

Vedanta Resources plc
First Progress Report on the
implementation of the Scott Wilson
recommendations



Final Version

Vedanta Resources plc

6/28/2011

Executive Summary

Vedanta Resources is committed to implementing all of the Scott Wilson recommendations within a wider program of fully integrating a new Sustainability framework and policies consistent with a multinational metal and mining enterprise operating 53 sites on four continents. Of our 33 major sites, 29 are approved to ISO14001 and OHSAS 18001.

Scott Wilson made 11 Corporate, 7 Group Company and 11 Lanjigarh site specific recommendations in their report dated November 2010. Of the 18 Corporate/Group recommendations, five in the area of Policy Review and Governance are complete or well advanced and in Lanjigarh two of 11 are complete or well advanced.

At the Corporate / Group level, the board has re-designated the HSE Committee as the Sustainability Committee with a new mandate to cover all sustainability issues including human rights, and approved modifications to the Vedanta Code of Conduct and Value Statement. A Chief Sustainability Officer has been appointed.

We are drafting, together with an international consultancy, a new global policy framework including: Social, Human Rights, Biodiversity, Water Management, HIV/Aids, Supplier and Contractor Management, Energy & Carbon Management (including Climate Change), Stakeholder Engagement and Product Stewardship policies with updates to our HSE policy. We expect the Vedanta Sustainability Committee to approve these new policies and the framework in July. We have begun to collect incident data at each subsidiary and compile a central database for senior management review.

In Lanjigarh, we have made many improvements to the housekeeping whilst respecting the status quo situation regarding the expansion project. Further, in the last year, US\$10 million have been invested for the installation of vacuum dust collection systems, enhanced ESP systems, various dust suppression systems such as, sprinklers, dry fog etc. We have completed a gap analysis on the Environmental Management System and Community HSE safeguards which will be improved to include the new IFC guidelines before November. An improved draft disaster management plan and a new grievance process are all well advanced in line with the recommended timetable.

By November, we expect to have; implemented a consistent policy framework across the group to align our management systems, completed a competency check on our HSE and CSR staff and planned our sustainability assurance process for implementation in 2012. In Lanjigarh, we will have completed our retrenchment plan, further improved our GAP analyses, improved the contract labour camp and worked with the LAPDF to accelerate our livelihood programmes in the area again all in line with the recommended timetable.

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Introduction

Vedanta is committed to implementing all of the Scott Wilson recommendations within a wider program of fully integrating a new sustainability framework of policies and standards consistent with international standards such as the ICMM, OECD and IFC and consistent with operating a multinational metals and mining enterprise with 53 sites on four continents.

The Vedanta board set the sustainability goal to be recognized internally and externally as the global benchmark company in sustainability performance.

Of our 33 major sites, 29 are approved to ISO14001 and OHSAS 18001 and Sesa Goa, Hindustan Zinc and Sterlite are companies quoted on major stock exchanges and group companies operate under their own Board of Directors.

This report details the actions we have taken since the Scott Wilson Report was published on 17th November 2011 and contains supporting documentation where possible and relevant.

We have embarked on a program to improve the consistency of performance and have focussed on Governance in the first instance and the creation of a sustainability framework of policies and standards that, when implemented throughout the group, will lead to a consistency of process and to superior performance. We have taken the opportunity to align our sustainability reporting calendar with the financial reporting timetable and we published our Sustainable Development Report 2010-11 in June this year.

A central Sustainability group has been strengthened and is led by the Chief Sustainability Officer. Recruitment of Health, Safety, Environment and Community Relations specialists, together with an Assurance team is underway. We expect the recruitment of the group to be complete in the second half of 2011.

External support for the development of specific policies and technical standards has been contracted from an international consultancy based in London and with offices in India.

The following three sections of this report reflect:

- i) the work achieved to date,
- ii) the program for the next six months leading to the second progress report and,
- iii) the final six month period leading to the final progress report and the contracting of the companywide sustainability audit in June 2012.

