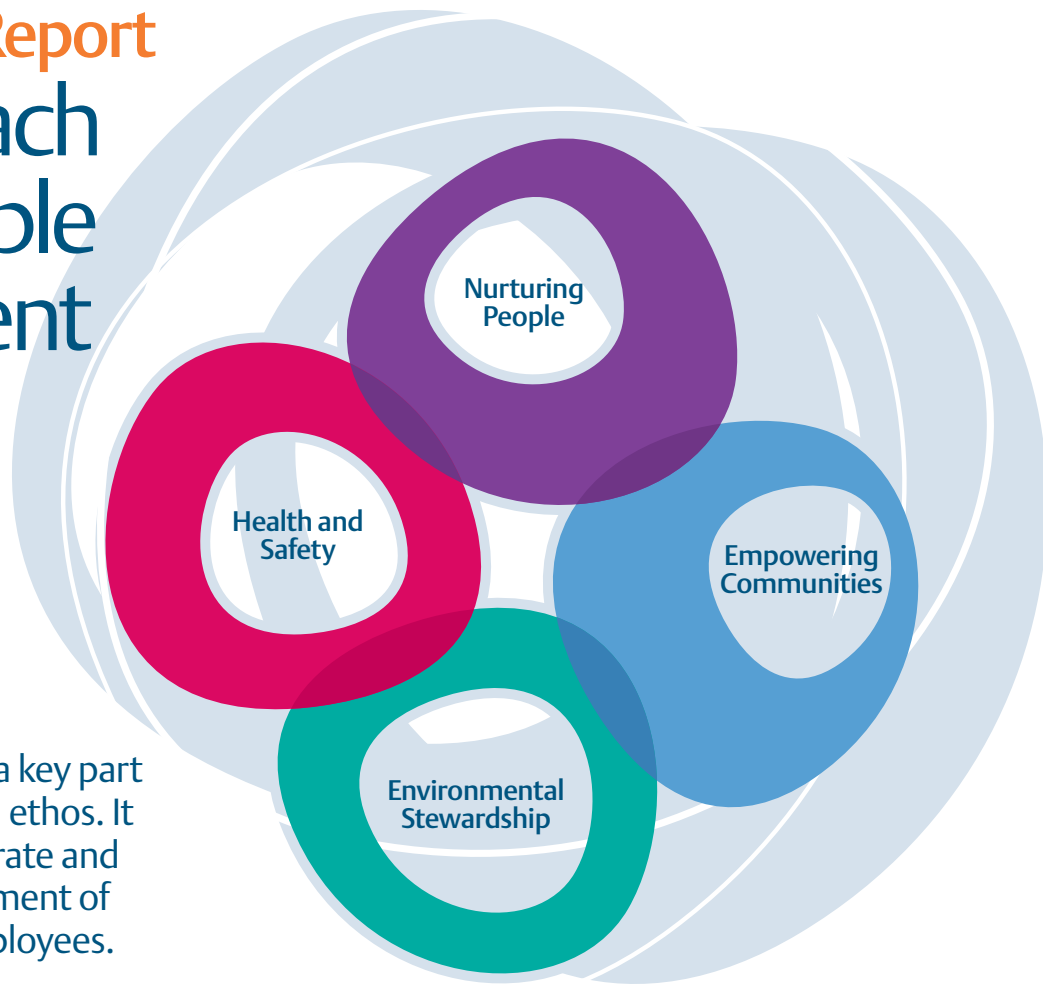


Sustainability Report

Our approach to sustainable development



Sustainable development a key part of our strategy and over all ethos. It reflects in the way we operate and represents a core commitment of our management and employees.

We believe that Sustainability is a dynamic process and is not about finding the ideal status. Consequently, we are continuously innovating on our environmental and social performances.

We started our sustainability journey with a focus on ensuring compliance and improving our social, safety & health and environmental performance, with emphasis on establishing robust management systems. The process deployed helps us in

enhancing focus and gives direction to drive our sustainability agenda.

During 2008, we continued our efforts to ingrain and deliver on Vedanta's sustainability strategy, managing and addressing non financial considerations, material and integral to our business and important to our key stakeholders.

Our sustainable development strategy the "Vedanta Way" is all encompassing. It comprises of the following elements:

Governance for Sustainability

We have a well defined sustainability framework that comprises of governance structures and policies.

