

Vedanta Resources plc



2015-16

TAX TRANSPARENCY REPORT





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.

The three imperatives that drive our business approach are

CONVERSATION

COLLABORATION

CREATION OF SHARED VALUE

The commodities that we produce and the energy that we generate constitute the building blocks of the modern world. We pursue a three pronged approach to value. We add value to a country's exchequer by discovering natural resources and processing them so that they are fit for use. We enhance the value of our assets through technically and technologically advanced processes that help us tap more resources per pound. And we expand value by driving direct and indirect positive economic impact in the form of payment of taxes & royalties, and investment towards our employees and community.



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.

Annual Report
FY 2015-16



Online SD Report
FY 2015-16



US\$ 10.7 BN

Revenue with a final dividend of 30 US cents per share



HZL announced the highest ever dividend by an Indian private sector company

US\$1.8 BN

(including dividend distribution tax)



US\$ 4.5 BN

contributed towards taxes and royalties



Direct and indirect employment for

67,000 PEOPLE

with preference from neighbouring community



US\$ 37 MN

investment on community development



Support to

'MAKE IN INDIA' CAMPAIGN



Hindustan Zinc Limited

WORLD'S SECOND LARGEST

integrated Zinc and Lead producer
Indian market share - 79%



Cairn India - one of

INDIA'S LARGEST

private sector Oil & Gas Company
Indian market share - 27%



Konkola Copper Mines, one of the

LEADING PRIVATE EMPLOYER

in Zambia



Vedanta Aluminium

INDIA'S LARGEST

Aluminium producer
Indian market share - 47%



Reaching out to

2.25 MN BENEFICIARIES

across 1000+ villages



Alignment with

**SUSTAINABLE DEVELOPMENT GOALS
IN PROGRESS**



FOREWORD

At Vedanta, we believe that paying fair share of taxes in the countries where we operate is an important part of our social license to operate. Our tax transparency report is one such endeavor to help us improve our dialogue with all stakeholders on the taxes paid to the government. I am pleased to report that Vedanta has contributed US \$ 4.5 billion to public finance in FY 2015-16.

Tom Albanese | CEO

During the FY 2015-16, Vedanta generated economic value of USD 10,737 mn through revenue from commodities that we produce and the energy that we generate.

The same 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 benefit,



society

by way of community investment focusing on health, education, livelihood and environment,



contractors

by way of expenses incurred on operating assets



government

by way of contribution of taxes.



We stand committed to work with the government and communities to support the development through managing environmental footprint, seeking to control pollution, reduce water and energy consumption, protect biodiversity around its operating sites and raising the social status of our neighbouring communities through focussed interventions in strategic growth enablers like education, healthcare and skill building.

In FY 2015-16, overall revenue was down 17% to US \$ 10,738 million compared with US \$ 12,878 million in FY 2015 primarily due to lower commodity prices. The reduction in revenue also resulted in lower tax contribution to governments. We contributed US\$ 4.5 bn to public finances through a wide range of tax contributions in the nature of Corporate Income taxes, royalties, profit oil and also through significant indirect revenue contributions by way of withholding taxes and Indirect taxes.

The contribution of Vedanta to public finances is 42% of revenue.

Generated economic value of

US\$ 12,878.7 mn

in FY 2014-15

US\$ 10,737 mn

in FY 2015-16

Contributed to public finances

US\$ 5.8 bn

in FY 2014-15

US\$ 4.5 bn

in FY 2015-16

Contribution to public finances

45%

of revenue
in FY 2014-15

42%

of revenue
in FY 2015-16





VEDANTA'S APPROACH TO TAX

1 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 including in relation to our tax affairs, in order to provide our host communities with the clear understanding about 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 within an efficient and proactive manner.

2 APPROACH TO TAX TRANSPARENCY

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

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.

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

The tax contributions comprises of 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.) and Indirect revenue contributions (taxes collected & paid on behalf of our employees and vendors i.e. withholding taxes and social security contributions).

