

DIRECTORS' REPORT

148

PURPOSE OF THE DIRECTORS' REPORT

The Directors are pleased to present their annual report on the business of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2017.

The purpose of the Directors' Report is to provide shareholders with certain statutory information about the Company, its Directors and operations. The Strategic Report informs shareholders of and helps them assess how the Directors have performed in their duty to promote the success of the Company. In addition, as a company listed on the London Stock

Exchange, it is required to provide information which includes amongst other things, details of the Company's share capital, voting rights, rules on Directors' appointments and significant agreements that alter on any change of control.

Information required by Schedule 7 of the Large and Medium-Sized companies and Groups (Accounts and Reports) Regulations 2008 as amended to be included in the Directors' Report but which is instead included in the Strategic Report or elsewhere in the Annual Report, is set out in the table below.

Review of the business and future developments of the business of the Company	Strategic Report on pages 1–103
Employment policies and employee involvement	Strategic Report on page 61
Research and development	Details can be found on page 194

Information required by Listing Rule 9.8.4 as amended to be included in the Directors' Report but which is instead included elsewhere in the Annual Report is set out in the table below.

Subject	Section in the Annual Report
Directors' emoluments	Directors' Remuneration Report on Page 142
Long term incentive schemes	Details of the Group's employee share schemes are set out in Note 32 of the consolidated financial statements and also on pages 142–144 of the Directors' annual report on remuneration. Details of the shares held by the Vedanta Resources Plc Employee Benefit Trust can be found in the Directors' Report on page 151 and in Note 32 of the Consolidated Financial Statements on page 222
Parent participation in a placing by a listed subsidiary	None
Interest capitalised by the Group	Consolidated Financial Statements in Note 7 on page 194
Publication of unaudited financial information	None
Contract of significance in which a Director is interested	None
Contract of Significance with a controlling shareholder	None
Provision of services by a controlling shareholder	None
Non pre-emptive issues of equity for cash	None
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	None
Agreements with the controlling shareholder	Corporate Governance Report on page 116

STRATEGIC REPORT

The Strategic Report has been prepared in accordance with the Companies Act 2006 ('The Act') which requires the Company to set out a fair review of the business of the Group during the financial year, including an analysis of the position of the Group at the end of the financial year and the trends and factors likely to affect the future development, performance and position of the business. The Strategic Report can be found on pages 1 to 103.

The Strategic Report and other sections of this Annual Report contain forward looking statements. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict. Forward looking statements and past performance are therefore not guarantees of future performance. The information contained in the Strategic Report has been prepared on the basis of information and knowledge available to the Directors at the date of preparation and the Company does not undertake to update or revise the content during the year ahead.

CORPORATE GOVERNANCE

In accordance with the Financial Conduct Authority's Disclosure and Transparency Rules DTR 7.2.1, the disclosures required by DTR 7.2.2R to DTR 7.2.5 and DTR 7.2.7 may be found in the Corporate Governance Report on pages 108 to 147. The Corporate Governance Report is incorporated into this Directors' report by reference. Information referred to in DTR 7.2.6 is located in this Directors' report.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the business and future developments of the Group is presented in the Strategic Report on pages 1 to 103.

GREENHOUSE GAS (GHG) EMISSIONS REPORTING

Climate change is a growing concern globally, and recent record temperature trends will likely accelerate this concern. We acknowledge the global concern on climate change and recognize that concentrated and sustained global actions are required to reduce the scale of the problem and to adapt to its impacts. We feel this will require multiple solutions, including using innovative technology to improve energy efficiency and find more carbon neutral solutions. It is vitally important that every country is provided with the right incentives for the development and communication of climate-friendly processes and practices.

At Vedanta we are working towards implementing our Energy and Carbon Management plans to reduce our GHG emissions. Our energy and carbon management approach hinges on a two-pronged strategy; improving energy and process efficiency, while diversifying our energy portfolio to include renewable energy to the extent possible. We are committed to the cause of tackling climate change and have constituted the Chief Operating Officers (COOs') forum to advise and facilitate the implementation of the Group's climate change program.

In addition to optimising our consumption, we are also looking at diversifying our energy portfolio. Mindful of the long-term impact of traditional grid-energy, we are evaluating renewable energies like solar and wind. This year, the HZL business installed 16 MW of Solar power plant.