Our Health, Safety and Environment (HSE) processes are overseen by a Board appointed committee, chaired by Mr Naresh Chandra, an Independent Director that meets quarterly. The other members of the HSE Committee are:

- Mr MS Mehta (CEO, Vedanta Resources)
- Mr Akhilesh Joshi (COO, HZL)
- Mr Gunjan Gupta (CEO, BALCO)
- Mr Jeya Kumar Janakraj (Director Operations, KCM)
- Mr Pankaj Khanna (Executive Director, VAL, Jharsuguda)
- Dr. Mukesh Kumar (COO, VAL, Lanjigarh)
- Mr Ramesh Nair (COO, Sterlite Copper)
- Mr Mahesh Patil (General Manger HSE, Sesa Goa)
- Mr CSR Mehta (HSE Coordinator)
- Ms Ruby Thapar (CSR Coordinator)

The committee has its own well defined terms of reference and reports directly to the board. The committee guides our sustainable development endeavour, sets annual targets and monitors progress in line with our

Nurturing People People are our key assets. We are committed to build a flexible, flat and learning organization with an engaged and high performing work force. We believe in nurturing and mentoring leaders from within and providing opportunities for growth based on meritocracy, performance and integrity

Empowering Communities Communities are integral to our business. We are committed to enhancing the quality of life of the communities near our operations and creating self sustaining communities. We work to gain and nurture our social license to operate in the host communities

Health and Safety We are committed to providing a safe, secure and healthy workplace for all employees by using the best technology and practices

Environmental Stewardship Respect for nature, enhanced resource conservation and use of environmental friendly technology are embodied in our working

HSE and social policies with a clear focus on integrating HSE aspects in the decision making process. All our locations are certified for ISO 14001 and OHSAS 18001, except CMT.

HSE committee's agenda is taken forward by senior management at each site. They are supported by HSE professionals who implement this agenda. Regular internal audits are performed to assess HSE performance. Audit findings are discussed in HSE meetings every month at all the sites. With a focus on behavioural safety we have established training systems at each location. Safety training is compulsory for all employees and contract workers. These programs are conducted in-house with inputs from external institutes and consultants of repute.

We are committed to robust governance and ethical conduct. We have a detailed Code of Conduct for Board Members, Senior Management and other employees. The whistle-blower policy empowers our employees to report any wrong doing without fear of retribution. We are committed to managing and minimizing the environmental and social risks of our activities, by encouraging use of energy and water efficient technologies, conducting environmental impact assessments to understand impact and plan for managing the environmental, social and economic aspects in our major expansions and new projects, along with ongoing internal reviews and external audits

Stakeholder Engagement

Stakeholder engagement is a key peg of our Sustainability strategy, as they help identify sustainability priorities and direct our efforts going forward on issues most important to our internal and external stakeholders. Key stakeholders to us are employees; local communities; customers; regulatory authorities; media; shareholders, investors and non governmental organizations.

This year we used The World Business Council for Sustainable Development matrix to prioritize stakeholders, based on their influence on us and the impact of our activities on them. A structured process of engagement was adopted using a three pronged approach – keeping the stakeholders informed, engaging with them and forging partnerships to address their needs and concerns. This exercise was conducted by an external agency and its finding helped us prioritize stakeholder needs and size up materiality.

Case study



Vedanta Bal Chetna Anganwadi Project

We believe that education plays a vital role in moulding the future of our children. The first five years of a child's life are the most crucial and lay the foundation for a healthy mind and body. Our Vedanta Bal Chetna Anganwadi Project (VBCA, child care center) addresses this critical aspect of development. The objective of the project is 2 fold: a) to improve the nutritional status of children in the age group of 0-6 years and b) to impart value based education through the play way method.

The project being conducted in partnership with the State Government's Integrated Child Development Services program and the Vedanta Foundation, in 937 centers, currently reaches out to 30,347 children at BALCO, Korba, HZL and VAL, Lanjigarh.

