

NEWS RELEASE

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UK COMPANIES 'UNDERMINING' DEVELOPMENT IN ZAMBIA

A Vedanta Resources-owned copper mining company is selling Zambia short whilst generating huge profits from the country's finite natural resource, according to evidence in a report published today. It calls on Vedanta and its major UK investors to rectify the situation before current contract renegotiations with Zambia are concluded.

The joint report, *Undermining Development? Copper Mining in Zambia*, by three international development organisations, SCIAF, Christian Aid, and ACTSA, examines the record of Zambia's largest copper producer, Konkola Copper Mines (KCM). KCM is majority-owned by Vedanta Resources – a UK-based FTSE 100 company backed by household names such as Standard Life, HBOS, and Barclays. Such investors 'talk the talk' on corporate social responsibility but during the research period held major stakes in a company with a questionable record on sharing the benefits of its operations with the host country, the environment, and its impact on local communities.

The report authors say KCM is 'short changing' Zambia with royalty fees of just 0.6 per cent instead of the 5 to 10 per cent industry average in developing countries. Whilst legal, this rate of royalty implies that, in 2006/07, the Zambian government would have received mineral royalties of only US\$6.1 million from KCM, while the company extracted copper ore worth over US\$1 billion.

Zambia's copper generates 75 per cent of the country's foreign export earnings but according to the report the government is not receiving its fair share of the income generated at a time when life expectancy in the country is 37 years, one in three children do not go to school, and 68 per cent of the population live in

extreme poverty. Last year KCM made a net profit of US\$310 million which is more than Zambia spent on healthcare. If the country continues to receive such a raw deal, it is likely to remain the ninth poorest country in the world according to UN rankings.

The international development organisations are calling on major investors in Vedanta/KCM to put pressure on the companies during the current negotiations. Specifically, they argue, Vedanta/KCM should:

- pay 30 per cent of profits in income tax (up from 25 per cent);
- pay mineral royalties of at least 3 per cent, up from 0.6 per cent;
- pay the Zambian government a larger share of the difference between the actual copper price and the trigger copper price in the price participation scheme.

According to the Zambian finance minister at the time, the government was put under considerable pressure from the World Bank, IMF and other donors to privatise its copper mining industry in the 1990s; privatisation was a condition for debt relief. This contributed to the Zambian government having a weakened bargaining position during negotiations with the private mining companies.

SCIAF Policy Analyst Abi Dymond is the principal author of the report and states that whilst private companies in developing countries are there to make a profit and do provide social benefits such as employment, Zambia is not receiving a fair proportion of the money raised by its copper resources.

“Evidence suggests that Zambia is drowning in poverty whilst a rich mining company is running away with its greatest natural resource. It is vital that Zambia is given a fairer share of the profits from its natural assets to help combat crippling poverty in the country. SCIAF, Christian Aid, and ACTSA are now calling for Vedanta/KCM management and UK investors to use their influence to make sure Zambia gets a fairer deal. This is a great opportunity for Vedanta and the big UK-based investors to put their much-vaunted corporate social responsibility policies into practice, and we look forward to their support.”

Joyce Nonde, President of the Federation of Free Trade Unions of Zambia (FFTUZ) said:

"We endorse this report and are encouraged by the international pressure being applied on the company (KCM) and the support for Zambian Civil Society calls for improved development agreements, labour rights and environmental protection. It is time that companies operating in Zambia started paying fair taxes and mineral royalties and commit to assist the development of our country rather than undermine it."

Kato Lambrechts, Christian Aid's Senior Policy Officer for Africa said:

"This report challenges mining companies operating in Zambia to clean up their business, pay living wages, adhere to Zambian environmental laws, and pay a fair share of their profits to the Zambian government. The revenues collected from the production and profits of mining companies, especially in view of skyrocketing international copper prices, could help Zambians improve their lives, boost economic development, and bring greater independence from international donors."

Simon Chase, Campaigns Officer at ACTSA said:

"Corporate accountability and social responsibility in the Zambian Copperbelt are being badly ignored as the evidence shows in the report. Zambian people are suffering at the hands of companies like Vedanta and this is their opportunity to implement real and positive change."

The report also focuses on the welfare of those who work at the KCM mines. Some sub-contracted skilled labourers claim that they are paid as little as £37 per month when it is estimated that the average Zambian family needs at least £151 a month to meet their basic needs. Concerns over the pollution arising from KCM's activities, and its effect on local communities are also highlighted. An investigation by The Environmental Council of Zambia found the 'grossly negligent' behaviour of 'KCM management' resulted in rivers used by local communities for drinking water being 'significantly polluted'.

The report also calls on the UK government to make amendments to the Companies Act 2006 to ensure that UK businesses are held to account for the social and environmental impact of their activities in vulnerable developing countries.

A Corporate Accountability Group headed by Anne Moffat MP is currently investigating the implications of the Companies Act 2006 and how it is applied by British companies abroad. Vedanta's operations will be assessed as a case study of the group.

The full report can be downloaded from: www.sciaf.org.uk/extractivesreport and <http://www.christianaid.org.uk/stoppoverty/trade/index.aspx>

Notes to editors

1. The Scottish Catholic International Aid Fund (SCIAF) is Scotland's leading international development charity. It works in 23 countries world-wide to provide emergency and development aid as well as campaigning for fair trade, debt relief, more and better aid, and to stop climate change. SCIAF supports poor people regardless of race, creed or religion.
2. Christian Aid works in some of the world's poorest communities in nearly 50 countries. It works where the need is greatest, regardless of religion, helping people to tackle the problems they face and build the life they deserve. At home and overseas, Christian Aid campaigns to change the structures that keep people poor, challenging inequality and injustice.
3. Action for Southern Africa (ACTSA) is the successor organisation to the Anti-Apartheid Movement. ACTSA campaigns with the people of southern Africa as they strive to build a better future, working for peace, democracy and development across the region.

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