



**TAX
TRANSPARENCY
REPORT**

2017-18



CONTENTS

Chairman's Value Statement	01
Economic Responsibility	02
Tax Governance and Strategy	04
Substance, Transparency and Arm's length Principle	
Tax Risk Management	
Dynamic Tax Environment	
Relationship with Tax Authorities and Dispute Resolution	
Our Contribution to Public Finances in FY 2017-18	06
Basis of Preparation	08
Appendix	09
Independent Assurance Report	10

Chairman's Value Statement



It has been another successful year for Vedanta as we continue to deliver across our strategic priorities. We stay focused on contributing by way of economic value creation and building trustworthy relations with the governments and other stakeholders. With these values being ingrained in Vedanta's DNA, we are proud to share that we have contributed **36% of our turnover, i.e. ₹ 33,066 Cr.**, to the public exchequer of the various countries where we operate.

Navin Agarwal
Chairman, Vedanta Limited



Group Revenue
₹92,923 Cr.



Contribution to Public Finances
₹33,066 Cr.
in FY 2017-18
₹160,036 Cr.
for last 5 years



Dividend declared
₹8,091 Cr.
(Equity & Preference shares)



Employees
64,836



Economic value generated
₹95,440 Cr.



Operator of
25%
of India's crude oil production



78%
of market share in India's Zinc



No. 1
private sector exporter of
Aluminium in India

Economic Responsibility



Thermal Power Plant at Jharsuguda

Vedanta Limited, formerly known as Sesa Sterlite Limited, along with its subsidiary - Hindustan Zinc Limited is listed on Bombay Stock Exchange and National Stock Exchange. Vedanta is one of the world's largest diversified natural resource company, with interest in

Zinc | Lead | Silver | Copper | Power
Aluminium | Iron Ore | Oil & Gas

Vedanta Ltd has acquired Electrosteel Steels Limited under the Insolvency & Bankruptcy Code (IBC) process. This acquisition, complements the Group's existing iron ore business through vertical integration.

Our operational footprint spans four continents i.e. Asia (India & Srilanka), Africa (Namibia, Liberia & South Africa), Europe (Ireland), Australia (Tasmania).

Vedanta is a globally diversified natural resources company with low-cost operations. The resources we process are used to improve and enhance people's lives and deliver long-term value. We empower our people to drive excellence and innovation to create value for our stakeholders. We demonstrate world-class standards of governance, safety, environment, sustainability and social responsibility.

We operate as a responsible business, focused on achieving zero harm, minimising our environmental impact and promoting social inclusion across our operations. We have management systems and processes in place to ensure our operations create sustainable value for our stakeholders.

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 2017-18

**Contribution to
Public Finances**
₹33,066 Cr.
(36% of turnover)



Over the last 5 years

**Contribution to
Public Finances**
₹160,036 Cr.
(43% of turnover)



Vedanta Ltd won
AON Hewitt

**Best Employer
Award**
for Special Category
'Commitment to Engagement'



ECONOMIC VALUE GENERATED
₹95,440 Cr.



Suppliers

Payments made to our suppliers for the purchase of utilities, goods and services

₹66,597 Cr.



Employees

Employee expenses for salary, wages and incentives

₹2,496 Cr.



Shareholders, lenders and investors

- Dividend payments
- Interest payments

₹22,489 Cr.



Total payments to governments

Corporate Income taxes

₹3,198 Cr.



Community Investments

Voluntary donations

₹105 Cr.



ECONOMIC VALUE DISTRIBUTED

₹94,885 Cr.



ECONOMIC VALUE RETAINED
₹555 Cr.

Economic Value creation and distribution is an indication of how an organization has created wealth for its stakeholders and provides a useful picture of the direct monetary value added to local economies. The value generated and distributed acts as key measure for monitoring the social performance of an organization in return for use of economic and natural resources. Vedanta has spearheaded its return to society, environment and community at large by distributing 99% of total economic value generated, back to them.

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, and authorisation 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 are available, and that they are 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 their consideration. This review includes probabilities of different outcomes as well as the cash flow and reputational impact. The Audit Committee then updates the Board on any relevant matter.

Dynamic Tax Environment

We strive to strengthen our systems, processes, group structures, transactions, etc. to comply with changing tax laws across the globe. A classic case in point was the advent of Goods & Services Tax (GST) in India, where majority of our business operations are located, and the Group managed to smoothly transition over to the new GST law with no transitional issues.

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 of our operations. 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 to the development of tax laws and attendant policies.

All dispute resolution mechanisms, arbitration & conciliation available under the various Double Taxation Avoidance Agreements are appropriately evaluated 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 policy 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 activities.