In operation for a year now, the results have been heartening. At HZL, 20% of the children have been mainstreamed into primary education and 10% of the malnourished children brought to normal grade within 12 months time. At BALCO, we have been successful at breaking social taboos like compulsory fasting of the mother post delivery and non administration of breast milk to infant immediately after birth, along with reduction

of Infant and Maternal Mortality Rate from 115 to 85 & from 60 to 40 respectively. At VAL, Lanjigarh there is now 95% attendance at the centers. Dr. Mona Sharma, Principal Secretary cum Commissioner, Ministry of Women & Child Development, Government of Orissa, on her recent visit to Bhatguda commented, "The children are full of energy, very confident & want us to listen to all their rhymes. It is a refreshing change in Lanjigarh Block. I am sure all young children will blossom like this in this Block." An overall assessment revealed that 100% of these centers are operational now in comparison to 20% and attendance is up by 83% in comparison to 21% at the start of the year

On conducting an internal assessment we felt there was scope to enhance the program further with 3 additional elements: pre-school education to create a base for formal schooling; capacity building of the centers functionaries for effective delivery of services; lastly formation of a mothers committee to ensure involvement of each mother and child in the program. We have plans to expand the reach of the project to more than 0.5 million children over a period of 2 years.

OVERVIEW

BUSINESS REVIEW

FINANCIAL REVIEW

SUSTAINABILITY

BOARD + EXECUTIVE COMMITTEE

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

Sustainability Report (continued)



Through a formal and structured process, materiality was determined by considering significant legal, regulatory, social and financial impacts, business policies, the performance of peers and competitors, and intensive discussion with our stakeholders across the board, inclusive of both internal assessments of risks and opportunities to the business.

Key material issues identified were:

1. People development
2. Environment and energy management
3. Impact of company operations on adjoining communities, including Resettlement and Rehabilitation
4. Occupational health and safety of our work resources
5. Access to natural resources

Sustainability Performance Environmental Stewardship

Energy

Energy is one of our principal resources and our focus is on its conservation and efficient use. We use energy in its different forms like coal, coke breeze, pet coke, fuel oil, LPG, diesel, and electricity, besides energy from renewable sources like biomass, and through recovery of waste heat. Specific energy consumption continued to show an improving trend during the year. Against target reduction of 5%, the actual reductions for the year at Sesa, HZL and Balco were 28%, 9% and 4% respectively.

On the Green energy front we have increased our installed capacity of the wind farms from 107 MW to 123.2MW. The same are operating at design levels.

Climate change

We utilize carbon intensive fuels, generate captive power for all our major operations and also import electricity which contribute to direct and indirect carbon dioxide emissions. We have strengthened our focus and are getting independent carbon foot-printing done. This year HZL's Wind Power Plants, at Gujarat and Karnataka were registered as CDM projects by the UNFCCC, with CER potential of 2, 23,164 per annum. About 58,000 CERs realised from the earlier registered waste heat recovery projects were also sold during the year.

Raw material consumption

We continue to manufacture metals by extraction of ore from our mines and then processing the same in our smelting operations. This year the focus was on productivity and process improvement, benefits of which will be reflected in the forthcoming quarters.

Water management

Similar to energy, water is another crucial resource in our operations. We have put in structured efforts to reduce fresh water consumption and increasing the recycle and reuse of treated effluent. Across our operations, we have taken forward host of initiatives, notably being

reduction of specific water consumption at the zinc operations by 18%.

Waste management

We focus on a '4R' waste strategy – Reduce, Recycle, Reuse and Reclaim. We believe that actions to reduce waste, either by encouraging material efficiency, reducing the generation of waste, or enabling the recovery and reuse of discarded material is a critical element of sustainable development.

Biodiversity

We conduct an environmental impact assessment study for all our projects as well as our expansion activities. We strive to take the utmost care to protect the biodiversity which may be affected by or is adjacent to any of our operating locations.

Social

Nurturing People

Recruitments

Vedanta's operations have grown several folds over the last few years and so has its demand for high quality human resources for its operations and up coming projects. Every individual who joins the organisation has the "right to grow" is the fundamental principle that drives the Talent Engagement Process at Vedanta. We believe in inducting large number of fresher's from campus and provide them with accelerated global career opportunities. We hire science graduates, engineers, qualified finance professionals and other functionally qualified professionals directly from reputed campuses. We have also initiated special recruitment drive of Ex-Servicemen from Defence Forces for various roles in security, administration and core and strategic support roles.

