



**TAX  
TRANSPARENCY  
REPORT**

---

2016-17

# ECONOMIC RESPONSIBILITY

Vedanta Resources is a London Stock Exchange listed, globally diversified natural resources company with interests in Zinc, Lead, Silver, Copper, Iron Ore, Aluminium, Power and Oil & Gas.

Our operational footprint spans four continents encompassing India, Zambia, Namibia, South Africa, Liberia, Ireland, Sri Lanka and Australia.

Vedanta operates across the value chain - from exploration, asset development, and extraction, to processing and value addition. And we continue to deliver long term value and growth across all stages.

Mother nature has bestowed us with rich natural resources. Today most of the basic and modern amenities we cherish contain natural resources as a core ingredient. At Vedanta, we believe that the natural resources industry must have an engraving impact and purpose towards the environment rather than just extracting these reserves for human betterment. Vedanta has the potential to substantially contribute towards critical investments in education, employment generation, healthcare and nutrition whilst also mining the Earth's reserves with a sense of care, responsibility and respect so as to maintain these resources for future generations.

We feel that communities should have a clear understanding about the revenue gained by their governments from the extraction of natural resources and how this is allocated in their country's economic and social development. When companies provide transparent information about revenue, the potential for corruption is reduced. Countries that transparently and effectively allocate natural resource wealth for the benefit of their communities have the potential to attract greater, more responsible and longer-term business investment.

**IT IS IMPERATIVE THAT BUSINESSES, GOVERNMENTS AND CIVIL SOCIETY WORK IN PARTNERSHIP TO SUPPORT TRANSPARENCY. OUR TRANSPARENCY PRINCIPLES GUIDE OUR APPROACH TO DISCLOSURE INITIATIVES.**

## WHAT WE EARN MUST BE RETURNED FOR THE GREATER GOOD OF SOCIETY.

ANIL AGARWAL | CHAIRMAN, VEDANTA RESOURCES PLC

Our strategy - to deliver growth, long term value and sustainable development through our diversified portfolio of large, long life, low cost assets.



Revenue

**11.5 BN**



Plc Dividend

**55 US CENTS**



HZL Dividend

**2.1 BN**



Contribution to public finances

**6 BN**



Community

**17.63 MN**  
(with 2.2 mn beneficiaries)



**6th largest diversified resources company in the world**  
(in EBITDA terms)



Direct and indirect employees

**70,000+**



Konkola Copper Mines  
**Leading** private Employer in Zambia

**sesa goa iron ore**

**No. 1** producer and private sector exporter in India



Oil & Gas

**26%** of India's crude oil production is operated by us



Zinc India

**72%** market share in India's Zinc Industry

**aluminium**

**40%** share in India's market share

**sterlite copper**

**35%** market share for refined copper in India

**power**

**9GW** Diversified power portfolio - one of India's largest power generations

By contributing to the exchequer and the national economy, creating and supporting direct and indirect employment, and by purchasing goods and services, we have developed and maintained a productive and long-lasting relationship with governments across every country we operate in.

## CONTENT

**PREFACE - ECONOMIC RESPONSIBILITY 01**

**FOREWORD 02**

**VEDANTA'S APPROACH TO TAX 03**

- Our Philosophy
- Approach to Tax Transparency
- Tax Engagement & Governance
- Guiding Tax Principles
- Compliance with Laws and Regulation
- Relationship with Tax Authorities and Dispute Resolution
- Tax Planning and Tax Risk

**OUR CONTRIBUTION TO PUBLIC FINANCES FY 2016-17 06**

**BASIS OF PREPARATION 09**

**INDEPENDENT ASSURANCE REPORT 10**

**APPENDIX 12**

# FOREWORD

I am pleased to report that in fiscal year 2016 -17, Vedanta has made its highest ever contribution of US\$ 6 billion to the public finance in form of taxes, royalties and dividends paid. With such contributions, we hope to make a significant difference in the socio-economic development of nations that host our businesses and we see this as an integral part of our commitment to our Social License to Operate. I encourage you to go through our third Tax Transparency Report - a voluntary effort to maintain transparent dialogue with all our stakeholders on contributions made to public finances.