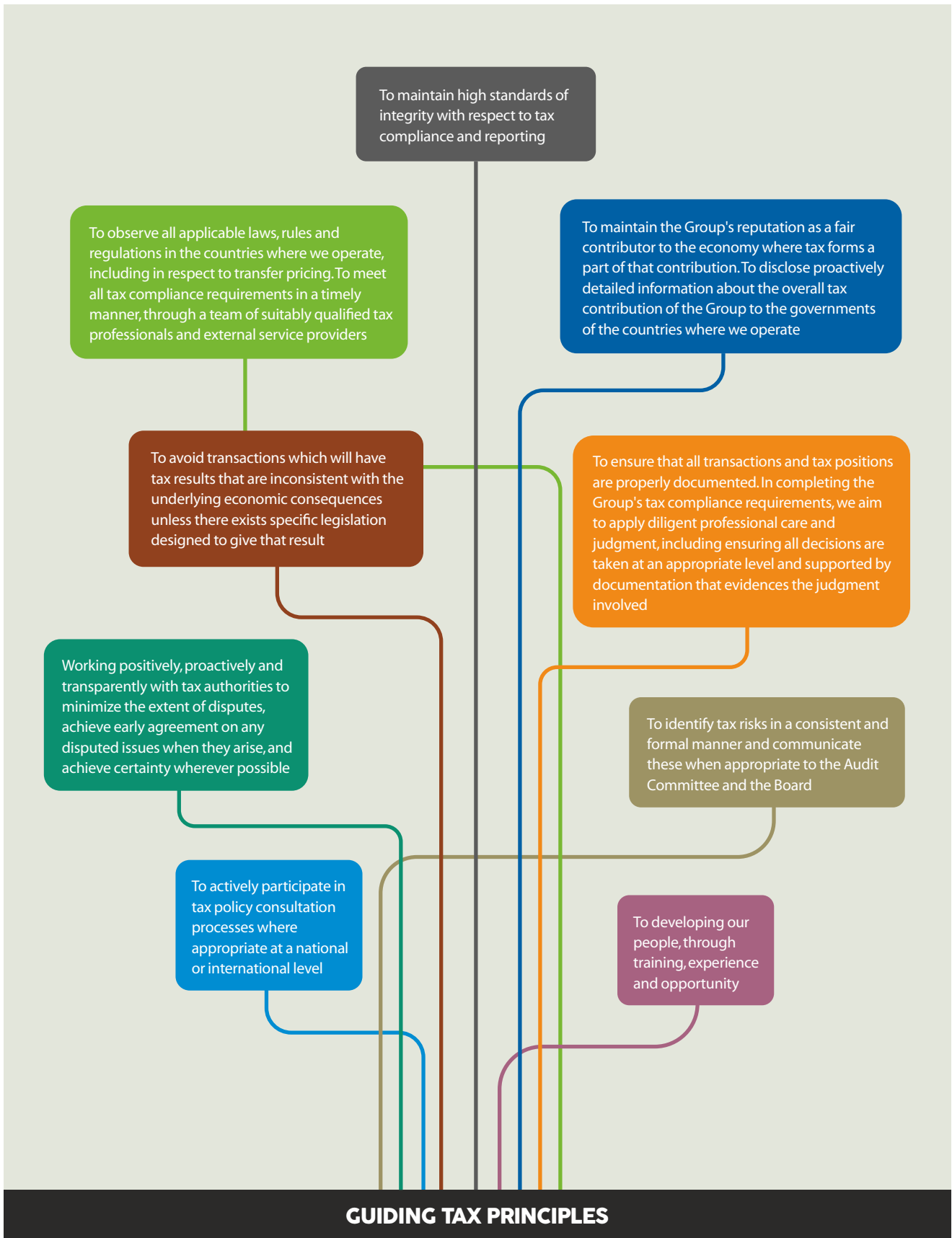
3 TAX ENGAGEMENT & GOVERNANCE

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 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 whereas an annual compliance report is submitted to The Board & Audit Committees. 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 professionals for tax compliance as well as tax advisory work understand the applicable laws.