We calculate and report Greenhouse gas inventory i.e. Scope 1 (process emissions and other direct emissions) and Scope 2 (purchased electricity) as defined under the World Business Council for Sustainable Development (WBCSD) and World Resource Institute (WRI) GHG protocols. The increase in GHG emissions during the year was due to the ramp up in our aluminium and power businesses. The relative increase in GHG emissions in the power sector was higher compared to revenue generated resulting in overall higher GHG intensity.

GHG EMISSIONS (TONNES OF CO₂)

Business	FY2017		FY2016	
	Scope 1	Scope 2	Scope 1	Scope 2
Zinc India	4,288,645	114,211	4,465,507	218,265
Zinc International	54,168	644,554	58,176	607,948
Copper India & Australia	147,078	515,274	157,975	504,604
Copper Africa	153,127	4,613	189,676	14,865
Aluminium India	24,808,807	52,542	18,957,341	70,679
Power Sector	18,996,251	6,736	12,388,002	17,073
Oil & Gas Sector	1,465,348	70,827	1,506,798	115,943
Iron Ore Business	1,982,484	18,986	1,857,613	18,227
Others	–	4,922	0	9,637
Total	51,896,907	1,432,665	39,581,088	1,577,241

The GHG Intensity Ratio below expresses Vedanta's annual GHG emissions in relation to the Group's consolidated revenue. GHG Intensity Ratio (Tonnes of CO₂/Mn US\$)



DIRECTORS' REPORT CONTINUED

150

GHG INTENSITY RATIO (TONNES OF CO₂/MN US\$)

Business	FY2017	FY 2016
Zinc India	1,744	2,219
Zinc International	2,102	1,701
Copper India & Australia	212	207
Copper Africa	180	210
Aluminium India	12,187	11,231
Power Sector	22,734	17,534
Oil & Gas Sector	1,256	1,227
Iron Ore Business	3,252	5,360
Consolidated Group	4,600	3,836

DIVIDENDS

The Directors recommend a final dividend for the year ended 31 March 2017 of 35.00 US cents per ordinary share (2016 30.0 US cents per ordinary share). Subject to shareholders approving this recommendation at the Company's Annual General Meeting on 14 August 2017, the final dividend will be paid on 23 August 2017 to shareholders on the register of members as at 21 July 2017. An interim dividend of 20 US cents per ordinary share (2016: nil) was paid on 15 December 2016 to shareholders on the register of members on 18 November 2016.

EXECUTIVE COMMITTEE

The members of the Executive Committee as at the date of this Report are shown together with their biographical details on pages 106 to 107. During the year and up to the date of this Report, the composition of the Executive Committee was refreshed. The following ceased to be members of the Executive Committee but continue to attend its meetings:

Roma Balwani,	President, Group Communications and Sustainable Development
Steven Din,	Chief Executive Officer and Director, Konkola Copper Mines (KCM)
Abhijit Pati,	Chief Executive Officer, Aluminium
Ajay Kumar Dixit,	Chief Executive Officer, Alumina
P Ramnath,	Chief Executive Officer, Vedanta Limited-Copper Business

New additions to the Executive Committee during the year and up to the date of this Report include:

G.R. Arun Kumar,	Chief Financial Officer
Deshnee Naidoo,	Chief Executive Officer, Zinc International and CMT
Kuldip Kaura,	President, Chairman's Office
Philip Turner,	Head-Group Health, Safety, Environment and Sustainability
Sudhir Mathur,	Acting Chief Executive Officer, oil & gas business
Suresh Bose,	Head- Group Human Resources

Messrs Akhilesh Joshi, DD Jalan, Mayank Ashar and Mukesh Bhavnani were previously members of the Executive Committee and left the Group during the year and up to the date of this Report.

DIRECTORS

The Directors as at the date of this Report are shown together with their biographical details on pages 104 to 105. During the year and up to the date of this Report, the following Board appointments and retirements occurred:

Ravi Rajagopal – appointed 1 July 2016
Euan Macdonald – retired 5 August 2016

Details of the remuneration of the Directors, their interests in the shares of the Company and service contracts are contained in the Directors' Remuneration Report on pages 135 to 147.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Company's Articles of Association (the Articles) specify that the minimum number of Directors of the Company, unless determined by ordinary resolution, shall be two. There is no limit on the maximum number of Directors. The Company or the Board may appoint any person to be a Director. Any Director appointed by the Board shall hold office only until the next general meeting and is then eligible for election by shareholders.

