



HINDUSTAN ZINC
Zinc & Silver of India



TAX TRANSPARENCY REPORT

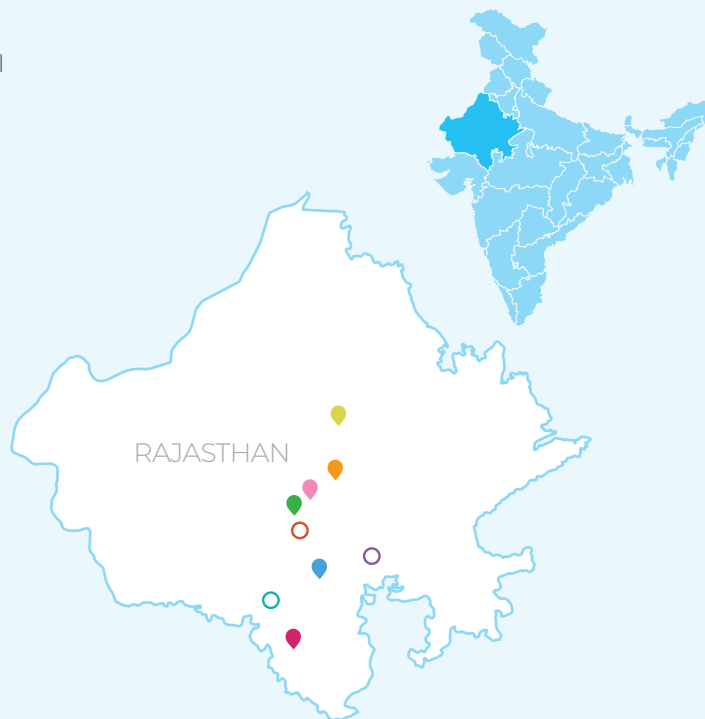
2020-2021

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 in Hindustan Zinc Limited,

Vedanta Group acquired 64.92%, while GOI 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. The company continues to deliver long term value and growth across all stages.



Map not to scale. For illustrative purposes only.

MINES

	Reserve (Million MT)	Resource (Million MT)	Reserve Grade Zn (%)	Reserve Grade Pb (%)
● Rampura Agucha Mines	42.7	34.5	11.9	1.4
● Sindesar Khurd Mine	45.3	66.2	3.3	2.1
● Zawar Mining Complex	31.5	111.1	3.1	1.6
● Rajpura Dariba Mine	28.2	41.1	5.0	1.7
● Bamnia Kalan	0	41.9	0	0
● Kayad Mine	2.6	2.7	6.8	0.8

R&R Summary

	Tonnage		Grade	
	Million MT	Zn (%)	Pb (%)	Ag (g/t)
Reserve	150.3	6.1	1.7	61
Mineral resource-measured and indicated	122.9	4.9	1.9	63
Mineral resource- inferred	174.8	5.1	2.3	66

Smelter

	Pyro- metallurgical Zinc Smelter (TPA)	Pyro- metallurgical Lead Smelter (TPA)	Hydro- metallurgical Zinc Smelter (TPA)	Lead Smelter (TPA)	Captive Power Plant (MW)
● Chanderiya Lead-Zinc Smelter	1,05,000	90,000	4,80,000	-	234
● Dariba Smelting Complex	-	-	2,40,000	1,20,000	160
● Debari Zinc Smelter	-	-	88,000	-	-

Notes:

Additional facilities in Pantnagar, in the state of Uttarakhand, for processing and refining of zinc, lead and silver, which does not add to our overall smelting capacity
TPA = MT per annum)

The primary activities viz. Production, manufacturing, sales, marketing of Hindustan Zinc are based in India and global sales are managed through sales/marketing offices based in India only. Hindustan Zinc earns all its profits from operations in India as there are no operations/ sales and marketing offices outside India.

Power Capacity Mix FY 2020-21 (MW)



Captive
Solar Power
40.42



Captive Waste
Heat Recovery
Boiler (WHRB)
35.27



Wind Power
Independent
Power Producer
(IPP)
273.5



Thermal
Power
485.5

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Chairman's Value Statement



At Hindustan Zinc, we create sustainable returns and lasting, positive impact for all our stakeholders. We aspire to be a role model for corporate responsibility and continuously raise environmental, social and governance standards.



