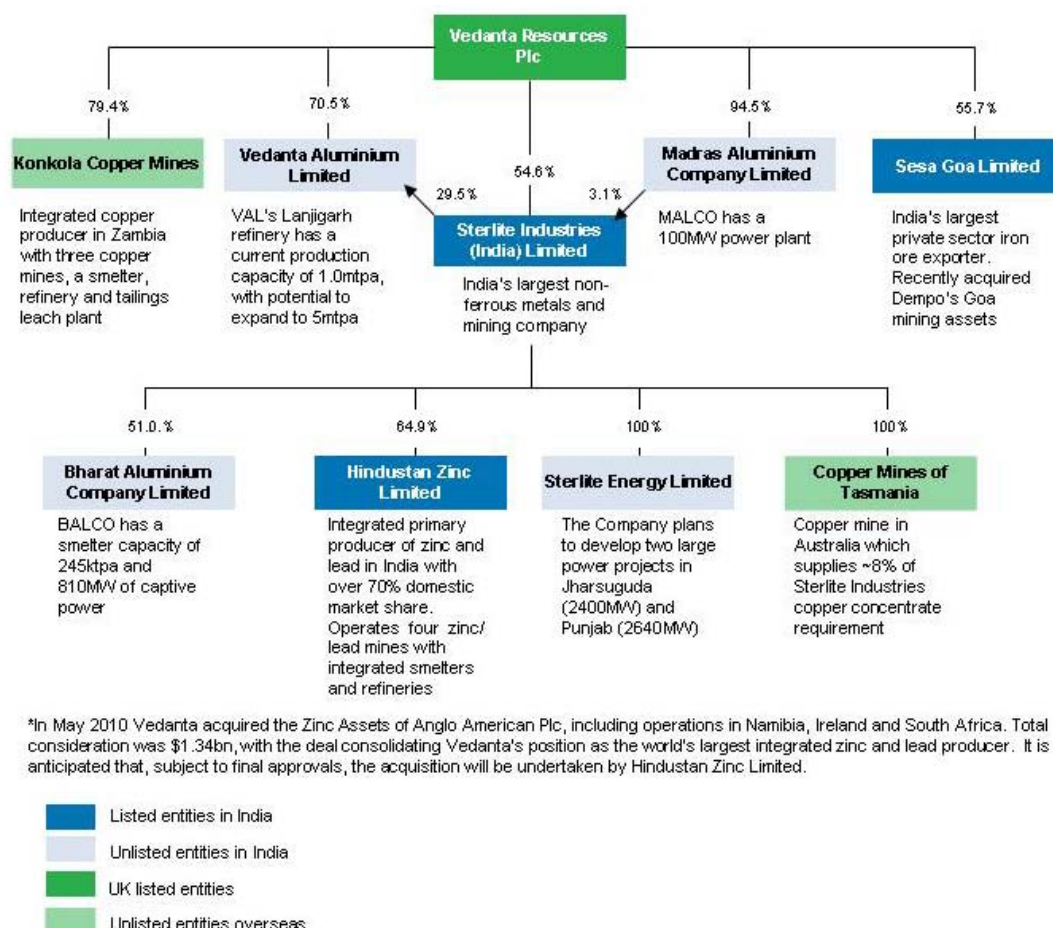
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1 Introduction

1.1 Vedanta Resources

1.1.1 Vedanta Resources (Vedanta) is listed on the London Stock Exchange and is a FTSE 100 metals and mining company. It is involved in mining and processing copper, zinc, aluminium and iron ore and in power generation. Vedanta has operations in India, Zambia and Australia. The company has expanded rapidly from a revenue of \$3,702 million in 2006 to \$7,931 million in 2010. Vedanta now employs some 30,000 people.

1.1.2 The Group comprises some nine subsidiary companies as shown in the diagram below. The figures represent the percentage of Vedanta's ownership in each subsidiary.



1.1.3 The Group is characterised by a spread of operations and plants, rapid growth and a complex ownership structure.

1.2 Terms of Reference

1.2.1 Scott Wilson Ltd was appointed by Standard Chartered in September 2010 to review Vedanta's approach to sustainable development and to assess the social and environmental issues in relation to Vedanta Aluminium Limited's (VAL) Lanjigarh (India) alumina refinery and its proposed expansion. This report is intended to review current policies and practice against international standards as the basis for a series of recommendations designed to enhance Vedanta's contribution to sustainable development. The report is not a detailed audit of Vedanta's policy and practices nor an arbitration of past claims and disputes.

1.2.2 The scope of work had three major components and a series of sub-components as follows:

Part I – Vedanta Resources

- Review and comment on the appropriateness of Vedanta's approach to sustainable development and compare its approach to Industry Best Practice
- Review the implementation of Vedanta's sustainable development objectives and policies (including appropriateness of systems and management practices)
- Comment on whether Vedanta is achieving its objectives in relation to its sustainable development strategy and make recommendations

Part II – The Lanjigarh Refinery and proposed expansion

- Review social and environmental studies, impact assessments and other work undertaken by VAL, its consultants and any relevant external party
- Comment on the adequacy of the social and environmental management plan and systems and whether they are being implemented appropriately
- Identify areas where VAL is not in compliance with regional and national standards and Industry Best Practice and make recommendations

Part III – Stakeholder Issues relating to the Lanjigarh Refinery and the proposed expansion

- Review stakeholder concerns regarding the Refinery with reference to the published reports of Amnesty, Survival International, OECD and local communities
- Comment on the work that has already been undertaken and that is proposed to be undertaken by VAL / Sterlite in order to mitigate the specific social and environmental issues that have been highlighted by the stakeholders
- Recommend any further work that could be undertaken by the company to address the concerns raised

1.3 Approach

- 1.3.1 Scott Wilson assembled a core team to undertake the study comprising five staff covering sustainable development, environmental and social auditing and community engagement.
- 1.3.2 The team undertook a seven day visit to India to liaise with Vedanta staff and to visit the Lanjigarh Refinery. Four days were spent at Lanjigarh. Preliminary findings were presented to and discussed with the CEOs and senior staff of both Vedanta and VAL. The consultants are pleased to acknowledge the full cooperation of all staff involved and their helpful and comprehensive responses to requests for information.

1.4 The Report

- 1.4.1 This report is presented in three sections. Part 2 relates to Vedanta and its corporate approach to sustainable development. Part 3 deals with Scott Wilson's review of Lanjigarh Refinery. Part 4 deals with stakeholder concerns related to the refinery.

2 Sustainability and Vedanta Resources

2.1 Introduction

- 2.1.1 This section first summarises industry best practice as a basis for reviewing Vedanta's approach to sustainable development. Section 2.3 summarises Vedanta's achievements in relation to sustainable development, identifies potential shortcomings having regard to industry best practice, and makes recommendations.