In accordance with the UK Corporate Governance Code, all Directors excluding Mr Mehta will retire and submit themselves for re-election at the Company's forthcoming Annual General Meeting. Details of Directors' contracts or letters of appointment are included in the Directors' Remuneration Report. The performance of each Director was reviewed and it was found that each of them continues to make an effective and valuable contribution to the deliberations of the Board and demonstrate commitment to the role. The performance of the Chairman was reviewed by the Senior Independent Director and discussed with the other Non-Executive Directors.

POWERS OF THE DIRECTORS

Subject to the provisions of the Companies Act and the Company's Articles and to any directions given by special resolution, the business of the Company is to be managed by the Board which may exercise all the powers of the Company.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments and any waiver are included in the Directors' Remuneration Report on pages 142–144.

LONG TERM INCENTIVE SCHEMES

Details of the long-term incentive schemes operated by the Company namely the Performance Share Plan (PSP) and the Deferred Share Bonus Plan (DSBP) are included in the Directors' Remuneration Report on pages 143–144.

DIVIDEND WAIVER

As noted in the Remuneration Committee Report contained in pages 135 to 147 of this document, the Company operates a DSBP under which bonus payments to the Executive Chairman, Executive Vice Chairman and Group Chief Executive Officer are payable partly in cash and partly in deferred share awards which vest over a staggered period of two or three years subject to service conditions being met. Pending vesting, Sanne Fiduciary Services Limited (SFSL) holds any shares that are the subject of awards under the DSBP as nominee on behalf of the relevant executives. SFSL, on behalf of the relevant executives, has waived the right to receive dividends on these shares as well as any voting rights attaching to these shares pending vesting of these awards in accordance with the rules of the DSBP. As at 31 March 2017, there were 163,250 shares in respect of the DSBP and 254,195 shares in respect of Forfeitable Share Awards granted under the DSBP to Anil Agarwal and Navin Agarwal. Other than the waiver of dividends by SFSL as described above, there have been no arrangements under which a shareholder has waived or agreed to waive dividends or future dividends during the year ended 31 March 2017.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITIES

The Company purchases and maintains liability insurance for its Directors and Officers and those of the subsidiaries of the Group, as permitted by the Act. The insurance policy does not provide cover where the Director has acted fraudulently or dishonestly. The Company believes that it is appropriate to provide such cover to protect Directors from innocent error as the Directors carry significant liability under criminal and civil law and under the UK Listing, Prospectus and Disclosure and Transparency Rules, and face a range of penalties.

In addition, the Company's Articles contain an indemnity provision in favour of the Directors against proceedings brought by third parties, subject to the Act, to allow the Company to pay legal defence costs for the Director where the Director is exonerated.

EMPLOYEES

Information on the Group's employees and its policies with respect to employees can be found in the Sustainability Report section of the Strategic Report on page 61. In summary, the Group's commitment to communication and dialogue with employees continues. The existence of a Group-wide intranet enables engagement and communication with employees throughout the Group. It also helps management to share information, ideas and opportunities quickly and to achieve a common awareness on the part of all employees of the financial and economic factors affecting the performance of the Company. Employees have opportunities to voice their opinions and ask questions through the Group intranet and engage in question and answer sessions with the Executive Chairman.

POLITICAL DONATIONS

It is the Board's policy that neither Vedanta nor any of its subsidiary companies outside India may, under any circumstances, make donations or contributions to political organisations. Subsidiaries in India may make political donations or contributions as this is customary in India and permitted under local legislation. In exceptional circumstances, if political donations or contributions are deemed necessary in the United Kingdom and European Union for legitimate business reasons, they will not be made without the approval of the Board and shareholders at a general meeting. Any political donations made in India will be disclosed in the Company's Annual Report and Accounts. The Company and its subsidiaries did not make any political donations during the financial year ended 31 March 2017 (2016: Nil).

RESEARCH AND DEVELOPMENT

The Group's business units carry out research and development activities necessary to further their operations.

POST BALANCE SHEET EVENTS

Post balance Sheet events have been disclosed in Note 43 to the financial statements.

