

## Proxy Advisory Report (Addendum)

# Vedanta Ltd

### ABOUT SES

Stakeholders Empowerment Services (SES) is a Corporate Governance research and advisory firm. SES assists investors to analyze governance practices including matters relating to sustainability, prevalent at listed entities and empower Investors to undertake meaningful engagement with Investee entities.

### SES SERVICES

**E-BRSR Tool:** Online web-based platform to create BRSR Report by the Company and generate XBRL in seamless, cost and time effective manner  
Already Subscribed by HDFC, Hero, M&M, L&T, UPL, Wipro, Reliance group and many others. [Read More](#)  
**Contact for Demo –**  
[esgdata@sesgovernance.com](mailto:esgdata@sesgovernance.com)

#### SES AIMS:

Designed primarily for Institutional investors to carry out their stewardship activities in an efficient manner. [Read More](#)

#### Proxy Advisory:

Advises investors on the matters that require shareholder approval at listed entities and identify Governance issues. [Read More](#)

#### ESG Scores:

Analyze sustainability initiatives of Companies based on various environmental, social and governance factors. [Read More](#)

#### Corporate Governance Score (CGS):

CGS model measures the Company's compliance and also evaluates the governance practices with respect to global benchmarks. [Read More](#)

#### E-Ballot:

One stop solution for investors – Online Vote Management System to cater to requirements of Institutional Investors. [Read More](#)

### COMPANY INFORMATION

**BSE CODE:** 500295

**NSE SYMBOL:** VEDL

**ISIN:** INE205A01025

**Industry:** Diversified Metals

**Email:** [comp.sect@vedanta.co.in](mailto:comp.sect@vedanta.co.in)

**Phone:** +91 022 6643 4500

**Registered Office:** 1<sup>st</sup> Floor, 'C' Wing, Unit 103, Corporate Avenue, Atul Projects, Chakala, Andheri (East), Mumbai, Maharashtra – 400 093.

### MEETING DETAILS

**Meeting Type:** AGM

**Meeting Date:** 12<sup>th</sup> July, 2023 at 03:00 PM

**Venue:** Video Conferencing (VC) facility or other audio-visual means (OAVM)

**Notice Date:** 12<sup>th</sup> May, 2023

**Notice:** [Click here](#)

**Annual Report:** [FY 2022-23](#)

**SES PA Report (Last AGM):** [Report](#)

### E-VOTING DETAILS

**e-Voting Platform:** [NSDL](#)

**Cut-off Date:** 5<sup>th</sup> July, 2023

**Remote E-voting:**

- **Start:** 7<sup>th</sup> July, 2023
- **Ends:** 11<sup>th</sup> July, 2023

**ADDENDUM REPORT RELEASE DATE:** 5<sup>th</sup> July, 2023

**Research Analyst:** Karishma Yadav

**Conflict Disclosure:** SES - No Conflict | Analyst - No Conflict\*

\*Mr. J.N. Gupta (MD) along with his wife holds shares in the Company.



## ADDENDUM

This addendum is being issued based on e-mail dated 3<sup>rd</sup> July, 2023, sent by Vedanta Ltd ('the Company'), with respect to Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the 58<sup>th</sup> AGM of the Company to be held on 12<sup>th</sup> July, 2023.

**SES is changing its recommendation from **AGAINST** to **\*\*** in resolution no. #2 (Adoption of Consolidated Financial Statements), based on additional disclosure made by the Company via email.**

**Except the Resolution #2, there is no change in any of the SES recommendation.**

EXISTING RECOMMENDATION					
S. No.	Resolution	Type	SES Observation #	Rec.	Rationale
2	Adoption of the Consolidated Financial Statements.	O	<b>NC   TC</b>	AGAINST	<i>Audited financial statements of all subsidiaries not disclosed.</i>
REVISED RECOMMENDATION					
2	Adoption of the Consolidated Financial Statements.	O	<b>LC   GC</b>	**	<i>Shareholders may take their own decision.</i>

O - Ordinary Resolution, Rec. - Recommendation

# LC - Legally Compliant, NC - Legally Non-Compliant, TC - Disclosures & Transparency Concern, GC - Governance Concern

### BACKGROUND

SES, as per its policy, had e-mailed its [PA Report](#) to the Company on 29<sup>th</sup> June, 2023 in respect of ensuing AGM of the Company to be held on 12<sup>th</sup> July, 2023.

Post release of the PA Report, the Company sent an email to SES on 3<sup>rd</sup> July, 2023. SES has also analysed the information provided by the Company and has provided appropriate response.

