

Corporate Governance Report

Purpose

As a company with a premium listing on the London Stock Exchange the Company is subject to the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the 'Combined Code'). The Combined Code is available from the Financial Reporting Council's website, www.frc.org.uk. The objective of this Corporate Governance Report is to provide details of the Group's governance policies, processes and structures and how the Company has complied with the main principles of the Combined Code.

The Board believes that sound corporate governance practices are essential to achieving the vision of creating a world class metals and mining Group. The Directors are especially aware of the need for a strong corporate governance framework in the current economic climate in order to manage risks facing global businesses. The Board is also following closely corporate governance developments in respect of proposed revisions to the Combined Code. Once the new UK Corporate Governance Code has been finalised the Directors will use the opportunity to review and challenge its existing corporate governance practices to ensure they remain robust and will introduce changes as recommended by the new code as soon as possible.

Statement of Compliance with the Combined Code

With the exception of the following matters, the Company has throughout the year ended 31 March 2010, fully complied with the principles set out in Section 1 of the Combined Code:

Code Provisions A.2.2 and A.3.1

Mr Anil Agarwal was the founder of the businesses of Vedanta Resources and steered the phenomenal growth of the Group since its inception in 1976 including the flotation of Vedanta Resources plc on the London Stock Exchange and development into a FTSE 100 company. Mr Agarwal was appointed as Executive Chairman in 2005. This meant that Mr Agarwal did not meet the strict independence criteria on his appointment because he was previously the Chief Executive and, through Volcan Investments Ltd ('Volcan') members of his family have a controlling interest in the Company.

Mr Agarwal's record since his appointment as Executive Chairman in seeking out new opportunities into value-creating projects whilst heading up a dynamic Board has shown his continuing commitment to developing the Group for the benefit of its shareholders. For this reason the Board is unanimously of the opinion that his continued involvement in an executive capacity is vitally important to the success of the Group.

Code Provision A.4.1

Under the Relationship Agreement put in place at the time of Listing, Volcan will be consulted on all appointments to the Board. The Nominations Committee therefore works collaboratively with Volcan when making appointments to the Board and, to this extent, differs from the process set out in Code Provision A.4.1 which stipulates that the Nominations Committee should lead the process for Board appointments.

Applying the principles of the Combined Code

The Directors

Main Principle

Every company should be headed by an effective board, which is collectively responsible for the success of the company.

The Board

The role of the Board is to provide leadership to the Group in a manner which maximises opportunities to develop its portfolio of businesses profitability whilst assessing and managing the associated risks. The Board does this by assessing the strategic objectives of each business and monitoring their performance. It ensures that the financial, management and other resources required to meet its objectives are in place. The Directors also review controls and risks to ensure that the interests of investors, minority shareholders and other stakeholders are protected. Importantly the Board ensures that Group standards of conduct are set and incorporated within its businesses. For example, during the year a new Code of Conduct and Ethics was approved to provide over arching standards for the Group's subsidiaries. The Code of Conduct and Ethics is available on the Group's website at www.vedantaresources.com.

The Board has a formal schedule of matters reserved for its attention which are summarised below. The schedule of matters was reviewed and updated during the year. The Board meets on a regular basis and met 12 times during the year. The Chairman also meets with the Non-Executive Directors without the Executive Directors present on several occasions throughout the year. Certain of its responsibilities are delegated to Board Committees, which operate within defined terms of reference. The Board Committees are the Executive, Remuneration, Audit, Nominations, and Health, Safety and Environment Committees. Details of these committees and attendance at meetings are shown below.

All of the Committees are authorised to obtain legal or other professional advice as necessary, to secure the attendance of external advisers at their meetings and to seek information from any employee of the Company in order to perform their duties. Under the terms of reference of the Committees only the members of each Committee has the right to attend Committee meetings. However, other Directors or management together with other expert persons may attend meetings at the invitation of the Committee Chairman. The full terms of reference of the Committees are available from the Company Secretary on request.

