Vedanta Limited
TAX TRANSPARENCY REPORT
2019-20

OUR EARTH
OUR GROWTH
THE SUSTAINABLE WAY

CONTENTS

CHAIRMAN'S VALUE STATEMENT

"We are proud of the valuable contribution we make to the communities where we operate and to society as a whole. We are committed to high standards of corporate governance and transparency.

Consistent with our commitment to building on transparency, we present our fifth Tax transparency Report. During the FY 2019-20 our contribution to exchequer was ₹ 33,270 Cr which accounts for 40% of our consolidated turnover"

Anil Agarwal
Chairman, Vedanta Limited

ABOUT THE REPORT

Vedanta Limited is one of the world's largest suppliers of natural resources, with primary operations in zinc-lead-silver, iron ore, steel, copper, aluminium, power, oil & gas. Our strategic capabilities and alliances are singularly focused on creating and preserving value for our esteemed clients and the wider stakeholder fraternity. Together, we help the world grow in a responsible manner.

Our portfolio of world-class, low-cost, scalable assets consistently generate strong profitability and deliver robust cash flows. Our core divisions have industry-leading market shares, and we continuously strive to raise the bar across our wide canvas of operations.

By preparing this report on an annual basis, we hope to enhance trust between our business and our stakeholders, especially in those countries in which we operate.

Vedanta influences consumption patterns of employees and suppliers by generating jobs and creating induced impact on India's economy, equivalent to **2.20%** of the country's GDP

World's largest fully integrated zinc-lead producer with **77%** market share in India's primary zinc market

9 million + tCO_2e in avoided emissions, over the last eight years, as a result of our Greenhouse Gas (GHG) reduction programme

3.26 million community beneficiaries of Vedanta's social activities

₹ 33,270 cr. contribution to the exchequer

Vedanta values that drive the organizational culture

We, as Vedanta, are dedicated towards working based on these seven pillars. It is a continuous process of aligning all our methodologies and way of life to these pillars.

ECONOMIC RESPONSIBILITY

Vedanta Limited ("the Company") and its consolidated subsidiaries (collectively, the "Group") is a diversified natural resource company engaged in exploring, extracting and processing minerals and oil and gas. The Group engages in the exploration, production and sale of zinc, lead, silver, copper, aluminium, iron ore and oil & gas and has its presence across India, South Africa, Namibia, Ireland, Australia, Liberia and UAE. The Group is also in the business of commercial power generation, steel manufacturing and port operations in India and manufacturing of glass substrate in South Korea and Taiwan.

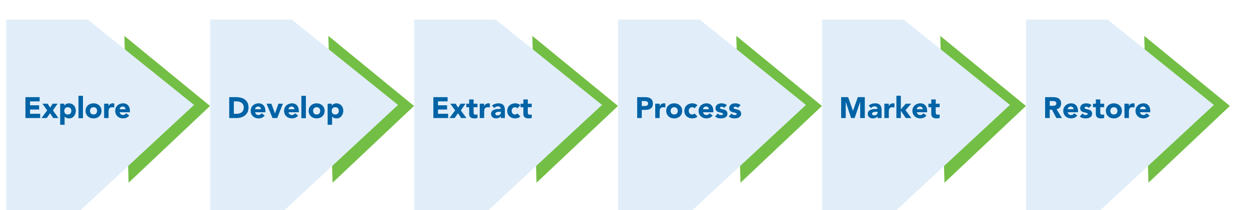
Natural resources represent a critical growth engine for the economy. As India's only diversified natural resources Company, we are very well positioned to make a significant contribution to the nation's prosperity. Our investment case is focused on delivering sustainable, long-term returns to our shareholders and creating value for our larger stakeholder fraternity.

tax systems and build public trust. With these values being ingrained in Vedanta's DNA, we are proud to share that we have contributed ₹ 33,270 crores to the public exchequer of the various countries where we operate.

The total contribution to exchequer is the result of value addition by various business segments across multiple hierarchies of business cycle. We operate across the mining value chain focusing on long term and low cost assets in India and Africa.

Sustainable Development is integral to Vedanta's core business strategy. We continue to be a transparent and responsible corporate citizen; committed to a 'social license to operate' and partner with communities, local governments and academic institutions to help catalyse socio-economic development in the areas where we operate.