Transparency is an enabler of sustainable development and we have been regularly making comprehensive disclosures of our tax payments.

Government need sufficient and sustainable revenues from taxation to fund essential public services, including healthcare and education, and to pay for the public infrastructure needed to raise living standards and build functioning economies.

We strongly believe that responsible tax behaviour is in the long-term interests of corporates as it supports the development of societies in which they can thrive. With the taxes we pay, we make a meaningful contribution to the economic and social development.

KIRAN AGARWAL

Chairman, Hindustan Zinc Limited

SUSTAINABILITY GOALS 2025



The Sustainability Goals along with action and sub-action plans have been reported in detail in Hindustan Zinc's Sustainability Review Report FY2021.



Message from CEO



Cognizant of the fact that in the fast-changing world, only holistic and balanced approach towards growth will help us deliver on our operational and financial objectives, we continue to focus resolutely on our ESG commitments and sustainability goals.



As a responsible corporate, we directly touched lives of 7,00,000 people during these COVID times through enhancement of the local economy and improving their quality of life through our sustained social initiatives. Hindustan Zinc received CSR Health Impact Award by 'Integrated Health and Wellbeing Council', as a token of appreciation for its exceptional response and on-ground work with extensive focus on life, livelihood and helping mitigate the impact of COVID-19 pandemic.

We, at Hindustan Zinc, believe that tax transparency and compliance is an essential element of Corporate Social Responsibility. Hindustan Zinc aims to act as a good corporate citizen, paying,

deducting and collecting the right amount of tax in a timely manner. We aim to do this by ensuring that we manage and report our tax affairs in a manner that safeguards compliance with all applicable tax laws and obligations. Our tax compliance is timely, efficient and accurate, and in sufficient detail to enable a tax authority to form an accurate view of the tax affairs of the company.

We undertake tax positions which are supportable and sustainable based on sound commercial activities and in line with the letter and the spirit of the law.

ARUN MISRA
CEO & Whole time Director

India's largest & only integrated producer of zinc, lead and silver

4th largest zinc smelter globally

6th largest silver producer globally

2nd largest zinc-lead miner & one of the lowest-cost producers of zinc globally

#1 in Metals & Mining category (Asia-Pacific) in Dow Jones Sustainability Index 2020

Included in list of A rated companies for Climate Change Carbon Disclosure project

As on 31st March, 2021, Source: Wood Mackenzie for global mine/smelter rankings for zinc-lead mine and cost, World Silver Institute for silver producer rankings, S&P & RobecoSAM for DJSI ranking, CDP not-for profit global organization for A listing

Message from Senior Vice President & Head Finance



I am pleased to present Hindustan Zinc Limited Tax Transparency Report for the financial year 2020-21. The purpose of this report is the disclosure of the tax contributions made by the company to the Government of India.



The details of the different types and amounts of taxes paid by Hindustan Zinc as well as the principles and strategies that guide its tax governance are provided in this report. The company has made a total contribution of Rs. 14890 Cr. to the public finances in form of taxes, royalties etc. We see tax as more than a corporate expense; it is an essential tool that helps foster social, environmental and economic development and forge the partnership between communities and corporations. With such contributions, we hope to make a significant difference in the socio-economic development of our country that hosts our business and we see this as an integral part of our commitment to the society. I encourage you to go through our Tax Transparency Report - a voluntary effort to maintain transparent dialogue with all our stakeholders on contributions made to public finances.

As the world emerges from the COVID-19 crisis, the emphasis on tax collection globally will increase. To ascertain integrity and trust in tax systems, it is important that tax policy decisions reflect real world data. We believe fact-based industry disclosures like ours will contribute positively to the wider tax discussion.

We undertake our tax affairs in a responsible manner, while fulfilling our commitment to corporate social responsibility and satisfying our

professional and ethical obligations. We are a responsible taxpayer and are committed to paying tax in the jurisdiction in which value is created in accordance with the arm's length principle wherever relevant.