2.2 Industry Best Practice

- 2.2.1 For the purposes of this report we have taken the policies and guidelines of the International Finance Corporation (IFC) and, as appropriate, the Organisation for Economic Cooperation and Development (OECD) and the International Council on Mines and Minerals (ICMM) as constituting industry best practice.
- 2.2.2 IFC Guidance takes the form of Performance Standards on Social and Environmental Sustainability; Environmental, Health and Safety General Guidelines and a range of sector specific guidelines including for Mining, Base Metal Smelting and Refining, and Thermal Power. The guidance thus ranges from general principles to specific targets for emissions, effluent levels and energy and water consumption. The specifications reflect "performance levels and measures that are generally considered to be achievable in new facilities by using existing technology at reasonable costs." There is some flexibility in the way that they are used (e.g. with particular regard to existing facilities where a defined objective, plan of action and a suitable timescale may be an acceptable alternative to immediate project compliance. The Guidelines form a context for making recommendations and a reference point for Vedanta to benchmark their performance against international best practice. These are the international guidelines against which banks, international investors and NGOs will assess Vedanta's performance. They form the basis for other assessment approaches such as the Equator Principles to which most commercial banks subscribe.
- 2.2.3 The OECD Guidelines for Multinational Enterprises constitute 11 general policies and more detailed guidelines across a range of subjects, not all of which are directly relevant to the scope of this review. Those of primary relevance relate to general policies, disclosure and environment.
- 2.2.4 ICMM brings together 18 major mining companies and 30 national and regional mining associations, including the Federation of Indian Mineral Industries, to address the core sustainable development challenges faced by the industry. ICMM encourages mining companies to subscribe to a set of principles, report their progress in pursuing them and seek independent verification of their reports. Vedanta has stated that these principles are considered in developing and reporting upon their sustainability performance.

2.3 Findings and Recommendations

Code of Business Ethics

- 2.3.1 Vedanta's Code of Business Ethics sets the context for sustainable development. We have concluded that it is broadly fit for purpose. However, we consider that the Code should

embrace the host communities with whom Vedanta works as key to the group's reputation. This would make clear, at the highest level, Vedanta's commitment to community engagement as set out in IFC Performance Standard 1 and the welfare of local communities as set out in OECD Guidelines 1 and ICMM Principle 9:

We recommend that the preamble to the Code, "How We Do Business", should include reference to local communities as a key element affecting Vedanta's reputation along with customers, shareholders, competitors and suppliers.

We understand that Vedanta has such an amendment in hand.

- 2.3.2 Vedanta has not always provided "timely, accurate and complete information in response to public requests." To ensure compliance with IFC Performance Standard 1 on community engagement and OECD Guideline 2 on respecting human rights:

We recommend that Vedanta adopt internal procedures to ensure that all requests for information from stakeholders (including investors, NGOs, international organisations and the press) are dealt with in a timely manner. We see this as an important part of a wider programme to inform and communicate with all stakeholders. To assist with transparency we recommend that Vedanta maintain a register of enquiries and responses and provide a summary in their Annual Sustainability Report/website.

Values

- 2.3.3 We welcome the inclusion of Sustainability as a core value of Vedanta as stated in the Sustainable Development Report. However, we consider the current wording could be enhanced to make reference to the social, economic and environmental components of sustainable development. This would bring the definition into line with conventional definitions of sustainability and the IFC's Social and Environmental Sustainability Performance Standards:

We recommend that Vedanta revise the wording of its Value statement on Sustainability to state: "We aim to contribute to the social and economic welfare of the communities where we work and to protect and conserve the environment."

Approach

- 2.3.4 We think Vedanta's approach to sustainability as summarised on its website constitutes good practice in that it incorporates references to the environment, local communities and their empowerment, its employees and health and safety. This provides an adequate basis for meeting the requirements of the evaluation framework set out above.

Policies

- 2.3.5 In June 2005, Vedanta adopted an integrated Health, Safety and Environment (HSE) Policy, established a HSE Committee and appointed a Group HSE Manager. In the same year it adopted a Social (HSE) Policy and appointed a Group CSR Manager.
- 2.3.6 We think that there is a need better to communicate the link between sustainable development values, approach, aims and policies. This will make understanding of Vedanta's approach to sustainability clearer, will assist stakeholders in evaluating its success and provide staff with clear direction and the data to evaluate progress:

We recommend that Vedanta develop a series of policies to realise the aims stated for each of the four sustainability areas (environmental stewardship, nurturing people, health and safety and empowering communities). The policy statements should be succinct, should reflect best international practice and reflect a commitment to continuous improvement. Annual targets for progress and reporting should be considered wherever possible. Noise should be included as a policy issue.

Sustainability Management and Organisation

- 2.3.7 Sustainable development policies are overseen by the corporate HSE Committee. This is chaired by a senior, independent director and includes the Vedanta's CEO (Mr MS Mehta), senior managers from the subsidiary companies and the corporate HSE Head (Mr CSR Mehta) and Corporate Responsibility Head (Ms Ruby Thapar). It meets quarterly.
- 2.3.8 The functions of the Committee are:
- To recommend to the Board an HSE policy, clearly setting out the commitments of the Group to manage HSE-related matters effectively
 - To advise the Group to enable it to discharge its responsibilities, having regard to the law and the expected standards of governance
 - To outline initiatives required to institutionalise HSE culture through involvement of the employees at all levels
 - To review and report to the Board the performance of the Group and its Group companies with respect to the implementation of an HSE management system designed to ensure that the commitments made in the policy are being met and the HSE-related risks are being assessed, controlled and managed effectively
 - To review targets for HSE performance and assess progress towards achieving those targets
 - To recommend, when appropriate, amendments to the HSE policies or guidelines
- 2.3.9 We consider that the management and organisation of sustainability within Vedanta could be improved. There is a need for an oversight of all three areas (HSE, HR and CSR) and for a more integrated approach to sustainable development as a whole. The terms of reference of the HSE Committee and its title are also too narrow to ensure an appropriate approach to sustainable development in keeping with the evaluation framework:
- We recommend that the title of the HSE Committee should be changed to the Sustainable Development Committee and its terms of reference expanded to reflect the breadth of its role covering all aspects of the environmental and social sustainability of the Group.***
- 2.3.10 As we understand it, subsidiary companies develop their own HSE and sustainable development policies within the overall context developed by Vedanta. However, the HSE Committee does consider all HSE incidents at its quarterly meetings so there is an element of oversight. Nevertheless, we consider that greater efforts are needed to ensure uniformity of approach across the subsidiary companies and more effective dissemination of best practice.
- We recommend that the corporate Sustainability Development Committee should continue to ensure that subsidiary companies take a consistent approach to promoting***

sustainable development in accord with international best practice by monitoring performance, lesson learning and dissemination of best practice.

We recommend the appointment of an appropriately qualified Chief Sustainability Officer (CSO) with international experience to direct and coordinate the HSE, CSR and related functions. The CSO will act through single points of contact in each subsidiary company.

The appointment of a CSO was announced as this report was being finalised.

- 2.3.11 Sustainable development policies are implemented via environmental professionals, health and safety professionals, CSR professionals and volunteers. We consider that the deployed manpower and the range of skills are adequate to meet the needs. However, in order to maintain and strengthen the capacity of staff to respond to new challenges:

We recommend that Vedanta keep under review the full range of HSE and CSR competencies it requires across its business and consider the need for additional training, as appropriate, in relation to the IFC Performance Standards and Guidelines, human rights, vulnerable groups and the GRI Mining and Metals Sector Supplement.