The Company reaffirms its core values of Trust, Entrepreneurship, Innovation, Excellence, Integrity,



Vedanta strives to be a responsible corporate citizen and to make a positive contribution to the communities in which we operate. We add value to the country's exchequer by discovering natural resources and processing them so that they are fit for use. We enhance value by driving both direct and indirect positive economic impacts through a wide range of tax contributions in the nature of Corporate Income taxes, royalties, profit oil, withholding taxes and Indirect taxes. Vedanta supports the principles of greater transparency that increases understanding of

Respect and Care, which are the basis of our Sustainable Development Model. The model continues to be centered on the four strategic pillars: Responsible Stewardship; Building Strong Relationships; Adding and Sharing Value; and Strategic Communications.

We have a long-standing commitment to transparency. We are proud of the value we generate and how this contributes to building trust with the communities in which we operate.

FY 2019-20

Contribution to Exchequer **₹33,270 Cr.**
(40% of turnover)

OVER LAST 7 YEARS

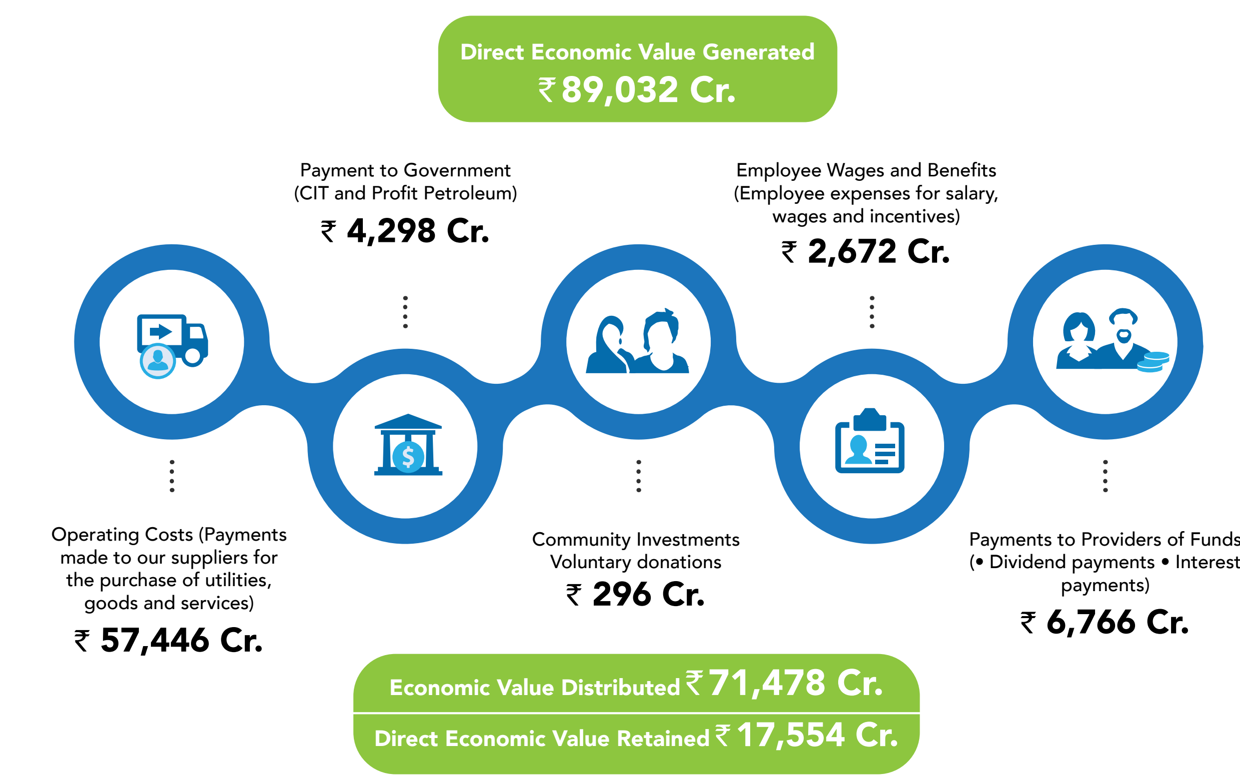
Contribution to Exchequer **₹2,35,866 Cr.**
(43% of turnover)

HIGHLIGHTS

Vedanta Group won **Global Golden Peacock Award For eminence in Corporate Governance**

Hindustan Zinc Ranked **1st in Asia-Pacific region and 5th Globally in Metal and Mining sector** by Dow Jones Sustainability Index

Cairn Oil & Gas ranked amongst **Top 25- India's Best Workplaces for Women – 2019' by Great Place To Work**



TAX GOVERNANCE AND STRATEGY

Substance, Transparency and Arm's length Principle

Transparency is our core value as we firmly believe in long term sustainable value creation for our multiple-stakeholders including the government and society at large. We remain at the forefront of tax reporting by managing our tax affairs in a succinct and straightforward manner.