ANIL AGARWAL | CHAIRMAN, VEDANTA RESOURCES PLC

During the FY 2016-17, Vedanta generated economic value of US\$ 11,520 mn through revenue from commodities that we produce and the energy that we generate. This was distributed to our various stakeholders i.e. shareholders and lenders by way of dividend and interest payment, employees by way of payment of wages and benefits, society by way of community investment focusing on health, education, livelihood and environment, contractors by way of expenses incurred on operating assets and government by way of contribution of taxes and dividends.

We have trifurcated our approach to value creation -

We add value to the countries' exchequer by unlocking their natural resources and paying taxes & royalties for our operations

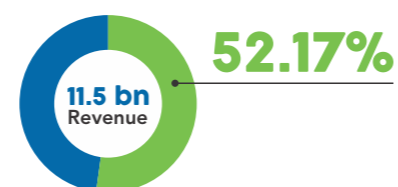
We enhance the value of our assets with innovative and advanced processes that help us to be more productive and competitive

We seed value across the workforce and the community through extensive training, and long term projects and programmes that accelerate development and ensure equitable growth

In FY 2016-17, we contributed US\$ 6 bn to public finances through a wide range of contributions such as Corporate Income taxes, royalties, profit oil and through significant indirect revenue contributions by way of withholding taxes, Indirect taxes and also dividends paid to government.

## THE CONTRIBUTION OF VEDANTA TO PUBLIC FINANCES

% of revenue



## OUR PRIORITIES

- 1 PRODUCTION GROWTH AND ASSET OPTIMISATION**
- 2 DELEVERAGING THE BALANCE SHEET**
- 3 SIMPLIFY GROUP STRUCTURE**
- 4 CREATE SUSTAINABLE VALUE FOR ALL STAKEHOLDERS**
- 5 IDENTIFY NEXT GENERATION OF RESOURCES**

# VEDANTA'S APPROACH TO TAX

## i Our Philosophy



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.

It follows that we must act responsibly in relation to our tax affairs in order to provide our host communities with a clear understanding of the revenue gained by their governments from the extraction of natural resources. **It is imperative that businesses, governments and civil society work in partnership to support transparency.**

Our business approach is based on the following principles:

Being a responsible taxpayer

Being fair and reasonable in all our dealings with the tax authorities

Ensuring that tax risks are dealt with in an efficient and proactive manner

## ii Approach to Tax Transparency



As a part of our voluntary initiative to be on the forefront of tax transparency, we have prepared our third report to ensure proactive transparency in tax reporting and greater accountability towards our stakeholders. The report also provides our stakeholders detailed information about the overall economic contribution of Vedanta to the government of countries where we operate.

**We have collated total contributions made by the Company and its subsidiaries to the Governments of India, Zambia, Namibia, South Africa, Liberia, Ireland and Australia, where the operations of the Group are located.** The Group's total contribution is spread across various assets which include copper, zinc, silver, aluminium, oil & gas, iron ore and power segments.



**WE BELIEVE IN GIVING FULL, FAIR, ACCURATE, TIMELY AND UNDERSTANDABLE DISCLOSURES IN FINANCIAL STATEMENTS, REPORTS AND DOCUMENTS THAT THE GROUP FILES OR SUBMITS TO RELEVANT AUTHORITIES AND IN OTHER PUBLIC COMMUNICATIONS.**

The contributions comprise Taxes borne (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, green levies etc.), Indirect revenue contributions (taxes collected & paid on behalf of our employees and vendors i.e. withholding taxes and social security contributions) and dividends paid to government.