Environmental Stewardship

- 2.3.12 Vedanta has made progress in reducing energy consumption at its plants. The corporate aim to reduce consumption by 3%-5% per annum has been achieved. Vedanta has also made progress in reducing water consumption at its plants particularly by increasing recycling and by reuse of treated effluent. 31 of 39 plants are zero discharge.
- 2.3.13 Vedanta has been addressing the issue of improved waste management by identifying and developing reuse of its waste products for cement manufacturing, road construction and brick making.
- 2.3.14 Greenhouse gas emissions are now being monitored and alternative power sources have been developed using both waste heat and wind.
- 2.3.15 Vedanta is committed to the conservation of legally protected areas and endangered species. It also carries out some ecological assessment of new development sites and has been active in developing green belts around its plants. On occasions, Vedanta has also commissioned specialist wildlife management plans.
- 2.3.16 IFC Performance Standard 6 describes a process by which biodiversity may be conserved and, or enhanced. The IFC Standards require the identification of modified, natural, critical and legally protected habitats. To meet the Standard:

We recommend that Vedanta develop a policy and implementation practices to more proactively manage land in their ownership in order to maximise environmental gains and promote biodiversity. This would include the development of environmental management plans for all non-operational land and the carrying out of more detailed habitat surveys for all new sites prior to development.

- 2.3.17 Vedanta's policies show a clear commitment to good environmental practice. Regular monitoring of plants is also undertaken by the companies and by local governments. We also understand that the Government of India, under new regulations, requires companies to report

on their environmental performance on their web site and at the entrance to their plants in a publicly accessible location. In order to ensure compliance with IFC Performance Standards 1 on environmental and social management and 3 on pollution prevention, and ICMM Principle 6 on continual improvement of environmental performance:

We recommend that Vedanta communicate the environmental monitoring regime at their plants to stakeholders, including local communities, on their environmental and social performance, benchmarking this against international standards (e.g. IFC Guidelines) and reporting in their 2012 Sustainability Report.

- 2.3.18 Individual Vedanta companies report on their sustainability performance and achievements against targets in their annual reports. Vedanta summarises these data and highlights achievements in its annual sustainability reports. It is difficult to provide an aggregated Group view because of the variety of industries embraced. However, in order to meet stakeholder expectations and benchmark Group-wide performance:

We recommend that Vedanta report, where possible, on Group environmental and social performance as a whole and seek to benchmark performance against industry best practice and seek assurance from appropriate bodies with industry and sustainability experience.

- 2.3.19 Vedanta prepares environmental and social impact assessments and environmental and social management plans in accord with the relevant national legislation. IFC Performance Standard 1 sets out how developers should approach social and environmental management of new projects from the design stage, through construction and operation and including closure. Equator Principle 7 requires that EIAs and consultation documentation for major projects are subject to independent review.

We recommend that Vedanta produce and test their EIAs and EMPs against the IFC Performance Standards and ICMM best practice and define clear links between the EIAs, EMPs and Environmental Management Systems. Specifically EIAs should be expanded in relation to biodiversity and habitat identification, the identification of cultural heritage (scheduled and non-scheduled sites) and social and human rights impacts. Vedanta should commission independent reviews of one or more major EIAs each year in order to ensure compliance with IFC Standards.

Nurturing People

- 2.3.20 Vedanta has made progress in becoming a preferred employer providing good remuneration, training and staff benefits. It exercises zero tolerance in respect of child and forced labour. It also seeks to encourage its sub-contractors to align their practices with the Group's through specific provisions in contracts. Vedanta states that it regularly monitors contractors' social and environmental performance and reports thereon.
- 2.3.21 All safety management systems at Vedanta plants, with the sole exception of Copper Mines of Tasmania, are certified for OHSAS 18001 by the British Standards Institution. Each Vedanta plant has its own HSE Committee which meets regularly to review HSE performance and to amend procedures as necessary.
- 2.3.22 The Group Lost Time Injury and Frequency Rate (LTIFR) has shown a continuous improvement since 2005-6 and reduced from 3.84 to 1.08 in the first half of 2011 including contract employees.

- 2.3.23 The fatality rate has varied and amounted to 22 in 2008-9. This is high and is related particularly to a major incident at Chhatisgarh when a chimney collapsed at the power plant whilst being constructed by contractors for BALCO.
- 2.3.24 Some allegations of social unrest at Vedanta plants have been made on the internet. In order to respond effectively to NGO reports of social unrest:

We recommend that Vedanta companies compile and maintain a register of major social and labour incidents at their plants and report to VRL.

Empowering Communities

- 2.3.25 Vedanta has developed a wide range of community development initiatives related to health, education and livelihoods development in the communities around its plants. We have had the opportunity to observe a range of such initiatives at Lanjigarh and report on community reactions in section 4. The impacts and outcomes of the community initiatives at Lanjigarh have been independently audited by the Asian Institute for Sustainable Development.¹ Their report reveals measurable improvements in infant mortality, maternal mortality, child malnutrition and immunisations rates.
- 2.3.26 However, Vedanta has been criticised in relation to human rights and particularly the rights of “indigenous” peoples. This criticism, from Action Aid, Survival International and Amnesty International, has primarily related to the proposed bauxite mine in the Niyamgiri Hills although some comments have been made on the Lanjigarh Refinery.
- 2.3.27 To address concerns, Vedanta should adopt a clear policy on human rights which sets out how it will seek to comply with the United Nations Declaration on Human Rights. This can build on existing commitments included in the web site and will aid compliance with OECD Guideline 2 on human rights:

We recommend that Vedanta adopts a specific human rights policy demonstrating its commitment to the UN Declaration of Rights and procedures to ensure its implementation. This should be communicated to all stakeholders via its web site.

- 2.3.28 Vedanta has complied with national government’s requirements for consultation on new projects. IFC Performance Standard 1 refers to community engagement as an ongoing process designed to “build and maintain over time a constructive relationship” and to regularly disclose information on the progress and environmental and social performance of the project. The achievement of this standard may well require engagement over and above that statutorily required by national legislation. Accordingly, when proposing new developments Vedanta needs to adopt the approach of assuring themselves of the free, informed prior consent of local communities:

We recommend that Vedanta develop a standardised approach to community consultation and disclosure on new developments which responds to IFC guidelines and communicate this to all stakeholders via its web site.

- 2.3.29 IFC Performance Standard 7 refers to indigenous peoples who are defined as “social groups with identities that are distinct from dominant groups in national societies” and will possess the following characteristics:

¹ Asian Institute for Sustainable Development (2006). *Socio-Economic Study of Villages around VAL in Lanjigarh*

- “Self-identification as members of a distinct indigenous cultural group and recognition of this identity by others
- Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories
- Customary cultural, economic, social or political institutions that are separate from those of the dominant society or culture
- An indigenous language, often different from the official language of the country or region.”

2.3.30 The Standard requires that such indigenous groups, which may well be vulnerable, should receive special attention.

2.3.31 The term “indigenous groups” is not used in India and such groups are not recognised in the constitution rather reference is made to Scheduled Tribes and Scheduled Castes. Some authorities also prefer to make reference to socially vulnerable groups rather than indigenous groups. Notwithstanding the difficulties of definition, Vedanta should make clear its policy towards distinct social groups that may be vulnerable and seek to develop policies that respect cultural differences but facilitate improvements in living standards:

We recommend that Vedanta adopt a specific policy in relation to engagement with and assistance to social groups that may be vulnerable to change and communicate this to all stakeholders via its web site.