Section 1 Strengthening Governance and the Development of the Sustainability Model, Framework and Policies - November 2010 to June 2011

Group level Progress

In order to enhance sustainability practices throughout the group, significant progress has been made on the governance program including the evolution of the Board appointed HSE Committee into the Sustainability Committee with a wide sustainable development mandate and the development of the company's sustainable development framework. An international consultancy has been engaged to support this process and is working closely with the CSO and with a Sustainability Committee sub group, "the Sustainability Consultation Committee" who are providing valuable business input.

Sustainability Committee

2.5.7 *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.* Target: May 2011

Following a recommendation by the HSE committee, the Board of Directors evolved the HSE Committee into the sustainability committee at their meeting on 17th March 2011. The new committee was given a broader mandate to cover all sustainability issues. The members of the committee are Mr N Chandra, (Chairman), Mr MS Mehta, (Group CEO) and Mr Jeyakumar Janakraj (CEO of Konkola Copper Mines). The Group Chief Sustainability Officer acts as secretary and advisor to the committee. The mandate is published on page 67 of the 2011 Annual Report and minutes of the meetings are kept and a summary of topics discussed will be presented in future annual reports.

[Appendix 1 – Vedanta Sustainability Committee Mandate](#)

Chief Sustainability Officer

2.5.8 *Appoint an appropriately qualified Chief Sustainability Officer 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.* Target November 2011

A Chief Sustainability Officer was appointed on 8th November 2010. The CSO position reports directly to the Vedanta Resources Group CEO. As the sustainability organisation continues to grow, we will finalise designated points of contact for the CSO and his team in each subsidiary. In the meantime the CSO chairs a monthly HSE review meeting with the HSE leaders in each subsidiary and is the secretary of the Sustainability Committee where he is responsible for providing advice of all sustainability topics.

[Appendix 2 – Job Description - Chief Sustainability Officer](#)

Stakeholder Model and Sustainable Development Policy Framework

Vedanta realises that all issues are represented by its stakeholders and in order to develop our materiality process for reporting, these stakeholders have been defined in 7 groups, namely shareholders, lenders, employees, communities, industry, governments and interested third parties.

Whilst our process for defining materiality has not yet been fully developed, this year we surveyed key individuals with close knowledge of our stakeholders to help identify material issues for our recently published Sustainable Development Report 2010-11. We plan to improve this process of material issue identification for the 2011-12 report.

We have constructed a sustainability model with three key pillars, these begin with Responsible Stewardship leading to Strong Relationships and Adding Value. Each of these pillars is driven by a number of policies, technical standards and best practice guidelines.

Above the three pillars sit the Group’s Mission, Vision, Values, Code of Conduct that apply to everything we do, together with our Global Management Processes and Management Standards applicable to each of the management systems that sit in the three areas.



Mission Statement

Vedanta has had a robust mission statement for many years and on review it was decided that no change was necessary and so it remains in full force and effect. Our mission remains to be a world class metals and mining group and generate superior financial returns.

Value Statement

2.5.4 *Revise the wording of the 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.”* Target: January 2011

The updated Value Statement was approved by the Board on the 17th March 2011 with the addition of the sentence, “We aim to contribute to the social and economic welfare of the communities where we work and to protect and conserve the environment”. We also took the opportunity to make other small improvements. Our Value Statement is available on our website at <http://www.vedantaresources.com/mission-values.aspx>

[Appendix 3 – Vedanta Value Statement](#)

Code of Conduct

2.5.2 *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.* Target: January 2011

The new Code of Conduct was approved by the Board on the 17th March 2011 with the addition of a clause referring to human rights as follows:

HUMAN RIGHTS

At Vedanta, upholding people's fundamental rights is central in our everyday business operations.

At a minimum Vedanta will comply with all applicable local, state and national laws regarding human rights and workers rights where the company does business.

All our businesses are compliant with applicable regulations, strive to uphold all labour rights and are aligned with national and international regulations. All employees are required to comply with our Human Rights Policy.