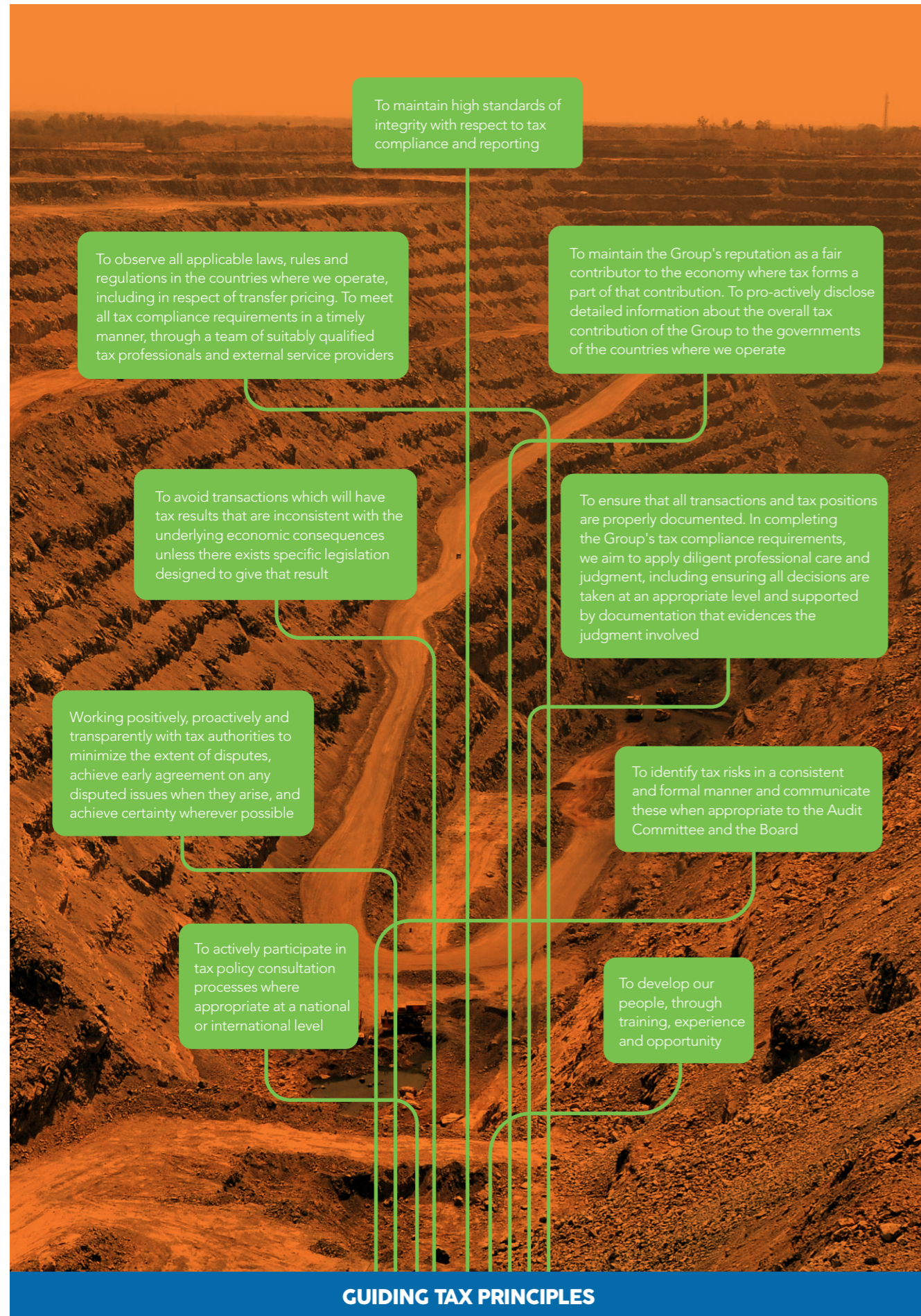
## iii Tax Engagement & Governance



Our Tax strategy is aligned to our business strategy i.e. to focus on growth and long-term value while upholding sustainable development through our diversified portfolio of large, long-life and low-cost assets. We believe in creating a long-term sustainable value for our multiple stakeholders including shareholders, governments and the communities in which we operate.

**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.

The tax strategy is owned and approved by the company's Board. It is subject to annual review by the Board whereby an annual compliance report is submitted to 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.



## Compliance with Laws and Regulation



Vedanta maintains a compliance calendar in each jurisdiction in which it operates and an authorized person in each entity is required to report compliance or non-compliance on a periodic basis. Systems, processes and controls should enable the Group to fulfill its tax compliance obligations.

Our in-house team of tax compliance and advisory professionals understand the applicable laws.