2.3.32 IFC Performance Standard 8 refers to cultural heritage and requires that developers should consult with affected communities “who use, or have used within living memory, the cultural heritage for longstanding cultural purposes to identify cultural heritage of importance, and to incorporate into the client’s decision-making process the views of the affected communities on such cultural heritage.” The identification of cultural heritage requires going beyond the identification of protected sites and involves community engagement to identify sites which, whilst not legally protected, may be valued by the community.

We recommend that in developing new sites Vedanta adopts a standardised approach to the identification of sites of cultural heritage value involving formal documentary sources, site surveys and community consultation.

2.3.33 In order to comply with IFC Performance Standard 1 Vedanta needs to be confident that local communities around all of its plants have the opportunity to raise concerns with the companies directly. Such a grievance mechanism has the potential to defuse problems before they are escalated to legal actions or NGO involvement. In order to achieve this:

We recommend that each Vedanta company ensure that there is a simple and accessible grievance mechanism by which villagers can identify any concerns about the operation of the mines/plants.

Auditing

2.3.34 In order to demonstrate progress in mainstreaming and implementing sustainable development:

We recommend that Vedanta undertake an independent audit of Group and Company environmental and social performance against international standards (IFC, ICMM, OECD) within 12 months of implementing the recommendations in this report (i.e. June

2012 at latest). Recommendations which are not implemented will be included in a Remedial Action Plan and their compliance reviewed every 6 months.

2.4 Conclusions

- 2.4.1 Vedanta has grown rapidly and operates in an industry which is often remotely located and involves potentially polluting processes. Traditionally the company has operated in accordance with the prevailing national legal frameworks in those countries where it operates. As an international company Vedanta has been and will be evaluated in accordance with international norms and standards.
- 2.4.2 The majority of Vedanta's operations are in India where the legal system gives individual citizens the right to challenge major corporate organisations. The potentially polluting nature of mineral extraction and processing, the sometimes remote locations where Vedanta operates, rapid development programmes and operational problems have given rise to legal challenges and NGO criticism.
- 2.4.3 Vedanta has demonstrated in recent years recognition of the need to contribute to sustainable development. It has developed aims and policies and sought to report on progress. Improvements have been made in the fields of energy and water management and in waste management. Vedanta has also developed a wide range of community development initiatives.
- 2.4.4 Our analysis suggests that Vedanta has started to integrate sustainability into its mainstream business but that there is scope to strengthen the policy framework, the management of sustainability, project planning processes, monitoring and reporting.

3 The Lanjigarh Refinery

3.1 Introduction

- 3.1.1 The Lanjigarh alumina refinery is situated in Orissa, close to the town of Lanjigarh and some 60 kilometres from the District Centre of Bhawanipatna. The refinery was commissioned in 2007 and has a capacity of 1 million tons per annum (MTPA). Auxiliary development includes a captive coal-fired, co-generation power plant, with a capacity of 75 MW, a township, resettlement colony, airstrip, water pipeline and railway line. VAL plans to expand the refinery to 6 MTPA and construction work had started but is currently stopped.

3.2 Design, Planning and Permitting

Design

- 3.2.1 Vedanta's plans for the design of the refinery incorporate ambitious environmental targets and technological innovation. Thus the refinery is intended to have zero emissions to water and zero waste. It also incorporates state of the art emissions monitoring to ensure compliance with the required environmental standards. We concluded that there are no major shortcomings in regards to the design of the refinery's various facilities and installations, including the red mud tailings dam and the ash pond, which meet engineering standards and practices when compared to Industry Best Practice.

Environmental Impact Assessment

- 3.2.2 The original EIAs for the refinery were produced in accord with Indian legislation and led to environmental clearance. However, these EIAs did not incorporate the Industry Best Practice criteria used in this review and further information could have been provided in relation to supply chain impacts, consultation, socio-economic impacts (especially in relation to vulnerable groups or 'indigenous peoples'), biodiversity, ionising radiation, greenhouse gases and climate change. Fuller assessment utilising international best practice could have avoided some of the subsequent problems and also reassured external stakeholders in regards to impacts and mitigation strategies. Accordingly our view is that Vedanta should seek to align the existing expansion EIA or any new EIA for Lanjigarh with the IFC Performance Standards.

Environmental Management Plans

- 3.2.3 The gaps in the EIA reports are reflected in the Environmental Management Plans' (EMP) coverage and there is no clear audit trail to the refinery's Environmental Management System (EMS). However, as the EMS is reasonably robust, the EMS could be further developed to address this shortcoming as opposed to developing an improved EMP.

We therefore recommend that Lanjigarh undertake a systematic gap analysis of its EMS against the Industry Best practice criteria and update it accordingly.

3.3 Operation

Environmental Management Systems (EMS)

- 3.3.1 The Lanjigarh Refinery has achieved best practice certification of its EMS to the ISO 14001:2004 standard, through British Standards Institution assessment. Nevertheless, despite evidence of fundamental good practices, site housekeeping had slipped below best practice standards in some areas at the time of the site visit.

We recommend that, notwithstanding the current problems arising from equipment storage, VAL seek to improve site housekeeping with particular regard to ensuring the correct segregation, collection and disposal of waste materials and the fitness for purpose of the refinery's storm water drainage systems.

Environmental Monitoring

- 3.3.2 The EMS appears to provide adequate quality control of data collection and analysis for formal reporting and all the measured parameters were found to be broadly consistent with those predicted in the various EIA reports. Monitoring arrangements are therefore considered to be generally satisfactory, although additional monitoring may be needed to reflect recommendations given in this report.

Employees and fair employment practices

- 3.3.3 VAL has adopted a commitment to social accountability within its integrated policy statement and is in the process of addressing the various requirements of the best practice SA 8000: 2008 certification standard.

Compliance

- 3.3.4 It was confirmed that the refinery is duly registered and licensed by the competent authorities and that the HR department has developed a number of checklists that are used to ensure the refinery's compliance with other applicable labour laws. No employment law compliance issues were identified during the review.

General terms and conditions of employment

- 3.3.5 VAL has clear terms and conditions of contract for its direct employees and operates a contract labour management system which involves checks on contractor labour licensing, safety induction training and the free issue of personal protection equipment. It was confirmed that there is no child labour and a minimum age of 18 years is applied across the site as a whole. It was also confirmed that there are no instances of 'forced' labour such as the use of bonds or prison workers.
- 3.3.6 There is a policy to treat all employees with respect and no forms of harassment are tolerated. The disciplinary procedure involves a hearing that may result in verbal or written warnings, suspension or termination. An employee grievance procedure is available to staff who wish to appeal a disciplinary decision or raise any other concern.
- 3.3.7 Termination procedures for direct employees are clearly defined, although the position in regards to any retrenchment is perhaps less clear – especially in regard to the on-going dispute regarding the project's environmental clearance status. Although VAL complied with applicable legal guidelines and rules, its decision immediately to terminate construction works and the lack

of any notice period could present a potential reputational issue for lenders and other investors. To meet fully the provisions of IFC Performance Standard 2 on labour and working conditions:

We recommend that VAL develop suitable and sufficient retrenchment plans to mitigate the adverse impacts of any suspension or closure of the refinery on both direct and indirect employees.

