

8<sup>th</sup> November 2007

Dear Mr Cidambi,

Thank you for your response to the joint SCIAF, Christian Aid and ACTSA report *Undermining Development? Copper Mining in Zambia*. We were heartened to hear that Vedanta looks forward to working closely with the government to bring about an outcome that is in the interests of all stakeholders, that the company welcomes the report's aims of sharing the benefits of development and will pay attention to its recommendations. We look forward to seeing these words being put into practice.

We welcome your engagement and, in that spirit, would like to respond to your letter by outlining three areas which we felt deserved more consideration in the correspondence. We would also like to take this opportunity to attach the final version of the report, copies of which are being distributed to key audiences; investment houses with shares in Vedanta, as well as government ministers and parliamentarians in Zambia and the UK alike.

**i) Transparency and clarification of key issues:**

First, whilst we welcome Vedanta's response, we regret that the letter did not include answers to many of the crucial questions posed by the report, in particular:

- *Financial transparency:* KCM's transfers to the Zambian government via mineral royalties, corporate income tax, price participation, dividends and other sources were not detailed. No commitment was made to release such information in the future.

*Publication of key documents:* for example the price participation agreement, and subsequent documents mandated by the development agreements. We do not believe it is enough to note that 'Vedanta...will always make the documents relating to its agreements available in the legally required manner' when a central thrust of the report was to reveal weaknesses in the Zambian legal framework and legal requirements. If Vedanta is genuinely committed to sustainable development, it has a responsibility to go beyond the bare minimum legal requirements when necessary.

- *Environmental impact;* the level of chemicals and minerals released on November 6<sup>th</sup> 2006 into local rivers—reported to be 77 000% over recommended levels—was not clarified. Neither was the amount of sulphur dioxide released by KCM's key copper smelter – despite the fact that such pollutants could have a negative impact on the health of many communities on the Zambian copperbelt.

We firmly believe that transparency on these matters would benefit not just the Zambian people but Vedanta as well, by helping to improve the company's reputation with investors and local communities alike. It is also a matter of credibility; Vedanta has already committed to align 'some performance objectives and targets' with the

Global Reporting Initiative Guidelines (Vedanta Annual Report 2007 p21). These Guidelines cite, as a key economic performance indicator, the need to report on ‘the direct economic value generated and distributed, including revenues...retained earnings and payment to...governments’ (Global Reporting Initiative, Economic Performance Indicator EC1) and, as environmental performance indicators, reporting on ‘SOx and other significant air emissions by type and weight’ and ‘total water discharge by quality and destination’ (Global Reporting Initiative, Environmental Performance Indicator, EN20 and EN21).

## **ii) Working conditions and sub-contracted employees:**

The second issue of concern is KCM’s employment record. Firstly, our position on direct employees has been misrepresented. The report did not state that KCM direct employees are ‘well looked after’ but merely noted that, whilst KCM wages are considered good by some, ultimately ‘all companies, including KCM, need to redouble their efforts to adequately care for their workforce’. Also of importance is Vedanta’s approach to sub-contract workers.

Contract workers may only make up a third of KCM’s workforce (although it is worth noting that some calculations put that figure considerably higher) but this does not mean that their terms and conditions should be ignored. On the contrary, the UN Declaration of Human Rights states that every individual has the right to work in ‘just and favourable conditions’ for ‘just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity’. Interviews with contract workers suggest that they find exercising these rights problematic – indeed, some say they are receiving less than a quarter of the monthly basic needs basket – and we believe that both KCM and Vedanta should be looking into this as a matter of urgency.

Indeed, despite your statement that ‘neither Vedanta nor KCM can be responsible for the working conditions of... subcontractors’, Vedanta and KCM have a clear duty to look after the welfare of contract workers and ensure that their right to ‘just and favourable’ work is being maintained. As the contracting company, KCM is well-positioned to exert pressure all the way down the supply chain. Not only will the demands that KCM make on contract firms filter down to contract workers—with either positive or negative implications for their wellbeing—but the work that contract employees are doing will ultimately create profit for the company. Moreover, we suggest that this could be a win-win situation; improving terms and conditions for contract workers could result in a more highly motivated, dedicated workforce which would, in turn, benefit KCM’s operations.

## **iii) Environmental record: sulphur dioxide emissions.**

The third issue of concern is KCM’s environmental record which, although touched upon, we did not feel was adequately addressed in your correspondence. In particular, we remain concerned that a revision to KCM’s EMP means that the Nkana smelter can legally emit up to 25 times the World Health Organisation’s recommended amount of sulphur dioxide – a level which risks seriously damaging the health of the local population. Given the improvements which have been made to the Nkana smelter in recent years, this may no longer be a relevant concern but, for the sake of

local communities, it is important to get clarity. As such, we would ask again for details of sulphur dioxide emissions and note that this is in line with the Global Reporting Initiative as detailed above.

Finally, we would welcome the chance to talk through these issues with Vedanta directly, and would thus like to take you up on your offer of discussing further how we can help to ensure the maximum benefit to the people of Zambia. We would like to suggest a meeting between Mr Agarwal and representatives from our organisations to discuss these issues in more depth and look forward to hearing from you shortly on this matter. Please suggest a date or number of dates which would suit you.

Yours sincerely,

Paul Chitnis  
Chief Executive, Scottish Catholic International Aid Fund

A handwritten signature in black ink that reads "Paul Chitnis". The signature is written in a cursive style with a large initial 'P'.

Daleep Mukarji,  
Director, Christian-aid

A handwritten signature in black ink that reads "Daleep Mukarji". The signature is written in a cursive style with a large initial 'D'.

Tony Dykes,  
Director, Action for Southern Africa.