RELATIONSHIP WITH TAX AUTHORITIES AND DISPUTE RESOLUTION

The Group maintains an open, honest, transparent and constructive relationship in its all dealings with the tax authorities in jurisdictions in which it operates based on mutual trust in line with the 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 positions 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.

TAX PANNING AND 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, and 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, 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.





OUR TAX CONTRIBUTION TO PUBLIC FINANCES IN FY 2015-2016

Vedanta contributed US\$ 4.5 bn to public finances through a wide range of tax contributions in the nature of Corporate Income taxes, royalties, profit oil and also through significant indirect revenue contributions by way of withholding taxes and Indirect taxes.

The Reports on Payments to Governments Regulations (UK Regulations) came into force in 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\$ 2.1 b. Payments include corporate taxes, royalties, licence fees, production entitlements, bonuses, dividends and infrastructure payments. It does not include other taxes borne and indirect revenue contribution as stated in this report. Further payments in report to HMRC are on cash basis as against accrual basis in TTR

Tax contribution amount of US\$ 3.2 bn (US\$ 4.6 b FY 2014-15) as mentioned in our press release/ annual report is net of input credits and does not consider withholding taxes and social security contributions.

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

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

The below table summarizes the country wise percentages of revenue, Profit before tax (PBT) and tax contribution of the Company in FY 2015-2016:

All amounts are in US\$ mn

Country wise Operations	Revenue (External)	Revenue (%)	Profit Before Tax (PBT)	Contribution to Public finances	Contribution to Public finances %
India	8,541.09	79.54%	(3,914.54)	4,305.89	95.58%
UK		0.00%	(147.72)	6.43	0.14%
Ireland	95.18	0.89%	(5.66)	22.17	0.49%
Namibia	174.77	1.63%	9.58	7.83	0.17%
South Africa	121.59	1.13%	12.39	14.99	0.33%
Australia			(24.78)	1.95	0.04%
Zambia	967.47	9.01%	(274.99)	141.73	3.15%
Others	837.76	7.80%	(638.25)	3.88	0.09%

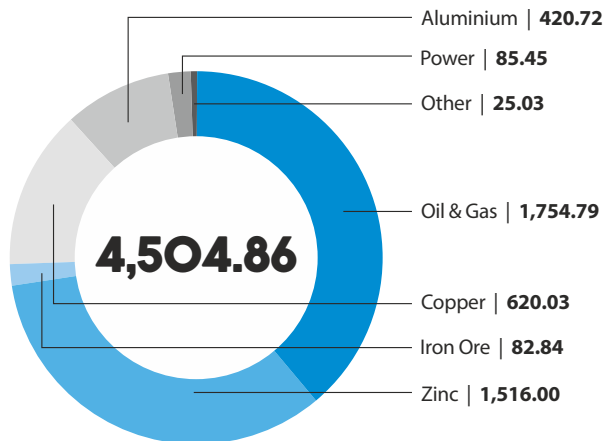
**The amount is after considering the exceptional items.*



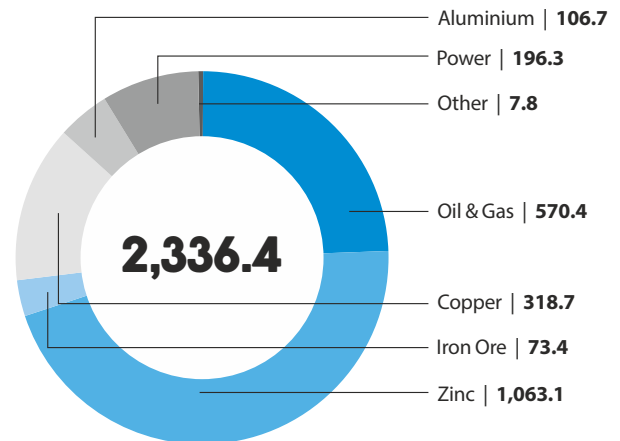
OUR TAX CONTRIBUTION TO PUBLIC FINANCES IN FY 2015-2016

B The below graphs outline the earning from the key operations of our business and related tax contribution made by them to the host governments in which the operations are undertaken. However the majority of the taxes are contributed by zinc and oil gas operations. They contribute 73% of the total tax paid to the government.