Guiding tax principle

- 1 To maintain high standards of integrity with respect to tax compliance and reporting
- 2 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
- 3 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
- 4 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
- 5 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
- 6 Working positively, proactively and transparently with tax authorities to minimise the extent of disputes, achieve early agreement on any disputed issues when they arise, and achieve certainty wherever possible
- 7 To identify tax risks in a consistent and formal manner and communicate these when appropriate to the Audit Committee and the Board
- 8 To actively participate in tax policy consultation processes where appropriate at a national or international level
- 9 To develop our people, through training, experience and opportunity

Our Contribution to Public Finances in FY 2017-18

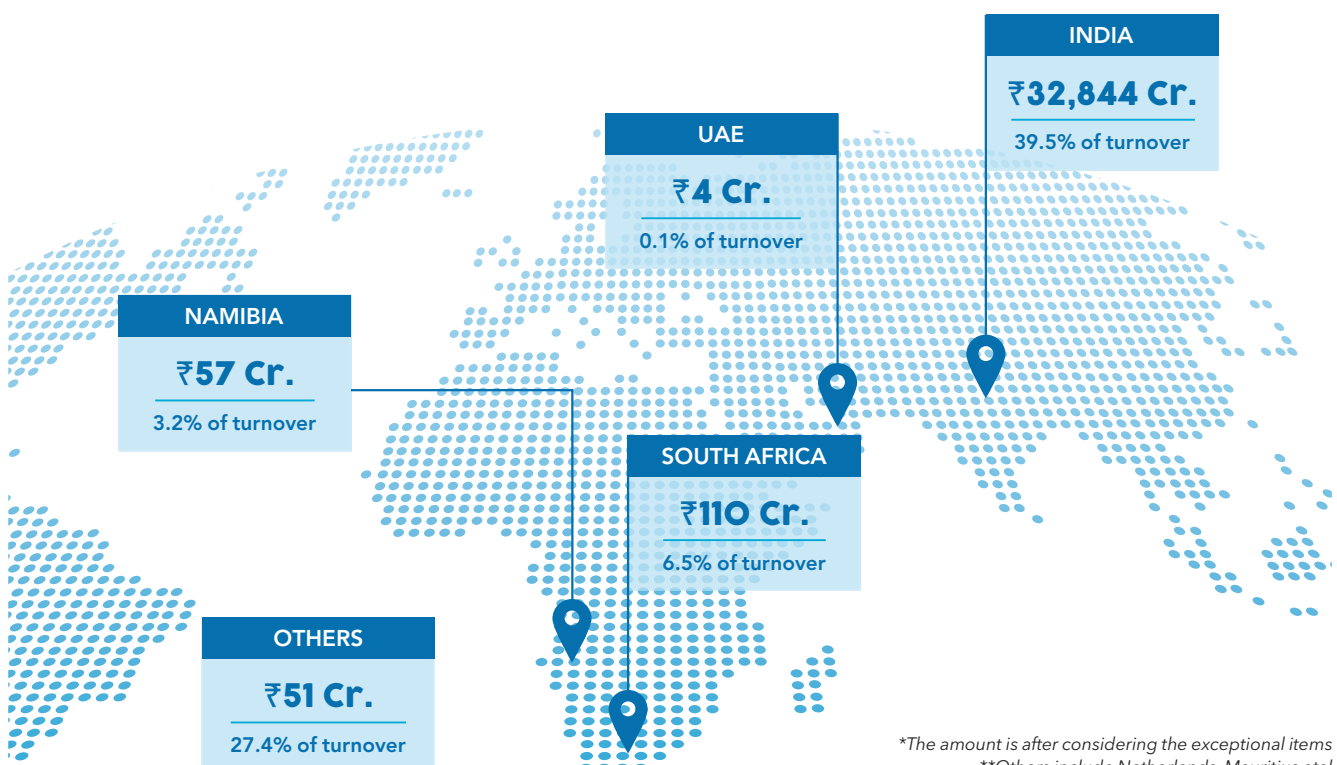


Zinc mine at Gamsberg

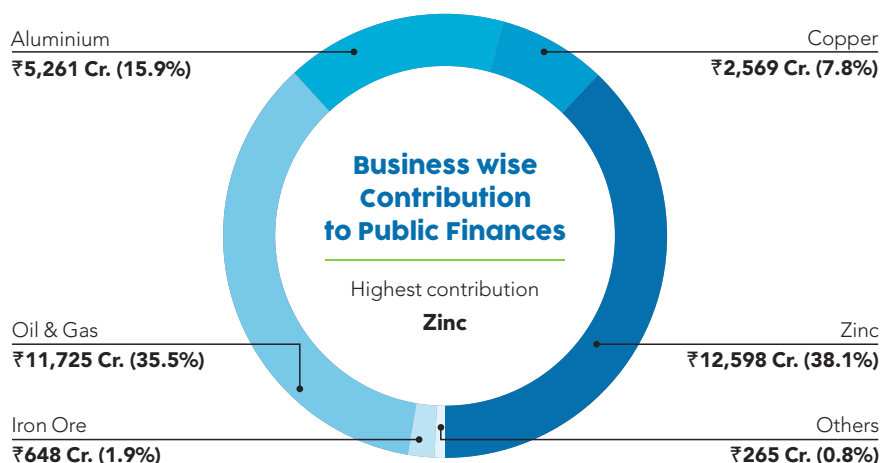
Vedanta contributed **₹33,066 Cr.** to public finances through a wide range of contributions such as corporate income taxes, royalties, profit oil; significant indirect contributions by way of withholding taxes and indirect taxes and also dividends paid to the government. With this edition, the Company is publishing its third Tax Transparency Report.

Geographical Spread of Contribution to Public Finances

We have collated total tax contributions made by the Company and its subsidiaries to their host governments. The distribution of taxes paid by the Group reflects the geographical spread of the Group's operations. Accordingly, the majority of the tax was paid in India.



*The amount is after considering the exceptional items
 **Others include Netherlands, Mauritius etal



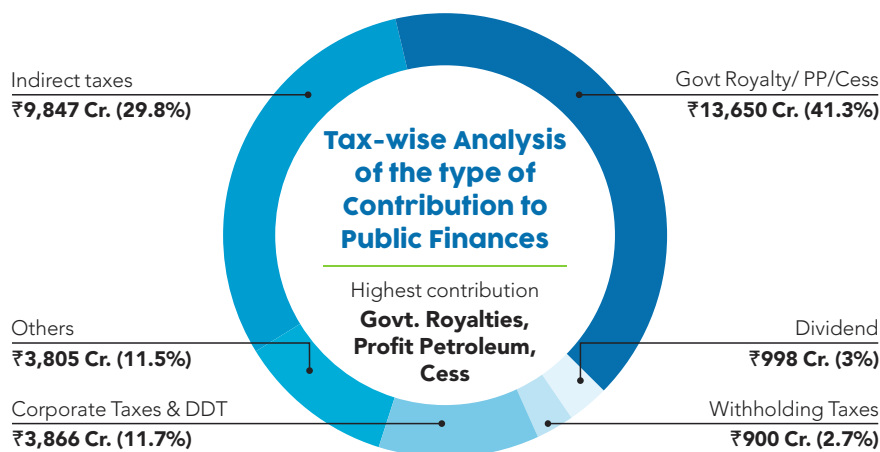
For the purpose of preparation of this table, we have shown the tax contributions under two broad categories of taxes i.e. taxes borne and indirect contributions.