MATERIAL SHAREHOLDINGS

As at 31 March 2017 and 14 June 2017, the Company had received notifications of control of 3% or more over the Company's total voting rights and capital in issue as set out below:

Name of shareholder	Nature of holding	Number of ordinary shares of US\$0.10 each	Percentage of total voting rights
Volcan Investments Limited	Indirect	187,488,102	69.39%
Standard Life Investment (Holdings Limited)	Indirect	–	Below 5%
Viktor Falk	Direct	8,340,408	3.10%

1 The voting rights at 31 March 2017 were 270,189,014 ordinary shares (net of treasury shares and shares held in Global Depository Receipt).



ARTICLES OF ASSOCIATION, SHARE CAPITAL AND VOTING RIGHTS

The following description summarises certain provisions in the Company's Articles and applicable English law concerning companies. This is a summary only and the relevant provisions of the Act, or the Articles should be consulted if further information is required. Copies of the Company's current Articles are available for inspection at the Company's registered office during normal business hours. They are also available from Companies House and the Company's website at www.vedantaresources.com.

AMENDMENTS TO THE ARTICLES

The Company's Articles may be amended only by special resolution passed by the Company's shareholders.

SHARE CAPITAL

As at 31 March 2017 the issued share capital of the Company was comprised of 301,300,825 ordinary shares of US\$0.10 each and 50,000 deferred shares of £1 each.

RIGHTS AND OBLIGATIONS ATTACHING TO SHARES

The rights and obligations attaching to the ordinary and deferred shares are set out in the Articles. Details of the issued share capital together with movements in the Company's issued share capital during the year are shown in Note 35 of the financial statements.

Vedanta currently holds 22,502,483 ordinary shares in treasury. A further 1,704,333 shares, which had previously been purchased under Vedanta's Buyback Programme, were held by an independent company, Gorey Investments Limited (Gorey) and this company will not vote on these shares. These shares purchased by Gorey will be treated in the consolidated accounts of Vedanta as treasury shares.

6,904,995 ordinary shares of 10 US cents each were issued on the conversion of certain convertible bonds issued by one of the Company's subsidiaries. These 6,904,995 ordinary shares are held through a global depository receipt and carry no voting rights. Apart from the above, each ordinary share carries the right to one vote at general meetings of the Company. Holders of deferred shares are not entitled to attend, speak or vote at any general meeting of the Company, nor are they entitled to the payment of any dividend or to receive notice of general meetings.

Further details of the rights attaching to the deferred shares are set out in the Articles and summarised in Note 35 of the financial statements.

VARIATION OF RIGHTS

Subject to the provisions of the Act, the rights attached to any class may be varied with the consent of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

DEADLINES FOR EXERCISING VOTING RIGHTS

Votes may be exercised at general meetings in relation to the business being transacted either in person, by proxy or, in relation to corporate members, by corporate representatives. The Articles provide that forms of proxy shall be submitted not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

RESTRICTIONS ON VOTING AND THE TRANSFER OF SHARES

No member shall be entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares in the capital of the Company, either in person or by proxy, in respect of any share held by him unless all monies payable by him in respect of that share have been fully paid. Furthermore, no shareholder shall be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll if he has been served with a notice after failing to provide the Company with information concerning interests in his shares that is required to be provided under the Act.

With the exception of restrictions on the transfer of unpaid shares and ordinary shares held under the Company's employee share incentive plans whilst the shares are subject to the rules of the plans, there are no restrictions on the transfer rights attaching to the Company's ordinary shares or the transfer of securities in the Company.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights.

ISSUE OF SHARES

The powers of the Company's Directors are subject to relevant legislation and, in certain circumstances (including in relation to the issue or buying back by the Company of its shares), are subject to authority being given to the Directors by shareholders in general meeting. At the Company's 2017 Annual General Meeting, shareholders will be asked to renew the Directors' authority to allot new securities. Details are contained in the 2017 Notice of Annual General Meeting (Notice of AGM).

Subject to the provisions of the Act, the Company has authority under its Articles to allot new shares in the Company. Such authority would be exercised having regard to the Statement of Principles published by the Pre-emption Group.

SHARES HELD IN UNCERTIFICATED FORM

Subject to the provisions of the Uncertificated Securities Regulations 2001, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

DIVIDENDS AND DISTRIBUTIONS

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution. The treasury shares directly held by the Company are not entitled to receive a dividend.

Dividends may be declared and paid in any currency or currencies that the Board shall determine. The Board may also determine the exchange rate and the relevant date for determining the value of the dividend in any currency.

