DIRECTORS' REMUNERATION POLICY REPORT

The Company's Remuneration Policy will be put to a binding shareholder vote at the 2017 AGM and if approved will take effect immediately.

POLICY OVERVIEW

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.

The Committee ensures 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.

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.

The 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 UK and India in the setting of remuneration.

The Committee recognises that the 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.

HOW THE VIEWS OF SHAREHOLDERS ARE TAKEN INTO ACCOUNT

The Committee considers the AGM to be an opportunity to meet and communicate with investors and considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy.

In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be proposed to the remuneration policy. Details of votes cast for and against the resolution to approve last year's remuneration report and any matters discussed with shareholders during the year are set out in the Annual Report on Remuneration.

HOW THE VIEWS OF EMPLOYEES ARE TAKEN INTO ACCOUNT

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. Employees may be eligible to participate in the annual bonus arrangement and receive awards under the ESOP or LTIP. Opportunities and performance metrics may vary by employee level with specific business metrics incorporated where possible.

The Committee does not formally consult with employees in respect of the design of the Executive Directors' remuneration policy, although the Committee will keep this under review.

SUMMARY OF THE REMUNERATION POLICY FOR DIRECTORS

The following table sets out the key aspects of the remuneration policy for Directors:

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base compensation[1]	Reflects individual's experience and role within the Group. Reward for performance of everyday activities.	The Committee reviews base compensation annually, taking account of the scale of responsibilities, the individual's experience and performance. Changes are implemented with effect from 1 April each year. Base compensation is paid in cash on a monthly basis. Base compensation is typically set with reference to a peer group of UK-listed mining comparator companies. Comparisons are also made against positions of comparable status, skill and responsibility in the metals and mining industries globally, and in the manufacturing and engineering industries more generally.	There is no prescribed maximum annual increase. Base compensation increases are applied in line with the annual review and are competitive within the UK and Indian market and internationally for comparable companies. The Committee is also guided by the general increase for the employee population but on occasions may need to recognise, for example, development in role and/or change in responsibility.	Business and individual performance are considered when setting base compensation.
Taxable benefits	To provide market competitive benefits.	Benefits vary by role and are reviewed periodically. Benefits are set in line with local market practices.	The value of benefits is based on the cost to the Company and is not pre-determined.	n/a
Pension	To provide for sustained contribution and contribute towards retirement planning.	Directors receive pension contributions into their personal pension plan or local provident scheme or cash in lieu of pension contribution Contribution rates are set in line with local market practices.	Annual contribution of up to 20% of base compensation.	n/a
Annual bonus	Incentivises executives to achieve specific, predetermined goals during the financial year.	50% paid in cash and 50% deferred into shares which will vest 40% after the first year, and 30% after the second and third years, subject to continued employment. Determined by the Committee after year-end, based on performance against the pre-determined financial and non-financial metrics. Not pensionable. Clawback provisions apply for overpayments due to misstatement or error and other circumstances.	Up to 150% of base compensation per annum.	The bonus is measured against a balanced scorecard of performance metrics. At least 50% of the bonus potential will be based on financial performance and the remainder of the bonus potential will be based on operational, strategic and sustainability measures. The Committee has the ability to adjust the bonus outturn if it believes that the outturn is not reflective of the Group's underlying performance or warranted based on the Health, Safety and Environment ('HSE') record.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Performance Share Plan ('PSP')	Encourage and reward strong performance aligned to the interests of shareholders.	Annual grant of nominal-cost options which vest after three years, subject to Company performance and continued employment. There is an additional holding period of two years post-vesting. Clawback provisions apply for overpayments due to misstatement or error and other circumstances.	Up to 150% of base compensation per annum.	Performance conditions are focused on the delivery of increased shareholder value over the medium to long-term. No less than 50% of an award will be linked to relative total shareholder return (TSR). 30% of the award will vest for achieving threshold performance (for the TSR element this is median performance), increasing pro-rata to full vesting for the achievement of stretch performance targets. The Committee has the ability to adjust the PSP outturn if it believes that the outturn is not reflective of the Group's underlying performance or warranted based on the HSE record.
Share ownership guidelines	To increase alignment between executives and shareholders.	Executive Directors are required to retain any vested shares (net of tax) under the Group's share plans until the guideline is met. Any new Executive Director will have a period of five years from recruitment or promotion to the Board to build up their shareholding to the required level.	200% of base compensation for Executive Directors	n/a
Non-Executive Directors' fees	To attract and retain high calibre Non-Executive Directors through the provision of market competitive fees.	Fees are paid in cash. Fees are determined based on the significant travel and time commitments, the risk profile of the Company and market practice for similar roles in international mining groups.	As for the Executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase for the employee population but on occasions may need to recognise, for example, development in role and/or change in responsibility. Additional fees may be paid if there is a material increase in time commitment and the Board wishes to recognise this additional workload.	Business and individual performance are considered when setting fees.

Base compensation includes base salary plus fixed cash allowances and statutory benefits, which are a normal part of the fixed remuneration package for employees in India.

