



HINDUSTAN ZINC
Zinc of India



HINDUSTAN ZINC TAX TRANSPARENCY REPORT 2017-2018

Hindustan Zinc is committed to tax transparency and compliance. In this report, our first Tax Transparency Report, the purpose is the disclosure of the economic contribution made by the business to the Governments. The details of the different types and amounts paid by Hindustan Zinc operations as well as the principals that guide our tax governance are provided in this report.

We strive to be a responsible corporate citizen and to make a positive contribution to the communities in which we operate and move towards greater transparency that increase understanding of tax contribution and build public trust. We will continue to monitor our tax framework, taking into account best practice and regulatory developments.

Hindustan Zinc takes its tax obligations seriously and is committed to paying the right amount of tax in all the jurisdictions where it operates. Our corporate values and behaviors are reflected in our approach to tax transparency and relationship with tax regulators.

**Hindustan Zinc,
is the No. 1
taxpayer in Rajasthan
and contributed to
Government treasury ~42%
of its revenue.**

**This report covers the
year ended 31st
March 2018.**

ADDING VALUE
TO DEVELOPMENT...

STRENGTHENING THE NATION



₹9,301

Crore contributed to
Government
Treasury*

*cash during FY 2017-18, including royalties, taxes & dividends

TAX TRANSPARENCY REPORT 2017-2018

Hindustan Zinc Limited (HZL) was incorporated from the erstwhile Metal Corporation of India on 10 January 1966 as a Public Sector Undertaking.

Pursuant to the April 2002 disinvestment of Government of India's (GOI) stake of 26% including management control and subsequent exercise of 'call option' and open offer to public, Vedanta Group acquired 64.92%, while GOI's holds 29.54% and balance is with public and financial institutions.

HZL operates across the value chain - from exploration, asset development and extraction, to processing and value addition. 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 HZL, we believe that the natural resources industry must have a lasting impact and purpose towards human betterment and preservation of the environment rather than just extracting these reserves for profit. Hindustan Zinc has the potential to substantially contribute towards critical investments in education, employment generation & skill development, 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.



Sunil Duggal

CEO & Whole time Director, HZL.

"I am pleased to report that in fiscal year 2017 -18, Hindustan Zinc Limited has made the contribution of Rs. 12,428 Cr. to the Government treasury in form of taxes, royalties and dividends paid at Gross level and Rs. 9,301 Cr. at Net level. With such contributions, we hope to make a significant difference in the socio-economic development of our country that host our business and we see this as an integral part of our commitment to our Social License to Operate. I encourage you to go through our Tax Transparency Report - a voluntary effort to maintain transparent dialogue with all our stake holders on contributions made to Government treasury."

During the FY 2017-18, HZL generated economic value of Rs. 24,272 Cr. through our product revenues and income from effective deployment of available capital. This was distributed to our various stakeholders i.e. shareholders and bankers by way of dividend and interest payment, employees by way of payment of wages & benefits, society by way of community support focusing on health, education, livelihood & environment, vendors by way of supply of goods & services and Government by way of contribution of taxes, royalties & dividends.

We have trifurcated our approach to value creation

- **We add value to the country's exchequer by unlocking its 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 & programmes that accelerate development and ensure equitable growth**

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 conducting 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:

- Conducting the business in the most transparent manner
- Being a responsible stakeholder in the growth of the Society and Nation
- Being fair and reasonable in all our dealings with the stakeholders.

APPROACH TO TAX TRANSPARENCY

As a part of our voluntary initiative to be at the forefront of transparency, we have prepared this 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 HZL to the local, state and central Governments.

WE BELIEVE IN GIVING FULL, FAIR, ACCURATE, TIMELY AND UNDERSTANDABLE DISCLOSURES IN FINANCIAL STATEMENTS, REPORTS AND DOCUMENTS THAT WE FILE OR SUBMIT TO RELEVANT AUTHORITIES.

The contributions comprise Taxes paid (Corporate income tax, royalty related tax payments including contributions to District Mineral Foundation and National Mineral Exploration Trust, material payments made to the Government such as duties on import/export, local municipal taxes, cesses etc.), Indirect revenue contributions (taxes collected and paid on behalf of our employees and vendors i.e. withholding taxes, GST & social security contributions) and dividends paid to Government.