We understand 'substance' as economically owning an asset and actively taking and executing decisions that entail management of risks associated to any taxable result. All transactions have a commercial and business reason and we adhere to the arm's length principle.

Tax Risk Management

In line with our tax governance model of being tax transparent, we maintain internal controls in the form of compliance calendars, internal audit process by MAS (Management Assurance Services) teams, authorization matrix under maker-checker concept. These systems, processes and controls enable the Group to fulfill its tax compliance obligations and mitigate associated risks.

The Group strives to ensure that commercial transactions are structured in tax-efficient ways where credible technical analysis and interpretation is available. In particular, we ensure that such transactions should be in full compliance with the law. We claim tax incentives and exemptions as legitimately available in the countries where we operate.

Material tax risks or disputes are reported to the Audit Committee for its consideration. This review includes assessment of probabilities of different outcomes, cash flow and reputational impact. The Audit Committee then updates the Board.

Dynamic Tax Environment

We strive to strengthen our systems, processes, group structures, transactions etc. to comply with changing tax laws across the globe. Classic example of this was the advent of Goods & Services Tax ('GST') in India where majority of business operations of the group are located.

Relationship with Tax Authorities and dispute resolution

We maintain an open, honest, transparent and constructive relationship in all our dealings with the tax authorities in the jurisdictions in which we operate. Our dealings are based on mutual trust in line with Vedanta's Code of Business Conduct and Ethics.

We actively participate in the tax authority's formal consultation processes on matters having material impact on the Group. We work with Industry chambers wherever possible to contribute in development of tax laws and attendant policies.

All dispute resolution mechanisms including arbitration, conciliation and mechanisms available under various Double Taxation Avoidance Agreements are appropriately evaluated including resolution by engaging with the Government through industry groups or forums.

Our Code of Business Conduct and Ethics, which applies to all employees, sets out our zero tolerance on corruption and bribery. Vedanta requires its employees, tax advisors and suppliers of tax services to act with integrity and maintain high ethical standards in all tax activities.

Vedanta has also formed an internal 'Tax Council' which acts as an overarching governing body to the tax function as a whole. The body plays a vital role in ensuring that all the businesses across the group duly comply with the tax governance policies and tax strategy of the group. It conducts periodical reviews, provides guidance and advises with respect to tax compliance, tax litigation and other related matters which ensures adequate transparency and consistency.

The tax strategy is owned and approved by the company's Board. It is subject to annual review by the Board whereas an annual compliance report is submitted to the Board & Audit Committee. The Group Chief Financial Officer holds the responsibility for tax at the Board level and communicates with and advises the Board on the tax affairs and risks of the Group with support from the Group's Corporate tax team. Responsibility for tax governance rests with the tax function, in consultation with the Chief Financial Officer/Financial Controller.

Further to our approach to tax, we have documented a group tax strategy statement which also complies with the requirements of the UK tax strategy legislation.

