

**To the Ministry of Finance**

13 September 2013

**Recommendation to exclude Sesa Sterlite from the investment universe of  
the Government Pension Fund Global**

# 1 Introduction

On 15 May 2007, the Council on Ethics recommended the exclusion of Vedanta Resources Ltd, (Vedanta) and its listed subsidiaries Sterlite Industries Ltd. (Sterlite) and Madras Aluminium Company Ltd. (Malco) from the investment universe of the Government Pension Fund Global due to an unacceptable risk of contribution to current and future severe environmental damage and systematic human rights violations.

The Ministry of Finance decided to follow the recommendation of the Council on Ethics, and announced the exclusion of the companies on 6 November 2007.

Since the recommendation was made, Vedanta Resources has bought shares in three listed companies: Sesa Goa Ltd (iron ore and the production of pig iron), Hindustan Zinc (Zinc-India) and Cairn India (oil and gas). Malco was delisted in India in 2009. At that time, Vedanta owned 95% of the shares in Malco.

In February 2012, Vedanta gave notice that the company was working on a restructuring involving, amongst other things, a merger between Sterlite Industries and Sesa Goa, Vedanta Aluminium (VAL) and Malco that would result in the formation of a new company, Sesa Sterlite. On 17 August 2013, it was announced that the merger had been completed.<sup>1</sup>

In the new structure, Vedanta has a controlling ownership interest of 58.3 per cent in Sesa Sterlite. Malco, Sesa Goa and VAL are divisions of Sesa Sterlite. Cairn India and Zinc India are listed subsidiaries, in which Sesa Sterlite has ownership interests of 58.8 per cent and 64.9 per cent, respectively. Sesa Sterlite also has other subsidiaries, but these are not listed (see Figure 1).<sup>2</sup>

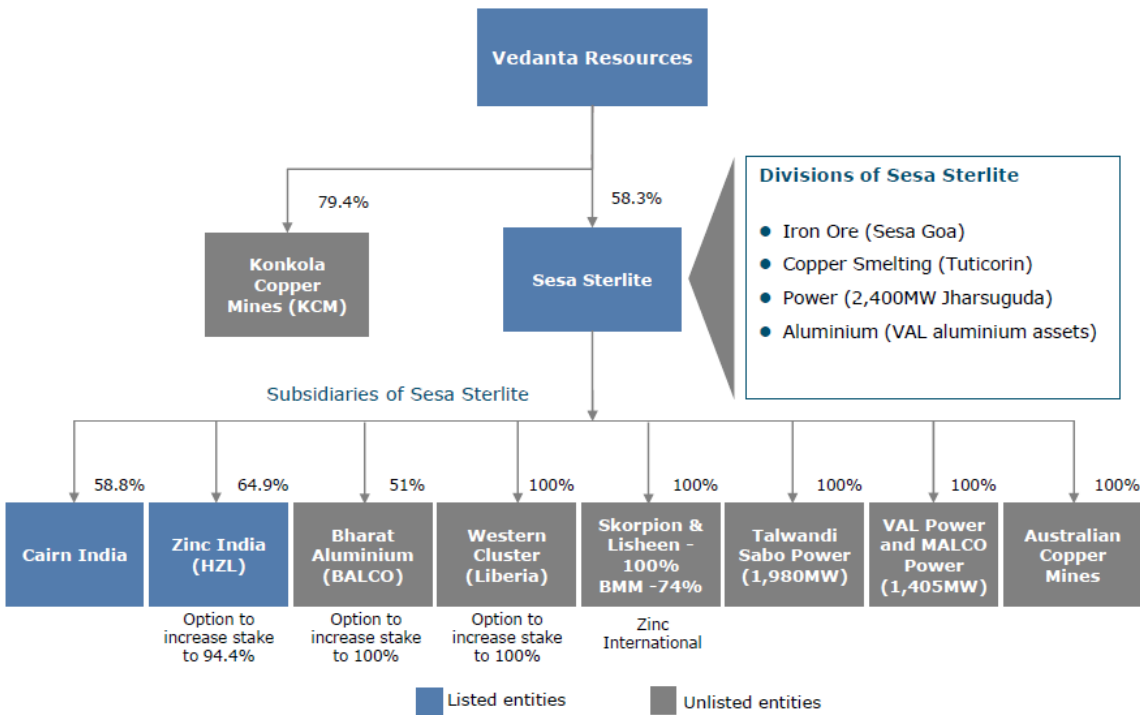


Figure 1: Organisational structure of Vedanta Resources and its subsidiary Sesa Sterlite<sup>3</sup>

<sup>1</sup> Bloomberg: All-share merger of Sesa Goa and Sterlite Industries becomes effective, <http://www.bloomberg.com/article/2013-08-17/adFljb.yViF8.html>.

<sup>2</sup> SEC filings: Form 6-K Sterlite Industries, 31 May 2012, and Form 20-F Sterlite Industries, 30 July 2013.

<sup>3</sup> Sterlite Industries Corporate Presentation – Feb 2013, [http://www.sterlite-industries.com/investor\\_relations/PDFs/Sterlite-Corporate-Presentation-Final.pdf](http://www.sterlite-industries.com/investor_relations/PDFs/Sterlite-Corporate-Presentation-Final.pdf).

## 2 The Council on Ethics' assessment

The Council has regularly updated its assessment of Vedanta and, in the Council's view, the basis for the recommendation made in 2007 continues to apply. According to Vedanta, the merger of the subsidiaries will contribute to a more purposeful and efficient organisational structure. It does not change the companies' operations. As a result of the restructuring, the previously excluded companies Sterlite Industries and Malco are now part of the new company Sesa Sterlite, in which Vedanta has a controlling ownership interest. Accordingly, both Vedanta and Sesa Sterlite should be excluded from the investment universe of the Government Pension Fund Global.

## 3 Recommendation

The Council on Ethics recommends the exclusion of the company Sesa Sterlite from the investment universe of the Government Pension Fund Global due to an unacceptable risk of the company being responsible for severe environmental damage and systematic human rights violations.

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