

Directors' Remuneration Report



Naresh Chandra

Chairman, Remuneration Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2013. This report provides details of the Group's remuneration policy and the remuneration of the Executive and Non-Executive Directors for the year.

The Board is sensitive to the need to achieve a balance between attracting and retaining high quality Directors required to manage a company of Vedanta's size and complexity, with the need to avoid excessive pay awards. A significant proportion of the Executive Directors' remuneration is performance related through the operation of the annual bonus and the share-based incentive schemes. This year has been challenging, with continuing global economic uncertainty, especially for the mining industry, as well as Company-specific challenges. In spite of the difficult operating year, Vedanta has delivered a strong set of financial results, largely driven by the solid operational performance from a diversified portfolio of world-class, low cost, long-life assets.

The Remuneration Committee's year

As mentioned in last year's report, one of the key priorities undertaken during the year was to review the Group's long-term incentive schemes to improve the linkage between business performance and share awards. Furthermore, the Company's Long-Term Incentive Plan ('LTIP') which was approved by shareholders in 2003 was due to expire in 2013. Accordingly, the Employee Share Ownership Plan ('ESOP') was introduced with performance conditions comprising business performance parameters such as operational deliverables and enablers to enhance the high performance culture across the Group. The first awards under the ESOP were granted in September 2012 and the performance period for these awards was from 1 April 2012 to 31 March 2013. The vesting of the awards under the ESOP is phased over three years with 50% vesting at the end of the first year, 30% at the end of the second year and 20% at the end of the third year.

2013 performance and remuneration

In spite of challenging market conditions, the Company was able to deliver good financial results, robust operational performance, the successful addition of reserves and resources and sustained progress on key projects, such as the Group consolidation and simplification, which the Board believes will be an opportunity to create greater value for shareholders.

The Committee, however, acknowledges a number of setbacks faced by the Group such as the shortage of raw materials for its alumina refinery and the impact of state-wide mining restrictions in Goa and Karnataka. It also deeply regrets the occurrence of fatalities during the year at operating facilities within the Group. All of these factors were considered and reflected in the incentives for the year. Accordingly, the 2013 annual bonus outcome for the Executive Directors was determined at 40%–45% of Base Compensation, a level well below the maximum potential bonus of 100% of Base Compensation.

Directors' Remuneration Report continued

The Committee has reviewed the Base Compensation levels for the Executive Directors in the context of the Group's overall performance, individual performance, the Company's current compensation positioning within its peer group both globally and within India, inflation rates in India, as well as other factors that it considers relevant. Accordingly, the Committee agreed on increases to Base Compensation of 4–9% in sterling terms for the year.

Governance

We have prepared this 2013 Directors' Remuneration Report taking into account the UK Government's proposals to improve the corporate governance framework for executive remuneration disclosure. While the Department of Business, Innovation and Skills ('BIS') proposals are not yet final and not due to come into force until 1 October 2013, the Committee has decided to take the steps to introduce a number of the changes in this year's Directors' Remuneration Report, particularly with regard to the presentation of a separate Policy Report and an Implementation Report and additional information disclosures. The changes to the structure and layout of this year's report are designed to improve transparency and to provide additional information on the alignment of strategy and Executive Director remuneration. We believe these changes will make the report easier to read and assess.

A resolution to approve this report will be proposed at the 2013 Annual General Meeting and I hope that you will support this resolution.

Naresh Chandra
Chairman, Remuneration Committee

This Directors' Remuneration Report provides details of the operation of the Remuneration Committee and gives information about remuneration policies and practices adopted by the Company in respect of members of the Board.

The report also reviews general remuneration policy in relation to senior management within the Group. It has been prepared in accordance with the Listing Rules of the UK Listing Authority, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code 2010 (the 'Code').

The Companies Act 2006 requires the auditors to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the accounting regulations. Those areas which are audited are indicated in the report

Membership and attendance

The members of the Remuneration Committee who served during the year, all of whom are independent Non-Executive Directors, are shown below together with their attendance at Remuneration Committee meetings:

| | Number of meetings attended | Percentage attendance |
|---------------------------|-----------------------------|-----------------------|
| Naresh Chandra (Chairman) | 5/5 | 100% |
| Euan Macdonald | 5/5 | 100% |
| Aman Mehta | 5/5 | 100% |

Objectives of the Committee

The objectives of the Committee are to ensure that remuneration policies and practices are designed to attract, retain and motivate the Executive Directors and the senior management group, while focusing on the delivery of the Group's strategic and business objectives. The Committee is also focused on aligning the interests of the Executive Directors and the senior management group with those of shareholders, to build a sustainable performance culture.