Vedanta's Tax Contribution | Amount (\$ mn)



EBITDA (\$ mn)



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

1 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.

2 Indirect Revenue 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.

The below Table summaries the country wise amounts of revenue, Profit before tax (PBT) Contributions by the Company to public finances in FY 2015-16

All amounts are in US\$ mn

Country wise Operations	Revenue (External)	Profit Before Tax (PBT)	Tax Borne				Indirect Revenue Contributions				Contribution to Public finances
			Taxes on Income and Capital	Government Royalties Cess & 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	
India	8,541.09	(3,914.54)	678.77	1,882.74	488.26	3,049.77	125.63	1,089.44	41.06	1,256.12	4,305.89
UK	-	(147.72)	1.52	-	0.30	1.82	4.61	-	-	4.61	6.43
Ireland	95.18	(5.66)	-	3.26	0.58	3.84	13.61	0.85	3.87	18.33	22.17
Namibia	174.77	9.58	-	0.66	1.22	1.88	4.80	-	1.14	5.95	7.83
South Africa	121.59	12.39	5.01	0.41	-	5.42	7.68	-	1.89	9.57	14.99
Australia	-	(24.78)	-	-	0.31	0.31	1.26	-	0.38	1.64	1.95
Zambia	967.47	(274.99)	0.01	58.82	35.93	94.76	37.34	0.67	8.95	46.46	141.73
Others	837.76	(638.25)	3.86	-	0.03	3.88	-	-	-	-	3.88
Total	10,737.86	(4,983.97)	689.16	1,945.89	526.62	3,161.67	194.92	1,090.96	57.30	1,343.19	4,504.86

OUR TAX CONTRIBUTION TO PUBLIC FINANCES IN FY 2015-2016

Note 1

Amounts reported in the table have not been subject to external assurance and audit. The financial information it contains is consistent with that used to prepare our FY 2015-16 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, 2015 to 31 March, 2016. The above contributions have been reported on accrual basis. The social expenditures have not been considered in the contribution to public finances shown in the table.

Note 3

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

1 Taxes on Income and Capital

Corporate Income Tax is 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. Furthermore, it does not include amount of Deferred Tax, if any. It also includes Corporate Dividend Tax which comprises tax charged on payments of dividends or other distributions of profits.

Typically, these taxes would be reflected in corporate income tax returns/wealth 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.

2 Government royalties and Profit Oil

This comprises of contributions made to public finances in the form of royalties, cess paid on production of crude oil in India, 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 share of profit paid to the government on account of 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.

3 Other taxes borne

This comprises of Stamp duty that arises on transfer of assets or capital, Levies on import/export of goods, municipal taxes, Service tax, Entry tax/Octroi and other taxes borne.

INDIRECT REVENUE CONTRIBUTIONS

4 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.

5 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.

6 Other

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.



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

APPENDIX -1 TAXES PAID

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

- ✓ Corporate Income Tax
- ✓ Corporate Dividend Tax
- ✓ Wealth 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
- ✓ Octroi / Entry Tax
- ✓ Provident Fund and Employee State Insurance
- ✓ Natural Calamity Contingent Duty
- ✓ Work Contract Tax



Vedanta Resources plc

5th Floor, 16 Berkeley Street, London W1J 3DZ,
Tel.: +44 (0)20 7499 5900 | Fax: +44 (0)20 7491 8440 | www.vedantaresources.com

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

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