



**TAX
TRANSPARENCY
REPORT**
2019-2020



HINDUSTAN ZINC
Zinc & Silver of India

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. We continue to deliver long term value and growth across all stages.



Mines	Reserve	Resource	Reserve	Reserve
	(Million MT)	(Million MT)	Grade Zn (%)	Grade Pb (%)
● Rampura Agucha Mines	39.1	45.8	12.6	1.6
● Sindesar Khurd Mine	37.3	79.1	3.6	2.3
● Zawar Mining Complex	14.2	82.2	3.1	1.5
● Rajpura Dariba Mine	20.4	38.5	5.1	1.7
● Kayad Mine	3.6	1.9	5.1	1.0

R&R Summary		TONNAGE		GRADE	
		Million MT	Zn (%)	Pb (%)	Ag(g/t)
	Reserve	114.7	6.9	1.8	69
	Mineral resource-measured and indicated	129.7	5.3	1.9	72
	Mineral resource- inferred	158.6	5.7	2.2	67

Smelter		Pyro-	Pyro-	Hydro-	Lead	Captive
		metallurgical Zinc Smelter (TPA)	metallurgical Lead Smelter (TPA)	metallurgical Zinc Smelter (TPA)	Smelter (TPA)	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	-	-	

* retrofitted to produce lead also.

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)

POWER CAPACITY MIX IN FY 2019-20 (MW)



39.64
Captive
Solar Power

35.37
Captive Waste
Heat Recovery
Boiler (WHRB)



273.5
Wind Power
Independent Power
Producer (IPP)

474
Thermal
Power



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Chairman's Value Statement



At Hindustan Zinc, we regard sustainability as a strategic, long-term value driver and we embed this approach throughout our mining and manufacturing value chain. We believe that, with our sustainability approach, we will be able to address sustainability challenges, become more competitive and further sharpen our commitment to all our stakeholders.

Why is paying a fair share of tax important to Hindustan Zinc Ltd and how does tax complement our overall approach to sustainability?

At Hindustan Zinc, we are committed to paying our fair share of taxes and being transparent about what we pay and where we pay it. Transparency is an enabler of sustainable development and we remain committed to support

the meaningful disclosure of our economic contribution and have been regularly making comprehensive disclosures of our tax payments. Taxes are the lifeblood of our societies. These tax revenues enable governments to pay for essential public services, such as health care, education and wellbeing of the less privileged, whilst ensuring a robust infrastructure is built and maintained for the society. We are proud of handling our tax affairs in a responsible and sustainable way.



KIRAN AGARWAL
Chairman, Hindustan Zinc Limited

SUSTAINABILITY GOALS 2025

0.5MN tCO₂e
GHG emission savings in our operations from base year 2017

5X
Water-positive company and achieve 25% reduction in freshwater consumption

3X
Increase in gainful utilisation of smelting process waste

Protect & Enhance Biodiversity
Throughout the life cycle

Zero
Work-related fatalities and 50% reduction in TRIFR

Positively impacting **1MN** lives through social, economic and environmental outcomes

30%
Diversity in an Inclusive and diverse workspace

100%
responsible sourcing in supply chain

Message from CEO



At Hindustan Zinc, sustainable development is pivotal to the way we do business. We are committed to raising the quality of life and the social wellbeing of communities in which we operate.

We feel that communities should have a clear understanding about the revenue gained by their government from the extraction of natural resources and its allocation in country's economic and social development. When companies provide transparent information about their revenue, the potential for corruption is reduced. Countries that transparently and effectively allocate natural resources for the benefit of their communities have the potential to attract greater, more responsible and long-term business investment.

We, at Hindustan Zinc, are **committed** to tax transparency and compliance. We strive to be a responsible corporate citizen by making a positive contribution to the communities in which we operate and aim to move towards greater transparency that increase understanding of tax contribution and builds public trust.



ARUN MISRA
CEO & Whole time Director

2ND Largest
Zinc-lead miner globally



18,561 cr
Revenue

4TH Largest
Zinc-lead smelter globally



8,849 cr
EBITDA

6TH Largest
Silver producer globally



6,805 cr
Profit After Tax

77%
Market share in India's
Primary Zinc Industry

40,310 cr
Networth

Message from CFO



I am pleased to present Hindustan Zinc Limited Tax Transparency Report for the financial year 2019-20. 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 that guide its tax governance are provided in this report. The company has made a total contribution of **Rs. 9,150 Cr.** to the public finances in form of taxes, royalties etc. 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 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.

We manage our tax affairs in a responsible manner, whilst fulfilling our commitment to corporate social responsibility and satisfying our professional and ethical obligations.

Hindustan Zinc is the top taxpayer in the state of Rajasthan, contributing about 50% of its revenue to public finances. This report covers the financial year 2019-20.

SWAYAM SAURABH
Chief Financial Officer

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.

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.

Our tax transparency report provides an overview of how we meet our tax responsibilities. It describes our tax principles and tax strategies. We hope it 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.



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.

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.

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 minimise 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 actively participate in tax policy consultation processes where appropriate at a national or international level.

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. Our approach to tax and transfer pricing are guided by international tax standards (including OECD Guidelines). We are committed to paying tax in the jurisdiction in which value is created in accordance with the arm's length principle.



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

Compliance with 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

Reporting of tax risks as per documented process.

The prevention and reduction of significant tax risks through risk-based framework integrated with business philosophy

Foster constructive, professional and transparent relationships with tax authorities and government bodies. 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

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

Integrate Tax planning into project conceptualization decision

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

To actively participate in tax policy consultation processes where appropriate at a national level

We do not use tax havens identified under OECD regulations.