The Remuneration Committee has set remuneration taking into consideration both UK and Indian market practice to ensure it is globally competitive as the Executive Directors are based in India (with the exception of Mr Anil Agarwal, who is UK-based), along with the majority of the Group's professional management team. The Committee also considers the inflation rates prevalent in the UK and India in the setting of remuneration.

The Remuneration Committee also recognises that financial performance of the Company is heavily influenced by macro-economic considerations such as commodity prices and exchange rate movements. These factors are therefore taken into consideration when setting executive remuneration.

Responsibilities of the Remuneration Committee

The Committee's responsibilities are set out in its terms of reference, which are available on the Company's website at www.vedantaresources.com or on request from the Company Secretary. The Committee's terms of reference were reviewed and amended during the year. Amendments made included clarifying that the Remuneration Committee is exclusively responsible for the selection criteria and appointment of any remuneration consultants and that the Committee may commission any reports or surveys necessary for carrying out its work.

The Committee's responsibilities primarily include:

- setting the Group's overall policy on executive and senior management remuneration;
- determining the remuneration packages for individual Executive Directors, including Base Compensation, performance-based short- and long-term incentives, pensions and other benefits;
- approving the design and operation of the Company's share incentive schemes; and
- reviewing and determining the terms of the service agreements of the Executive Directors.

The Committee gives full consideration to the Code and published guidelines regarding the remuneration of directors of listed companies including those published by the Association of British Insurers and National Association of Pensions Funds. The Committee is committed to ensuring that remuneration policy reflects, to the extent practicable, global corporate governance guidance on executive remuneration.

Directors' Remuneration Report continued

Advisers to the Committee

The Committee retained New Bridge Street ('NBS') to provide independent advice on remuneration matters. Other than advice to the Remuneration Committee, no other services were provided by NBS to the Company. The fees paid to NBS in respect of work carried out in 2012 totalled £35,000. In addition, advisers to the Committee during the year and their roles are set out below.

Mr A Thirunavukkarasu (President – Group HR)

- Advises the Committee on general remuneration policies and practices followed in India and the global market.
- Advises the Committee on Executive Directors' remuneration and benefits.
- Advises the Committee on remuneration policy applicable to the wider employee population within the Group.

Executive Directors

- Provide inputs on remuneration packages for senior executives to ensure parity amongst senior executives in different businesses but at similar roles.
- Executive Directors may attend meetings at the invitation of the Committee but no Director is present during discussions of their own remuneration.

New Bridge Street ('NBS') (an Aon Hewitt Company)

- Provide advice on select aspects of Directors' remuneration.
- NBS subscribes to the Remuneration Consultants Group's Code of Conduct. Neither NBS nor any part of Aon Hewitt Ltd provided other services to the Company during the year.

Ernst & Young LLP

- Review and confirmation of the Company's TSR performance in respect of the Long-Term Incentive Plan.
- Ernst & Young LLP provide some tax and internal audit services to the Group.

The Committee considers various external reports from NBS on remuneration in the UK as well as India to provide detailed insights that aid remuneration decisions.

Shareholder voting

The table below shows the number of votes for, against and abstentions for the 2012 Directors' Remuneration Report at the 2012 AGM:

| Votes 'For' | Votes 'Against' | Votes 'Abstentions' ¹ |
|-------------|-----------------|----------------------------------|
| 186,359,388 | 26,242,599 | 1,516,139 |

¹ A vote abstention is not a vote in law and is not counted in the calculation of the proportion of votes cast 'For' and 'Against' a resolution.

Policy Report

Remuneration policy for Executive Directors

The key objective of the Group's broad remuneration policy is to ensure that competitive and fair awards are linked to key deliverables and are also aligned with market practice and shareholders' expectations.

When setting remuneration for the Executive Directors, the Committee takes into account the business performance, developments in the natural resources sector and, considering that the majority of the Group's operations are based in India, similar information for high-performing Indian companies.

