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REPORT OF THE AUDIT & RISK MANAGEMENT COMMITTEE OF VEDANTA LIMITED ("COMPANY" OR "VEDL") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN VEDANTA LIMITED AND RESULTING COMPANY 1, RESULTING COMPANY 2, RESULTING COMPANY 3, RESULTING COMPANY 4 AND RESULTING COMPANY 5 AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AT ITS MEETING HELD ON SEPTEMBER 29, 2023 AT 01:00 PM IST AT NEW DELHI

The following members of the Audit & Risk Management Committee were present through video conferencing during the Meeting:

1. Mr. UK Sinha – Chairperson
2. Mr. DD Jalan – Member
3. Mr. Akhilesh Joshi – Member

The following were present through video conferencing during discussion on the proposed Scheme:

By Invitation:

1. Mr. Arun Misra - Executive Director
2. Ms. Sonal Shrivastava - Group CFO
3. Mr. Ajay Agarwal - President – Finance
4. Mr. Omar Davis - President – Strategy
5. Ms. Madhu Srivastava - CHRO
6. Mr. Anupam Kumar - Deputy CFO
7. Mr. Vinit Bansal - Head FP&A
8. Mr. Pratik Agarwal - MD, Sterlite Power
9. Ms. Dimple Agarwal - Consultant
10. Ms. Mansi Dhiman – Director M&A and Strategy
11. Mr. Shashwat Sharma - Strategy Team
12. Ms. Akansha Aggarwal - Corporate Tax
13. Mr. Rajeev Gupta - Consultant – Arpwood Capital Pvt. Ltd.
14. Mr. Prateek Diwan - Consultant – Arpwood Capital Pvt. Ltd.
15. Mr. Pranav Satya - Consultant – EY
16. Mr. Jinesh Shah - Consultant – EY
17. Mr. Shuva Mandal - Consultant – Anagram Partners
18. Mr. Arka Banerjee - Consultant – Anagram Partners
19. Mr. Raghwendra Pande - Consultant – ICICI Securities Limited
20. Ms. Lata More - Consultant – BDO Valuation Advisory LLP
21. Mr. Rahul Saraf - Consultant – Citi Bank
22. Mr. Varun Chokhani - Consultant – Citi Bank

In attendance:

1. Ms. Prerna Halwasiya – Company Secretary & Compliance Officer

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1. **Background**

1.1 A meeting of the Audit & Risk Management Committee of the Company was held on September 29, 2023, to consider and, if thought fit, recommend to the Board of Directors of the Company, the proposed scheme of arrangement ("**Scheme**") between the Company and Resulting Company 1, Resulting Company 2, Resulting Company 3, Resulting Company 4 and Resulting Company 5 (each as defined in the Scheme, and collectively referred to as, the "**Resulting Companies**", the Resulting Companies and VEDL are collectively referred to as the "**Parties**") and their respective shareholders and creditors pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**").

1.2 The Company is a listed public limited Company within the meaning of the Act. The equity shares of the Company are listed on the BSE Limited ("**BSE**"), the National Stock Exchange of India Limited ("**NSE**"), (BSE and NSE are collectively referred to as the "**Stock Exchanges**"). The redeemable, non-convertible debentures of VEDL are listed on the BSE.

1.3 Resulting Company 1 is a public limited Company that is proposed to be incorporated under the Companies Act, 2013 as a wholly owned subsidiary of VEDL.

1.4 Resulting Company 2 is a public limited Company incorporated under the Companies Act, 1956 and is a wholly owned subsidiary of VEDL. The equity shares of Resulting Company 2 are presently not listed on the Stock Exchanges.

1.5 Resulting Company 3 is a public limited Company incorporated under the Companies Act, 1956 and is a wholly owned subsidiary of VEDL. The equity shares of Resulting Company 3 are presently not listed on the Stock Exchanges.

1.6 Resulting Company 4 is a public limited Company that is proposed to be incorporated under the Companies Act, 2013 as a wholly owned subsidiary of VEDL.

1.7 Resulting Company 5 is a public limited Company that is proposed to be incorporated under the Companies Act, 2013 as a wholly owned subsidiary of VEDL.