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, cesses etc.; indirect revenue contributions (taxes collected and paid on behalf of our employees and vendors i.e. withholding taxes and social security contributions).

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.



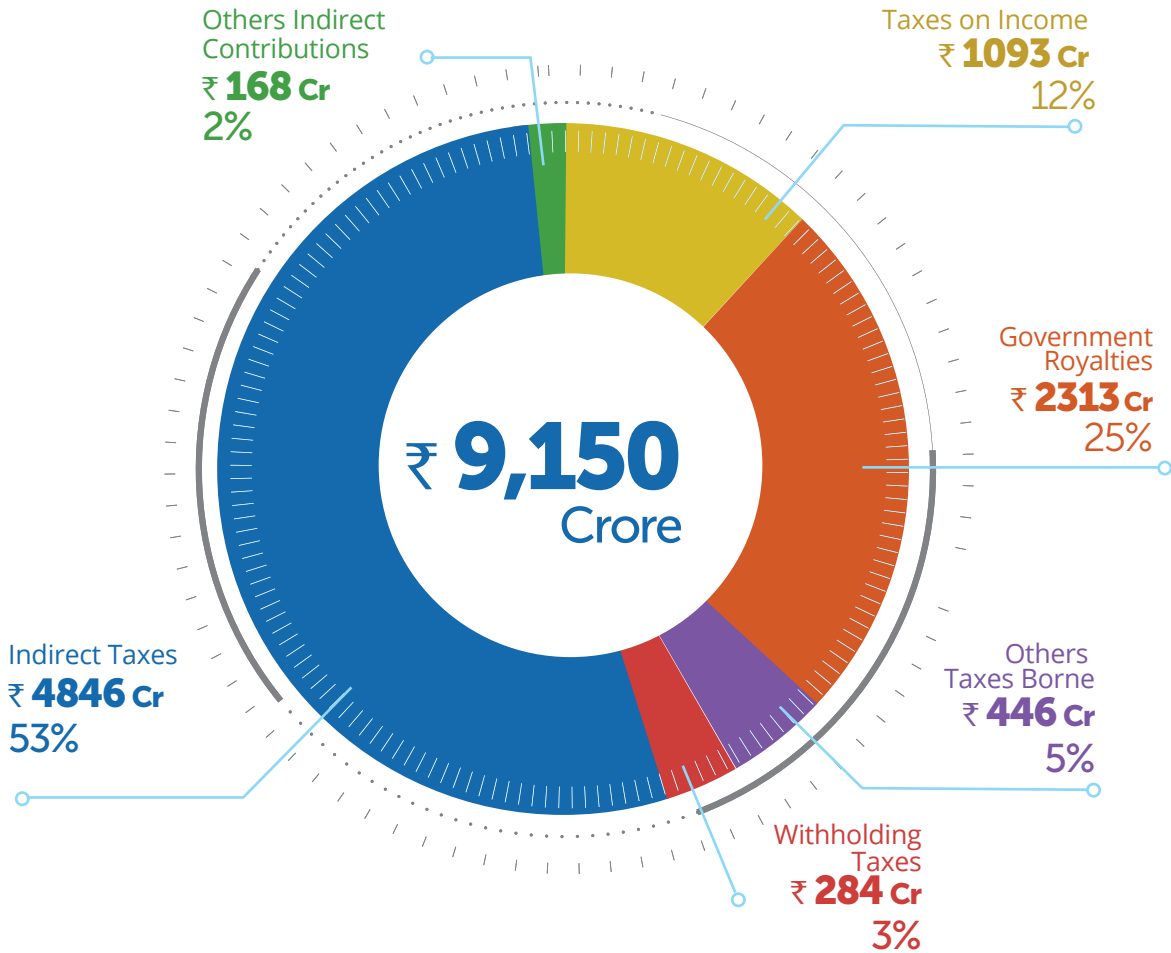
RELATIONSHIP WITH TAX AUTHORITIES AND DISPUTE RESOLUTION

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

Hindustan Zinc Limited Contribution to Public Finances



₹ **18,332** Cr
Revenue from Operations
(Net of Excise Duty)



₹ **8,390** Cr
Profit Before
Tax (PBT)



19152
Total Employees
including Contractor

Effective Tax Rate

The effective tax rate [ETR] for Hindustan Zinc Limited for the financial year 2019-20

18.89%

This is based on the disclosures in HZL's FY 2019-20 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

₹ 1585 cr

The Denominator is the profit before tax of

₹ 8390 cr

The ETR is lower than the corporate tax rate of

34.94 %

Particulars	UOM	FY 2020	FY 2019
Profit Before Tax (PBT)	Rs. Cr	8390	10456
Tax Expense	Rs. Cr	1585	2500
ETR*	%	18.89	23.91

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



Information regarding the Global ETR can be found in the Vedanta Group's financial statement in Vedanta's 2020 Annual Report.

<https://www.vedantalimited.com/Pages/AnnualReports.aspx>

Basis of Preparation

NOTE 1

Amounts reported in the table above are from financial statements for FY 2019-20 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 2019 to 31 March 2020. 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.

Appendix - I

Taxes Paid by Hindustan Zinc Limited



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 Corporate Income 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 37 member countries, founded in 1961 to stimulate economic progress and world trade.
Project	Operationally and geographically integrated contracts, licences, leases or concessions.
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 20





HINDUSTAN ZINC
Zinc & Silver of India

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