A summary of current remuneration arrangements for the Executive Directors is set out below:

| Area of responsibility | Purpose and link to Company's strategy | Policy and description | Potential value | Performance metrics and targets | Changes during the year |
|--------------------------------|---|--|---|---|--|
| Base Compensation ¹ | <ul style="list-style-type: none"> Reflects individual's experience and role within the Group Reward for performance of day-to-day activities | <ul style="list-style-type: none"> Typically positioned at the median of a peer group of UK Listed Mining comparator companies (excluding the largest global stocks which are felt to be too large for pay comparison) and by reference to those positions of comparable status, skill and responsibility in the metals and mining industries, and in the manufacturing and engineering industries more generally Reviewed on an annual basis and changes are implemented with effect from 1 April each year taking into account the period of service during the year Fixed element of the remuneration package Paid in cash on a monthly basis | <ul style="list-style-type: none"> Base Compensation increases are applied in line with the annual review and are competitive within the Indian market and internationally for comparable companies | <ul style="list-style-type: none"> Business and individual performance are considered when setting Base Compensation | Base Compensation level for the year commencing 1 April 2013: <ul style="list-style-type: none"> Executive Chairman: £1,608,000 Deputy Executive Chairman: £1,117,545 Chief Executive: £455,501 No change in policy for 2013 |
| Annual Performance Bonus | <ul style="list-style-type: none"> Incentivise executives to achieve specific, predetermined goals during the financial year | <ul style="list-style-type: none"> Determined by the Committee after year-end, based on performance against the pre-determined financial and non-financial metrics Variable component of remuneration Paid annually in cash | <ul style="list-style-type: none"> Maximum annual award is 100% of Base Compensation | <ul style="list-style-type: none"> Performance conditions are referenced to operational and financial performance (Volume, COP, EPS, ROCE, FCF), sustainability and Strategic Thrust Areas such as Group simplification and M&A initiatives | <ul style="list-style-type: none"> No change in policy for 2013 |
| Employee Share Ownership Plan | <ul style="list-style-type: none"> Encourage and reward strong performance aligned to the interests of shareholders | <ul style="list-style-type: none"> Awards of conditional shares or options made periodically Variable long-term remuneration element Performance measured over one year and paid in shares or options over a three-year time period | <ul style="list-style-type: none"> Maximum annual award is 100% of Base Compensation | <ul style="list-style-type: none"> Vesting is subject to the satisfaction of performance conditions measured over one year and continued employment The extent to which an award vests will depend on the Remuneration Committee's assessment on the achievement of financial and non-financial targets | <ul style="list-style-type: none"> No change in policy for 2013 |
| Post employment benefits | <ul style="list-style-type: none"> Provide for sustained contribution | <ul style="list-style-type: none"> In line with local market practices Accrues depending on length of service | <ul style="list-style-type: none"> Annual contribution of 15% of Base Compensation for the Deputy Executive Chairman and Chief Executive The Executive Chairman does not receive post-retirement benefits | <ul style="list-style-type: none"> Not linked to any performance criteria | <ul style="list-style-type: none"> No change for 2013 |
| Benefits in kind | <ul style="list-style-type: none"> To provide market competitive benefits | <ul style="list-style-type: none"> In line with local market practices Non-monetary in nature | <ul style="list-style-type: none"> Benefits vary by role and are reviewed periodically | <ul style="list-style-type: none"> Not performance related | <ul style="list-style-type: none"> No change for 2013 |

¹ Base Compensation (also known as CTC) includes salary plus fixed allowances and statutory benefits which are a normal part of the remuneration package in India and in line with local market practice. Base Compensation is considered for the purpose of determining the potential value of incentives including the annual performance bonus and awards granted under the ESOP.

Consideration of wider employee pay

In setting the policy for Executive Directors' remuneration, the Committee considers the pay and employment conditions across the Group including annual Base Compensation increases across the general employee population and the overall spend on annual bonuses.

Implementation Report Base Compensation

The review of Base Compensation levels in 2013 for Executive Directors considered a number of reference points, including: compensation levels among other mining companies in the FTSE 350 (but excluding the very largest companies); executive compensation levels among companies across all sectors in both the UK and India; and wage-inflation and price-inflation data in both countries.

Taken as a whole, these reports suggest that compensation levels for executives at Vedanta are broadly around the

mid-market for a company of our size, sector and international reach. However, recent years have seen significant pay inflation in the Indian market.

Details of the Base Compensation levels for the Executive Directors for 2013 are set out below:

| | Vedanta Base Compensation from 1 April 2013 £ | Vedanta Base Compensation from 1 April 2012 £ |
|---------------|--|--|
| Anil Agarwal | 1,608,000 | 1,475,000 |
| Navin Agarwal | 1,117,545 | 1,073,546 |
| MS Mehta | 455,501 | 426,792 |

For Executive Directors based in India, it was considered appropriate to place the greatest emphasis on comparative remuneration information in that market. Pay increases at the executive levels within the Indian market continue at around 12–15% and the prevailing rate of inflation is around

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11%. The annual increases to Base Compensation awarded to Mr Navin Agarwal and Mr MS Mehta (who are based in India) were in line with these levels of increases. They resulted in increases in UK pounds sterling terms for Mr Navin Agarwal and Mr Mehta of 4% and 6% respectively (based on the exchange rate as at 31 March 2013). In setting the Base Compensation of the Executive Chairman, the Committee took into account data from the UK, the increase in Base Compensation for employees throughout the Group (which was an average of 12%) and the relative increase compared to the other Directors. An increase of 9% was considered appropriate in the circumstances.