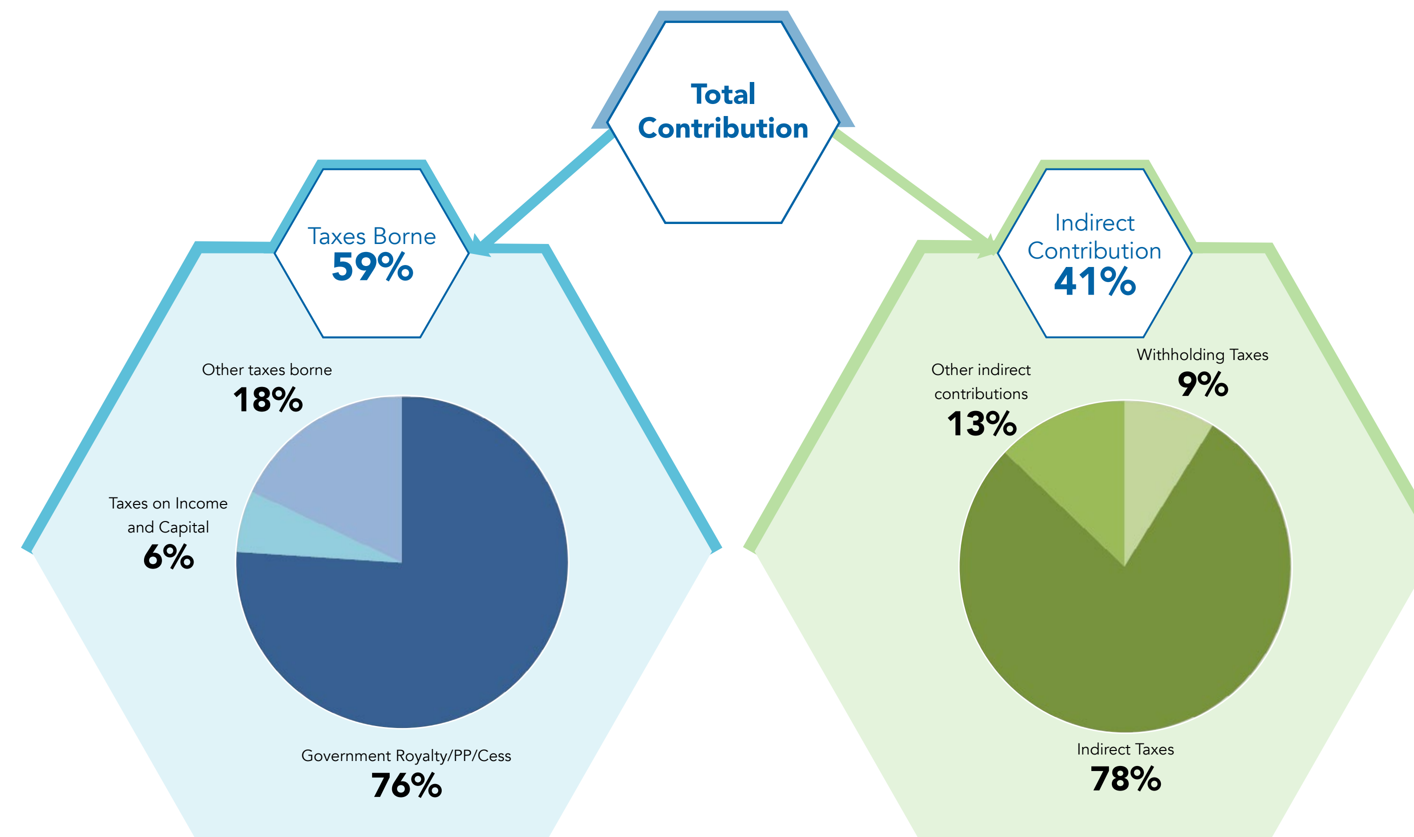
GUIDING TAX PRINCIPLES:

- To maintain high standards of integrity with respect to tax compliance and reporting
- To observe all applicable laws, rules and regulations in the countries where we operate, including in respect to transfer pricing. To meet all tax compliance requirements in a timely manner, through a team of suitably qualified tax professionals and external service providers
- To maintain the Group's reputation as a fair contributor to the economy where tax forms a part of that contribution. To disclose proactively detailed information about the overall tax contribution of the Group to the governments of the countries where we operate
- To avoid transactions which will have tax results that are inconsistent with the underlying economic consequences unless there exists specific legislation designed to give that result
- To ensure that all transactions and tax positions are properly documented. In completing the Group's tax compliance requirements, we aim to apply diligent professional care and judgment, including ensuring all decisions are taken at an appropriate level and supported by documentation that evidences the judgment involved
- Working positively, proactively and transparently with tax authorities to minimize the extent of disputes, achieve early agreement on any disputed issues when they arise, and achieve certainty wherever possible
- To identify tax risks in a consistent and formal manner and communicate these when appropriate to the Audit Committee and the Board
- To actively participate in tax policy consultation processes where appropriate at a national or international level
- To developing our people, through training, experience and opportunity

OUR CONTRIBUTION TO EXCHEQUER IN FY 2019-20

Vedanta contributed ₹33,270 Cr., around 40% of its turnover to exchequer through a wide range of contributions in the nature of Corporate Income taxes, royalties, profit-oil, through significant indirect revenue contributions by way of withholding taxes and Indirect taxes. With this edition, the Company is publishing its fifth Tax Transparency Report.