The Board of Directors

Membership and Attendance at Meetings

AK Agarwal Executive Chairman	10/12
N Agarwal Deputy Executive Chairman	12/12
MS Mehta Chief Executive	12/12
N Chandra Non-Executive Director and Senior Independent Director	12/12
A Mehta Non-Executive Director	12/12
ER Macdonald Non-Executive Director	12/12

Secretary

D Kumar

Summary Schedule of Matters Reserved for the Board's Attention

The Board is responsible for the review and approval of Group strategy and policies, major business acquisitions or disposals, major capital projects, Group budgets, significant changes to capital structure and dividend policy.

Corporate Governance Report continued

Audit Committee

Membership and Attendance at Meetings

A Mehta Chairman	4/4
N Chandra	4/4
ER Macdonald	4/4

Secretary
D Kumar

Summary Terms of Reference

The Audit Committee is responsible for making recommendations to the Board concerning the appointment of the external auditor and for reviewing the independence of the external auditor and approving their fees. The Committee develops policy in relation to the provision of non-audit services by the auditor, and discusses the nature and scope of the audit. The Committee also monitors the integrity of the financial statements, reviews the Group's internal controls, risk management systems and the activities of the internal audit function.

Remuneration Committee

Membership and Attendance at Meetings

N Chandra Chairman	3/3
ER Macdonald	3/3
A Mehta	3/3

Secretary
D Kumar

Summary Terms of Reference

The Committee is responsible for setting broad policy for the remuneration of the Chairman, Executive Directors and the Senior Management Group. The Committee determines the remuneration packages for individual Executive Directors, including basic salary, bonus, long-term incentives, pensions and other benefits. It also reviews and approves the provisions of the service agreements of the Executive Directors. The Committee considers the design and operation of the Company's share incentive schemes.

Nominations Committee

Membership and Attendance at Meetings

A Agarwal Chairman	3/3
N Chandra	3/3
ER Macdonald	3/3

Secretary
D Kumar

Summary Terms of Reference

The Nominations Committee is responsible for succession planning for the Board and making recommendations concerning candidates as Executive or Non-Executive Directors of the Company. In addition the Committee makes recommendations concerning the structure, size and composition of the Board. The Committee assesses the Directors to retire and stand for re-election at the AGM.

Health, Safety and Environment Committee

Membership and Attendance at Meetings

N Chandra Chairman	3/3
MS Mehta	3/3
R Nair	3/3
CSR Mehta	3/3
G Gupta	3/3
J Janakaraj	3/3
A Joshi	3/3
P Khanna	3/3
M Patil	3/3

Secretary
CSR Mehta

Summary Terms of Reference

The Health, Safety and Environment ('HSE') Committee supports and advises the Board on meeting its HSE responsibilities. It recommends to the Board HSE policy, advises on law and expected standards of governance, outlines initiatives required to embed HSE culture at all levels, reports to the Board the HSE performance of the Group, reviews the HSE management system designed to ensure that HSE risks are being assessed, controlled and managed effectively and reviews HSE targets and assessment of progress against these targets. Further details of the HSE Committee are given in the Sustainability Report on pages 50 to 64 of this Annual Report and in the separate Sustainable Development Report.

Executive Committee

Membership

N Agarwal Chairman
A Agarwal
MS Mehta
Tarun Jain
DD Jalan
M Siddiqi
Pramod Suri
Rajagopal Kishore Kumar
Jeyakumar Janakaraj
Akhilesh Joshi
PK Mukherjee
Dilip Golani

Summary Terms of Reference

The Executive Committee supports the Board and essentially supervises the operational performance of the Group. The Committee implements strategic plans formulated by the Board, monitors operational and financial performance, allocates resources, develops and reviews budgets of subsidiary companies and approves capital expenditure and other strategic item not reviewed by the Board.

Main Principle

There should be a clear division of responsibilities at the head of the company between the running of the Board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.