Freedom of association and employee consultation

- 3.3.8 Currently there is no trade union representation of either the VAL or contractor workforces. It was however confirmed that there is no barrier to trade unions if wanted by staff. There is no defined overall staff consultation process but, in practice, staff are encouraged to offer their suggestions; there are regular briefings in a formal forum and there are various works safety committees. There have been no instances of strikes by either VAL or contractor staff at Lanjigarh (although the abovementioned suspension of construction activities in September 2010 resulted in a protest demonstration by affected contractor workers in which damage was caused to the site's offices).

Wages

- 3.3.9 VAL pays premium rates to its employees that easily exceed minimum pay levels; in addition, the company offers an attractive benefits package. Contractors tend to pay considerably less, but as VAL supervises all wage payments for everyone at the site, it was confirmed that all employees receive more than the legal minimum wage level.

Code of Conduct

- 3.3.10 The induction process ensures that direct and indirect employees are made aware of Vedanta's Code of Business Conduct and Ethics and are encouraged to abide by its values, policies and rules. A 'whistleblower' policy is in place and Vedanta retains responsibility for final adjudication on any cases brought to light.

Training and career development

- 3.3.11 Training and career development arrangements appear to exceed minimum standards.

Welfare and accommodation provision

- 3.3.12 Throughout the refinery, workers are provided with free access to drinking water, WCs and taps for washing. Two canteens are located in the plant and two more are available within the Vedanta colony. Sanitary and hygiene conditions in the facilities inspected during the site visit were generally of an acceptable standard.
- 3.3.13 Free transportation is provided between the Vedanta colony and the workplace and between Lanjigarh and the nearest railway station to facilitate journeys during annual or other leave. The Vedanta colony boasts good quality housing and is provided with various sporting facilities, school and children's playground. However, it was noted that contractors' temporary accommodation camps appeared to vary significantly in the quality of the buildings and services provided to workers. Inappropriate worker accommodation represents a potential reputational risk and Vedanta should strive to ensure that a reasonable minimum standard is applied to contractor camps. In order to meet IFC Performance Standard 2 and particularly the provisions on non-employee workers:

We recommend that a gap analysis is undertaken for contractors' labour accommodation against IFC / EBRD guidance and any serious deficiencies addressed. VAL should therefore amend its contractual documentation to specify minimum expectations for contractors in regard to labour accommodation, and then enforce contractors' adherence to its specified requirements.

Occupational Health and Safety Practices

3.3.14 VAL is committed to the prevention of illness and injury in the workplace and has implemented an occupational health and safety management system to realise its aims. Lanjigarh has achieved certification of its management system to the internationally recognised OHSAS 18001: 2007 standard, through British Standards Institution assessment. The site has also received awards from the British Safety Council in 2009 and the St. John Ambulance Annual Award in 2008. General arrangements for ensuring the health and safety of the workforce are considered to be fit for purpose.

Compliance

3.3.15 It was confirmed that Vedanta's Lanjigarh refinery is duly registered and licensed by the competent authorities to operate as a factory. In addition to commissioned safety audits and independent OHSAS assessments that check legal compliance, the competent authority also undertakes periodic site inspections and any noted deficiencies are duly corrected. It is also noted that all accidents that result in major injury or death are reported to the competent authorities and that the company both participates fully in any subsequent investigations and initiates any further corrective or preventive actions as stipulated. No health and safety compliance issues were identified during the review.

Management system

- 3.3.16 The occupational health and safety management system provides for:
- Periodic assessment of hazards and risks to identify significant findings and necessary control measures for all eventualities across the site
 - Suitable procedures for dealing with possible accidents and emergencies
 - Provision of automatic detection, containment and emergency response systems including fire-fighting equipment and means of evacuation
 - Appointment of sufficient competent persons to coordinate safety management
 - Provision of training, information and free issue PPE
 - Correct implementation of procedures and practices by all concerned
 - Use of automated safety controls and back-up systems for key processes
 - Design and maintenance of chemical storage and handling equipment
 - Monitoring exposure to risks and any impacts on health
- 3.3.17 Although generally of a very good standard some potential gaps in risk identification coverage were noted during the review when benchmarking VAL documentation against Industry Best Practice. These relate to worker exposure to non-ionising radiation from electric and magnetic fields in the workplace, and the possibility of work-related lung disease resulting from the

inhalation of dusts at the refinery. In order to ensure compliance with OECD Principle 5 on continual improvements to health and safety:

We recommend that VAL undertake a gap analysis against the occupational and community health and safety requirements set out in the Lender's Industry Best Practice criteria (specifically the IFC's General and applicable sector EHS Guidelines) and take appropriate measures to address any outstanding gaps.

Training

- 3.3.18 A training programme exists and covers basic induction and wider health and safety awareness for all managers and staff, including those on short-term contracts or secondments and contractor workers. Health and safety training is judged to be both suitable and sufficient.

Contractors

- 3.3.19 The HSE management system requires the following actions to ensure that all site contractors and subcontractors meet Vedanta's standards:

- Prior risk assessments and minimum contractual requirements
- Vendor assessment and selection procedure
- Pre-mobilisation meetings then, upon mobilisation, validation of the acceptability of contractor arrangements and personnel health and safety qualifications and experience
- Once contracted works are under way, enforcement of compliance to Lanjigarh's standards.

- 3.3.20 It was also noted that some contractors operate their own HSE management systems and sampled records demonstrated attainment of a suitable and sufficient standard. Our view is that management and supervision of contractors' arrangements for health and safety are considered to be fit for purpose.

First Aid

- 3.3.21 A well equipped and professionally staffed First Aid centre is provided inside the refinery, with further resources available at the hospital at the Vedanta colony. The clinic is staffed by 5 doctors and a pharmacist and boasts equipment capable of analysing blood, performing audiometric and other tests, electro cardio graphs (ECGs) and x-rays. Four ambulances have also been acquired and are used as mobile health units in addition to their medical response role. Emergency showers and eyewash facilities are also available in the event of chemical contamination following spills or accidental releases. Staff receive some First Aid awareness training and/or a copy of a First Aid handbook. Our view is that First Aid provisions are therefore suitable and sufficient.

Health surveillance

- 3.3.22 Staff benefit from an occupational health assessment upon commencement and periodically thereafter. No significant cases of industrial disease have been uncovered so far. Drinking water quality of the site is regularly tested by the refinery's laboratory and the public health department. Analysis results demonstrate broad compliance to World Health Organisation standards, although there does not appear to be any specific test for coliformes, one of the specified parameters.

