

REMUNERATION COMMITTEE REPORT

Dear shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2017. The report sets out disclosures in relation to Annual Report on Remuneration which details the remuneration paid to the Directors last year as per the policy, which received shareholder approval in 2014. The Remuneration of the Executive Directors continues to be linked with the overall Business Performance. The Regulations require that shareholders formally approve the Remuneration Policy every three years. It is intended that the Remuneration Policy will be put before shareholders for approval by way of a binding vote at the Company's AGM on 14 August 2017. If approved by shareholders, the Remuneration Policy will have effect immediately thereafter. Prior to that date, the Company's existing Remuneration Policy will continue to apply.

The Company reviewed the Remuneration Policy during the year and believes that it remains appropriate. As such, the 2017 Remuneration Policy will remain broadly unchanged from the Remuneration Policy approved by shareholders at the 2014 AGM.

BUSINESS PERFORMANCE AT A GLANCE

Having weathered the prior year's market downturn, we have continued to build on our status as a low-cost, diversified producer. During FY2017 we also delivered our promised merger of Cairn India Limited (Cairn India) and Vedanta Limited, simplifying the group structure. This is a significant step forward towards achieving our stated long-term vision of alignment of interests between all shareholders for the creation of long-term sustainable value.

The Business showed its resilience in the face of a tough market and a challenging economic climate. The group achieved significant milestones operationally, financially and strategically during the year. A synopsis of the Business Performance is outlined below:

› Financial & Operational Performance:

During FY2017, a combination of a strong operating performance driven by ramping up capacity, cost efficiency and marketing initiatives and improved commodity prices from the lows of FY2016, resulted in an EBITDA of US\$3.2 billion with robust margins of 36%. (FY2016: US\$2.3 billion and 28%). Commodity prices improved during the year,

resulting in increased EBITDA by US\$552 million. Most of the operating currencies depreciated against the US\$ during FY2017, resulting in a favourable impact on EBITDA by US\$105 million. We further strengthened our financial position, through our continued focus on deleveraging our balance sheet and extending maturity commitments. We have been well positioned during the recent upturn in the market, with the strong performance of zinc and aluminium in the commodities market playing to our particular strengths. The Company continued to remain focused on free cash, after project capital expenditure, from across its businesses by reinforcing discipline in working capital management, and operational and capital cost controls.

› Strategic Parameters:

In addition to the financial performance the group also achieved significant strategic milestones during the financial year 2016-17 that will fuel the next level of stability and agility to catapult growth. To further enhance our effectiveness on Regulatory framework and create value to the organization, Board and the key executives led various key initiatives and achieved significant success and progress in following areas: Improvement in Group Balance Sheet; Simplification of Group Structure, PSC Extension, Ramping up of Assets etc.

› Sustainability and Safety Scorecard:

The philosophy of a sustainable development agenda is at the core of Vedanta's strategic priorities and governs every business decision. Employee safety and achieving zero harm remained our number one priority and we have made significant progress on all our safety measures during the year, but deeply regret the seven fatalities at our operations. So despite significantly improved performance in all metrics, fatality prevention remains the centre point of our focus. We continue to maintain our good track record in managing health and environment performance and focus on reducing our environmental footprint and improving our resource efficiency. There were no significant environmental incidents or health related observations during FY2016-17.

Business performance for the year was evaluated against the measures and targets set and resulted in a bonus of 42.68% of the maximum for the Executive Chairman, Executive Vice Chairman and Group CEO (details are provided in the relevant part of the Annual Report on Remuneration)

During the year, the Remuneration committee took up various matters pertaining to the Remuneration of the Directors of the company which included determining the Remuneration for the year 2016-17, approving the Annual Bonus to be paid to the executives and the Long Term Incentive design and grant of Options. The Committee also deliberated and finalized the new Remuneration policy which will be put to vote to the shareholders.

We hope that we will receive your support on the new remuneration policy and approval of the annual remuneration report at the forthcoming AGM.

Yours sincerely,

Geoffrey Green
Chairman, Remuneration Committee