At Hindustan Zinc we are committed to the highest standards of corporate governance and tax transparency. We are committed to full compliance with all applicable tax laws, rules & regulations, external and internal reporting requirements including those concerning disclosure to tax authorities and reporting on the tax payments that we make. The company believes in maintaining long-term, open, transparent and cooperative relationship with tax authorities.

We hope our tax transparency report will contribute to a wider discussion about the importance of taxes and corporate tax transparency. We will continue to review our reporting on tax payments and make appropriate improvements in line with any applicable regulatory developments.

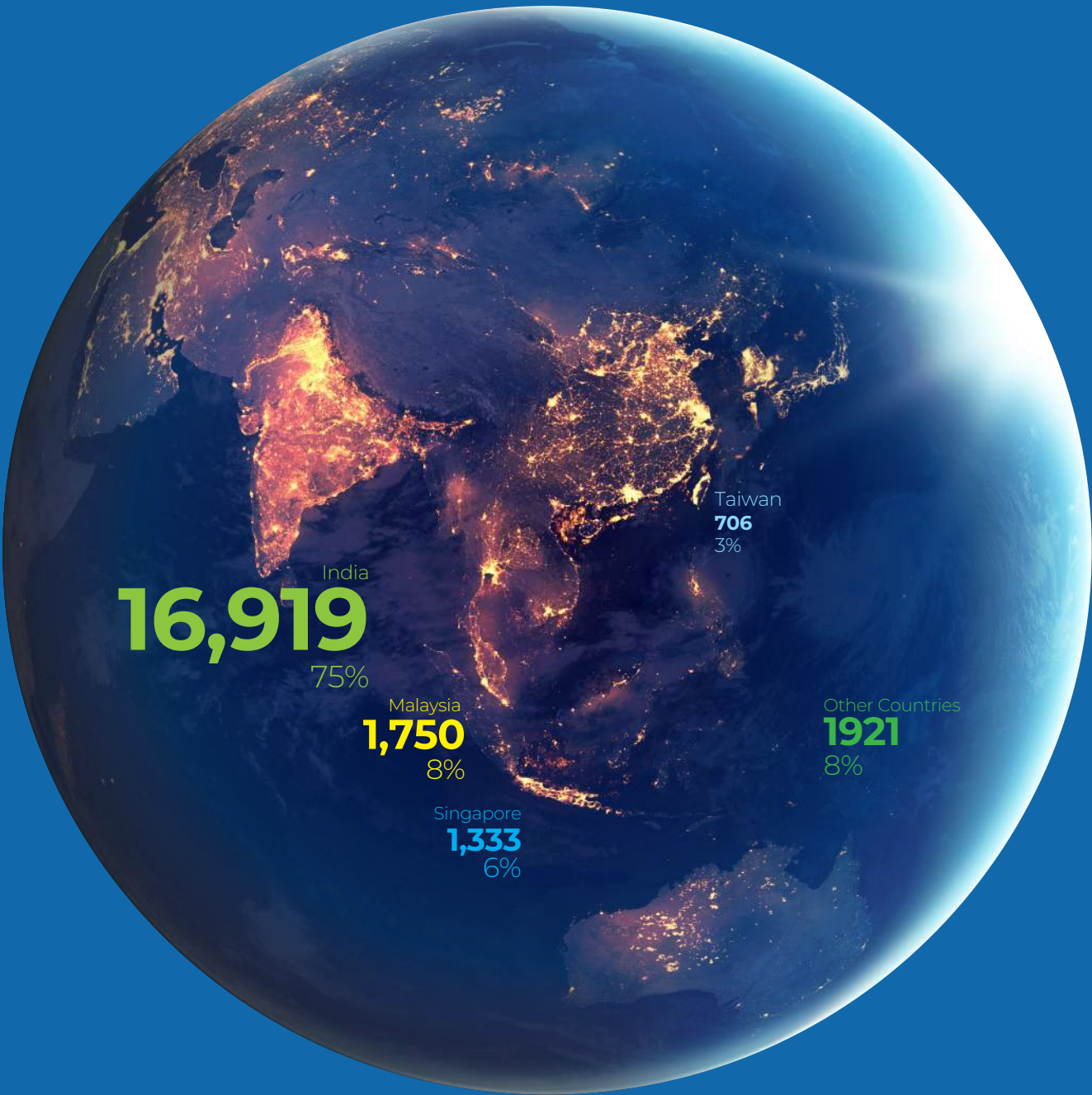
Hindustan Zinc is the top taxpayer in the state of Rajasthan, contributing about 66% of its revenue to public finances. This report covers the financial year 2020-21.