## Tax Planning & Tax Risk



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.

The Group evaluates and seeks certainty on material tax planning by taking advance rulings or any other mechanism available under the legislation in the relevant country. In any situation not governed by legislation or explicit regulations, or where the law is ambiguous or conflicting, the Group's affairs are conducted having taken expert internal and external professional advice.

The Group also has a process of identifying, assessing, reporting and managing risk.

Risk management is embedded in our critical business activities, functions and processes.

Tax planning and risk is evaluated within clear risk parameters. These parameters include:

**Alignment with commercial or business purposes**

**Cash flow impact**

**Intention of the legislature**

**Sustainability of the tax planning on merits if challenged by the tax authorities**

**The consequence of disagreement with tax authorities over the application or interpretation of the laws**

We mitigate tax risks by taking strong technical positions in accordance with the applicable laws clearly explaining the positions taken with thorough documentation.

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.

## Relationship with Tax Authorities and Dispute Resolution



The Group maintains an **open, honest, transparent and constructive relationship**

**in all its dealings with the tax authorities in jurisdictions in which it operates based on mutual trust in line with Vedanta's Code of Business Conduct and Ethics.**

The Group actively participates 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.

If a dispute arises with a tax authority regarding a tax position taken by the Group, we seek to resolve this by filing factual documentation and making detailed legal submissions. If we continue to disagree, the decision to litigate will be assessed on the basis of technical merits, judicial precedents

and international developments, cost and benefit analysis, reputational issues, cash flow implications and industry position.

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

**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.**



# OUR CONTRIBUTION TO PUBLIC FINANCES

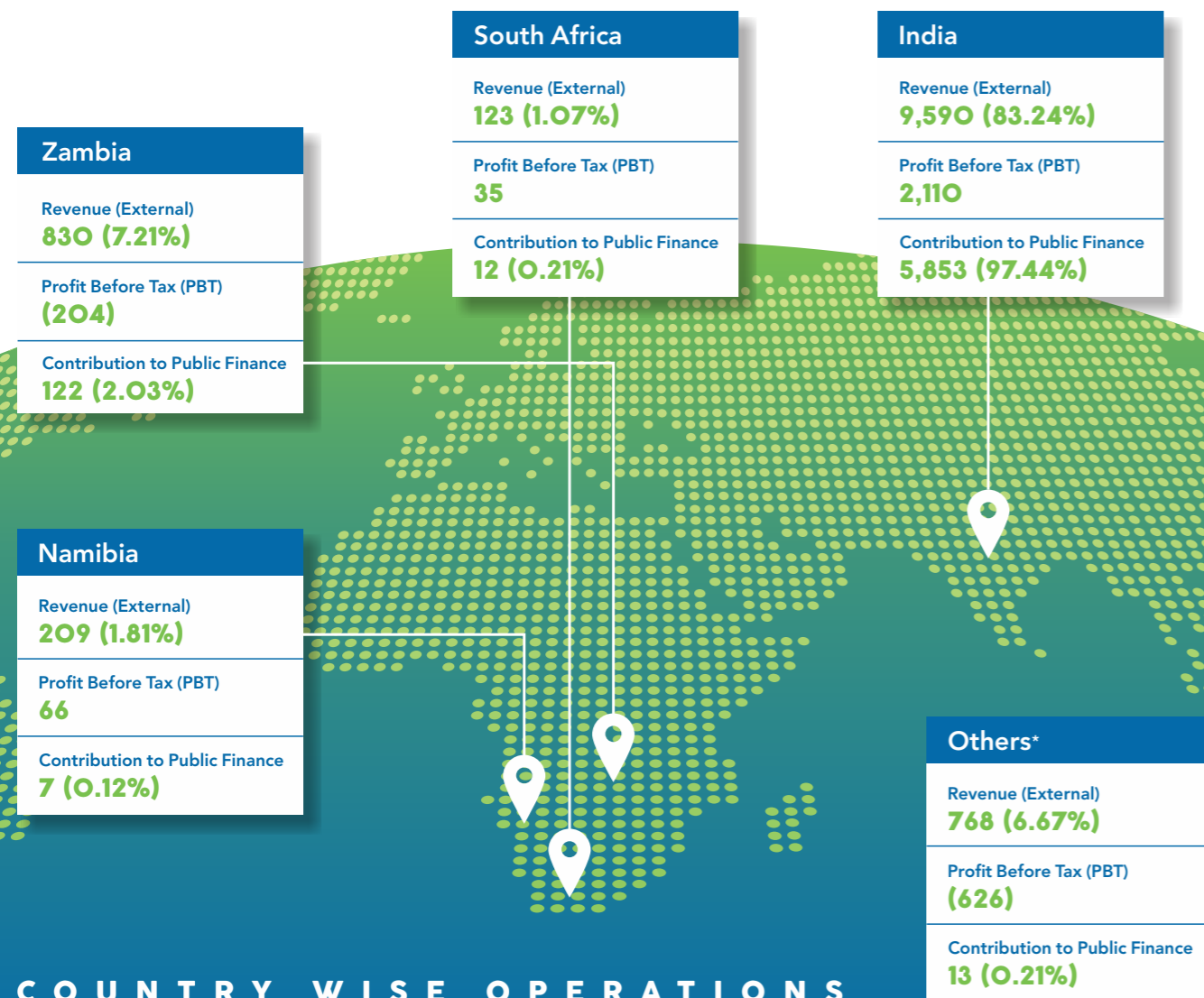
Vedanta contributed **US\$ 6 billion** to public finances through a wide range of contributions such as Corporate Income taxes, royalties, profit oil, through significant indirect revenue contributions by way of withholding taxes and Indirect taxes and also dividends paid to government.