The total contribution to the exchequer comprises of the following –



For the purpose of this report, we have shown the tax contributions under two broad categories of taxes i.e. Taxes borne and Indirect Revenue Contributions.

- Taxes borne primarily comprise Corporate income tax, royalty related tax payments, production entitlements i.e. profit oil and other material payments made to the Government such as production based Oil Cess, Stamp Duty Payments, Levies on Import/Export, Local Municipal taxes, etc.
- Indirect Contributions primarily comprise of taxes collected and paid on behalf of our employees and vendors i.e. withholding taxes, payroll taxes (professional taxes), payments of value added taxes on sales and other Social Security Contributions to fund the Social Security program of the governments for the employees etc.

Government Royalty, Profit Petroleum & Oil Cess ₹ 14,881 Cr.

Government Royalties and oil cess –

₹ 9,900 Cr.

We pay royalties to the state governments of Chhattisgarh, Rajasthan, Andhra Pradesh, Goa and Karnataka in India based on extraction of bauxite, lead-zinc, iron ore, Crude oil and natural gas. The most significant of these is the royalty that HZL is required to pay to the state government of Rajasthan, where all of HZL's mines are located at a fixed rate of the zinc, lead and silver LME price chargeable on metal produced.

We also pay cess to the GoI (Government of India). Generally in respect of oil and gas operations, royalty and cess payments are made by the joint operation partners in proportion to their participating interest.

Profit Petroleum-

₹ 4,981 Cr.

The GoI is the owner of the hydrocarbons wherein it has assigned the responsibility to the joint operation (Contractor) to explore, develop and produce the hydrocarbons. Contractor is entitled to recover out of Petroleum produced, all the costs incurred according to the Production Sharing Contracts in exploring, developing and producing the hydrocarbons, which is known as "Cost Petroleum". Excess of revenue (value of hydrocarbons produced) over and above the cost incurred as above, is called "Profit Petroleum", which is shared between the GoI and Contractor Parties as per procedure laid down in Production Sharing Contracts.

Taxes on Income and capital ₹ 1,252 Cr.

Profits of companies in India are subject to either regular income tax or Minimum Alternate Tax ("MAT"), whichever is greater. Regular Income tax on Indian companies is charged at a statutory rate of 30.0% plus a surcharge of 12.0% on the tax and has an additional heath and education cess of 4.0% on the tax including surcharge, which results in an effective statutory tax rate of 34.944%.

The effective MAT rate during the year for Indian companies was 17.47% . The excess of amounts paid as MAT over the regular income tax amount during the year may be carried forward and applied towards regular income taxes payable in any of the succeeding fifteen years subject to certain conditions.

Indirect Taxes ₹ 10,696 Cr.

GST and VAT

GST is a supply driven concept and would therefore apply on supply of goods and services.

Taxes under GST apply as follows:

- Central goods and service tax and state goods and services tax are simultaneously levied on intra-state supply of goods and services.
- Integrated goods and service tax are levied on imports and inter-state supply of goods and services.
- In addition, GST compensation cess also applies on certain specified goods and services. The general rate of GST on our output supplies is 18.0%. However, supply of iron ore attracts GST at the rate of 5.0%, whereas silver attracts GST at 3.0%.

Withholding taxes ₹ 1,193 Cr.

This comprises of the following –

- *payroll & employer taxes payable as a result of a company's capacity as an employer.*
- payroll and employee taxes withheld from employee remuneration, and are paid to governments on behalf of employees.
- Other taxes collected/deducted

Other taxes borne ₹ 3,545 Cr.