VINAYA JAIN
Senior Vice President & Head Finance

Revenue	EBITDA	Profit after Tax	Net worth
₹22,629 Cr	₹11,739 Cr	₹7,980 Cr	₹32,313 Cr

Revenue across Geographies

Country wise break-up of sales (₹ Cr)





Guiding Tax Principles



To maintain high standards of integrity with respect to tax compliance and reporting.

To observe all applicable laws, rules and regulations including in respect to transfer pricing. To meet all tax compliance requirements in a timely manner, through a team of qualified tax professionals and external service providers.

To maintain the Company'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 to the government.

We only undertake transactions which will have results that are consistent with the underlying economic consequences, including tax structures with commercial substances.

To ensure that all transactions and tax positions are properly documented. As part of the Company's tax compliance, 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 judgement involved.

Working positively, proactively and transparently with tax authorities to minimize the extent of disputes, achieve early agreement on any disputed issues and achieve certainty wherever possible.

To identify tax risks in a consistent and formal manner and communicate these to the Audit Committee and the Board.

To develop our people, through training, experience and opportunity.

TAX STRATEGY

Hindustan Zinc is committed to be fully tax compliant and our tax strategy reflects and supports our long-term business philosophy that avoids undue tax risks and any inefficiencies in the implementation of business decisions. The Company's tax strategy basically consists of ensuring compliance with applicable tax laws and regulations. We believe in giving full, fair, accurate, timely and understandable disclosures in financial statements, reports and documents that the company files or submits to relevant authorities and in other public communications.



Compliance with tax obligations shall be governed by the following principles:

Compliance with the letter and spirit of applicable tax rules and regulations.

To maintain highest standards of integrity with respect to tax compliance and reporting.

To ensure that all transactions and tax positions are properly documented.

We mitigate tax risks by taking strong technical positions in accordance with applicable laws and supported by adequate documentation.

Material tax risks or disputes are reported to the audit committee of the Board of Directors for its consideration. The audit committee then updates the Board.

We periodically review emerging tax risks which may arise in view of multiple disruptions in business

and economy including regulatory, social, political and technological changes.

We require all our employees, tax advisors and suppliers of tax services to act with integrity and maintain highest ethical standards in all our dealings.

The company maintains long-term, open, transparent and cooperative relationship with tax authorities. All dealings with the tax authorities and other relevant bodies are conducted in a collaborative, courteous, timely manner and in compliance with the Hindustan Zinc's Code of Conduct.

To proactively work on Tax disputes and engage experts for resolution (both internal/external)

We do not use tax havens identified under OECD regulations and we are committed to non-usage of such tax havens.

Our approach to tax and transfer pricing are guided by international tax standards (including OECD Guidelines).

We only undertake transactions which will have results that are consistent with the underlying economic consequences, including tax structures with commercial substances.

We follow the arm's length principle in our transfer pricing while dealing with our related companies.

We are committed to paying tax in the jurisdiction in which value is created.

The content and implementation of this strategy will be reviewed and approved annually by the CEO and Whole-Time Director.

Our Tax Approach

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 Hindustan Zinc Limited to the local, state and central Governments.

The contributions comprise 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, cess etc.; indirect revenue contributions (taxes collected and paid on behalf of our employees and vendors i.e. withholding taxes and social security contributions) and corporate dividend to Govt. of India.

Hindustan Zinc does not have any subsidiaries. However, it has a Joint Venture named 'Madanpur South Coal Company Limited' (Madanpur JV), a Company incorporated in India. Please refer Note 32 in pages 255 & 256 of Annual Report of Hindustan Zinc on the link provided below.

<https://www.hzindia.com/E-Annual-Report/2020-21/>



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.