Accidents and incidents

- 3.3.23 There have been 7 unfortunate fatalities associated with the site since the original construction work began in 2004. Of these, 5 resulted from road traffic accidents and the lack of road safety awareness (e.g. sleeping under trucks parked at the side of the road). The most recent fatality occurred in February 2010 and involved a fall from height. The subsequent investigation concluded that the operator had been negligent; the accident happened as the operator was descending from height to go on lunch break and the safety harness had been detached to facilitate descent.
- 3.3.24 With the exception of these fatalities, the refinery's safety record is within an acceptable range for facilities of this type and size. There have been no major lost time events or notifiable injuries relating to VAL staff or contract staff. Whilst 21 minor injuries were recorded in 2009, 13 minor injuries had been registered so far in 2010.
- 3.3.25 A revised Disaster Management Plan (DMP) has been prepared for the site and is intended to cover major pollution and/or safety incidents associated with fire, explosion or substantial release of pollutants following a breach of red mud, fly ash or other slurry pipework or storage facilities. The draft was reported as currently under review but had been submitted to the Directorate of Factories and Boilers for approval. Some minor errors were noted in the document that may require correction and there are some shortcomings against Industry Best Practice. For example, there is no description of what equipment and materials should be kept available to intervene successfully in the event of a major event; how the 'at risk' areas would be evacuated; or the major rehabilitation works to restore the environment post incident. Detail was also missing in regard to timely notification of the competent authorities and Vedanta's corporate management.

We recommend that Vedanta review the draft DMP against recognised industry guidance (such as the ICMM / UNEP publication "Good practice in emergency preparedness and response", 2005) and upgrade its emergency prevention and response arrangements, including improved drill and simulation exercises.

3.4 The Proposed Expansion

- 3.4.1 A final EIA of the proposed expansion of the refinery, from 1MTPA to 6MTPA was carried out in 2009 by Global Experts. The assessment was in keeping with national requirements but VAL might usefully have requested the consultants to comply with IFC Performance Standards. There is currently a legal dispute regarding Vedanta's right to commence construction and works have stopped. Our understanding is that the dispute relates to an interpretation of the law and the circumstances in which construction work can commence:

We recommend that, if the development is to proceed, a supplementary report be prepared to augment and update the existing EIA, thus meeting international best practice. This report would be used to guide further development and would be made available to key stakeholders.

3.5 Conclusions

- 3.5.1 The Lanjigarh refinery has been built in a remote and attractive rural landscape. It has been built in an area characterised by poverty and primarily inhabited by Scheduled Tribes and

- Scheduled Castes. Its development has attracted the attention of international NGOs and media, and the heightened expectations of local people.
- 3.5.2 In addition, the refinery has been built and become operational in a relatively short timescale moving from environmental clearance in 2004 to operation in 2007. Originally the development was widely welcomed and supported by governments and politicians in Bhubaneswar and New Delhi. Subsequently, and particularly in relation to the mine proposal, VAL's development has become the subject of intense international scrutiny, legal battles and political opposition.
- 3.5.3 VAL is seeking to operate the refinery in accord with international best practice and, on occasion, to surpass best practice – as in the case of the aspiration for zero wastes. Evidence of good practice can be seen in the certifications for Environmental Management (ISO) 14001: 2004) and occupational health and safety (OHSAS 18001: 2007) and in the plans to seek certification for social accountability for fair working conditions (SA 8000:2008). Only a few, relatively minor concerns were raised in regard to environmental and safety management and most of these had been corrected prior to the end of our review of the refinery. VAL pays premium wages to its employees. Its community development work has been commended by the Government of India and independently audited by the Asian Institute of Sustainability demonstrating real progress in relation to improved health, education and livelihoods.
- 3.5.4 Much of the criticism of Vedanta at Lanjigarh has related to the planning processes for the refinery and the mine. There are lessons to be learned and we have proposed improvements to the EIA and consultation process and urged Vedanta to respond more quickly and more fully to requests for information and allegations of poor practice.

4 Stakeholder Issues at Lanjigarh

4.1 Introduction

4.1.1 This part of the report describes our independent review of stakeholder concerns related to the Lanjigarh Refinery.

4.2 Approach

4.2.1 The review included an assessment of reports published by international NGOs (Action Aid, Amnesty International, Survival International) Governmental Organisations (OECD) and investors (Joseph Rowntree Charitable Trust, The Church of England and Norway's Government Pension Fund), and direct engagement with representatives of communities in and around Lanjigarh (including the Dongria Kondh), residents of the rehabilitation colony and other stakeholders including government agencies, politicians the media and local NGOs.

4.2.2 Our approach to stakeholder engagement started by reviewing the international NGO reports and identifying key concerns and where possible, the areas and villages to which they relate. This was to ensure that the most 'affected areas' were included in our community consultation and that we were following an analysis of community concerns as set out in NGO reports.

4.3 Review of stakeholder concerns

NGO reports

Action Aid

4.3.1 Action Aid prepared a report called '*Vedanta Cares? Busting the Myths about Vedanta's operation in Lanjigarh, India*'. In relation to the refinery, concerns were raised about toxic waste and bauxite dust contaminating water and land, and impacting people's health. Noise pollution was also raised as a concern.

4.3.2 With regard to the villages physically moved and re-settled, Action Aid stated that people were threatened by Vedanta and in some cases, forcibly evicted. The report also states that houses and farms were bulldozed without consultation and compensation, and village forest was permanently lost. During a field visit to the new rehabilitation colony, Action Aid concluded that the new concrete houses were not fit for purpose and that rules on residents entering and leaving the colony were too strict. Action Aid also claimed that families who lost their land were not given jobs, despite training from Vedanta.

Amnesty International

4.3.3 According to Amnesty International², Vedanta failed adequately to assess the human rights impacts of the refinery and "repeatedly attempted to bypass or overcome regulatory requirements, with little regard for the rights of local communities or impacts on the environment".

² Amnesty International (2010). *Don't mine us out of existence: Bauxite mine and refinery devastate lives in India*. February 2010.

- 4.3.4 According to Amnesty, processes to assess the impact of Vedanta's projects on local communities were 'wholly inadequate'. It is claimed that villagers had not been given detailed information on the nature and scale of the refinery and the possible impacts on the environment and how risks would be mitigated.
- 4.3.5 The Amnesty report states that landless labourers (e.g. in Chatarapur and Bandaguda) were not invited to public consultation meetings about the compulsory land acquisition and were not aware of the imminent loss of common grazing land and private land, used by their employers. These labourers, it is alleged, received no compensation for the loss of common land or loss of jobs (due to the sale of private farmland).
- 4.3.6 The report also refers to instances of intimidation during the consultation process e.g. residents recalled a heavy (and intimidating) police presence at a meeting in June 2002 to discuss land acquisition.
- 4.3.7 Amnesty International discusses concerns about water pollution and Vedanta's 'inadequate pollution control measures' to meet conditions stipulated by MoEF and OSPCB. The report talks about recurrent leakages of highly alkaline wastewater (into the river and onto the land), spillages from plant process areas, seepage of alkaline wastewater from the red mud ponds, the contamination of water (caustic water) and high pH levels. The report says that repairs are not carried out in a timely manner and that the contamination of water poses risks to both people and animals. Amnesty reports instances of people suffering from blisters and skin problems (in e.g. Bandaguda, Chattarapur and Kenduguda) and in some cases, people falling seriously ill; some deaths in Chattarapur were blamed on poor water quality.
- 4.3.8 The Amnesty report refers to high levels of noise and air pollution in the communities around the refinery, attributed to the high volume of trucks carrying coal and bauxite; dust from the lime handling areas; fly ash from the coal fired boiler; and other emissions from the calciner stack and boiler. Amnesty reports villagers inhaling and ingesting the dust, leading to respiratory diseases, irritation to eyes, ears, nose, throat and skin.
- 4.3.9 In regard to the six-fold expansion of the refinery, Amnesty accuses Vedanta of starting work without environmental clearance from the MoEF. Furthermore, it reported that the EIA carried out to address the refinery expansion, does not assess risks to local communities' rights to water, health, food and work and how those risks would be mitigated or managed. The EIAs only give limited attention to socio-economic issues and none to human rights.