1.8 In terms of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("**SEBI Scheme Circular**"), a report from the Audit Committee ("**Committee**") recommending the draft Scheme is required, taking into consideration *inter alia* the Share Entitlement Ratio Report *(as defined in the Scheme)*, and commenting on the need for the Scheme, rationale of the Scheme, synergies of business of the entities involved in the Scheme, impact of the Scheme on the shareholders and cost benefit analysis of the Scheme. This report of the Committee has been made in compliance with the requirements of the SEBI Scheme Circular.

1.9 The following documents were placed before the Committee for its consideration:

(a) A draft of the Scheme;

(b) Drafts of the Share Entitlement Ratio Reports from M/s. BDO Valuation Advisory LLP, Registered Valuers (each an "**SER Report**") for the issuance of

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shares by each of the Resulting Companies to the shareholders of the Company pursuant to the Scheme;

(c) Drafts of the Fairness Opinions from M/s. ICICI Securities Limited, an independent SEBI registered Category I Merchant Banker, on the SER Reports (each a "**Fairness Opinion**");

(d) The Statutory Auditor's Certificate from M/s. S.R. Batliboi & Co. LLP, Chartered Accountants, dated September 29, 2023, certifying that the accounting treatment contained in the draft as it relates to the Company, is in compliance with applicable Accounting Standards specified by the Central Government under Section 133 of the Act and the rules made thereunder and specified in Paragraph (A)(5) of Part I of the SEBI Scheme Circular;

(e) Undertaking dated September 29, 2023 by the Company Secretary & Compliance Officer of the Company, confirming the non-applicability of the requirements under Para A (10)(b) of the Part I of the SEBI Scheme Circular relating to obtaining approval from the majority of public shareholders.

(f) The Statutory Auditor's Certificate from M/s S.R. Batliboi & Co. LLP, Chartered Accountants, dated September 29, 2023 certifying the Company's Undertaking under Clause (e) above pursuant to Paragraph A (10)(c) of Part I of the SEBI Scheme Circular.

2. Salient features of the Proposed Scheme

2.1 The Committee discussed and noted the salient features of the proposed Scheme, the rationale and the need for the arrangement, synergies of the entities involved, impact of the proposed Scheme on the shareholders and cost benefit analysis of the Scheme as below:

a. Demerger of the Aluminium Undertaking (as defined in the Scheme) of Vedanta Limited ("VEDL") to Resulting Company 1", and corresponding issuance of equity shares of Resulting Company 1 to the shareholders of VEDL and reduction and cancellation of the entire share capital of Resulting Company 1 as on the Effective Date, pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

b. Demerger of the Merchant Power Undertaking (as defined in the Scheme) of VEDL to Resulting Company 2, and corresponding issuance of equity shares of Resulting Company 2 to shareholders of VEDL and reduction and cancellation of the entire share capital of the Resulting Company 2 as on the Effective Date, pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

c. Demerger of the Oil and Gas Undertaking (as defined in the Scheme) of VEDL to Resulting Company 3, and corresponding issuance of equity shares of Resulting Company 3 to shareholders of VEDL and reduction and cancellation of the entire share capital of the Resulting Company 3 as on the Effective Date, pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

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d. Demerger of the Base Metals Undertaking (as defined in the Scheme) of VEDL to Resulting Company 4, and corresponding issuance of equity shares of Resulting Company 4 to shareholders of VEDL and reduction and cancellation of the entire share capital of the Resulting Company 4 as on the Effective Date, pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

e. Demerger of the Iron Ore Undertaking (as defined in the Scheme) of VEDL to Resulting Company 5, and corresponding issuance of equity shares of Resulting Company 5 to shareholders of VEDL and reduction and cancellation of the entire capital of the Resulting Company 5 as on the Effective Date, pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

f. Various other matters consequential or otherwise integrally connected therewith, including changes to the share capital and securities premium account of the Resulting Companies.

2.2 In terms of the Scheme, upon the relevant Part of the Scheme becoming effective, each of the concerned Resulting Companies will issue shares to the shareholders of the Company in the ratio of 1 (One) fully paid-up equity share of the applicable Resulting Company having face value of INR 1 (Indian Rupee One) each [except for Resulting Company 2 having face value of INR 10 (Indian Rupees Ten) each] for every 1 (one) fully paid-up equity share of INR 1 (Indian Rupee One) each of the Company.