The Chairman and Chief Executive

There is a clear division of responsibility between functioning of the Board and the executive responsibility for running the business. The Board has an established policy which sets out the key responsibilities of the Executive Chairman and Chief Executive. A clear demarcation is made between the responsibility of the Chairman and the Chief Executive, as detailed below:

Chairman's Responsibilities

- providing leadership to the Board and ensuring its effective functioning;
- setting a vision for the Group, formulating its strategy, creating profitable business opportunities and reviewing merger and acquisition opportunities;
- ensuring that there is effective communication with shareholders;
- facilitating the effective contribution of the Non-Executive Directors; and
- overseeing corporate governance arrangements and in particular compliance with the Combined Code.

As Executive Chairman, the Chairman devotes the majority of his time for the Company's business. The Chairman's other current responsibilities are set out in the biographies on page 12. There have been no changes to the Chairman's other commitments during the year.

Chief Executive's Responsibilities

- developing and managing the executive team in the operations;
- delivery of operating budgets;
- supporting the Executive Chairman in the delivery and implementation of strategy;
- optimising the Group's assets and management and allocation of resources;
- supporting the Executive Chairman in effective communication with various stakeholders; and
- creating and maintaining a sound control environment.

Main Principle

The Board should include a balance of Executive and Non-Executive Directors such that no individual can dominate the Board's decision taking.

Board Balance and Independence

The Board, chaired by Mr Anil Agarwal, currently has six Directors comprising the Executive Chairman, two Executive Directors and three independent Non-Executive Directors. Members of the Board are set out on page 12.

Non-Executive Directors

The Non-Executive Directors are of high calibre bringing a range of experience in different fields which include holding senior positions within the Indian Government to banking and emerging market finance. This enables them to bring independent judgement on issues of strategy, performance and resources which are vital to the success of the Group. They play a key part in challenging the performance of management. During the year, the Chairman held regular meetings with the Non-Executive Directors without the Executive Directors being present.

With the exception of the Chairman, who is presumed under the Combined Code not to be independent, the Board considers all the Non-Executive Directors to be independent as assessed against the criteria specified in the Combined Code. In making its assessment, the Board has considered the fact that Mr Aman Mehta and Mr Euan Macdonald have held previous senior management positions within subsidiary companies of HSBC Holdings plc (which acted as the joint global co-ordinator and book runner when the Company listed in 2003). The Board considered that neither Mr Mehta's nor Mr Macdonald's previous employment included the provision of corporate financial services in London by the HSBC Group and they had no involvement with the Group prior to their appointment. The Board therefore remains of the view that these circumstances will not affect the judgement exercised by either Mr Mehta or Mr Macdonald and therefore considers them to be independent.

Senior Independent Director

Mr Naresh Chandra has been appointed as the Senior Independent Director. Given the executive nature of the Chairman's position the Senior Independent Director's position includes the responsibility to lead discussions of meetings of the Non-Executive Directors, to provide a channel of communication between the Chairman and Non-Executive Directors and ensure that the views of the Non-Executive Directors are given due consideration. The Senior Independent Director is also responsible for providing a point of contact for any shareholder who wishes to raise concerns which the normal channels of communication through the Chairman and Chief Executive have failed to resolve, or for which contact is inappropriate.

Relationship Agreement

At the time of Listing, the Company and Volcan, the majority shareholder, entered into a relationship agreement (the 'Relationship Agreement') to regulate the ongoing relationship between them. The principal purpose of the Relationship Agreement is to ensure that the Group is able to carry on business independently of Volcan, the Agarwal family and their associates. Under the terms of the Relationship Agreement, the Board, and Nominations Committee will at all times consist of a majority of Directors who are all independent of Volcan and the Agarwal family, whilst the Remuneration and Audit Committees shall at all times comprise only of Non-Executive Directors. Volcan is entitled to nominate for appointment as Director such number of persons as is one less than the number of Directors who are independent of Volcan, the Agarwal family and their associates. The Board considers these to be adequate safeguards in that Directors who are independent of Volcan make up a majority of the Board and Vedanta's ability to operate independently of Volcan is protected by the Relationship Agreement. In addition, in accordance with Provisions A.3.2 of the Combined Code, at least half of the Board, excluding the Chairman, comprise Non-Executive Directors determined by the Board to be independent.