Notes:

- 1 The Chairman, Mr Anil Agarwal, has a service agreement with Vedanta Resources plc. His salary is approved by the Board (without the Chairman present) on the recommendation of the Remuneration Committee.
- 2 Mr Navin Agarwal and Mr MS Mehta have service agreements with Sterlite Industries (India) Ltd ('Sterlite') which have been augmented by letters of appointment to the Board of the Company. Mr Navin Agarwal and Mr MS Mehta receive a salary under their Sterlite contract and an annual fee paid to them from the Company to reflect the amount of time they spend on Board business.
- 3 For the financial year ended 31 March 2013, Mr Navin Agarwal received a Sterlite salary of INR75,910,000 and Vedanta fees of £80,000 and Mr MS Mehta received Sterlite salary of INR26,496,000 and Vedanta fees of £80,000.
- 4 For the financial year commenced 1 April 2013, Mr Navin Agarwal will receive a Sterlite salary of INR85,000,000 and Vedanta fees of £85,000 and Mr MS Mehta will receive a Sterlite salary of INR30,500,000 and Vedanta fees of £85,000.
- 5 The exchange rate applicable as at 31 March 2013 was INR82.3209 to £1.
- 6 The exchange rate applicable as at 31 March 2012 was INR76.4031 to £1.

Annual Performance Bonus

The Company operates a performance bonus scheme providing the Executive Directors and the senior management group with the opportunity to earn a cash amount based on the achievement of stretching performance targets. The performance bonus is non-pensionable. The maximum bonus payable to the Executive Directors is 100% of Base Compensation.

For the year ended 31 March 2013, the payment of the annual bonus to the Executive Directors was dependent on the following criteria:

| Financial Performance measures | Operational Performance measures | Sustainability Performance measures | Strategic project/s |
|--------------------------------|----------------------------------|--|---|
| EPS | Volume of Production | Implementation of the Sustainability Framework and Assurance programme | Successful completion of Group simplification |
| ROCE | Cost of Production | Reduction of Lost Time Injury Frequency Rate and fatalities | Cairn India integration |
| Free cash flow | Project Execution | Community engagement | |

The overall level of performance resulted in annual bonus awards of 40–45% of the maximum amount of 100% of Base Compensation to the Executive Directors. The actual bonus payments received by them are shown in the table on page 104. Based on the Executive Directors' performance against the above objectives, the Committee approved the annual bonus of 40% for Mr Anil Agarwal and 45% annual bonus for Mr Navin Agarwal and Mr MS Mehta.

Long-Term Incentive Plan ('LTIP')

Until 2012 the Company granted awards under the Long-Term Incentive Plan to Executive Directors, senior management and select members of the wider management team. The final grant was made in October 2012 and will vest in October 2015. Under the LTIP, awards of nominal-cost options were granted in line with the Board's objective of incentivising and developing the potential within the wider management group.

LTIP performance measures

The vesting of LTIP awards is subject to measurement of the Company's performance in terms of Total Shareholder Return ('TSR'), being the movement in the Company's share price (plus reinvested dividends), compared over a three-year period from the date of grant with the performance of a specific list of companies, selected as being the Group's main peers and competitors. The full list of companies against whose performance Vedanta's TSR is measured (the 'Comparator Group') is as follows:

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

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

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

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

The information to enable this calculation to be carried out on behalf of the Committee is provided by Ernst & Young LLP.

Vesting of LTIP awards

Following the end of the three-year performance period relating to the LTIP awards granted in August 2009, Ernst & Young LLP calculated the Company's TSR performance relative to the Comparator Group over the performance period. This showed that Vedanta's TSR performance over the performance period was below median ranking, resulting in nil vesting. Awards held by the Executive Directors under this cycle of the plan therefore lapsed entirely.