Survival International

- 4.3.10 The Survival International report, a '*Complaint to the UK National Contact Point under the Specific Instance Procedure of the OECD Guidelines for Multinational Enterprises*'³ is focused primarily on the bauxite mine and the Dongria Kondh tribes, and does not refer to the impacts of the refinery.

OECD

- 4.3.11 In September 2009, in response to a complaint by Survival International, the UK National Contact point for the OECD concluded that Vedanta had not acted in compliance with OECD's principles in respect of its dealings with the Dongria Kondh and the proposed bauxite mine in the Niyamgiri Hills. It was concluded that the consultation process was inadequate and that

³ Survival International (2008). '*Complaint to the UK National Contact Point under the Specific Instance Procedure of the OECD Guidelines for Multinational Enterprises*'. 19 December 2008.

fuller consideration should have been given to the impact of the mine on the rights and freedoms of the Dongria Kondh. Both parties responded to the recommendations made by OECD and their final statement, incorporating comments from both Survival International and Vedanta, was published in March 2010. Vedanta stated that in their view the consultation process fully complied with Indian legal requirements and that they were working with the Dongria Kondh Development Agency to help deliver its development objectives.

Vedanta Investors

Joseph Rowntree Charitable Trust

- 4.3.12 The Joseph Rowntree Charitable Trust expressed concerns about Vedanta's approach to human rights and the environment⁴. The Trust expressed concern over the bauxite project and reports that it was causing 'severe environmental damage at the expense of the local people'⁵. The Trust also referred to hearing 'first-hand' of human rights abuses in Orissa, describing the company's actions as 'morally indefensible'.

The Church of England

- 4.3.13 The Church Commissioners and the Church of England Pensions Board expressed concerns about Vedanta's human rights record. They reported that after six months of engagement they were still 'not satisfied that Vedanta had shown, or is likely in future to show, the level of respect for human rights and local communities' that the Church expects of companies in which they invest⁶.

Norway's Government Pension Fund

- 4.3.14 In 2007, Norway's Government Pension Fund, 'Global', sold its stake in Vedanta Resources Plc because of what one Norwegian government official referred to as systematic 'environmental and human rights violations'⁷.

Community consultations

Dongria Kondh communities (Phuladumer, Palaberi)

- 4.3.15 Given the location of the Dongria Kondh villages (some distance from the existing refinery), most of the issues raised related to impacts from the proposed mine rather than the refinery. There were concerns in Palaberi that should the mine go ahead, the extraction of bauxite would disrupt key water sources that supply springs and streams on the surrounding hillsides, hence impacting vegetation. The people of Palaberi had been threatened by another Dongria Kondh group (from Korapur block), because they had not opposed Vedanta. The group had come to the village at night and damaged sewing machines and the roof of the Child Care Centre.
- 4.3.16 The residents of both Phuladumer and Palaberi said that Vedanta had engaged with them and provided community investment including a livelihoods sewing initiative in Phuladumer (Project Jeebika) and a child care centre in Palaberi. For Project Jeebika, eight sewing machines were provided to the women, who now stitch gathered leaves into round circles, which then get

⁴ Kathryn Hopkins for The Guardian (2010). *Rowntree Trust sells shares in Vedanta over human rights fears*. Thursday 18 February 2010.

⁵ *Ibid.*

⁶ The Church of England (2010). *Church of England disinvests from Vedanta Resources Plc*. 5 February 2010. Available at: <http://www.cofe.anglican.org/news/pr2010.html> (accessed 15 October 2010).

⁷ Ghosh, P. for Live Mint (2007) *Norway Government sells its Vedanta stake*. 7 November 2007. Available at: <http://www.livemint.com/2007/11/07235225/Norway-govt-fund-sells-its-Ved.html> (accessed 15 October 2010).

pressed into plates at a nearby village. The women were happy to be involved in the project and earning money.

- 4.3.17 Jeetu Jakesika was also interviewed, an educated youth from the Dongria Kondh community. In the past, Jeetu had worked as an activist with NGOs, campaigning against Vedanta's operations and proposed works in Lanjigarh and the Niyamgiri Hills. However, he now supports the work of Vedanta and is keen to see the Dongria tribes benefit from the education, employment and health care initiatives provided.

Refinery boundary communities (Basantaparha, Sinhabahal, Belamba, Kendugurha, Chatarapur)

- 4.3.18 The 'refinery boundary communities' are peripheral villages, located near to the refinery. The majority of residents in these villages are living below the poverty line. Although some of these communities had lost common grazing land and private farmland to the refinery, houses were not impacted and therefore, there was no resettlement.
- 4.3.19 Overall, villagers were positive and supportive of VAL and its operations. Most people felt that the refinery expansion work should continue, as their livelihoods depended upon it (both directly and indirectly). However, there were expectations that Vedanta should supply jobs and income to the local communities most affected. Across the settlements it was clear that VAL had invested in the community infrastructure, providing electricity, street lights, roads, tube wells, child care centres and a mobile health unit (which visits the villages every 15 days)⁸.
- 4.3.20 In all the villages but one (Belamba), we were told that residents had lost some agricultural land. Compensation was awarded in the form of a fixed amount per acre, although some villages felt that this was insufficient (e.g. Chatarapur).
- 4.3.21 When the major construction phase at the refinery was stopped, many people (particularly in Basantaparha) lost their jobs. Villagers also resented the fact that many contractor jobs were going to people from outside the local area e.g. from Bihar, Jharkhand and Bengal.
- 4.3.22 In some cases, training (in preparation for potential employment at VAL) was provided to young villagers. However, the Kendugurha community was concerned that out of eight people trained in the village, no-one had received jobs. In other villages, even where jobs had been provided, people were unhappy about being put on contracting salaries (Rs.5,000/month), 15,000 Rs./month less than the salary of a Vedanta payroll employee (Rs.20,000/month).
- 4.3.23 Two villages (Basantaparha and Kendugurha) were concerned that increased dust from the red mud and ash ponds in the summer months was causing health problems. In addition, in Kendugurha (located near River Vamsadhara), there was concern about the water quality.

Refinery roadside communities (mainly located to the southeast, south and southwest of the site on the main road) - Bijabadali, Asuraparha, Kansari, Materials Gate

- 4.3.24 The 'refinery roadside communities' are located on the main road, which runs along the southern edge of the refinery and out of Lanjigarh to the west. According to local residents, the road has been widened and reconstructed by Vedanta. In Bijabadali, five families had lost parts of their land to the widening of the road and it was reported that in another village (Sitarampur), eight people had not received any compensation. However, Vedanta stated that

⁸ List not exhaustive.

no land had been acquired by VAL. The land required for the widening of the road had been gifted to the Panchyat Samiti.

- 4.3.25 In addition, most of the villages reported increased traffic and significant noise and air pollution, leading to a rise in the number of people suffering respiratory problems such as asthma. Villagers in Bijabadali were also concerned that their water was becoming contaminated as a result of dust from traffic and the road.
- 4.3.26 Villagers in Bijabadali said that they had benefited from Vedanta in terms of direct and indirect employment.