Conflicts of Interest

The Board has established a procedure for the disclosure of interests and other related matters in line with published guidance and the Companies Act 2006. Each Director must disclose actual or potential conflicts to the Board. Any changes are disclosed and noted at each Board meeting. The Board authorises potential or actual conflicts as appropriate. The Audit Committee is responsible for reviewing matters arising in relation to the Relationship Agreement and related party transactions on behalf of the Board.



Corporate Governance Report continued

Main Principle

There should be a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

Appointments to the Board

The Nominations Committee is responsible for succession planning and making recommendations concerning candidates for appointments to the Board. Under the terms of the Relationship Agreement entered into with Volcan as the major shareholder, Volcan will be consulted by the Nominations Committee on appointments to the Board. The selection process will entail preparing a job description for the role, benchmarking and interviews with a selection of candidates. External search agencies will be used where this is felt to be appropriate and add value to the process.

In respect of the appointment of Non-Executive Directors to the Board, the candidates will be made aware of the time commitment expected of them which will be reflected in the letter of appointment. Candidates will also be required to disclose their other time commitments to ensure that they have sufficient time to fulfil their role as a Director. The terms and conditions of appointment of the Non-Executive Directors are available on request from the Company's registered office.

There is a policy in place in respect of a full time Executive Director taking on a Non-Executive directorship in a listed company. The approval of the Chairman must be sought before an Executive Director may take on a Non-Executive directorship outside of the Group.

Main Principle

The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. All Directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge.

Information and Professional Development

The Chairman, assisted by the Company Secretary, is responsible for ensuring that the Directors receive accurate, timely and clear information on all relevant matters. The Board routinely receives before each Board meeting detailed information on business and financial performance, ongoing projects, the raising of funds for various initiatives, activities of the Board Committees and investor relation updates. Presentations and verbal updates are also given at Board meetings by the Executive Directors and senior management as appropriate.

Appropriate induction is provided to all Directors on appointment to the Board and programmes of continuing professional development are arranged as required, taking into consideration the individual qualifications and experience of the Director. In addition Directors have access to the Company's professional advisers whom they can consult where they find it necessary in order to better discharge their duties.

During the year, the Directors received briefings on new Companies Act legislation and in particular briefings on shareholder rights regulations. Directors undertake visits to operations and have discussions with management on an ongoing basis. In the current financial year this included visits to the Sesa Goa operations and visit to the mine rehabilitation centre.

The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman on governance matters. Under the Company's Articles of Association the appointment and removal of the Company Secretary is a matter for the Board as a whole.

Main Principle

The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors.

Performance Evaluation

During the year, the performance of the Board, its main Committees and the individual Directors were formally and rigorously evaluated under the leadership and direction of the Chairman. The evaluation was carried out by circulation of a detailed questionnaire concerning the Board, its Committees and the individual Director's performance. The responses were collated and summarised. The Chairman spoke individually to all the Directors in respect of the results and the Board also collectively discussed the results. Various actions were put into place as a result.

The evaluation process concluded that the Board as a whole provided strong strategic leadership and sound systems of control were in place. Board processes were well managed. The main committees continued to operate effectively and individuals also performed well. Areas identified for review or improvement were communication with shareholders and other stakeholders. This area will be further strengthened during the year.

As in previous years, the Non-Executive Director, led by the Senior Independent Director, considered as part of the evaluation process, the performance of the Chairman and provided him with feedback.

Main Principle

All Directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The Board should ensure planned and progressive refreshing of the Board.