We are in the process of supporting this statement with a Human Rights policy that will be applicable across the group. The Vedanta Resources Code of Conduct is available at <http://www.vedantaresources.com/corporate%20governance.aspx>

Appendix 4 – Vedanta Code of Conduct

Policies

2.5.6 *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.* Target: To be implemented in time for the 2011 Annual Report and Sustainability Report to be published in June 2012.

It is well recognised within the Group that the Company’s Mission, Vision, Values and Code of Conduct, require support from a framework of sustainable development policies together with management and technical standards and a solid assurance program.

We have drafted ten policies, supported by a number of management and technical standards aligned to the IFC performance standards, guidance documents and EHS guidelines and expect the Sustainability Committee to approve the policies in July. Once approved, a process of analysis will take place at each company, prioritised in line with the Scott Wilson recommendations, to identify any gaps between existing systems already in place and the new requirements. A process of alignment, if needed, will then be undertaken. The analysis process is expected to take 6 months for the policies specifically mentioned in the Scott Wilson report and longer to roll out the entire framework.

After a period for implementation, a group assurance process comprising a self assessment questionnaire and field visits will be introduced to assure ongoing compliance.

The policies in the framework are titled as follows:

Group Policies		
Responsible Stewardship	Strong Relations	Adding Value
<i>HSE Policy</i> <i>Biodiversity Policy</i> Water Management Policy Energy and Carbon Management Policy Product Stewardship Policy	<i>Social Policy</i> <i>Stakeholder Engagement Policy</i> <i>Supplier and Contractor Management Policy</i> <i>Human Rights Policy</i>	HIV/Aids Policy <i>Italics signify Vedanta's response to a Scott Wilson recommendation</i>

The global processes and management standards are titled as follows:

Global Management Processes & Management Standards	
GLOBAL MANAGEMENT PROCESSES <i>New Projects, Planning Processes & Site Closure</i> Stakeholder Materiality and Risk Management <i>Performance Monitoring, Data Management and Reporting*</i> Incident Reporting and Investigation Management of Change Documentation & Records Management Corrective & Preventive Action Management Auditing and Assurance Acquisitions, Divestment and Joint Venture Due Diligence	MANAGEMENT STANDARDS Compliance and Other Requirements <i>Leadership, Responsibilities and Resources</i> Objectives, Targets and Performance Improvement <i>Competency, Training and Awareness</i> <i>Management Review and Continual Improvement</i> <i>Italics signify Vedanta's response to a Scott Wilson recommendation</i>

process still further, we will publish the group email address on our subsidiary company websites to give greater exposure.

Sustainable Development Report 2010-11

2.5.13 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 expertise. Target April 2012

While working on improvements to our governance and management systems, we took the opportunity to align our sustainability reporting calendar with the financial calendar and issued our Sustainable Development Report 2010-11 in June this year along with the Group's Annual Report. In order to accomplish this change and not to leave interested parties without access to our 2009-10 performance data, we did publish on our website, a table of performance statistics and comments against the GRI G3 criteria that can also be downloaded. We have added the 2010-11 summaries in the same style for ease of access. We plan to implement a sustainability information technology system to allow us to better collect and analyse data which will help improve reporting in the future.

To quote from the 2011 Vedanta Annual Report,

"It is very important to Vedanta Group and all its stakeholders that sustainable development is embedded in its overall business strategy.

A key element of this commitment is to report its sustainable development activities in line with the Global Reporting Initiative's G3 Sustainability Reporting Guidelines. This is in line with the recommendations of the independent Scott Wilson Report, published in November 2010, which recommended changes to the Group's reporting practices. This report now gives the Group the cornerstone required to deliver a fully integrated, consistent and global approach to sustainable development reporting that fully reflects industry best practice.

A fuller report on the Group's sustainable development performance in 2010-11 can be found in its sustainable development report, and more information is available on our website (www.vedantaresources.com)."