2.3 The equity shares of the Resulting Companies will be listed and admitted to trading on the Stock Exchanges in compliance with SEBI Scheme Circular and other relevant provisions as applicable.

2.4 The Appointed Date in respect of any of Parts II to VI of the Scheme, shall mean the Effective Date in respect of such Part of the Scheme.

2.5 The Effective Date, in respect of:

(i) Part II of the Scheme, the date or the *last date* of the dates on which all conditions precedent set forth in Clause 45.1 and Clause 45.2 are fulfilled, obtained or waived, as applicable in accordance with this Scheme;

(ii) Part III of the Scheme, the date or the *last date* of the dates on which all conditions precedent set forth in Clause 45.1 and Clause 45.3 are fulfilled, obtained or waived, as applicable in accordance with this Scheme;

(iii) Part IV of the Scheme, the date or the *last date* of the dates on which all conditions precedent set forth in Clause 45.1 and Clause 45.4 are fulfilled, obtained or waived, as applicable in accordance with this Scheme;

(iv) Part V of the Scheme, the date or the *last date* of the dates on which all conditions precedent set forth in Clause 45.1 are fulfilled, obtained or waived, as applicable in accordance with this Scheme;

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(v) Part VI of the Scheme, the date or the *last date* of the dates on which all conditions precedent set forth in Clause 45.1 and Clause 45.5 are fulfilled, obtained or waived, as applicable in accordance with this Scheme.

2.6 The Scheme is and shall be subject to certain conditions precedent therein, including:

(a) Receipt of no-objection/ observation letter from the Stock Exchanges in relation to the Scheme under Regulations 11 and 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Circular.

(b) Approval of the Scheme by the requisite majority in number and value of each class of shareholders and creditors of the Parties as applicable or as may be required under the Act and Applicable Law and as may be directed by the Tribunal.

(c) The Company complying with the provisions of the SEBI Circular, including seeking approval of its shareholders through e-voting.

(d) Sanction of the Scheme by the Tribunal under Sections 230 to 232 of the Act.

(e) Certified copies of the orders of the Tribunal approving the Scheme being filed with the Registrar of Companies.

2.7 In addition to the satisfaction of the conditions precedent set out above, each of Parts II, III, IV, V and VI of the Scheme is also conditional upon and subject to certain additional conditions precedent as set out in the Scheme.

2.8 **Rationale of the Scheme:**

The Committee noted the rationale and the benefits of the Scheme which, *inter-alia*, are as stated below:

a) VEDL has interests in multiple businesses including metals, mining, and exploration of natural resources (zinc-lead-silver, iron ore, steel, copper, aluminium, nickel, and oil and gas) and power generation.

b) Each of the varied businesses carried on by VEDL by itself or through strategic investments in subsidiaries or through affiliate companies (including the Aluminium Undertaking, the Merchant Power Undertaking, the Oil and Gas Undertaking, the Base Metals Undertaking and the Iron Ore Undertaking) have significant potential for growth and profitability.

c) The nature of risk and competition involved in each of these businesses, financial profiles and return ratios are distinct from others and consequently each of the abovementioned business undertakings is capable of attracting a different set of investors, lenders, strategic partners, and other stakeholders. The manner of handling and management of each of the abovementioned businesses is also distinct.

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d) In order to lend enhanced focus to the operation of identified businesses, VEDL proposes to segregate and organize these businesses as separate entities, through demergers of each of the Aluminium Undertaking, the Merchant Power Undertaking, the Oil and Gas Undertaking, the Base Metals Undertaking and the Iron Ore Undertaking.

e) The following benefits shall accrue on demergers of the Aluminium Business (*as defined in the Scheme*), the Merchant Power Business (*as defined in the Scheme*), the Oil and Gas Business (*as defined in the Scheme*), the Base Metals Business (*as defined in the Scheme*) and the Iron Ore Business (*as defined in the Scheme*):

i. creation of independent global scale companies focusing exclusively on mining, production and/or supply of aluminium, iron-ore, copper, oil & gas and on generation and distribution of power and exploring new opportunities and taking advantage of the growth potential in the said respective sectors;

ii. enabling greater focus of management in the relevant businesses thereby allowing new opportunities to be explored for each business efficiently and allowing a focused strategy in operations;