**A**

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.

Although the Group has headquarters in the UK, the taxes paid in the UK are not significant as the material operations and assets are located outside the UK.

The map below summarizes the country wise percentages of revenue, Profit before tax (PBT) and Corporate tax of the Company in FY 2016-17:



## COUNTRY WISE OPERATIONS

All amounts are in US\$ million | The amount is after considering the exceptional items | \*Others include UAE, UK, Mauritius etal

The Reports on Payments to Governments Regulations (UK Regulations) came into force on 1 December 2014 and require UK companies in the mining sector to publicly disclose payments made to governments in the countries where they undertake such operations. The contribution as per the report is US\$3.07b. Payments include corporate taxes, royalties, licence fees, production entitlements, bonuses and infrastructure payments. It does not include other taxes borne, Indirect revenue contribution and dividends paid to government as stated in this report.

The UK published the final Taxes (Base Erosion and Profit Shifting) (Country-by-Country Reporting) Regulations 2016 on 26 February. For FY 2016-17, Vedanta will be submitting a Country-by-Country report for the global group to HMRC within 12 months of the year end.



**B**

Table-1 below outlines the key operations of our Business (Left hand side) and tax contributions (right hand side) made by the Company to their host governments in which the operations are undertaken. However the majority of the taxes are contributed by Zinc and Oil & gas Operations. They contribute 79% of the total contribution to public finances.

Business	Contribution (US\$ Million)	EBITDA (US\$ Million)
Zinc	2,993	1,561
Oil & Gas	1,759	597
Aluminium & Power	716	589
Copper	423	258
Iron Ore	92	194
Other	24	-9
<b>Total</b>	<b>6,007</b>	<b>3,190</b>



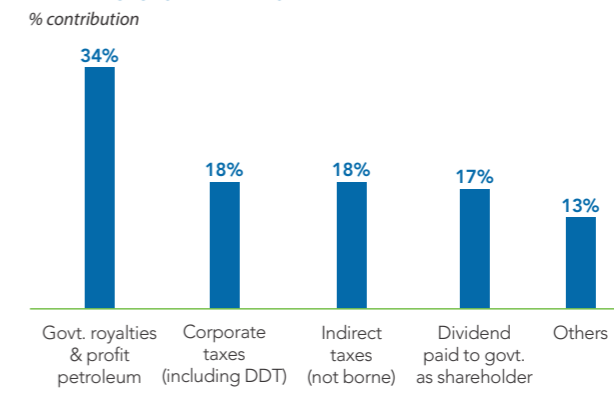
**C**

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 Revenue Contributions.