Compliance with Laws & Regulation

We, at Hindustan Zinc, maintain a compliance calendar and reports compliance or non-compliance on a periodic basis. Systems, processes and controls enable the company to fulfill its tax compliance obligations.

Our in-house tax team and advisory professionals understand the applicable tax laws thoroughly and we align our tax behavior with our code of conduct, corporate values and professional and ethical responsibilities.

Relationship with Tax Authorities and Dispute Resolution

We maintain a long term, open, transparent and cooperative relationship in all our 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 and benefit analysis, reputational issues, cash flow implications and industry position.



Hindustan Zinc Limited Contribution to Public Finances



Revenue

₹ **22,629 cr**



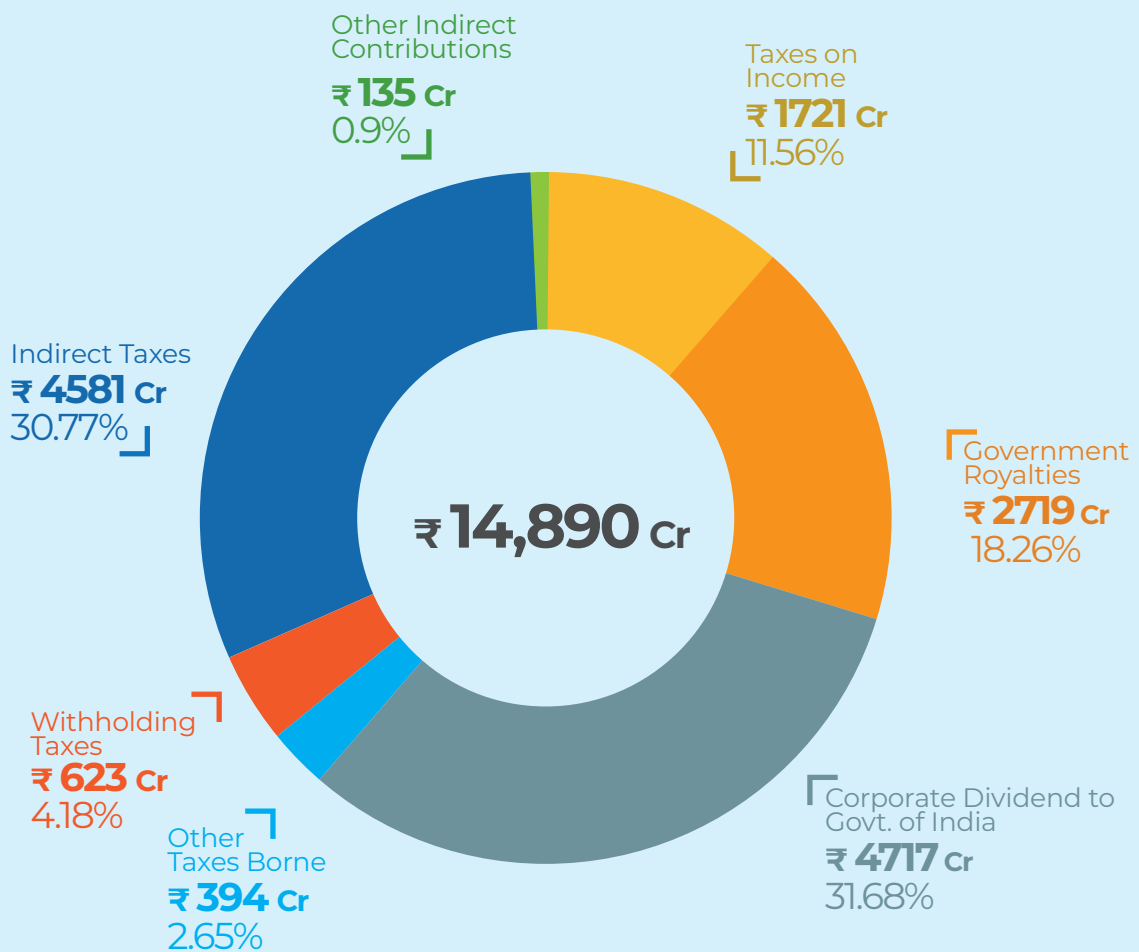
Profit Before Tax (PBT)

₹ **10,574 cr**



Total Employees
including contractor

22,005



All the taxes accrued/paid are for operations in India as there are no operations/ sales and marketing offices outside India

Effective Tax Rate

The effective tax rate [ETR] for Hindustan Zinc Limited for the financial year 2020-21 is

24.53%

This is based on the disclosures in HZL's FY 2020-21 audited financial statements, which comply with the Indian Accounting Standards, the International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board.