Our sustainable development report has been audited by Det Norske Veritas and the following quote is taken from their report, *"In DNV's opinion, based on the work carried out, the Report is a fair representation of the Company's sustainability-related strategies, management systems and performance"*. The report meets the requirements of the GRI G3 B+ application level.

Our corporate sustainability website <http://www.vedantaresources.com/sustainability/> has also been updated to reflect the work we are doing to improve governance and to showcase our policies and give a more balanced picture of the work across the sustainability spectrum.

Appendix 5 – Vedanta Sustainable Development Report 2010-11

Company level progress

Due to the time taken to develop the full framework at the group level, work at the individual company level has been limited to the specific recommendation of the Scott Wilson Report together with the development of an HSE program to strengthen reporting. We are working hard to continue the progress the Vedanta has made in the last five years on safety, reducing the LTIFR from 3.84 in 2006-7 to 1.1 LTIs per million hours worked in FY2010-11. As stated in the Code of Conduct the group and all group companies are committed to zero harm and whilst strong improvements have been made we will not be satisfied until we reach our goal.

Future EIAs to International Standards

2.5.15 Produce and test 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. Immediate implementation

We are committed to following IFC, ICMM and OECD performance standards and have completed a gap analysis to these standards for the EIA for the Durgapur II Taraimar Coal Block in Chhattisgarh which was already in progress at the time of the publication of the Scott Wilson recommendations. To close some gaps identified we have commissioned a supplementary EIA. We are in a process of transition and all future EIAs will be produced to IFC standards respecting the specific requirements of Indian law.

Land Management

2.5.11 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 habitat surveys for all new sites prior to development. Target: To be implemented in time for the 2011 Annual Report and Sustainability Report to be published in June 2012

Land and resettlement is part of the social policy and it with the land and resettlement technical standard form part of the draft sustainability framework. It is expected that these documents will be approved by the Sustainability Committee in July and the rolled out across the group via the gap analysis process described above.

In the meantime, we have made a review across the company and begun a mapping process using the IBAT mapping tool <https://www.ibatforbusiness.org/> developed by a consortium of NGOs. This will be used to help our land management and biodiversity programmes.

Register of Social and Labour Incidents

2.5.23 Maintain a register of major social and labour incidents at their plants and report to VRL Target: April 2011

All group companies have developed a reporting process and database of incidents beginning 1st April 2011 or earlier in the case of Lanjigarh. A monthly report is supplied to Vedanta, where a full register is kept. The complete register is circulated back to all companies within the group for awareness, learning and risk management purposes.

Lanjigarh progress

A focussed effort to complete the improvement program at the VAL refinery in Lanjigarh has been undertaken and the results to date are described below. These include a systematic gap analysis, the implementation of a grievance cell that operates a weekly surgery managed by the VAL Lanjigarh community relations team, improvements to the filtration system and air monitoring together with a housekeeping drive and a review of the disaster management plan.

Systematic Gap Analysis of the Environmental Management System versus IFC Performance Standards

3.2.20 Undertake a systematic gap analysis of the EMS against the Industry Best Practice criteria and update it accordingly. Target: April 2011

A gap analysis study with reference to Indian law, IFC Performance Standards and Equator Principles has been carried out. We intend to revisit this study to take into account the latest IFC guidelines and improve the robustness of the analysis. We will then implement an action plan to close any gaps identified by November 2011.

Implement a simple & accessible grievance mechanism.

4.5.8 Establish and strengthen a simple and accessible grievance mechanism by which villagers can identify any concerns about the operation of the refinery by using the village coordinators already deployed by VAL. Target: May 2011

Although the public grievance system has been implemented in Lanjigarh by the Rehabilitation & Peripheral Development Advisory Committee (RPDAC), we have implemented our own public grievance and open communication mechanism. Every Friday, the vice president of human resources holds an open forum to hear issues and complaints & take-up the issues with concerned parties. Every effort is being made to address the complaints within 7days, if VAL alone is involved or 15 days, if Government intervention is needed.