Re-election

In accordance with the Company's Articles of Association all Directors submit themselves for election at the Annual General Meeting following their appointment and thereafter by rotation at least once every three years. In addition, where a Director has a contract or letter of appointment which expires and is renewed during the year, the Director will stand for re-election at the next Annual General Meeting. Non-Executive Directors are only put forward for re-election if, following performance evaluation, the Board believes the Director's performance continues to be effective and demonstrates commitment to the role.

Particular scrutiny will be given to the performance and continued effectiveness of those Non-Executive Directors who have served on the Board for six years or more.

Remuneration

Main Principle

Levels of remuneration should be sufficient to attract, retain and motivate Directors of the quality required to run the company successfully, but should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Level and Make-up of Remuneration

The Board is sensitive to the need to achieve a balance between attracting and retaining the quality of Directors required to run and manage a company of Vedanta's size and complexity and to avoid excessive pay awards. In the Remuneration Committee's terms of reference approved by the Board the Remuneration Committee is required to consider and give due regard to the recommendations of the Combined Code and other guidelines published in respect of the remuneration of Directors of listed companies such as that produced by the Association of British Insurers and National Association of Pension Funds.

A significant proportion of the Executive Directors' remuneration is performance related through the annual bonus and long-term incentive schemes. The fees of the Non-Executive Directors are independently reviewed and take into account the time commitments and responsibilities of the role. Additional fees are paid for acting as Chairman or being a member of one of the Board Committees.

Further details of Directors' remuneration, bonus, long-term incentives, benefits, service contracts and share interests may be found in the Remuneration Report on pages 73 to 79.

Main Principle

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual Directors. No Director should be involved in deciding his or her own remuneration.

The Remuneration Committee is responsible for setting the levels of remuneration for the Chairman and Executive Directors and also monitors the level and structure of remuneration for senior management. The remuneration of the Non-Executive Directors is decided by the Board as a whole. No Director is involved in deciding his own remuneration. Details of remuneration policy and the activities of the Remuneration Committee are set out in the Remuneration Report on pages 73 to 79.

Accountability and Audit

Main Principle

The Board should present a balanced and understandable assessment of the company's position and prospects.

Financial Reporting

The Group has a comprehensive financial reporting system, which is reviewed and modified as circumstances require. Financial reporting procedures include:

- preparing operational budgets for the forthcoming year for review and approval by the Board;
- ensuring budgets and forecasts are prepared based on stretched targets and using conservative assumptions;
- monitoring performance against key performance indicators throughout the financial year and updating forecasts with reference to information on key risk areas;
- preparation of monthly management reports both on a divisional

and consolidated basis which are presented to the Executive Committee for review; and

- implementing and monitoring of IT controls.

The Audit Committee considers on a regular basis the position of the Company as a going concern by reviewing Group budgets, cash flow forecasts and liquidity. A statement on the Board's position regarding the Group as a going concern is contained in the Directors' Report on page 84.

The Directors' statement of responsibilities for preparing the accounts may be found on page 85 and the auditor's statement about their reporting responsibilities may be found on page 86.

Main Principle

The Board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets

Internal Control

The Directors have overall responsibility for ensuring that the Group maintains a robust system of internal control to provide them with reasonable assurance that all information within the business and for external publication is adequate. Because of the limitations inherent in any system of internal control, this system is designed to meet the Group's particular needs and the risks to which it is exposed rather than eliminate risk altogether. Consequently it can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an established process for identifying, evaluating and managing significant risks faced by the Group in accordance with the Turnbull Guidance on Internal Control published by the Financial Reporting Council. This includes financial, operational and compliance control and risk management, to ensure shareholders' interests and the Company's resources are safeguarded. In addition the Audit Committee has discussions with the auditor, without management being present, on the adequacy of controls and on any judgemental areas. In line with best practice, the Board has reviewed the internal control system in place during the year and up to the date of the approval of this report. This review ensures that the internal control system remains effective. Where weaknesses are identified as a result of the review, new procedures are put in place to strengthen controls and these are in turn reviewed at regular intervals. During the course of its review of the system of internal control, the Board has not identified nor been advised of any weaknesses or control failure that is significant.