Growth and Development

The Group has a unique and well demonstrated track record of providing career opportunities from within. Hiring predominantly fresher's and grooming them to take leadership roles. Employees with a performance track record and high potential are identified through a well structured and transparent development process and are given accelerated growth with specialized technical and general management training, periodic job rotations and leadership guidance.

Labour rights

At Vedanta, we ensure that all our businesses are in compliance with



all labour regulations of the land and we strive to uphold all labour rights. We proactively and frequently meet with representatives of labour unions at all sites to deliberate on employee concerns and evolve pragmatic solutions that are progressive in nature for long term well being of both employees and all stake holders associated with the group.

Safety

Safety continues to be a focus and a subject matter of continuous improvement. During the year we deployed external consultant like E.I DuPont de Nemours and British Safety Council, to help upgrade our safety performance. The Loss Time injury frequency Rate (LTIFR) during the year continued to show an improving trend.

The LTIFR for 2008-09 at 1.67 translates to reduction of 13% over the previous year and over 56% during the last three years.

We regret to inform that the total number of fatalities this year was 22, which is unacceptable. These accidents have been thoroughly investigated and corrective measures put in place. As a first step DuPont and British Safety Council were engaged to conduct a safety assessment across all locations and their recommendations are in the process of being implemented.

Empowering Communities

Our community engagement has grown as the mainstay of our business. This year was a period of retrospection and introspection for the Company, in understanding the evolution of our relationship with our Communities over the last four years and the direction the Company now needs to take, to strengthen and deepen it.

Our vision is to ‘enhance the socio economic lives of communities where we operate’. We firmly believe with an understanding of each others needs and opportunities, we the company, government, communities and civil society, are striving collectively to bring long-term qualitative developments in the communities.

The outreach of our programmes encompasses more than 2.5 million people in India and Zambia. We are presently engaged in more than 427 villages. This commitment is demonstrated on the ground by the team of 454 grass root level functionaries and 96 professional and subject matter specialists who drive the initiative.

We run 937 Anganwadi Centers (Child Care Centers) in partnership with the government’s Integrated Child Development Scheme centers at HZL, Lanjigarh, and BALCO reaching out to 30,347 children. The program consists of health care and nutrition supplements, including addressing maternal and child mortality, and education through the play way method to control dropouts and ensure continuity in education, Plans are underway to scale the project to reach out 0.5 million children over 2-3 years time frame

Currently we run 6 centralized kitchens under the Midday Meal Scheme (MDM) operational at Rajasthan reaching out to 180,000 children in partnership with the Government of Rajasthan and Naandi Foundation. Work is in progress at for setting up a kitchen each at Lanjigarh and Korba reaching out to about lakh children in partnership with the respective State Governments and Naandi Foundation. Under a 5 year plan we will set up of 31 MDM

Kitchens at 10 different locations in rural India catering to 1 million children.

This year we have partnered with 82 civil society organizations which brought an expanded dimension towards achieving the project goals. The competency sharing lead to successful capacity building of communities and constructive and constant dialogue.

- We were also recipients of several Sustainable Development awards and accreditations that our Group companies have received over the past year. Highlighting a few
- 2nd Best employer in India and amongst top 25 employers in Asia by Hewitt, Associates HZL
 - Asian, 2008, HZL by Asian Institute of Management
 - International Safety Award 2008 from British Safety Council, Debari Smelter, HZL, BALCO and Copper Smelter at SILL, Tuticorin.
 - RoSPA Gold Award 2009 from Royal Society for Prevention of Accidents, UK, Debari Zinc Smelter, HZL
 - Golden Peacock Award for Excellence in Corporate Social Responsibility Award , BALCO, 2008
 - Golden Peacock Award for Corporate Social Responsibility Award Reporting, Vedanta Resources, 2008

We continue to use the Global Reporting Initiative’s G3 Sustainability Reporting Guidelines to develop this report. This year we also reported on additional indicators of the G3 guidelines and the GRI Draft Metal and Mining supplement. The information within this section is an outline of our policies, systems and performance and will be detailed further in the stand alone Sustainable Development Report. The key information is being independently verified by KPMG, India.

- OVERVIEW
- BUSINESS REVIEW
- FINANCIAL REVIEW
- SUSTAINABILITY
- BOARD + EXECUTIVE COMMITTEE
- CORPORATE GOVERNANCE
- FINANCIAL STATEMENTS