With regard to the wider group of employees who participate in the LTIP, however, the Remuneration Committee took into consideration the negative impact that the plan's failure to vest would have, particularly given the highly competitive market for management talent in the natural resources sector. The Committee also noted that the Group's performance in terms of operational, financial and major acquisitions during the three-year performance period had exceeded expectations, and judged that the share price performance over the period was not entirely reflective of the underlying operating and financial performance. The Committee therefore exercised its discretion under the plan to allow partial vesting equal to threshold performance (i.e. 40% of the award) for employees below the Board. As a result, a total of 674,965 ordinary shares were issued to satisfy these awards.

Employee Share Ownership Plan ('ESOP')

The ESOP was introduced in 2012 as a replacement for the LTIP. Participation in the Plan includes Executive Directors, senior management and select members of the wider management team. The performance conditions comprise business performance parameters such as operational deliverables and enablers to enhance the high performance culture across the Group.

Under the ESOP, awards of shares or options may be granted in line with the Board's objective of incentivising and developing the potential within the wider management group.

Principles of the ESOP

The main principles and changes of our share-based rewards are enumerated below:

- the introduction of business performance targets which are more challenging but unique and relevant to each business to incentivise higher levels of business performance whilst ensuring appropriate rewards to employees for the delivery of the Company's strategic objectives;

- the strengthening of the alignment between Directors' interests and those of shareholders, by creating a greater sense of ownership through a one-year performance period, with the vesting of awards deferred for a further two years subject to continued employment within the Group;
- the addition of new performance measures which we believe will provide an appropriate means of gauging the sustained operational performance of our business; and
- improving the alignment of remuneration with emerging and best practice in India to ensure that it is both globally and locally competitive.

The Committee intends to keep the ESOP arrangements under review but believes that with the changes made, the policy for Executive Directors' remuneration remains appropriate and in line with the Company's remuneration policy.

ESOP performance measures

The vesting of ESOP awards is subject to measurement of the Company's performance as determined by the Committee. The performance measures selected are well established metrics in the natural resources sector, used to assess performance and capture the key business drivers.

The performance measures include the weighted average score of the Group's businesses (30%), Vedanta Resources plc TSR ranking against a comparator group of 14 companies (60%) and sustainability (10%).

The weighted average score of the Group's businesses includes operational deliverables such as volume, cost of production, free cash flow and Health and Safety, as well as enablers such as PR, HR initiatives, asset optimisation, mine development, exploration and growth targets.

The comparator group for measurement of the Company's TSR ranking includes Alcoa, Anglo American, Antofagasta, BHP Billiton, ENRC, First Quantum, FMG-Fortescue, Glencore, Xstrata, Kazakhmys, Vale, Tullow Oil, Teck and Rio Tinto.

Performance is measured over one year with the vesting of the awards phased over three years (i.e. 50% at the end of the first year of grant, 30% after the second year and 20% after the third year).

Operation of the ESOP

The maximum value of awards that can be conditionally awarded to an Executive Director in a year is 100% of the Base Compensation.

ESOP awards are also made to the senior management group and select employees across the Group. The maximum value of awards that can be awarded to the employees is calculated by reference to the Base Compensation of each grade and individual performance.

Nominations for awards under the ESOP are made through a rigorous process involving senior management based on guidelines issued by the Group. Individuals are assessed and categorised by reference to the importance of their roles to the relevant business unit, past performance and future potential.



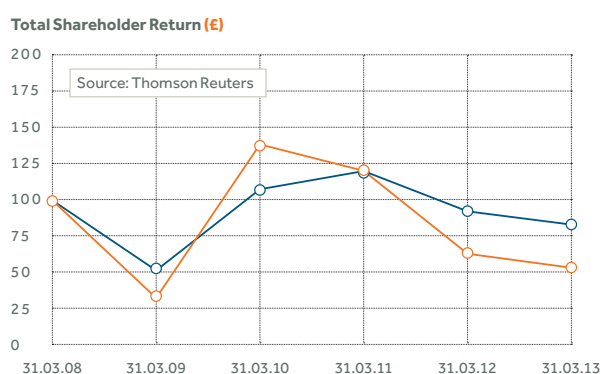
Directors' Remuneration Report continued

Vesting of ESOP awards

As per the scheme rules, 50% of the ESOP awards granted to the Executive Directors are due to vest on 24 September 2013 based on achievement of pre-set performance conditions as outlined above.