SES has reproduced the Company's response (*in blue italics*) and SES comments thereon (in black text).

### SES COMMENTS ON COMPANY'S RESPONSE

#### Agenda Item 2: Adoption of Consolidated Financial Statements

*Vedanta Limited has multiple subsidiaries in its group structure. While financial statements of all the subsidiaries were uploaded timely, it appears that the financial statements of Cairn India Holdings Ltd ("CIHL") were inadvertently missed out. Please note that these financial statements have now been uploaded.*

*Further, as per regulatory provisions, the principal auditor is required to cover at least 80% of the consolidated revenues, assets and profits of the Group, as part of their audit procedures. Based on the materiality of revenues, assets and profits of CIHL, the principal auditor of Vedanta Limited, S.R. Batliboi & Co. LLP, have audited CIHL for the purpose of issuing their audit opinion on the consolidated financial statements of Vedanta Limited. The principal auditor has issued a clean audit report thereon (refer page 445 of the annual report). Accordingly, shareholders can be assured that the consolidated financial statements for Vedanta Limited are fit for adoption.*

#### SES Comment:

At the time of report making/release, SES could not locate the Audited financial statements of the one of the subsidiaries on the website of the Company. Therefore, SES in its report had raised a concern for non-disclosure of the same.

Since, the Company has now uploaded ([Weblink](#)) the Audited financial statements of the Subsidiary on the website, the compliance concern raised by SES stands addressed.

However, shareholders may note that:



During FY 2020-21, the Statutory Auditors of the Company had made **Qualified opinion** on the Internal Finance controls of the Company relating to benchmarking the terms and authorisation of loans and guarantees between itself or its subsidiaries with controlling shareholders their affiliates and observed that these processes were not effective, which could potentially result in loans being advanced and guarantees being issued in a manner which may impact the recognition, measurement and disclosure of such transactions in the financial statements.

As of 31<sup>st</sup> March 2023, loans having contractual value of ₹ 3,689 Crore (US\$ 449 million) [31<sup>st</sup> March 2022: ₹ 5,661 Crore (US\$ 749 million)] were outstanding from the VRL group at an interest rate of 9.6%.

SES in its PA report ([link](#)) for 56<sup>th</sup> AGM of the Company has raised concern for Approval of Standalone and Consolidated Financial Statements of the Company on account of Weak Internal Financial Controls. In pursuance to this, in its PA Report ([link](#)) for 57<sup>th</sup> AGM, SES had abstained from making any recommendation for Adoption of Financial Statements.

SES continues to question as to how the qualified opinion raised by the Auditors in FY 2021 stands answered and if does not have any impact on current FY? The same concern has been raised for Standalone Financial Statements.

Shareholders may seek clarification from the Company and make their own decision in this regard.

Therefore, SES is changing its recommendation on **Resolution #2** from **AGAINST** to **\*\*\***.

#### Agenda item no. 9-12: To approve the entering into of a Material Related Party Transactions

*The Company wishes to provide clarifications on resolutions 9 to 12 as follows:*

- a) The Company has sought an approval for Master Sales, Purchase and Service Agreements (“MSA”) with related parties for specified items, amounts and tenure. The Company has disclosed details of transactions covered under the MSA, including monetary values for underlying transactions as a % of total monetary value. This is also consistent with contracting methodology used for unrelated third party contracts, given the index linked pricing (eg. London Metal Exchange) of commodities used in our businesses. Hence, the Company believes that this is not an omnibus approval;*
- b) With respect to category break up of “Others”, these are not material in the context of the operations of the Company. It includes items such as interest expense on the financial transactions for which shareholder approval is being sought;*
- c) It was noted that many companies in peer group of Vedanta Limited have sought similar RPT approvals for agreements duration ranging 3 to 5 years. Hence, it is a common practice to seek shareholder approvals for definitive transactions for more than 1 year;*

#### SES Comments:

The Company has proposed several transactions with different Related Party entities under Resolution 9, 10, 11 and 12.

- Shareholders may note that, the Company has disclosed an estimated break up for underlying transactions as a % of total monetary value of the transactions proposed.
- However, as SES has already stated, the Company has clubbed transactions of different nature and has given an overall cap for transactions under the heading “sale/purchase” in Resolution #9, #10 and #11.
- In resolution #12, the Company has stated that transactions are in the nature of “Sale of hot metal, copper rods and other goods and services, stores and spares, fixed assets, including sale of wire rods, power and ingots etc., or any other transactions for transfer of resources, services or obligations and other reimbursements/recoveries for business purpose from/to SPTL.” Here also, the Company has clubbed transactions of different nature, namely, sale of goods and transfer of resources, services or obligations. Further, SES seeks to understand how is sale of fixed assets and transfer of resources comes under “ordinary course of business”.
- In resolution #10 and #11, “others” account for 10% and 21%, respectively of the total transaction proposed, which as per SES, accounts for substantial portion of the proposed transaction amount. The Company in its response has stated that, it includes items such as interest expense on the financial transactions. SES is unable to understand as to how interest expense on financial transactions can amount to such substantial percent of the total transactions proposed.