Communities to the southwest of the refinery - Rengopali, Jaganathpur

- 4.3.27 Rengopali (a community of 96 households) is situated to the south of the refinery. Although Vedanta has provided infrastructure e.g. a concrete road, a child care centre, electricity and a mobile health unit, villagers reported that they had lost all of their fertile land to the red mud pond. Although the community was fully compensated, the villagers said they had not saved properly and the money had now run out. Villagers reported water and air pollution (from red mud pond particles) and respiratory problems and eye irritations. The villagers also believe that the poor water quality has led to numerous deaths over recent years (of people and of cattle). There was a general feeling that the village was no longer a safe place to live and people should be shifted to the rehabilitation colony.
- 4.3.28 We also visited Jaganathpur, located to the southwest of the refinery and near to the Township and Resettlement and Rehabilitation Colony, where overall, villagers were happy and satisfied with the facilities provided by Vedanta.

Rehabilitation Colony

- 4.3.29 Overall, people were very happy with the rehabilitation process, which involved good engagement throughout. In fact, the move meant that many 'upgraded' to better, stronger houses with good infrastructure and facilities e.g. electricity, roads, child care centre etc. Vedanta compensated families for loss of agricultural land / trees, and provided free education and training e.g. IT training, personality development, nursing etc. On completion of the training schemes, many were given jobs, some in Vedanta's CSR work. Good health care is now provided, particularly for the treatment of malaria. The only concern raised by the rehabilitation colony was that the re-settlement package was less geared towards the older generation, who had lost their land and hence, their traditional work and livelihood.

Other Stakeholders

- 4.3.30 The Ex-Vice Chairman of the Lanjigarh Block stated that the proposed mine and refinery expansion work will be positive for the local economy, given the current need for employment. However, he felt priority should be given to assisting the villages closest to the refinery.
- 4.3.31 The Ex-Minister of Scheduled Tribes and Scheduled Castes Development, who was minister when VAL was establishing itself in Lanjigarh, was extremely supportive of Vedanta and stressed that opposition to the company came from 10-15% of the local population, mainly made up of Dongria Kondh tribes people and some of the more marginalised residents of Lanjigarh. It was perceived by the local politicians that many of these people had been heavily influenced by international NGOs.

4.4 Conclusions and Recommendations

4.4.1 It is apparent that the degree of concern expressed about environmental issues in the NGO reports was greater than that found in our recent consultations. However, the key issues remain the same: water quality, air quality – and particularly dust, and the potential impacts on health. The distinction in findings may reflect the fact that there were some problems in the construction and early operational phases of the plant relating to discharges of polluted water and some dust arising from transportation of bauxite and storage of ash.

4.4.2 The water pollution issue should now be fully addressed by the installation and operation of the zero discharge approach involving the use of the red mud and ash ponds and the capturing of all run-off waters. The most recent government monitoring has demonstrated that pH levels in the main river are within acceptable levels.

4.4.3 The transport of bauxite by road trucks, if inadequately managed, may result in dust deposits particularly along the main route to the plant. This problem should be significantly reduced when the railway becomes the major source of transportation for bauxite to and alumina from the plant. This will also reduce the hazard of traffic accidents in the roadside communities.

4.4.4 MoEF has suggested that VAL install a water-sprinkling system in the red mud pond to limit dust. They have also suggested that VAL start to monitor Respirable Particulate Matter and investigate concerns about dust and air pollution in Rengopali, Bundel and Bandhuguda:

We recommend that VAL review the issue of sporadic dust nuisance, seek to reduce such pollution and monitor both dust emissions and incidence of respiratory infections in the immediate locality of the refinery.

4.4.5 We have recommended that VAL extend and publicise its environmental monitoring regimes and seek to communicate the results to local people thus allaying unnecessary fears. Such monitoring at Lanjigarh might include, for example, checking village wells for potential pollution and against potable water standards.

4.4.6 In addition, we consider that it would be helpful to local communities if there was a simple way in which they could communicate concerns to VAL – a grievance mechanism. We are aware that there is a formal system, generally accessed via local government and political representatives, for considering grievances. However, we think a more informal system allowing local people to directly present their concerns to Vedanta staff is appropriate and in keeping with the IFC Performance Standards. We think it would be useful to develop such an approach, perhaps using the presence of VAL CSR staff in the villages to collate concerns. This would also ensure compliance with IFC Performance Standard 1 and its specific provisions on grievance mechanisms:

We recommend that VAL establish a simple and accessible grievance mechanism by which villagers can identify any concerns about the operation of the refinery using the village coordinators already deployed by VAL.

4.4.7 In relation to human rights, there is a system for considering claims of abuse which starts with the local administration and, if the complaint cannot be resolved at this level, is escalated to the state administration or even the government administration. Nevertheless, we have recommended that Vedanta Resources develops a specific policy on human rights (there is already a page on its website) and includes human rights considerations in any future EIAs.

- 4.4.8 In response to concerns about the community consultation process, Vedanta has stated that the formal, government sponsored consultation on the land acquisition and the EIAs insured widespread knowledge of the proposal and its consequences. Nevertheless we have argued that to meet IFC Standards, Vedanta may well have to go beyond the formal process to ensure adequate disclosure of information throughout the full project life cycle and free, prior consent for its developments.
- 4.4.9 In relation to compensation, private landholders received around one lakh per acre for loss of land. Our stakeholder review also raised the concern that landless labourers were not engaged in the consultation process and were not (in every case) given compensation for lost common land. However, Vedanta did offer compensation (between 1/10th and one acre of rayati land) to landless and homestead-less labourers, as per the L. A. Act (1984).
- 4.4.10 One of the NGO reports suggests that villagers in Lanjigarh were threatened by police and in some cases, forcibly resettled. However, our community consultation did not raise any such complaints and on the contrary, people from the Rehabilitation Colony said they were happy with the rehabilitation process, the homes and infrastructure provided.
- 4.4.11 The over-riding concern raised by the villagers in the community consultation was that Vedanta was not providing enough jobs locally. According to VAL, the company is providing a large number of unskilled jobs locally and, indeed, over 60% of Vedanta's employees come from Lanjigarh or Kalahandi. We suggest that Vedanta develops a local strategy for employment provision and then communicates this to the villagers. The strategy is likely primarily to focus on creating economic opportunities in the villages rather than direct employment at the refinery.

We recommend that Vedanta give further consideration to accelerating livelihood training programmes for villagers via self-help and business start-up support, especially in those villages close to the refinery and monitor local employment creation in these villages and the Lanjigarh block.

- 4.4.12 Community development is provided by VAL's own CSR team, by the Lanjigarh Development Trust which is funded by but independent of Vedanta, by the Vedanta Foundation and by the Kutia Kondha Development Agency. It would be beneficial if all these actors could be seen to be contributing to a single, shared rural development strategy for the area. The benefits of such an approach would include greater transparency and accountability, better targeting of resources, better coordination of different programmes and greater cumulative benefits:

We recommend that Vedanta seeks to work together with local government to develop and publicise an integrated rural development strategy for the area.

Please refer all questions on this report to the Agent for the lenders to Vedanta Resources – Standard Chartered Bank at feed.back@sc.com.