PURCHASE OF THE COMPANY'S OWN SHARES

The Directors had authority, under a shareholders' resolution dated 5 August 2016, to make market purchases of up to approximately 10% of the Company's ordinary shares. The authority expires at the conclusion of the Company's 2017 Annual General Meeting or on 1 October 2017, whichever is the earlier. A resolution to obtain a further authority will be proposed at the 2017 Annual General Meeting. During the year the Company did not purchase any shares under its previously announced share buyback programme.

As at 31 March 2017, the Company held a total of 24,206,816 ordinary shares in treasury equivalent to 8.03% (2016: 8.05%) of the issued share capital.

AGREEMENTS: CHANGE OF CONTROL

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, and capital market borrowing. The following are considered to be significant in terms of their likely impact on the business of the Group as a whole:

- 1 The US\$1,200 million 6% bonds due in 2019 (of which approximately US\$775 million is outstanding, US\$900 million 8.25% bonds due in 2021, US\$1000 million 6.375% bonds due in 2022 and US\$500 million 7.125% bonds due in 2023 where a change of control together with a rating decline requires the Company to make an offer to purchase all of the outstanding bonds at 101% of the principal amount together with any accrued and unpaid interest.
- 2 Under various other financing facilities entered into by the Group where a change of control gives the majority lenders the right to declare the loans immediately payable.

All of the Company's employee share incentive plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions and pro-rata reduction as may be applicable under the rules of the employee share incentive plans.

There are no agreements between the Company and any of its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with section 418 of the Act, each Director who held office at the date of approval of this Directors' Report confirms that:

- › so far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- › he/she has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

APPOINTMENT OF EXTERNAL AUDITOR

Following a competitive tender process held by the Company in 2015 and approval by shareholders at the Company's 2016 Annual General Meeting, Ernst & Young LLP was appointed as the Company's external auditor for the year ending 31 March 2017. A resolution to reappoint Ernst & Young LLP as the Group's external auditor will be proposed at Company's the forthcoming Annual General Meeting.



POLICY ON DERIVATIVES AND FINANCIAL INSTRUMENTS

An explanation of the Group's financial management objectives and policies together with details of the Group's exposure to price risk, credit risk, liquidity and cash flow risk and foreign currency risk appears in Note 29 to the financial statements.

SHARE ALLOTMENTS

During the year, there has been not been any allotment, for cash, of equity securities otherwise than to holders of the Company's equity shares authorised by the Company's shareholders.

SHARE PLACING

The Company has not participated in any share placing during the year ended 31 March 2017.

RELATIONSHIP AGREEMENT WITH THE COMPANY'S CONTROLLING SHAREHOLDER

Details of the Relationship Agreement between the Company and its controlling shareholder, Volcan Investments Limited, are provided in the Corporate Governance Report on pages 116–117.

GOING CONCERN

The Directors have considered the Group's cash flow forecasts for the next twelve month period, from the date of signing the financial statements ending 31 March 2017. Net debt has increased by US\$1.2 billion in the financial year to US\$8.5 billion, with US\$0.9 billion of undrawn facilities at the balance sheet date. Further analysis of net debt is set out in Note 26 of the financial statements and details of borrowings and facilities are set out on page 207. The Board is satisfied that the Group's forecasts and projections show that the Group will be able to operate within the level of its current facilities for the foreseeable future. This takes into account reasonably possible changes in trading performance on cash flows and forecast covenant compliance; the transferability of cash within the Group; the flexibility that the Group has over the timings of its capital expenditure; and other uncertainties. For these reasons, the Group continues to adopt the 'going concern' basis in preparing its financial statements.

LONGER TERM VIABILITY STATEMENT

In accordance with paragraph C2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group's viability over a longer period than the 12 months required by the going concern assessment. Details of this assessment are included in the Strategic Report on page 68.

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the Company will be held on 14 August 2017 at 3:00pm at The Lincoln Centre, Lincoln's Inn Fields, London WC2A 3ED. The Notice convening the 2017 Annual General Meeting accompanies this Annual Report and Accounts FY2017 and sets out details of the business to be considered thereof.

The Strategic Report as set out on pages 1 to 103 and the Directors' Report as set out on pages 148 to 154 were prepared in accordance with the applicable UK company law and was approved by the Board on 23 May 2017.

By order of the Board

Signed on behalf of the Board

Deepak Kumar
Company Secretary
23 May 2017
Vedanta Resources plc
5th Floor, 6 St Andrew Street,
London, EC4A 3AE

Registered in England Number 4740415