This comprises of the following taxes –

1,772 CRORES	694 CRORES	427 CRORES	398 CRORES	254 CRORES
Duties in Export and Import	Electricity Duty	Ineligible GST	Cesses/surcharges (Environmental Taxes, WaterCess, Road Tax etc)	Others

Other indirect contributions ₹ 1,703 Cr

This comprises of the following taxes –

- **490** CRORES — Royalty payout to third parties
- **775** CRORES — GST Compensation Cess
- **394** CRORES — Contribution to PF/ESI
- **44** CRORES — Others

BUSINESS SPREAD OF CONTRIBUTION TO EXCHEQUER. (Highest contribution – Oil & Gas 41%)

The below Table-1 details the country wise amounts of revenue, Profit before tax (PBT) Contributions by the Company to exchequer in FY 2019-2020

All amounts are in ₹ Crore

Country wise Operations	Revenue (External)	Profit Before Tax (PBT)	Taxes Borne				Indirect Revenue Contributions				
			Taxes on Income and Capital	Government Royalties & Profit Oil	Others	Total Payments Borne	Withholding Taxes	Indirect Taxes	Others	Total	Contribution to exchequer
			(A)	(B)	(C)	I = (A + B + C)	(D)	(E)	(F)	II = (D + E + F)	(I + II)
India	71,778	(5,103)	1,211	14,865	3,532	19,608	1,073	10,696	1,631	13,400	33,008
South Africa	1,994	(359)	13	6	2	21	80	-	35	115	136
Namibia	1,133	(95)	-	6	1	7	30	-	11	41	48
Others*	8,640	(2,702)	28	4	10	42	10	-	26	36	78
Total	**83,545**	**(8,259)**	**1,252**	**14,881**	**3,545**	**19,678**	**1,193**	**10,696**	**1,703**	**13,592**	**33,270#**

*This includes contribution for Australia, Japan, South Korea, UK, US, UAE, Ireland, Mauritius, Netherlands, Cyprus, Taiwan and Liberia.

the estimated contribution to exchequer reported in annual report is approx ₹ 32,400 cr.

BASIS OF PREPARATION

Note 1

Amounts reported in the table have been subject to external assurance. Assurance Report forms a part of this report. The financial information it contains is consistent with that used to prepare our FY 2019-20 consolidated financial statements and financial statements of the Group's listed/non-listed company subsidiaries. In case of joint venture operations, contributions are shown at gross level as made by the Unincorporated Joint Venture (UJV) of which the Company subsidiary is the operator irrespective of our percentage interest in the UJV.

Note 2

All data is prepared for the year from April 1, 2019 to March 31, 2020. The above contributions have been reported on a cash basis. The social expenditures have not been considered in the contribution to exchequer shown in the table.

Note 3

Vedanta has disclosed in taxes borne in table above, the taxes charged by suppliers/ service providers in their invoices and paid by the Group to the extent not creditable. Indirect revenue contributions shown in the table above include royalty and cess paid through third parties, and these collectively represent gross output liabilities discharged by the Group.

Note 5

TAXES BORNE

A) Taxes on Income and Capital

This comprises Corporate Income Tax and Dividend Distribution Tax but does not include Deferred Tax. These taxes are provided at amounts paid during the year FY 2019-20 with respect to corporate income tax liability of the same year and of previous years at respective corporate tax rates applicable for those years. Typically, these taxes would be reflected in corporate income tax returns made to governments, and tend to become payable, and are paid (either directly by way of advance tax or self-assessment tax or through credit of withholding tax), either in the year the profits were made or up to one year later, depending on the tax laws of the respective countries as to the timing of payments.

B) Government Royalties and Profit Oil

This comprises contributions made to exchequer in the form of royalties, license fees and resource rents; for example, contribution for the extraction of minerals, metals, crude oil or gas whether paid directly to the Government or to the third parties. These form part of operating costs. Profit oil represents share of profit paid to the government on account of production of crude oil and natural gas from the fields awarded by the government as per the terms of Production Sharing Contract (PSC). Typically, this is reflected in various forms/ returns prescribed by the government for this purpose. The government's share of profit oil is accounted for when the obligation (legal or constructive) in respect to the same arises. Profit oil is netted off from revenue generated from such operations.

C) Other taxes borne

This comprises cess paid on production of crude oil In India, stamp duty that arises on the transfer of assets or capital, levies on import/export of goods (considered on gross basis), municipal taxes, service tax, excise duty, GST, entry tax/octroi and other taxes borne. These form part of operating costs, except where creditable.