Total Shareholder Return performance graph

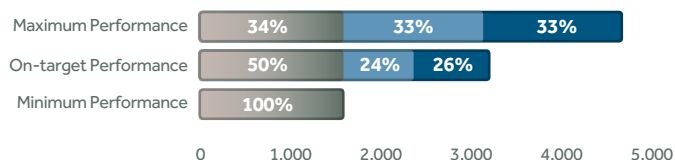
The graph below shows the TSR performance of the Company in comparison with that of the FTSE All Share Mining Index for the period from 31 March 2008 to 31 March 2013. The FTSE All Share Mining Index was chosen as it is the most relevant to compare the Company's performance against its peers.



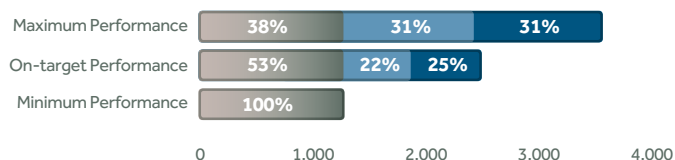
This graph shows the value, by 31 March 2013, of £100 invested in Vedanta Resources plc on 31 March 2008 compared with the value of £100 invested in the FTSE All Share Mining Index. The other points plotted are the values at intervening financial year-ends.

— Vedanta Resources plc — FTSE All Share Mining Index

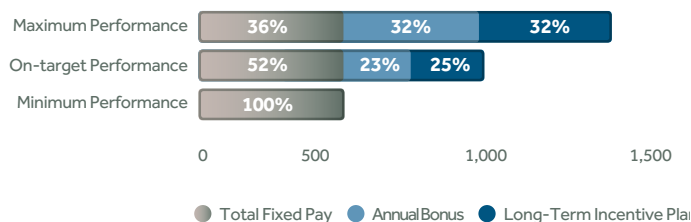
Executive Chairman (GBP'000)



Deputy Executive Chairman (GBP'000)



Chief Executive (GBP'000)



Remuneration mix

The total remuneration package is designed to provide an appropriate balance between fixed and variable components with a focus on variable pay so that strong performance is incentivised without encouraging excessive risk taking.

The charts below demonstrate the balance of fixed and variable pay in these circumstances for the Executive Directors assuming (i) that no award is earned under the annual bonus plan and no vesting is achieved under the ESOP ('Minimum Performance'); (ii) 50% of the maximum bonus is earned under the annual bonus plan and 55% of the ESOP award vests ('On-target Performance'); and (iii) full vesting under both plans ('Maximum Performance').

Executive Directors' service contracts

Mr Anil Agarwal is employed under a contract of employment with the Company for a rolling term but which may be terminated by not less than six months' notice. Provision is made in Mr Agarwal's contract for payment to be made in lieu of notice on termination which is equal to Base Compensation.

Mr Navin Agarwal has a letter of appointment with the Company which is a rolling contract and may be terminated by giving six months' notice. Mr Navin Agarwal has a service agreement with Sterlite which expires on 31 July 2013, with a notice period of three months or Base Compensation in lieu thereof.

Mr Mahendra Singh Mehta has a letter of appointment with the Company and a service contract with Sterlite which expires on 31 December 2013, with a notice period of three months or Base Compensation in lieu thereof.

It is the Group's policy that the notice period in the Directors' service contracts does not exceed 12 months.

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

Executive Directors' service contract details

| | Date of contract | Notice period | Outstanding term |
|--------------------------|------------------|---------------|------------------------|
| Anil Agarwal | 27 November 2003 | Six months | Rolling notice period |
| Navin Agarwal (Vedanta) | 4 May 2005 | Six months | Rolling notice period |
| Navin Agarwal (Sterlite) | 1 August 2003 | Three months | Until 31 July 2013 |
| MS Mehta | 1 October 2008 | Three months | Until 31 December 2013 |

External appointments

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

Currently, none of the Executive Directors holds any such outside appointments.

Non-Executive Directors

Non-Executive Directors' fees

The Board is responsible for setting policy in relation to the Non-Executive Directors' fees and reviews them periodically. General policy is to provide fees in line with market practice for similar Non-Executive Director roles in international mining groups. Fees paid to the Non-Executive Directors also take account of the Group's complexity, the significant travel and time commitments required for attending Board and other meetings in India and the UK and the risk profile of the Company. The last review was carried out in 2010 at which time it was agreed that the fees would be frozen for a period of three years. Mr Aman Mehta and Mr Naresh Chandra are also paid a commission of US\$62,502 each from a subsidiary of Cairn India Limited and a sitting fee of INR260,000 each from Cairn India Limited.