**TAXES BORNE** primarily comprise 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 REVENUE 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 program of the governments for the employees etc.

### ANALYSIS OF TYPE OF TAX



Consistent with fiscal year 2015-16, govt royalties and profit petroleum is the largest contributor i.e. 34% followed by corporate income taxes at 18%. Additionally, indirect taxes which are not borne by the company but are paid to government due to operations carried out by the company also contribute 18% of total basket of contribution.

Further, this year the company has included dividends paid to government as part of contribution to public finances which forms approx. 17% of total contribution

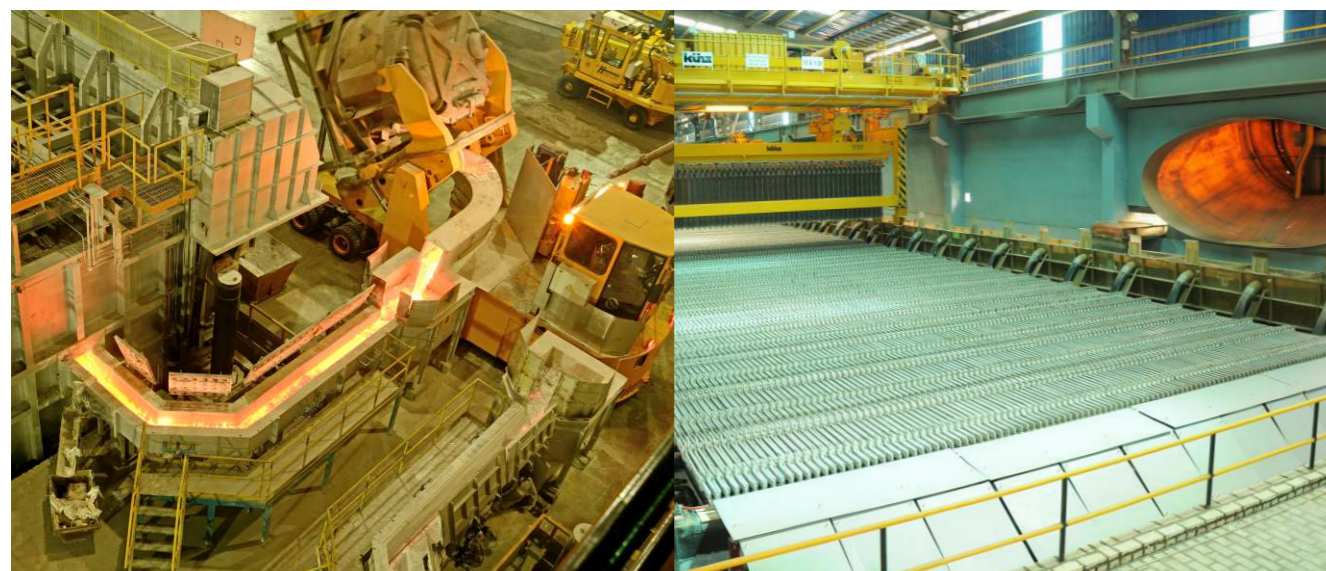


Table-2 below details the country wise amounts of revenue, Profit Before Tax (PBT) contributions by the Company to public finances in FY 2016-17.

All amounts are in US\$ million

Country	Revenue (External)	Profit Before Tax (PBT)	Tax Borne				Indirect Revenue Contributions				Dividend paid to Govt.	Grand Total
			Taxes on Income and Capital	Govt. Royalties & Profit Oil	Others	Total Payments Borne	Withholding Taxes	Indirect Taxes	Others	Total		
			A	B	C	I=A+B+C	D	E	F	II=D+E+F	III	IV = I+II+III
India	9,590	2,110	1,053	2,014	387	3,455	110	1,068	228	1,406	992	5,853
Zambia	830	(204)	0	31	36	67	46	0	8	55	-	122
Namibia	209	66	0	1	0	1	5	0	1	6	-	7
South Africa	123	35	1	1	0	2	8	1	1	10	-	12
Others	768	(626)	7	-	2	9	1	2	1	4	-	13
<b>Total</b>	<b>11,520</b>	<b>1,380</b>	<b>1,062</b>	<b>2,047</b>	<b>425</b>	<b>3,534</b>	<b>169</b>	<b>1,072</b>	<b>240</b>	<b>1,481</b>	<b>992</b>	<b>6,007</b>