INDIRECT REVENUE CONTRIBUTIONS

D) Withholding Taxes

This comprises payroll and employee taxes (including professional tax) withheld from employee remuneration, and paid to governments, i.e., tax collected and remitted to governments on behalf of employees. Typically, these taxes would be reflected in payroll tax returns made to exchequer and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year, shortly after the submission of the returns. It also comprises taxes withheld or collected from various payments made to contractors and paid to governments, i.e., taxes collected/deducted and remitted to governments on behalf of the service providers/ vendors/group companies.

E) Indirect Taxes

This comprises taxes paid to the governments on production or sale of goods such as Value Added Tax (VAT)/sales tax, excise duty, central sales tax, Goods and Services Tax, etc. These taxes would not be collected if the Group had not produced and made sales to the customers.

F) Other

This includes contribution of employers and employees for funding the social security programme of the government such as Provident Fund (PF) and Employee State Insurance Fund (ESI). Such contributions are reflected in the monthly and annual returns made to the respective organisations.

Please refer to Appendix 1 on types of taxes paid by Vedanta in various countries.

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF VEDANTA LIMITED

Opinion

We have audited the Tax Schedule with respect to contributions by Vedanta Limited including its subsidiaries, associates and joint ventures (hereinafter referred to as Vedanta Group) to Government Exchequer in FY 2019-20 on March 31, 2020 ('Tax Transparency Report 2019-20').

In our opinion, the financial information in the Tax Transparency Report 2019-20 (comprises the data in Table 3, on page 15 of 'Tax Transparency Report, in columns A, B, C, D, E and F) of the Company for the year ended March 31, 2020 is prepared, in all material respects, in accordance with the 'Basis of Preparation' by Vedanta Limited and is not issued under any statute/law.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Tax Transparency Report 2019-20 section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Tax Transparency Report 2019-20 in India, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting

We draw attention to Basis of Preparation to the Tax Transparency report 2019-20, which describes the basis of reporting in this report.

Restriction on Use

The Tax Transparency Report 2019-20 is prepared to assist the Company in complying with the financial reporting provisions of ISS 805 Special Considerations – Audit of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement ('ISA 805'). As a result, the Tax Transparency Report 2019-20 may not be suitable for another purpose. We are appointed to only audit the Tax Transparency Report 2019-20 in accordance with the Basis of Preparation shared with us and are not the auditors of the Company.

Our report is intended solely for the use of Vedanta Limited and should not be used by any other parties. BDO India LLP shall not be liable to the Company or to any other concerned for any claims, liabilities or expenses relating to this assignment. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

Responsibilities of Management and Those Charged with Governance for the Tax Transparency Report 2019-20

Management is responsible for the preparation of the Tax Transparency Report 2019-20 is in accordance with the Basis of Preparation, and for such internal control as management determines is necessary to enable the preparation of the Tax Transparency Report 2019-20 that is free from material misstatement, whether due to fraud or error.

In preparing the 'Tax Transparency Report 2019-20', management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters relating to going concern and using going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

For BDO India LLP

Place: **Gurgaon, India**
Date: **September 30, 2020**

Auditor's Responsibilities for the Audit of the Tax Transparency Report 2019-20

Our objectives under ISA 805 are to obtain reasonable assurance about whether the Tax Transparency Report 2019-20 is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Tax Transparency Report 2019-20.

We give in "Annexure 1" a detailed description of Auditor's responsibilities for Audit of the Tax Transparency Report 2019-20.

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE SCHEDULE OF VEDANTA LIMITED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SCHEDULE

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For BDO India LLP

Place: **Gurgaon, India**
Date: **September 30, 2020**

APPENDIX -1 TAXES PAID

Below mentioned are the types of taxes paid by Vedanta companies:

- Corporate Income Tax
- Government Royalties
- Profit Oil
- Oil Cess / NCCD
- Duties on Export and Import
- Other Cesses and Surcharges
- Stamp duty
- Municipal Taxes
- Withholding taxes
- Excise Duties
- Value Added Tax
- Service Tax
- Goods and Service tax
- Octroi/ Entry Tax
- Provident Fund and Employee State Insurance
- Land Tax/Property Tax
- License Fees
- Electricity Taxes/Duty
- Export License Utilization
- Taxes paid under Amnesty Scheme (Excise Duty, Service Tax)
- Other levies

NOTES

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