

GROUP TAX STRATEGY 2015

Vedanta

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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 and encompasses countries such as India, Zambia, Namibia, South Africa, Liberia, Ireland, Sri Lanka and Australia. We add value to a country's exchequer by discovering natural resources and processing them so that they are fit for use. We enhance value by driving both direct and indirect positive economic impacts through a wide range of tax contributions in the nature of Corporate Income taxes, royalties, profit oil, withholding taxes and Indirect taxes.

1. Overview and Tax Principles

Our tax strategy is aligned to our overall business strategy of Growth, Long Term Value and Sustainability and the Vedanta Code of Business Conduct and Ethics. We have a firm belief in creating long-term sustainable value for our multiple stakeholders including shareholders, governments and the communities in which we operate. This forms our focus on transparency, reputation, ethics, trust and building long-term relationships.

The tax strategy is owned and approved by the Board of Vedanta Resources Plc. It is subject to annual review by the Board, who along with the Audit Committee receive an annual compliance report

It applies to all directors & employees in particular all tax professionals working in the Group and acts as a guidance to drive consistent tax behaviors, professional conduct and our approach to working relationship with Tax authorities and other stakeholders.

Our tax strategy is built upon the following principles:

- I. To maintain high standards of integrity with respect to tax compliance and reporting;
- II. 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;
- III. 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;
- IV. 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.
- V. 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;
- VI. To work positively, proactively and transparently with tax authorities to minimize the extent of disputes, achieve early agreement on any disputed issues when they arise, and achieve certainty wherever possible;
- VII. To identify tax risks in a consistent and formal manner and communicate these when appropriate to the Audit Committee and the Board;

- VIII. To actively participate in tax policy consultation processes where appropriate at a national or international level; and
- IX. To develop our people, through training, experience and opportunity.

2. Internal Governance

Vedanta seeks to comply with the 2012 edition of the UK Corporate Governance Code (the Code). The Group has defined policies, processes and governance structures to comply with the main principles of the Code. The tax affairs of the Group are managed in compliance with this Group Tax Strategy, which is aligned to the *Vedanta Code of Business Conduct and Ethics* (<http://www.vedantaresources.com/investor-relations/corporate-governance/code> of business conduct).

The Board of Directors of Vedanta Resources Plc has approved this Group Tax Strategy. The Group Chief Financial Officer has 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 Corporate tax team.

The Group Tax Strategy is subject to annual review by the Board, and compliance with the strategy is reported to the Audit Committee and the Board annually.

Responsibility for tax governance rests with the tax function, in consultation with the Chief Financial Officer/Financial Controller.

3. Compliance with Laws and Regulations

The publication of this strategy statement is regarded as satisfying the statutory obligation under Paragraph 16(2), Schedule 19 of the Finance Act 2016.

Vedanta and its employees shall conform to the relevant laws and regulations and disclosure requirements as statutorily required of the countries in which they operate and fulfill their obligations in a diligently manner.

In completing the Group's tax compliance requirements, we aim to apply diligent professional care and judgment, by ensuring all decisions are taken at an appropriate level and supported by documentation that evidences the judgment involved.

We strive to develop an excellent in-house team of professionals for tax compliance as well as tax advisory work. In addition, the Group also engages various professionals and competent consulting firms for tax advice on critical matters, review of tax returns, outsourcing tax compliance, wherever required, or appropriate and comprehensive tax health checks/reviews.

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 fulfil its tax compliance obligations.

The tax team is expected to understand the applicable laws and keep themselves abreast with the tax developments including case laws, circulars, notifications and changes in tax legislation through subscription to newsletters, databases, in house tax meetings and training. The team is encouraged to work collaboratively to ensure that where the facts are similar, so is the tax position/treatment being taken by the Group.

4. Ethics

The *Vedanta 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.

Our tax teams around the world are required to operate according to a clearly defined set of behaviour including acting with integrity and communicating openly with the highest standards of business ethics.

All material tax related business decisions and actions must be based on the best interests of the Group and in line with this tax strategy.

Employees should maintain confidentiality of information at all times, and adhere to corporate communications and disclosure policies for the purpose of disseminating material tax information and communication with external stakeholders.

Employees must insist on honesty and fairness in all the aspects of business and expect the same from their colleagues.