In case of issues related to the government, such as those leading to a recent demonstration, where members of a local community requested a special relief package over & above the package announced by the government previously agreed before the plant was built, then the matter is referred to the Government of Orissa for direction.

Grievance Programme



Appendix 6 – Lanjigarh Open Communication Process and Summary Data

Housekeeping

3.3.3 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.

Target: Immediate

All the roads inside the plant are being converted into reinforced concrete cement (RCC) and all roads outside the plant are being topped with bitumen. A large programme of plantation and revegetation has been undertaken in & around the plant and all drains are regularly cleaned. Different waste disposal areas have been identified for waste oils, scrap hazardous waste, wooden waste etc. and all are disposed off regularly. Where the status quo ruling has permitted, the expansion material lying at various places are also been staged and stacked properly. All drains are regularly cleaned by a local contractor employing staff from close to the plant.

M30 Grade 200 mm double layer reinforcement of all plant roads including operational areas



Continuous Ambient Air Quality Monitoring Station

Green Belt Development and Landscaping



Refinery Expansion

3.4.3 *If the expansion of the refinery 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.* Target: Approval of expansion

Presently all expansion work is on hold. If permission is obtained from the MoEF, then the existing EIA will be updated as per regulatory requirements, Scott Wilson report recommendations, and our new technical standards.

Disaster Management Plan

3.3.79 Review the draft Disaster Management Plan 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. Target: April 2011

The Lanjigarh site disaster management plan has been updated in line with international expectations and is available for review. Currently, it is with the government department responsible for its approval. As it is a live document we intend to undertake more analysis of potential situations to further enhance the document.

Lanjigarh Incident Register

Aligned to the corporate register of incidents, a social, labour and HSE incident register has been created at Lanjigarh. All incidents occurring between 17th November 2010 and June 15th 2011 are included with a short explanation of the background and the actions taken for each.

Additional work completed at the VAL Lanjigarh Refinery

As a part of our commitment and drive for continuous improvement, additional work has been completed at Lanjigarh and the work reviewed by the MoEF in a recent visit by a number of experts.

Appendix 8 – MoEF Lanjigarh Visit Report.

This work includes the following:

- Installation of two piezometers to monitor emissions
- 112 hectares planted with trees
- Initiatives to minimize dust emissions such as the installation of high efficiency bag-filters at the calciner transfer points and fixed vacuum dust collection system at bauxite and alumina handling areas. Additionally, mobile trucks fitted with vacuum dust collection system have been procured for cleaning major dust polluting areas
- Installation of a continuous ambient air quality monitoring station and monitoring for the calciner and power plant along with an online digital display at the factory gate
- Provision of acoustic enclosures for vacuum pumps and blowers to minimize noise pollution.
- Use of robotic machines for cleaning of tanks, pipelines, heat exchangers to prevent the need for operator exposure to caustic environment.

- Installation and use of dry fog systems, vacuum cleaning systems and sprinklers at the material handling areas.
- Recovery of vanadium sludge from the red mud pond
- Separation of hazardous waste in a specially constructed storage shed
- Addition of advanced process and environmental laboratory equipment

Together with recognised laboratories in India, we are developing a roadmap to zero waste from the refinery and as we implement this program we are confident that the refinery will be recognised as one of the best in the world.

Section 2 Sustainability Framework Implementation – June to December 2011.

Once the Sustainability Committee has approved the policy framework and individual policies in July, we will begin a period of rollout process of implementation and assurance. To do this, each group company will first carry out a gap analysis against the new group requirements. Fully functioning management systems are currently in place and 29 out of 33 major sites have already gained ISO 14001 and OHSAS 18001 certification and so close alignment is expected.

However, where a gap is found corrective actions will be taken. In parallel, we will use the gap assessment tool to create an ongoing self assessment questionnaire that will form the cornerstone of our sustainability assurance programme designed to assure ongoing compliance with international standards.

VAL will continue its operations and comply, both to the new policy framework and with the specific recommendations from the Scott Wilson that apply directly to the Lanjigarh refinery.