SELECTION OF PERFORMANCE METRICS

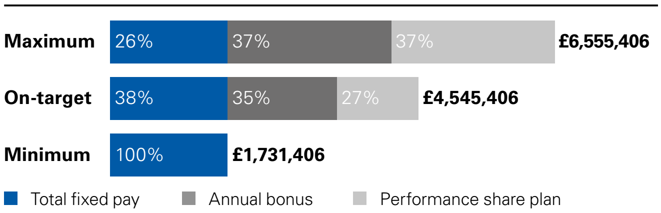
The annual bonus is based against a balanced scorecard of financial, operational, sustainability and strategic metrics. The mix of targets will be reviewed each year by the Committee to ensure that they remain appropriate to reflect the priorities for the Group in the year ahead. A sliding scale of targets is set to encourage continuous improvement and challenge the delivery of stretch performance.

The PSP is measured against financial and strategic metrics. The sole metric for the 2017 PSP is relative TSR performance, which provides an external assessment of the Company's performance against the market. It also aligns the rewards received by executives with the returns received by shareholders. A sliding scale of challenging performance targets is set. The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each PSP grant. The Committee reserves the discretion to set different targets for future awards, providing that, in the opinion of the Committee, the new targets are no less challenging in light of the circumstances at the time than those used previously. The targets for awards granted under this remuneration policy are set out for shareholder approval in the Annual Report on Remuneration.

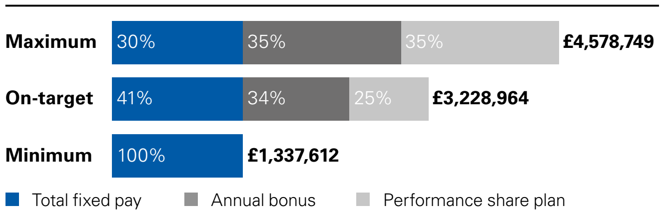
REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS

The charts below illustrate how the Executive Directors' remuneration packages vary at different levels of performance under the policy, which if approved will take effect immediately.

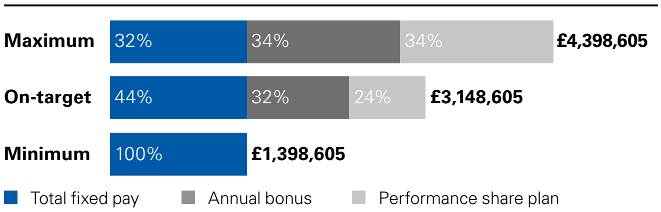
Executive Chairman Total remuneration (£000)



Executive Vice Chairman Total remuneration (£000)



Chief Executive Officer Total remuneration (£000)



Notes
1 Base compensation levels are based on those applying on 1 April 2017 (converted at a rate of INR 87.7138 : £1).
2 The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 31 March 2017 .
3 The value of pension receivable by the Executive Vice Chairman and Chief Executive Officer in 2017/18 is taken to be 15% and 20% of base compensation respectively.
4 The on-target level of bonus assumed to be two-thirds of the maximum annual bonus opportunity.
5 The on-target level of the PSP assumed to be 50% of the face value of the award at grant.
6 Share price movement and dividend accrual have not been incorporated into the values shown above.

APPROACH TO RECRUITMENT AND PROMOTIONS

The remuneration package for a new Executive Director – i.e. base compensation, taxable benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and would reflect the experience of the individual.

The base compensation for a new executive may be set below the normal market rate, with phased increases over the first few years, as the executive gains experience in their new role. Annual bonus potential will be limited to 150% of base compensation and long-term incentives will be limited to 150% of base compensation per annum.

In addition the Committee may offer additional share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would reflect the nature, time horizons and performance requirements attached to that remuneration.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses and continuing allowances as appropriate.

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy at that time.

SERVICE CONTRACTS FOR EXECUTIVE DIRECTORS

The Committee reviews the contractual terms for new Executive Directors to ensure these reflect best practice.

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 Anil 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 Vedanta Limited which expires on 31 July 2018, with a notice period of three months or base compensation in lieu thereof.

Mr Tom Albanese had a separate letter of appointment with the Company and Vedanta Limited on a fixed Three Year Term which expired on 31 March, 2017. The service contracts of the executive with both the entities were extended for a five month term which expires on 31 August, 2017, but which may be terminated by not less than one month's notice. Provision is made in Mr Tom Albanese's contract for payment to be made in lieu of notice on termination which is equal to one month's base compensation and benefits.

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, and available for inspection at the AGM.

PAYMENTS FOR LOSS OF OFFICE

The executive directors' service contracts provide for pay in lieu of notice in respect of base compensation, as set out above.

The annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal payout date. Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules.

The default treatment under the PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on the original vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Committee has discretion to determine that awards vest at an earlier date and/or to dis-apply time pro-rating, although it is envisaged that this would only be applied in exceptional circumstances. Any such incidents, where discretion is applied by the Committee, will be disclosed in the next year's Annual Report on Remuneration.

The default treatment for deferred annual bonus awards is that any outstanding awards lapse on cessation of employment. However, in certain 'good leaver' circumstances (as described under the PSP above) awards will normally vest in full on the original vesting date.

In determining whether an executive should be treated as a good leaver or not, the Committee will take into account the performance of the individual and the reasons for their departure.

In the event of a change of control all unvested awards under the deferred annual bonus and long-term incentive arrangements would vest, to the extent that any performance conditions attached to the relevant awards have been achieved. The award will, be pro-rated for the period of the financial year served.

LETTERS OF APPOINTMENT FOR NON-EXECUTIVE DIRECTORS

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 in the performance of their duties for the Company. 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.

LEGACY ARRANGEMENTS

For avoidance of doubt, in approving this Directors' Remuneration Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the vesting of past share awards) that have been disclosed to and approved by shareholders in this and previous Remuneration Reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.