- Further, SES is unable to understand as to why interest expense on the financial transaction has been categorized under “operational transaction”, when the Company has separately proposed and capped transactions of such nature under the heading “financial transactions”.
- SES is of the opinion that, since the Company has been entering into these agreements with its related parties from time to time, it must have calculated an estimate of each underlying transaction separately and the same should be disclosed to shareholders, for them to be able to take an informed decision.
- SES reiterates that, a transaction is considered as **specific** only when transactions of different nature are **individually capped** and on disclosure of **details of specific related party(ies)**, **value** of proposed transactions and specific **reasonable duration** of each transaction.
- SES also understands if the Company is unable to compute an estimated amount for each nature of transaction; however, in such case, it must seek omnibus approval only till next AGM / 15 months and **not** 3 years.

In the view of the above, SES considers such an approval to be omnibus and the compliance concern raised stands unaddressed. Therefore, there is no change in the recommendations for resolutions 9, 10, 11 and 12.



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**COMPANY'S EMAIL**

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Dear Shareholder(s),

The Company wishes to clarify the following:

**Agenda item no. 2: Adoption of Consolidated Financial Statements**

**Rationale of SES:** Audited financial statements of all subsidiaries not disclosed

**Company's Response:** Vedanta Limited has multiple subsidiaries in its group structure. While financial statements of all the subsidiaries were uploaded timely, it appears that the financial statements of Cairn India Holdings Ltd ("CIHL") were inadvertently missed out. Please note that these financial statements have now been uploaded.

Further, as per regulatory provisions, the principal auditor is required to cover atleast 80% of the consolidated revenues, assets and profits of the Group, as part of their audit procedures. Based on the materiality of revenues, assets and profits of CIHL, the principal auditor of Vedanta Limited, S.R. Batliboi & Co. LLP, have audited CIHL for the purpose of issuing their audit opinion on the consolidated financial statements of Vedanta Limited. The principal auditor has issued a clean audit report thereon (refer page 445 of the annual report). Accordingly, shareholders can be assured that the consolidated financial statements for Vedanta Limited are fit for adoption.

Please also note that all other proxy advisory firms provided 'FOR' voting recommendation for this resolution.

**Agenda item no. 9-12: To approve the entering into of a Material Related Party Transactions**

**Rationale of SES:** Omnibus transaction approval for three years

**Company's Response:** The Company wishes to provide clarifications on resolutions 9 to 12 as follows:

- a) The Company has sought an approval for Master Sales, Purchase and Service Agreements ("MSA") with related parties for specified items, amounts and tenure. The Company has disclosed details of transactions covered under the MSA, including monetary values for underlying transactions as a % of total monetary value. This is also consistent with contracting methodology used for unrelated third party contracts, given the index linked pricing (eg London Metal Exchange) of commodities used in our businesses. Hence, the Company believes that this is not an omnibus approval;
- b) With respect to category break up of "Others", these are not material in the context of the operations of the Company. It includes items such as interest expense on the financial transactions for which shareholder approval is being sought;
- c) It was noted that many companies in peer group of Vedanta Limited have sought similar RPT approvals for agreements duration ranging 3 to 5 years. Hence, it is a common practice to seek shareholder approvals for definitive transactions for more than 1 year; and
- d) It may be noted that all other proxy advisory firms have provided 'FOR' voting recommendation for resolutions no. 9 to 12.

Request you to please take the above on record.



## Disclaimer Sources

Only publicly available data has been used while making the report. Our data sources include Notice of Shareholders' Meeting, BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, Sustainability Reports, IPO Documents and Company Website.

## Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its [website](#). The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

## CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage with the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

## Disclaimer

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All disputes shall be subject to jurisdiction of High Court of Bombay, Mumbai.

## Concern terminology

**NC – Compliance Concern:** The Company has not met statutory compliance requirements

**FC – Fairness Concern:** The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

**GC – Governance Concern:** SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

**TC - Disclosures & Transparency Concern:** The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

## Company Information



Stakeholders Empowerment Services

SEBI Reg. No. INH000000016  
CIN No. -

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## Warning

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