Taxes borne

primarily comprise of corporate income tax (including corporate dividend tax which is profit based), 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, green levies, etc.

Indirect contributions

primarily comprise 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 programme of the governments for the employees.



Consistent with the previous years, government royalties and profit petroleum are the largest contributors i.e. 41.3%, followed by indirect taxes 29.8% and corporate income taxes 11.7%.

The below table details the country-wise amount of revenue and profit before tax (PBT) contributions by the Company to public finances in FY 2017-18.

In Crores

	Revenue	PBT	Taxes Borne				Indirect Contributions				Dividend paid to Govt.	Grand Total
			Taxes on Income & Capital	Royalties/ PP/ Cess	Others	Total Taxes Borne	Withholding Taxes	Indirect Taxes	Others	Total Taxes not Borne		
			A	B	C	I=A+B+C	D	E	F	II=D+E+F		
India	83,246	18,390	3,824	13,635	2,076	19,535	796	9,843	1,672	12,311	998	32,844
South Africa	1,684	625	13	6	1	20	62	-	28	90	-	110
Namibia	1,796	554	-	8	-	8	31	4	14	49	-	57
UAE	6,014	4	-	-	4	4	-	-	-	-	-	4
Others	183	-4	29	1	3	33	11	-	7	18	-	51
Total	92,923	19,569	3,866	13,650	2,084	19,600	900	9,847	1,721	12,468	998	33,066

Basis of Preparation



Autonomous Vehicle at SK Mine, Rajasthan

I Note 1

Amounts reported in the table have been subject to external assurance and audit. Assurance Report forms part of this report. The financial information it contains is consistent with that used to prepare our FY 2017-18 Consolidated Financial Statements and financial statements of the Group's listed/non-listed operating companies/subsidiaries. In case of joint venture operations, contributions are shown at gross level as made by the Un-incorporated Joint Venture (UJV) of which the company subsidiary is an operator irrespective of our percentage interest in the UJV.