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 & Ethics, which applies to all employees, sets out our zero tolerance on corruption and bribery. Hindustan Zinc Limited requires its employees, tax advisors and suppliers to act with integrity and maintain high ethical standards in all their dealings.

The tax strategy is owned and approved by the HZL's Board. It is subject to annual review whereby an annual compliance report is submitted to Board & Audit Committee. The 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 Company with support from the Company's Corporate tax team.

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

COMPLIANCE WITH LAWS & REGULATION

HZL maintains a compliance calendar and reports compliance or non-compliance on a periodic basis. Systems, processes and controls should enable the Company to fulfill its tax compliance obligations.

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



TAX PLANNING & TAX RISK

The Company 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 states we operate.

The Company 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

We maintain an **open, honest, transparent and constructive relationship** in all its dealings with the tax authorities based on mutual trust in line with Hindustan Zinc's Code of Business Conduct and Ethics.

The Company actively participates in the tax authority's formal consultation processes on matters having material impact on the Company. We work with Industry chambers wherever possible to contribute in development of tax laws and policies.

If a dispute arises with the tax authority regarding a tax position taken by the Company, 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 and judicial precedents, cost & benefit analysis, reputational issues, cash flow implications and industry position.

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

Taxes Paid primarily comprise Corporate Income Tax (including Corporate Dividend Tax which is profit based), royalty related tax payments and other material payments made to the Government, Duties on Import/Export, Local Municipal taxes, Cesses 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 GST on Sales and other Social Security Contributions to fund the Social Security program of the Governments for the employees etc.

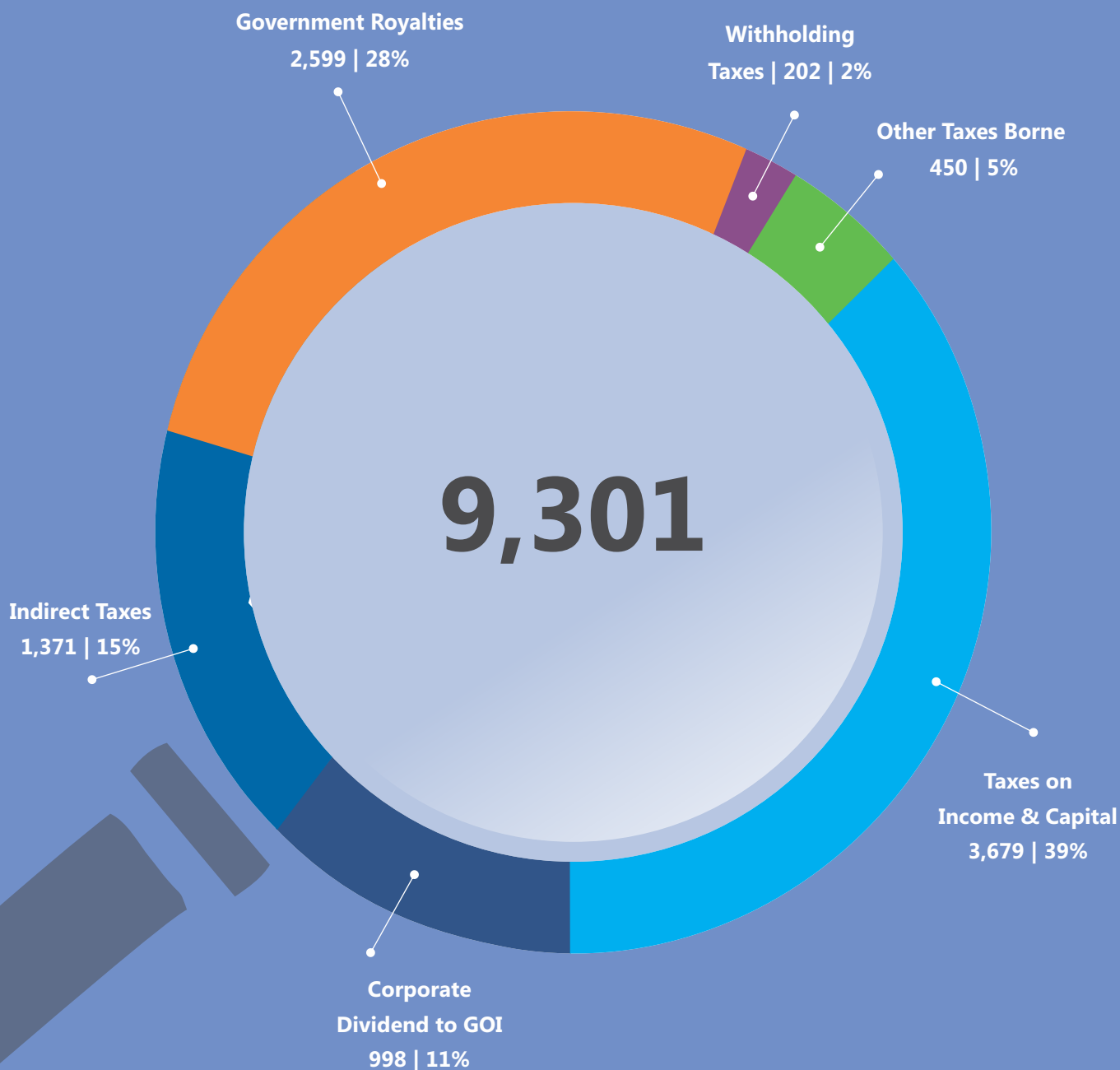
Further, this year the Company has included dividends paid to Government as part of contribution to public finances which forms around 11% of our total contribution.