iii. each of the independent companies can attract different sets of investors, strategic partners, lenders, and other stakeholders enabling independent collaboration and expansion in these specific companies without committing the existing organization in its entirety;

iv. enabling investors to separately hold investments in businesses with different investment characteristics thereby enabling them to select investments which best suit their investment strategies and risk profiles;

v. enabling focused and sharper capital market access (debt and equity) and thereby unlocking value of the Aluminium Undertaking, the Merchant Power Undertaking, the Oil and Gas Undertaking, the Base Metals Undertaking and the Iron Ore Undertaking and creating enhanced value for shareholders.

The Scheme is in the interests of all stakeholders of VEDL, Resulting Company 1, Resulting Company 2, Resulting Company 3, Resulting Company 4, and Resulting Company 5.

2.9 **Need for the arrangement:**

The Company has interests in multiple businesses including metals, mining and exploration of natural resources (zinc-lead-silver, iron ore, steel, copper, aluminium, nickel, and oil and gas) and power generation. These businesses have matured over the years, and are capable of charting their own respective growth paths and operate as separate listed entities, while continuing to leverage the Company's strong brand value and goodwill.

It is therefore proposed to segregate these businesses from the remaining business undertaken by the Company through the proposed Scheme.

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The Scheme will result in the listing of the Resulting Companies as separate entities for Aluminium Business *(as defined in the Scheme)*, the Merchant Power Business *(as defined in the Scheme)*, the Oil and Gas Business *(as defined in the Scheme)*, the Base Metals Business *(as defined in the Scheme)* and the Iron Ore Business which *inter-alia* will have the benefits set out in paragraph 2.8 above and unlock value for the shareholders.

2.10 **Synergies of business of the entities involved in the Scheme:**

The demerger will create separate listed companies comprising the Aluminium Business, the Merchant Power Business, the Oil and Gas Business, the Base Metals Business and the Iron Ore Business thereby unlocking the potential value of each of these businesses for the Company's shareholders.

The Committee noted that the Scheme does not involve merger of different businesses into the Company, but provides for demergers of the Aluminium Business, the Merchant Power Business, the Oil and Gas Business, the Base Metals Business and the Iron Ore Businesses, entailing the benefits set out in paragraph 2.8 above.

2.11 **Impact of the Scheme on the shareholders of the Company:**

(a) The Scheme by way of segregating the various business verticals is expected to be advantageous to the shareholders of the Company as it would augment revenue growth and profitability.

(b) Further, the shareholders of the Company will have the option and flexibility to remain invested in a focused listed entity. The shareholders of the Company will also *inter-alia* benefit from the Company's strategic support to the Resulting Companies, long term stability of the Resulting Companies under the proposed demerger and continued access to synergies for the Company and the Resulting Companies.

(c) Thus, the Scheme is expected to be beneficial to the shareholders of the Company and not adversely affect the rights or interest of the shareholders.

2.12 **Cost benefit analysis of the Scheme:**

The Audit & Risk Management Committee is of the view that although the Scheme involves certain costs including transaction costs, taxes, fees and duties etc., the Scheme would also entail the benefits set out in Paragraph 2.8 above and these benefits significantly outweigh the costs.

3. Recommendation of the Audit & Risk Management Committee:

3.1 The Audit & Risk Management Committee has reviewed and taken into consideration the draft SER Report and noted the recommendations that the proposed Share Entitlement Ratios are fair and reasonable. Further, the draft Fairness Opinions have confirmed the recommended Share Entitlement Ratios in the drafts SER Reports as being fair to the shareholders of the Company.

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3.2 After due deliberations and due consideration of the draft Scheme, draft SER Reports, draft Fairness Opinions, rationale of the Scheme, need for the arrangement, synergies of business of the entities involved in the Scheme, impact of the Scheme on the shareholders, cost benefit analysis of the Scheme, the Audit & Risk Management Committee approves and recommends the draft Scheme for favourable consideration and approval by the Board of Directors of the Company, Stock Exchanges, SEBI and other appropriate authorities.

By the Order of Audit & Risk Management Committee

UK Sinha

UK Sinha
Chairman
DIN:00010336

Date: September 29, 2023
Place: New Delhi

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