Non-Executive Directors' fees payable for chairing or being a member of a Board committee are as follows:

1. Base fee, £80,000
2. Audit Committee Chairman, £20,000
3. Member of Audit Committee, £7,500
4. Remuneration Committee Chairman, £17,500
5. Member of Remuneration Committee, £7,500
6. Member of Nominations Committee, £5,000
7. Sustainability Committee Chairman, £20,000
8. Senior Independent Director fee, £10,000

Non-Executive Directors' letters of appointment

The Non-Executive Directors have letters of appointment which may be terminated by either party by giving three months' notice. The Non-Executive Directors' letters of appointment set out the time requirements expected of them in the performance of their duties. Non-Executive Directors are normally expected to spend at least 20 days per year on Company business. There is no provision in the letters of appointment of the Non-Executive Directors for compensation to be paid in the event of early termination. Details of the Non-Executive Directors' Letters of Appointment are shown below.

| | Date of appointment as a Director | Date of current letter of appointment | Notice period | Expiry of present term (subject to annual re-election) |
|-----------------------------|-----------------------------------|---------------------------------------|---------------|--|
| Naresh Chandra ¹ | 18 May 2004 | 1 June 2012 | Three months | Until 1 August 2013 |
| Aman Mehta | 24 November 2004 | 24 November 2009 | Three months | Until 23 November 2013 |
| Euan Macdonald | 23 March 2005 | 23 March 2013 | Three months | Until 5 August 2014 |
| Geoffrey Green | 1 August 2012 | 31 July 2012 | Three months | Until 30 July 2015 |

¹ Mr Chandra will retire from the Board following the conclusion of the 2013 Annual General Meeting.



Directors' Remuneration Report continued

(Audited Information)

Directors' Remuneration for the year ended 31 March 2013

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 March 2013 for individual Directors who held office in the Company during this period. All amounts are in UK pounds sterling, although payments in India under service contracts with Sterlite are paid in Indian rupees.

Directors' Remuneration

| | Base Compensation €000 | Benefits in kind €000 | Pensions €000 | Annual performance bonus €000 | Total 2013 €000 | Total 2012 €000 |
|--------------------------------|------------------------------|-----------------------------|------------------|--|-----------------------|-----------------------|
| Executive Directors | | | | | | |
| Anil Agarwal ¹ | 1,475 | 46 | | 590 | 2,111 | 2,010 |
| Navin Agarwal ² | 953 ⁵ | 49 | 147 | 417 | 1,566 | 1,482 |
| MS Mehta ³ | 391 ⁵ | – | 31 | 147 | 569 | 550 |
| Non-Executive Directors | | | | | | |
| Naresh Chandra ⁴ | 182 | | | | 182 | 167 |
| Aman Mehta ⁴ | 155 | | | | 155 | 139 |
| Euan Macdonald | 100 | | | | 100 | 100 |
| Geoffrey Green | 53 | | | | 53 | |
| Total | 3,309 | 95 | 178 | 1,154 | 4,736 | 4,448 |

Notes:

- Mr Anil Agarwal's benefits in kind include provision of a car and fuel in the UK and India for business purposes, housing benefit (in India) and club membership.
- Mr Navin Agarwal's benefits in kind include housing benefit, club membership, and use of a car and driver.
- Mr MS Mehta's benefits in kind include use of a car and driver.
- This includes the salary of €42,000 paid by Cairn India Limited and its subsidiaries after it became a subsidiary of the Group.
- For the financial year ended 31 March 2013, Mr Navin Agarwal received a Sterlite salary of INR71,561,023 excluding pension and medical allowances and Vedanta fees of €80,000 and Mr MS Mehta received a Sterlite salary of INR24,799,872 excluding pension, medical and leave travel allowances and Vedanta fees of €80,000.
- The average exchange rate applicable for the year ended 31 March 2013 was INR82.019 to £1.
- Non-Executive Directors are reimbursed for expenses incurred while on Company business.
- The value of the remuneration paid to Mr Navin Agarwal and Mr MS Mehta during the year differs from the Base Compensation levels on page 99 due to fluctuations in the INR/sterling exchange rates during the year.