The Group's internal audit activity is managed through the Management Assurance Services ('MAS') function and is an important element of the overall process by which the Board obtains the assurance it requires to ensure that risks are properly identified, evaluated and managed. The scope of work, authority and resources of MAS are regularly reviewed by the Audit Committee and its work is supported by the services of leading international accountancy firms (but specifically excluding the Group's external auditors). The responsibilities of MAS include recommending improvements in the control environment and ensuring compliance with the Group's philosophy, policies and procedures.

Each of the Group's principal subsidiaries has in place procedures to ensure that sufficient internal controls are maintained. These procedures include a monthly meeting of the relevant management committee and quarterly meeting of the audit committee of that subsidiary. Any adverse findings are reported to the Audit Committee.

Corporate Governance Report continued

The planning of internal audit is approached from a risk perspective. For internal audit purposes, the Group is divided into three auditable groupings, namely: manufacturing/operating entities, projects and other entities. In preparing an internal audit plan, reference is made to the Group's risk matrix, inputs are sought from senior management, project managers and Audit Committee members and reference is made to past audit experience and financial analysis.

Main Principle

The Board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.

The Board has established an Audit Committee in compliance with the requirements of the Combined Code to consider how financial reporting and internal control arrangements are applied and that they are reviewed on a regular basis. The Audit Committee is also responsible for maintaining an appropriate relationship with the Company's auditors. Further details of the Audit Committee and its activities may be found in the Audit Committee Report on page 70.

Relations with Shareholders

Main Principle

There should be a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

Dialogue with Shareholders

As part of the Company's investor relations programme meetings with analysts and shareholders are held on a regular basis. In particular presentations are made to analysts and the press by the Chairman, Deputy Chairman, Chief Executive and Chief Financial Officer following the release of the preliminary and half-year results announcements. During the year a number of meetings were held with the Company's principal institutional shareholders as well as with financial analysts and brokers. These meetings are initiated either by the Company or analysts and investors and are managed at Group level through Ashwin Bajaj, (Vice President, Investor Relations) who also briefs the Board on the Company's relationships with its shareholders. The main channels of communication with the investment community are through the Chairman, Deputy Chairman, Chief Executive, Chief Financial Officer and Vice President, Investor Relations. The Senior Independent Director and other Non-Executive Directors are also available as appropriate.

The Company announces its annual and half-year results to the London Stock Exchange and the press in advance of the publication of the annual and half-year reports. Summary reports are also published for the first and third quarter. The Board has adopted a communications policy to ensure that other price-sensitive information is announced to the market in a timely and considered manner.

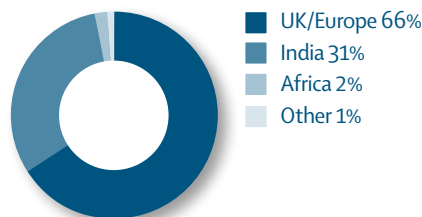
Following consultation during the year the principal method of communicating with shareholders is by e-communication and the Group's website at www.vedantaresources.com. A wide range of information on the Company and its operations may be found on the website including the Annual Report and Accounts, half-year results, announcements to the market, press releases, share price and links to subsidiary company websites. Shareholders can opt to receive paper copies of shareholder documents if they wish to do so.

An analysis of the Company's shareholder base is shown below:

Category of Shareholder by Type



Category of Shareholder by Country



Main Principle

The Board should use the Annual General Meeting to communicate with investors and to encourage their participation.

Constructive use of the Annual General Meeting ('AGM')

The Board uses the Annual General Meeting to communicate with shareholders and welcomes their participation and questions. This year's Annual General Meeting will be held on 28 July 2010. Further details are stated in a separate circular to Shareholders which sets out the Notice of Meeting and the business to be considered at the meeting. The Notice is sent out at least 20 working days before the AGM. Voting at the Annual General Meeting on all resolutions is by poll on a one share, one vote basis and the results of votes cast for, against and abstentions are available on the Group's website following the meeting. The Board believes that voting by poll allows the views of all shareholders to be taken into account regardless of whether or not they can attend the meeting.