# □ BASIS OF PREPARATION

## Note 1

Amounts reported in the table 1 and table 2 have been subject to external assurance and audit. The Independent Assurance Report forms part of this report. The financial information it contains is consistent with that used to prepare our FY 2016-17 Consolidated Financial Statements and financial statements of group's listed/non listed operating company subsidiaries. In case of Joint venture operations, contributions are shown at gross level as made by the Unincorporated Joint Venture (UJV) of which company subsidiary is operator irrespective of our percentage interest in UJV.

## Note 2

All data is prepared for the year from 1 April, 2016 to 31 March, 2017. The above contributions have been reported on cash basis. Social expenditures have not been considered in the contribution to public finances shown in the table.

## Note 3

Vedanta has not disclosed in Table-2 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 Revenue 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/ services and charged by suppliers/service providers in the invoice.

## Note 4

### Taxes Borne

#### A Taxes on Income and Capital

This comprises of Corporate Income Tax, 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 corporate income tax returns made to governments, and 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 respective countries as to the timing of payments.

#### B Government Royalties and Profit Oil

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

Profit oil represents the share of profit paid to the government on account of the production of crude oil and natural gas from the fields awarded by government as per the terms of Production Sharing Contract (PSC). Typically, this is generally reflected in various forms/returns prescribed by the government for this purpose. Government's share of profit oil is accounted for when the obligation (legal or constructive) in respect of the same arises Profit Oil is netted off from revenue generated from such operations.

#### C Other Taxes Borne

This comprises of 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 operating costs.

### Indirect Revenue Contributions

#### D Withholding Taxes

This comprises of 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 of 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.

#### E Indirect Taxes

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

#### F Others

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

### Dividends paid to government

This includes dividends paid to government wherever the government holds shareholding in the any of the group companies and that company has paid dividend during the year.

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

# INDEPENDENT ASSURANCE REPORT

## INDEPENDENT ASSURANCE REPORT TO THE BOARD OF VEDANTA RESOURCES PLC

We have been engaged by Vedanta Resources plc ('Vedanta') to perform reasonable assurance procedures in respect of Selected Information within the 'Tax Transparent Report 2016-17' (the Report) which Vedanta is required to make under the Taxes (Base Erosion and Profit Shifting (Country-by-Country Reporting) Regulations 2016 for the year ended 31 March 2017, 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 which 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.

### SCOPE AND SUBJECT MATTER

The 'Selected Information' subject to our reasonable assurance engagement for the year ended 31 March 2017 comprises the data in Table-2, columns A, B, C, D, E, F and III totalling US\$ 6,007 million which is included within the section 'Our Contribution to Public Finances' of the Report.

### 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 set out on page 9 in 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.

### 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 Engagements 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 set out on page 9 in 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.

### 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.

### CONCLUSION

In our opinion the Selected Information in the Report for the year ended 31 March 2017 has been prepared, in all material respects, in accordance with the Basis of Preparation set out on page 9 in the Report.

### BASIS OF PREPARATION

Without modifying our opinion, we draw attention to section BASIS OF PREPARATION on page 9 of the Report, which describes the whole basis of preparation of the Report.

### Grant Thornton UK LLP

Chartered Accountants  
Cambridge, UK

16 August 2017

# □ APPENDIX-1 TAXES PAID

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







**Vedanta Resources plc**

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 **GET IN TOUCH**

We value your feedback and welcome comments on this report or any aspect of our approach to sustainability reporting.  
[sustainability@vedanta.co.in](mailto:sustainability@vedanta.co.in)

 **MORE ONLINE**

View our online Comprehensive SD Report  
[sd.vedantaresources.com/SustainableDevelopment2016-17/](http://sd.vedantaresources.com/SustainableDevelopment2016-17/)



View our online Annual Report  
<http://www.vedantaresources.com/investor-relations/results-and-reports/annual-interim-reports.aspx>