Directors' Long-Term Incentive Plan awards

| | Option granted | Exercise price (US cents) | 1 April 2012 | Movements during the year | | | 31 March 2012 | Earliest/ latest exercise dates | Date award exercised | Market price at exercise € | Market price at grant € | Aggregate gain on exercise € |
|---------------|-------------------|---------------------------------|-----------------|---------------------------|-----------|---|------------------|--|-------------------------|-------------------------------------|----------------------------------|---------------------------------------|
| | | | | Grants | Exercised | Lapsed due to performance condition | | | | | | |
| Anil Agarwal | 1 Aug 09 | 0.1 | 60,000 | | | 60,000 | Nil | 1 Aug 12 –1 Jan 13 | – | – | 17.64 | – |
| | 1 Aug 11 | 0.1 | 73,500 | | | | 73,500 | 1 Aug 14 –1 Jan 15 | – | – | 17.20 | – |
| Navin Agarwal | 1 Aug 09 | 0.1 | 40,000 | – | | 40,000 | Nil | 1 Aug 12 –1 Jan 13 | – | – | 17.64 | – |
| | 1 Aug 11 | 0.1 | 57,500 | | | | 57,500 | 1 Aug 14 –1 Jan 15 | – | – | 17.20 | – |
| MS Mehta | 1 Aug 09 | 0.1 | 17,500 | – | | 17,500 | Nil | 1 Aug 12 –1 Jan 13 | – | – | 17.64 | – |
| | 1 Aug 11 | 0.1 | 21,000 | | | | 21,000 | 1 Aug 14 –1 Jan 15 | – | – | 17.20 | – |

The mid-market price of the shares at 31 March 2013 was 1,005 pence and from 1 April 2012 to 31 March 2013, the share price varied between 832.5 pence and 1,298 pence.

Directors' awards under the ESOP

| | Option granted | Exercise price (US cents) | Movements during the year | | | | | | Market price at exercise £ | Market price at grant £ | Aggregate gain on exercise £ | | |
|---------------|----------------|---------------------------|---------------------------|---------|-----------|-------------------------------------|---------------|--------------------------------|----------------------------|-------------------------|------------------------------|----------------------|---|
| | | | 1 April 2012 | Grants | Exercised | Lapsed due to performance condition | 31 March 2012 | Earliest/latest exercise dates | | | | Date award exercised | |
| Anil Agarwal | 24 Sep 12 | 0.1 | | 125,000 | | | | 125,000 | 24 Sep 13 ¹ | – | – | 10.56 | – |
| Navin Agarwal | 24 Sep 12 | 0.1 | | 85,000 | | | | 85,000 | 24 Sep 13 ¹ | – | – | 10.56 | – |
| MS Mehta | 24 Sep 12 | 0.1 | | 38,000 | | | | 38,000 | 24 Sep 13 ¹ | – | – | 10.56 | – |

1 50% of the awards granted to the Executive Directors under the ESOP are due to vest on 24 September 2013 subject to meeting performance conditions in respect of the Plan.

Equity dilution resulting from Employee Share Schemes

The dilution limits set out in the rules of the Employee Share Schemes established in December 2003 (including the LTIP and ESOP) allow up to an aggregate of 10% of the Company's issued share capital to be issued or issuable pursuant to awards under any of the Company's employee share schemes over a period of 10 years. Up to 5% of the Company's issued share capital may be used for the Company's discretionary schemes (such as the LTIP and ESOP) over a 10-year period. Shares issued or issuable pursuant to awards made under the Vedanta Resources Share Reward Plan (the 'Reward Plan') are not counted for these purposes. The Reward Plan was used solely to reward employees who contributed to the Company's development up to the Listing in 2003. No further awards have been made under this Plan. Currently 3.72% (2012: 2.64%) of the Company's issued share capital is issuable in respect of outstanding awards under the LTIP and ESOP.

Directors' interests in Vedanta ordinary shares

The interests of the Directors (which are beneficial unless otherwise stated) in ordinary shares of the Company at 31 March 2013 were:

| | As at 1 April 2013 | As at 31 March 2012 |
|----------------------------|--------------------------|---------------------|
| Anil Agarwal ¹ | 173,042,443 ² | 167,953,056 |
| Anil Agarwal ³ | 87,240 | 87,240 |
| Navin Agarwal ¹ | 223,160 | 223,160 |
| MS Mehta | 41,857 | 41,857 |
| Naresh Chandra | – | – |
| Aman Mehta | – | – |
| Euan Macdonald | – | – |

1 Mr Anil Agarwal and Mr Navin Agarwal each held nominee shares in direct and indirect subsidiaries. These holdings are non-beneficial.

2 Mr Anil Agarwal's holding of 173,042,443 Vedanta ordinary shares are registered in the name of Volcan Investments Limited, which is a company owned by a family trust.

3 Shares held directly by Mr Anil Agarwal.

There have been no changes in the beneficial shareholdings of the Directors between the end of the financial year and the 14 May 2013.

Directors' Remuneration Report

This Directors' Remuneration Report was approved by the Board on 15 May 2013.

Naresh Chandra

Chairman, Remuneration Committee