All of the Directors, including the Chairmen of the Audit, Remuneration, Nominations and Health, Safety and Environment Committees, attend the Annual General Meeting in order to answer shareholders' questions.

The Audit Committee Report

Membership of the Audit Committee

The Audit Committee consists solely of independent Non-Executive Directors. It is chaired by Mr Aman Mehta and its other members are Naresh Chandra and Euan Macdonald. Mr Mehta is considered to have recent and relevant financial experience and all members have had extensive management experience either in large international organisations or government.

The Committee meets at least three times a year. The Chairman of the Company, Executive Directors, Chief Financial Officer, Head of Internal Audit and other members of the senior management team (as invited by the Committee) together with the external auditor, regularly attend meetings. Reports are made to the Board of the Committee's activities.

Responsibilities of the Audit Committee

The responsibilities of the Audit Committee are set out in its terms of reference which are available on request from the Company's registered office. The main responsibilities of the Audit Committee are to:

- make recommendations to the Board concerning the appointment of the external auditor;
- review the independence of the external auditor;
- develop policy in relation to the provision of non-audit services by the external auditor;
- discuss with the external auditor the nature and scope of the audit;
- approve the remuneration of the auditor;
- monitor the integrity of the financial statements, including its annual and half-year results;
- review the Group's internal controls and risk management systems and consider the effectiveness of these systems;
- matters arising in respect of the Relationship Agreement and related party transactions
- monitor the activities and effectiveness of the internal audit function and consider their reports;
- review the Group's arrangements for its employees to raise concerns through its whistleblowing policy; and
- review reports from subsidiary company audit committees.

The Group's main subsidiaries, a number of which are listed on stock exchanges in India, have their own audit committees in accordance with local corporate governance requirements. By monitoring their discussions the Audit Committee gains further insights into the quality of financial reporting and internal controls throughout the Group. Furthermore the internal audit function presents issues arising from the subsidiaries to the Audit Committee on a regular basis.

Activities of the Audit Committee During the Year

During the year the Audit Committee's activities included:

- review and confirmation of the appropriateness of adopting the going concern basis in preparing the financial statements and interim financial reporting;
- review of external audit findings;
- significant accounting policy matters arising during the year;
- review of the preliminary announcement and Annual Report;
- evaluation of the performance and effectiveness of the external auditor;
- review of internal audit findings;
- consideration of the management letter from the external auditor;
- review of Group accounting issues arising during the year;
- review of legal and tax issues occurring during the year;
- review of half year report;
- approval of internal audit plan;
- review of management planning for the year end process;
- review of reports on risk management and internal controls and mitigating actions; and
- review and approval of a revised policy on the provision of non-audit services by the external auditor.

Auditor Independence

One of the key tasks of the Audit Committee is to review the external auditor's independence and monitor their continued effectiveness. The Audit Committee and the Board place great emphasis on the objectivity of the external auditor, Deloitte LLP ('Deloitte'). To ensure effective communication of matters relating to the audit the audit partner and senior manager are present at Audit Committee meetings. The rotation of the audit partner's responsibilities within Deloitte is required by their profession's ethical standards and there is also rotation of key members within the audit team.

The overall performance of the auditor is reviewed annually taking into account the views of management. Feedback is provided on the evaluation to senior members of Deloitte who are unrelated to the audit. This activity also forms part of Deloitte's own system of quality control. The performance evaluation was carried out using a detailed questionnaire the results of which were considered by the Audit Committee before making the recommendation to the Board on the re-appointment of Deloitte as the Company's auditors for the year ending 31 March 2011.