I Note 2

All data is prepared for the year from April 1, 2017 to March 31, 2018. The above contributions have been reported on cash basis. The social expenditures have not been considered in the contribution to public finances shown in the table.

I Note 3

Vedanta has not disclosed in the table above, the taxes charged by suppliers/service providers in their invoices and paid by the Company. Tax contributions under both the categories, i.e., taxes borne and indirect contributions shown in the table are not netted to the extent of input credits available or any other adjustments under the provision of applicable laws of taxes paid on purchase/procurement of goods or services and charged by suppliers or service providers in the invoice.

I Note 4

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 expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Typically, these taxes would be reflected in the corporate income tax returns made to the governments, tend to become payable, and are paid, either in the year the profits were made or up to one year later, depending on the tax laws of the respective countries.

B Government Royalties and Profit Oil

This comprises contributions made to public finances in the form of royalties, license fees and resource rents; for example, contribution for the extraction of minerals, metals, crude oil or gas. These form part of the operating costs.

Profit oil represents the 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) with 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 transfer of assets or capital, levies on import/export of goods (considered part of operating costs), municipal taxes, service tax, entry tax/octroi and other taxes borne. These form part of the operating costs

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 public finances 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 governments, i.e., taxes collected/deducted and remitted to governments on behalf of the service providers/vendors.

E Indirect Taxes

This comprises of taxes paid to governments on production or sale of goods like Value Added Tax (VAT) /sales tax, Excise Duty, Central Sales Tax, Goods and Service Tax, etc. These taxes would not be collected if the Company does not produce and make sales to the customers.

F Other

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

DIVIDENDS PAID TO GOVERNMENT

This includes dividends paid to governments in case of government shareholding in the any of the Group Companies which have paid dividend during the year.

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

Appendix -1 Taxes Paid

Below are the types of taxes paid by Vedanta companies

- Corporate Income Tax
- Corporate Dividend Tax
- Government Royalties
- Profit Oil
- Oil Cess
- 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

Independent Assurance Report



INDEPENDENT ASSURANCE REPORT TO THE BOARD OF VEDANTA LIMITED



We have been engaged by Vedanta Limited ('Vedanta') to perform reasonable assurance procedures in respect of Selected Information within the 'Vedanta Limited 2017-18' (the 'Report') for the year ended 31 March 2018, issued by Vedanta.

This report is made solely to the Board of Vedanta, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Board of Vedanta those matters we are required to state to them in a reasonable assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Vedanta and the Board of Vedanta as a body, for our work, for this report, or for the conclusions we have formed.

I Scope and subject matter

The 'Selected Information' subject to our reasonable assurance engagement for the year ended 31 March 2018 comprises the data in the Table, columns A, B, C, D, E, F and III totalling ₹33,066 Crore, which is included within the section "Our Contribution to Public Finances in FY2017-18" of the Report.

I Responsibilities of the Board of Vedanta

The Board of Vedanta is responsible for the preparation of the Report. Management have prepared the Report for the Board and have reviewed the procedures established internally to prepare the Report, and the Board of Vedanta have reviewed the Report. Management are responsible for preparing the Selected Information in accordance with the "Basis of Preparation" section within the Report, and for such internal controls and processes as management determine is necessary and relevant to enable the preparation of Selected Information that is free from material misstatement whether due to fraud or error.

I Practitioner's responsibilities

Our responsibility is to express a conclusion on the accompanying Selected Information. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagement 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)'), issued by the International Auditing and Assurance Standards Board. This standard requires us to form an opinion as to whether the Selected Information in the Report has been prepared in all material respects in accordance with the "Basis of Preparation" section within the Report.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

I Work performed

A reasonable assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability of the circumstances of Vedanta's application of the basis of preparation, assessing the risks of material misstatement of the Selected Information, whether due to fraud or error, responding to the assessed risk as necessary and evaluating the overall presentation of the Selected Information. In making those risk assessments, we have considered internal processes and controls relevant to the preparation of the Selected Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal processes and controls.

I Conclusion

In our opinion the Selected Information in the Report for the year ended 31 March 2018 has been prepared, in all material respects, in accordance with the "Basis of Preparation" section within the Report.

I Basis of Preparation

Without modifying our opinion, we draw attention to the "Basis of Preparation" section within the Report, which describes the Basis of Preparation.

Grant Thornton UK LLP
Chartered Accountants
Cambridge, UK

Date: 26th July, 2018

Notes



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Vedanta Limited

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