Recruitment will continue to complete the central sustainability organisation to provide both the technical support and the assurance capabilities needed to make sure a high level of consistency of performance is created across the group.

Group Level Recommendations

Sustainability Committee Oversight

2.5.8 *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.* Target November 2011

This is the major area of focus for the sustainability committee and the governance infrastructure for the sustainability framework is being established as described elsewhere in this report. The committee will oversee the rollout of the policies, management and technical standards, the gap analysis process and the implementation of corrective actions.

Competency Review

2.5.9 *Keep under review the full range of HSE and CSR competencies required across the 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.* Target November 2011.

We currently employ 344 HSE staff and 68 people in community relations positions at our sites around the world. Each site has a strong operations team in place. Work on the implementation and training of the sustainability framework, policies and standards will begin after their approval by the sustainability committee in July. To assure the system is fully implemented, we will also undertake a competency review of all HSE and CR staff.

A training programme is being developed for management, project and operations staff and technical experts to raise awareness of international standards focussed on the IFC performance standards, guidance notes and EHS guidelines. We expect this to be an ongoing process and to show progress in November.

Human Rights Policy

2.5.16 *Adopt 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.* Target November 2011.

Whilst the target is November, this policy, reflecting our commitment to the UN Declaration of Rights, is part of the sustainability framework and the policy will be approved by the sustainability committee in July and rolled out across the group. In future it will be available on our website.

Company Level Recommendations

Communicate on Environmental Monitoring

2.5.12 *Communicate environmental monitoring regimes at plants and regularly report to stakeholders, including local communities, on their environmental performance, benchmarking this against international standards (e.g. IFC Guidelines) and reporting in their 2012 Sustainability Report.* Target November 2011

We have started this project at Lanjigarh, where the ambient air monitoring is now connected to the local government offices in real time and the levels displayed outside the refinery gate. We will continue to improve our monitoring and reporting program and will benchmark it against the IFC standards. The requirement to communicate environmental monitoring regimes and regularly report to stakeholders is included in the relevant management and technical standards.

New project planning and development

Solid progress has been made to develop the new project management process as a part of the group sustainability framework. It is recognised that new projects are an area of intense scrutiny from many of our external stakeholders and the group is committed to following international standards particularly the IFC standards for producing EIAs and conducting public consultation for new projects.

a. Standard Community Consultation Processes within new project development

2.5.17 *Develop a standardised approach to community consultation for new developments which responds to IFC guidance and communicate this to all stakeholders via its web site.* Target November 2011

Our current social policy is being reviewed and the new draft covers the community consultation process and is expected to be approved in July following which it will be rolled out across the group using the gap analysis and implementation programme described earlier in this report.

b. Indigenous People Policy

2.5.20 *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 on its web site.* Target November 2011

Our draft policy on human rights will meet this requirement and is expected to be approved by the sustainability committee in July. Following approval, it will be rolled out across the group using the gap analysis and implementation programme described earlier in this report.

c. Standard Cultural Heritage site identification and mapping

2.5.22 In developing new sites adopt a standardised approach to the identification of sites of cultural heritage value involving formal documentary sources, site surveys and community consultation. Target November 2011

Our draft cultural heritage technical standard is part of the sustainability management framework and will support both our social policy and our new project development management standard. It is expected that the sustainability committee will approve the framework including this standard in July after which it will be rolled out to group companies and for all new projects.

Lanjigarh Recommendations

In the spirit of continuous improvement a future road map for zero refinery waste by using red mud and fly ash for value added products is being developed. The team at Lanjigarh has begun work in partnership with a number of national laboratories of repute, the IMMT in Bhubaneswar, the NIT, Rourkela, Kolkata University and JNARDC, to work on various waste utilization projects with a goal of making the refinery zero discharge and zero waste. When this is completed in 2015, it is likely to be the first alumina refinery in the world to have achieved this milestone. Continuing with the implementation of the recommendations of Scott Wilson, the following work is also planned.