Following a consultation by the Auditing Practices Board in 2009 on the provision by auditors of non-audit services, the Audit Committee reviewed the Company's policy for the provision of non-audit services by the external auditor to ensure it is in line with current best practice. A new policy was approved by the Audit Committee as a result. The policy specifies certain services which the external auditor is prohibited from undertaking in order to safeguard their independence. The policy also identifies those services which the external auditor is permitted to deliver to the Group. Of these services any permitted assignment in excess of US\$100,000 may only be awarded to the external auditor with prior approval of the Audit Committee. All other permitted non-audit services will be reviewed by the Audit Committee on a biannual basis and the Audit Committee will also receive a report every six months analysing the fees paid for non-audit work. These controls provide the Audit Committee with confidence that the independence of Deloitte in their audit function will be maintained. An analysis of non-audit fees can be found in Note 9 to the financial statements.

Conclusion

The Audit Committee will continue to robustly carry out its duties recognising the importance of sound systems of financial control, risk management and independent assessment by the auditors particularly in light of the continuing uncertainties in global markets. It will also monitor the ongoing debate surrounding risk management review and auditor independence to ensure the Company meets best practice requirements.

On behalf of the Board

A Mehta

Chairman, Audit Committee
5 May 2010

Corporate Governance Report continued

Nominations Committee Report

Membership of the Nomination Committee

Membership of the Nomination Committee is in line with the requirements of the Combined Code. Mr Anil Agarwal, the Chairman of the Company, chairs the Committee and the other two members, Mr Naresh Chandra and Mr Euan Macdonald, are independent Non-Executive Directors.

The Committee meets at least two times a year. Reports are made to the Board of the Committee's activities.

Responsibilities of the Nominations Committee

The responsibilities of the Nominations Committee are set out in its terms of reference which are available on request from the Company's registered office. The main responsibilities of the Nominations Committee are to:

- review the structure, size and composition of the Board (including the skills and experience required of its members) and make recommendations to the Board accordingly of adjustments that are deemed necessary;
- consider candidates for appointment as either Executive or Non-Executive Directors and plan for succession in particular to the positions of the Board Chairman and Chief Executive;
- before an appointment is made prepare a description of the role and capabilities required;
- in identifying suitable candidates consider the use of open advertising or external advisers to facilitate the search, consider candidates from a wide range of backgrounds;
- ensure that Non-Executive Directors receive a letter of appointment setting out what is expected from them in terms of time commitment; and
- recommend to the Board whether to re-appoint a Non-Executive Director either at the end of their term of office or when put forward for re-election, having regard to their performance and ability to continue to contribute to the Board. The Committee will confer with Volcan Investments Limited in this respect under the terms of the Relationship Agreement.

Activities of the Nominations Committee During the Year

During the year the Nominations Committee considered the re-appointment of Mr Naresh Chandra to the Board and as Senior Independent Director on the expiry of his letter of appointment. It considered the re-appointment of Mr Anil Agarwal who retired by rotation and recommended to shareholders both the re-appointment of Mr Chandra and Mr Agarwal. It also reviewed the contributions of Mr Aman Mehta and Mr Euan Macdonald whose letters of appointment expired during the year. It concluded that both Directors continued to provide valuable contributions to the Board during discussions and decision making and the Board relied on their extensive past business experience. The Board evaluation carried out in 2009 confirmed these views and Mr Mehta's and Mr Macdonald's contracts were renewed for a further two years subject to re-appointment at the Annual General Meeting. The Nominations Committee approved the disclosures on the Nominations Committee to be made in the Annual Report and Accounts.

Future Activity

The Nominations Committee is aware of the focus of the review of the Combined Code by the Financial Reporting Council on areas which fall within the remit of the Nominations Committee including Board behaviours, training and development and Board and Committee membership. Therefore, future activity of the Nominations Committee will take these matters into account and consideration of Board and Committee membership and Directors' development and training, amongst other matters, is planned for the forthcoming year.

On behalf of the Board

A Agarwal

Chairman
5 May 2010