The numerator is total tax expense of

₹ 2594 cr



and the denominator is the profit before tax of

₹ 10574 cr



The ETR is lower than the corporate tax rate of

34.944 %

mainly because of tax holiday claimed by us on various units under sections 80IA and 80IC of the Income Tax Act, 1961. A walk of gap between statutory tax rate (34.944%) to our ETR (24.53%) is available on Integrated annual report [Page no. 254](#).

Particulars	UOM	FY 2021	FY 2020
Profit Before Tax (PBT)	₹ Cr.	10574	8390
Tax Expense	₹ Cr.	2594	1585
Effective Tax Rate (ETR)*	%	24.53	18.89
Cash Tax Paid	₹ Cr	1721*	1093#

Information regarding the Global ETR can be found in the Vedanta Group's financial statement in Vedanta's 2021 Annual Report <https://www.vedantalimited.com/Pages/AnnualReports.aspx>



* ETR is calculated as income tax expense divided by profit before tax.

* Out of Rs. 1721 Cr tax paid in the FY 2020-21, taxes paid for FY 2019-20 was Rs. 47.80 Cr.

Out of Rs. 1093 Cr tax paid in the FY 2019-20, taxes paid for FY 2018-19 was Rs. 140.75 Cr.

Basis of Preparation

Note 1

Amounts reported in the table above are from financial statements for FY 2020-21 and the company's contribution to the public finances are in line with the amounts reported in Vedanta Tax Transparency Report.

Note 2

All data is prepared for the year from 1 April 2020 to 31 March 2021. 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

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.

Note 4

Taxes Paid

Taxes on Income

This comprises of Corporate Income 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 public finances 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 Integrated Goods and Services Tax (IGST), Central Goods & Services Tax (CGST) and State Goods & Services Tax (SGST). 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.

Dividends paid to Government

This includes dividends paid to government as the government holds shares in the company.

Appendix -I Taxes Paid by HZL

Corporate Income Tax

Government Royalties

Corporate Dividend to Govt. of India

Duties on Export and Import

Other Cesses and Surcharges

Stamp Duty

Municipal Taxes

Withholding Taxes

Goods and Service Tax

Octroi/Entry Tax

Provident Fund and Employee State Insurance

Land Tax/Property Tax

Electricity Taxes/Duty



Appendix -II Glossary of Terms

Corporate income tax

All taxes that are based on the taxable profits of a company.

Current tax

The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Financial Reporting Standard IAS 12.

Deferred tax

The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS 12.

Effective tax rate

The corporate income tax charge in respect of an accounting period divided by the accounting profit before tax.

Government

Any governing body of a nation, state, region or district, but not including any commercial enterprises or financial institutions that may be controlled by a government.

Vedanta Group/the Group

Vedanta Limited and their subsidiaries, associates and joint arrangements.

Indirect tax

Tax that is required to be paid to a government by one person at the expense of another person.

OECD

Organisation for Economic Co-operation and Development (OECD) is an intergovernmental economic organisation with 38 member countries, founded in 1961 to stimulate economic progress and world trade.

Profit before tax

Accounting profit for a period before deducting a charge for corporate income taxes.

Tax

Any amount of money required to be paid to a government, whether by law or by agreement, including without limitation corporate income tax, government royalties, licence fees, permitting fees, property taxes, dividends (where the payment is related to extractive activities), employment taxes, sales taxes, stamp duties and any other required payments.

Tax charge

The amount of corporate income tax included in the income statement of a company for an accounting period.

Tax collected

Tax that a person is obliged to pay to a government on behalf of another person.

The report

Tax Transparency Report – FY 21





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Zinc & Silver of India

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