Retrenchment Planning

3.2.32 *Develop suitable and sufficient retrenchment plans to mitigate the adverse impacts of future suspension or closure of the refinery on both direct and indirect employees.* Target: November 2011

Retrenchment can only be made after obtaining approvals from the government (except termination on account of disciplinary/integrity issues). The procedure and standing orders that have been set up by the government and are jointly signed by VAL & the Government of Orissa's director of factories have been and will be followed. These standing orders for use in the event of unexpected slowdown or closure will be developed into a more detailed retrenchment plan in line with the recommended timeline.

Contractor accommodation

3.3.48 *Undertake a gap analysis 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.* Target: November 2011

The labour colonies were built by contractors on private land and it is not possible for us to remove or dismantle these camps at present. However, our CSR team regularly visit the camps to ensure that proper hygiene & sanitation conditions are maintained. We continue to organize health camps through our mobile health units. We are developing a camp checklist for the CSR specialists to use on their visits and this will be used to maintain standards if the camps are used in future.

At the group level we expect to create a guidance document reflecting the standards of accommodation expected in the IFC guidelines.

Contractor and Community Health and Safety

3.3.63 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.

Target: November 2011

Vedanta is committed to providing a safe working environment for all our employees and contractors and for surrounding communities. The safety management systems at Lanjigarh have been certified to OHSAS 18001 and we remain dedicated to continuous improvement. A gap analysis is being completed as recommended in line with IFC performance standards and EHS guidelines.

Dust reduction plus health monitoring

4.5.5 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.

Target: November 2011

As part of our continuous improvement programme, US\$10 million have been invested in the last year, for the installation of vacuum dust collection systems, bag filters, various dust suppression systems such as, sprinklers, dry fog etc. and continuous online monitoring is being made for ambient air quality as per international norms. This information is being displayed at the plant gate and is continuously online at the government offices in Bhubaneswar.

Additional livelihood programmes

4.6.8 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.

Target: November 2011

We are continuing to work with the LPADF and others in the region to help support people in the villages near to our refinery. A case study on the work we have done in supporting the area in trying to reach the Millennium Development Goals is available.

In addition, to the work we do with the LPADF, VAL is developing many other important projects, the first is the new school nearby, which now has 450 pupils and a new infant section that opened recently and which is oversubscribed. It should be noted that over 50% of the pupils are from the tribal communities. The second major project is a hospital, open to anyone, which treats about 150 people per day, market days being particularly busy. Details of other projects are available on the VAL website <http://lanjigarhproject.vedantaaluminium.com/community.htm>

Community Development

4.6.12 Work together with local government to develop and publicise an integrated rural development strategy for the area.

Target: April 2012

Vedanta is a long term player and will continue to actively seek ways to help develop the area around Lanjigarh. The work of the LPADF and the coordination with the Dongria Kondh Development Agency (DKDA) will play an important role in the future. Further, attached is a copy of our report on Community Empowerment & Development which further reflects our commitments towards community development.

Appendix 9 – Community Empowerment and Development Case Study - VAL in Lanjigarh

Section 3 Implementation of the Assurance Program January to June 2012

Internal Audit

An important part of the sustainability organisation at group level will be an assurance team to develop and implement the group sustainability assurance programme. The new leader of this team will be in place within the third quarter of 2011.

It is expected that the programme will begin with a self assessment questionnaire for each of the group companies to submit to the group. This will signal compliance with the requirements of the group sustainability policies and standards within the sustainability framework or detail a corrective action plan. In this way, a systematic programme of continuous improvement will be created and compliance assured to the Vedanta Board and to other stakeholders. Following the return of the self assessment questionnaires an audit programme of physical visits will be introduced to strengthen the process.

External Audit

2.5.24 Undertake an audit of Group and Company environmental and social performance against international standards (IFC, ICMM, OECD) after 12 months of implementing the recommendations in this report (i.e. January 2012). Recommendations which are not implemented will be included in a Remedial Action Plan and their compliance reviewed every 6 months. Target: June 2012

We fully expect this audit to be commissioned within the required timeframe.