

Embargo: 00:01am Monday 30th August

Vedanta highlights why ESG issues matter to investors

The fall in the share price of Vedanta, following the Indian government's rejection of its plans for a bauxite mine in Orissa, demonstrates the financial risk inherent in poor management of social and environmental impact issues, according to the UK's leading shareholder engagement group.

The Local Authority Pension Forum has been engaging with Vedanta over its record on social and environmental issues since 2008, and has been collaborating with other investors to encourage the company to take its concerns seriously.

Investor concerns initially focused on the proposed bauxite mine, which had become an increasingly controversial issue because of the detrimental impact on local communities, most notably the Dongria Kondhi tribe. Shareowners have also raised numerous concerns about the group's corporate governance and its management of relations with long-term investors like the Forum. Investors see these governance concerns as the root cause of the wider ESG issues at the company.

This week Indian environment minister Jairam Ramesh rejected plans for the proposed bauxite mining project, stating it had breached environmental protection acts and raised concerns for the rights of local tribes. Vedanta's share price fell sharply in response.

Although the refusal is a success for campaign groups, investors are seeking more overarching governance reforms in order for the company to recognise that underlying ESG issues are fundamental in determining long-term value. LAPFF and other investors are calling for Vedanta to implement the International Council on Mining and Metals Sustainability Development Framework and to appoint an independent non-executive director.

LAPFF chairman Cllr Ian Greenwood said: "The Forum has witnessed how certain companies have benefitted from recognising the financial relevance of environmental, social and governance issues, which investors are naturally interested in. The Vedanta experience is clear evidence of why laggards ignore these matters at their peril and to the detriment of their shareholders. Good management of these issues can clearly have a direct impact on business strategy and, by extension, financial performance. As shareholders increasingly embrace their ownership responsibilities, these sorts of issues are only going to gain more importance."

ENDS

About LAPFF:

The Local Authority Pension Fund Forum (LAPFF, www.lapfforum.org), which was set up in 1991, is a voluntary association of 52 public sector pension funds based in the UK. It exists 'to promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest.' The Forum's members currently have combined assets of over £90 billion.

For further information contact:

Cllr Ian Greenwood
Chairman
Local Authority Pension Fund Forum
c/o Bradford City Council
City Hall;
BRADFORD
West Yorks BD1 1HY

Tom Powdrill
Head of Communicactions
PIRC Limited
(LAPFF research and engagement
partner)
Tel: 020 7392 7887
Mobile: 07764 200896

Ian.Greenwood@bradford.gov.uk

TomP@pirc.co.uk