5. Tax Transparency

Tax transparency is a core principle, and part of how we demonstrate our commitment to long-term sustainable value creation for our multiple stakeholders, including governments and society at large. We aim to be at the forefront of tax reporting best practices. We understand our responsibility to make an appropriate contribution back to the government and the surrounding communities 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 are open and transparent with tax authorities and provide all relevant information that is necessary for their review of possible tax risks.

We comply with all mandatory tax disclosure requirements, whether in audited Financial Statements, or resulting from other requirements.

Furthermore, we strive to make meaningful voluntary tax disclosures intended to help stakeholders in ascertaining the wider impact of the taxes generated by the Group, their impact on the economic contribution made by the Group, or other issues as appropriate.

6. Tax Planning

The Group will strive to ensure that the approval process of business proposals / business decisions includes ~~to ensure~~ a clear understanding of the tax consequences. Where alternate routes exist to achieve the same commercial results, the most tax -efficient approach in compliance with all relevant laws should be recommended. We will claim tax incentives and exemptions as legitimately available in the countries where we operate.

The Group will seek appropriate advice in order to understand the tax implications of potential transactions.

The Group will evaluate seeking certainty 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.

7. Tax Risk Management

We will ensure that the Group understands that all key business decisions are taken in consultation with the tax team and that the tax function should be involved from planning to implementation to avoid any failure in understanding or implementation of any compliances or maintenance of appropriate documentation.

We mitigate tax risks by taking strong technical positions in accordance with the applicable laws, clearly explaining the positions taken, and maintaining robust and thorough documentation with accuracy and completeness.

We work proactively with tax authorities in order to avoid any potential disputes on account of incorrect understanding of the facts of a transaction, and the impact of the legislation applicable to such facts.

Tax planning and risk is evaluated within clear risk parameters. These parameters include the alignment with commercial or business purposes, the cash flow impact, the intention of the legislature, the strength of the tax planning being sustained on its merits if challenged by the tax authorities, and the consequence of disagreement with tax authorities over the application or interpretation of the laws.

Tax risk associated with reporting is mitigated by the independent auditing of the Group and subsidiary statutory accounts. This includes the tax accounting. The auditors are required to highlight any material control issues, including reference to tax matters as appropriate.

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. Audit Committee and Board papers prepared for mergers and acquisitions, business restructurings or other significant transactions include analysis of the related tax risks (if any) to facilitate decision making.

The Group has a process of identifying, assessing, reporting and managing risk. Risk management is embedded in our critical business activities, functions and processes. Vedanta risk management framework is designed to be a simple, consistent and clear format for managing and reporting risks (including tax risks) from the Group's businesses to the Board. We identify risk at the

individual business level for existing operations as well as for ongoing projects through a consistently applied methodology, using a risk matrix.

8. Stakeholder Relationships

The Group maintains an open, honest, transparent and constructive relationship in its dealings with all tax authorities in jurisdictions in which it operates based on mutual trust in line with the Vedanta Code of Business Conduct and Ethics. The Group strives to meet and cooperate with the tax authorities, wherever possible, to facilitate a mutually beneficial working relationship.

We strive to provide timely, accurate and complete answers to queries by the tax authorities. Where disagreements over tax arise, we proactively work with tax authorities to seek to resolve all issues by agreement, where possible.

Where recourse to the litigation/dispute resolution mechanisms is required to resolve disagreements, we maintain a collaborative and professional interaction with tax authorities throughout the process.

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.

The Group also recognises a wider stakeholder group, including policy makers, employees, suppliers, customers, investors, communities and the civil society organisations that represent them. We seek to build and maintain constructive relationships with these stakeholder groups on tax issues, where appropriate.

9. Dispute Resolution

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, we will consider pursuing the case before appellate authorities based on a risk assessment, and in consultation with our advisors or tax counsel.

The decision to litigate will be assessed on the basis of technical merits, based on judicial precedents and international developments, cost and benefit analysis, reputational issues, cash flow implications and industry positions.

Dispute resolution may also be achieved through arbitration, conciliation, and mechanisms available under various Double Tax Avoidance Agreements and other alternative dispute resolution mechanisms. All possible dispute resolution mechanisms shall be appropriately evaluated and one or more can be considered simultaneously, as deemed appropriate for a set of circumstances.

We will also explore the possibility of resolving the disputes in litigation by engaging with the Government through industry groups or forums. An industry-wide approach on disputes that impact the industry broadly, can help settle stalled litigation.