Table 1: Below details the amounts of Revenue, Profit Before Tax (PBT) contributions made by the Company to Government treasury in FY 2017-18:

Revenue from Operation	Profit Before Tax (PBT)	Taxes paid & Contributions made				Indirect Revenue Contributions			Corporate Dividend to GOI	Contribution to Government Treasury
		Taxes on Income & Capital	Government Royalties (including DMF/NMET)	Others	Total Taxes	With-holding Taxes	Indirect Taxes	Total		
22,084	12,497	3,679	2,599	450	6,728	202	1,371	1,573	998	9,301

The contribution at gross level is Rs. 12,428 Cr. which includes input tax credit, PF contribution, indirect contribution such as pension fund, etc.

HZL CONTRIBUTION TO GOVERNMENT TREASURY (RS. CR.)



Note

- 1 Amounts reported in the table above are from financial statements for FY 2017-18.
- 2 All data is prepared for the year from 1 April, 2017 to 31 March, 2018. The above contributions have been reported on cash basis. Social expenditures have not been considered in the contribution to Government treasury shown in the table.
- 3 HZL has not disclosed in 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 paid 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 supplier's/service providers in the invoice.

4 Taxes Paid

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 Government authorities and generally tend to become payable in the year the profits were made or up to one year later.

Government Royalties

This comprises of contributions made to public finances in the form of royalties on extraction of ore and contributions to District Mineral Foundation and National Mineral Exploration Trust. These form part of operating costs.

Other Taxes Paid

This primarily comprises of Duties on Import/Export of Goods (Considered part of Operating Costs), Municipal Taxes, Service Tax, Entry Tax/Octroi and other taxes paid. These form part of operating costs.

Indirect Revenue Contributions

Withholding Taxes

This comprises of payroll & employee taxes (including professional tax) withheld from employee remuneration and paid to Government authorities, i.e. tax collected and remitted to Governments on behalf of employees.

Typically, these taxes would be reflected in payroll tax returns made to Government treasury and tend to be payable 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.

Indirect Taxes

This comprises of the taxes paid to the Governments on production or sale of goods like GST etc. These taxes would not be collected if the Company does not produce and make sales to the customers.

Others

This includes contribution of employers and employees for funding the Social Security program of Government like Provident Fund and Employee State Insurance Fund etc. Such contributions are reflected in the monthly and annual returns made to the respective organizations. This forms part of the gross contribution.

Dividends paid to Government

This includes dividends paid to Government as GOI holds shareholding in the Company which has paid dividend during the year.

OUR CORE VALUES

Trust | Care | Integrity | Respect | Excellence | Innovation | Entrepreneurship

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

World's 2nd largest integrated Zinc producer	Globally Ranked 3rd towards care for the environment <i>(Dow Jones Sustainability Index – Mining & Metals)</i>	Among Top 10 Global Silver Producers <i>(The Silver Institute, Thomson Market Report, March 2018)</i>
325 MW of Renewable Power		Revenue from Operations Rs. 22,084 cr
78% Market share of primary Zinc in India		Net Profit Rs. 9,276 cr

By contributing to the Government treasury 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 local, state & central Governments.



Hindustan Zinc Limited

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