

Ms. Abi Dymond
Policy Analyst
SCIAF
19 Park Circus
Glasgow G3 6BE

26 October 2007

Dear Ms. Dymond

Vedanta Resources plc ("Vedanta") welcomes the interest of SCIAF, Christian Aid and Action for Southern Africa in Konkola Copper Mines plc ("KCM") and the Zambian Copper industry.

As a major long-term investor in Zambia and a partner with the Zambian government in KCM, we are keen to ensure that the country reaps the benefits of its mining industry. Although we feel that the report is in some ways misleading (see page 2) and does not reflect the views either of the Government of Zambia, or of companies investing there, we welcome its aims of sharing the benefits of development and will pay attention to its recommendations.

KCM, which is 51% owned by Vedanta, is the country's largest private sector employer and, since Vedanta's initial investment in 2004, has announced new investments of over \$680m. Over the same period, KCM has recruited over 1,500 local school leavers and 200 local graduates and engineers in Zambia. Aside from our record as an investor and an employer we are also proud to be taking a leading role in corporate social responsibility and we feel that the report fails to reflect this (see page 3).

The report calls upon Vedanta and KCM to:

- 1) Use the renegotiation exercise to increase the amount they pay to the Zambian Government and make information about the amount they pay publicly available,
- 2) Publish agreements entered into with the Government, and
- 3) Improve their record in terms of the environment and employment of workers.

We would like to summarily respond to this as follows:

- 1) Vedanta is committed to ensuring that its operations provide benefit in the communities in which they operate and is already a substantial taxpayer and investor in Zambia. The Zambian government, as a substantial shareholder in KCM, has an interest in incentivising the growth and success of the company. All of these points will be taken into account in the negotiations and Vedanta looks forward to working closely with the Government to bring about an outcome that is in the interests of all stakeholders.
- 2) Vedanta is committed to meeting all its legal obligations and as such will always make the documents relating to its agreements available in the legally required manner.

- 3) As the largest private sector employer in Zambia, KCM is proud of its record, both in maintaining levels of employment and in investing to ensure its sustainability. The report itself commends KCM's record with regard to its own employees and the wages and benefits provided to them. Both KCM and Vedanta group are committed to improving their environmental performance wherever they work and have already made substantial investments (some of which are acknowledged in the report) to this effect.

As a background, when Vedanta acquired KCM in 2004, the condition of the assets was dilapidated and its mines had a limited life. Through the Konkola Deep Mining Project ("KDMP"), both KCM and Vedanta are making a long term investment in the sustainability of the mining community in Zambia, extending the life of the mines, and consequentially the jobs they provide, by 30 years.

Vedanta therefore is already addressing a number of the issues raised by the report and will continue to do so. There are some elements of the report which are either factually inaccurate or misleading:

Misleading on Government involvement in KCM

The report details the ownership of KCM and mentions that ZCCM is the beneficial owner of 21% of shares in the company but it does not mention at this stage that ZCCM is in fact owned by the Government of Zambia. As such the Government of Zambia has a direct economic interest in the financial success of KCM, which is unacknowledged in the report. This relationship is only mentioned where the report complains about the low level of dividends paid to ZCCM, but these also reflect the low level of dividends received by Vedanta Resources and demonstrate the longer-term commitment to reinvesting profits from the business for the continued development of the Zambian economy and the Copper Belt.

Wrong to imply that money is being taken from Zambia

The report repeatedly implies that Vedanta is taking money away from Zambia, which would be factually incorrect. No substantial dividends have been paid out from KCM since Vedanta made its initial investment as all of the cash-flows of the business have been invested in capital expenditure and growth projects. In fact, by investing over \$680m in projects in Zambia, Vedanta has become the country's largest inward investor.

Misleading on the conditions of workers by over-emphasising contract workers

The report acknowledges that of the 14,000 employees that work for KCM, fewer than a third are contracted out, but goes on to talk about the conditions of contract workers for three pages after talking about employees for two, creating a misleading impression of the balance of the business.

The report mentions the distinction between employees of KCM and sub-contracted workers and says that the latter seem to be considerably worse off than the former. This implies that the 10,000 employees of KCM are benefiting from a better deal than others working outside the company. Whilst Vedanta would like to see other companies looking after their employees to the same extent as we do, we welcome the fact that this report acknowledges that ours are well looked after.

The report further supports this view by saying:

"Wages at KCM are considered by some to be the best of all the mining companies in Zambia, for which the company deserves credit."

Neither Vedanta nor KCM can be responsible for the working conditions of all sub-contractors but, by setting an example, which the report commends, creating more full time jobs and continuing to invest in Zambia, we hope to raise overall standards of living in the country.

Misleading on environmental issues

Vedanta has acknowledged the issues relating the Kafue river leak, which the report looks into and has dealt with these appropriately. There have been a number of problems related to the under-invested nature of KCM's assets before Vedanta's investment in 2004, which the company has been seeking to address and this was one where the investment came too late. Since the leak, KCM has done everything in its power to help the local communities. We have currently spent over \$15 million in cleaning up the pollution incident and installing new equipment. A number of government officials have commended the clean up that KCM has undertaken on the record, but they are not quoted in the report.

Ignores KCM's extensive CSR programme

Although the report carries a small excerpt from KCM's own literature on page 15, which mentions some of the CSR projects supported by the company, it makes no effort to look into these in any further detail.

KCM spends over \$13m every year on CSR projects and considers its investment in major health projects such as the Malaria rollback programme, its HIV/AIDS programme, the provision of hospitals and clinics and the Jaipur foot initiative, which has provided artificial limbs to over 100 people in Zambia, as part of its commitment to Zambia and part of Vedanta's broader social commitment. In fact, the success of the malaria roll back programme is evidenced by the fact that the incidence of malaria at KCM is 20 per 1,000 compared with a national average of over 300 per 1,000. Furthermore, there have been no malaria-related deaths at KCM for the last four years.

KCM also works with local vendors and equipment suppliers to empower Zambian businesses and ensure the benefits of its investment in the country have a knock on effect elsewhere in the economy.

Other projects supported by the company include its schools, which educate over 1,000 children, its income generation projects for widows, its sponsorship of sports both nationally [KCM has committed to sponsoring the cost of a football coach for the Zambian national team] and in schools, and its support for local economic development. All these go unmentioned in the report.

On top of these and within the last year, KCM has announced

1. The donation of 300 computers to 20 Government schools along with the training of the teachers and provision infrastructure to house the computers at an estimated budget of \$300,000.



2. The opening of a mid day meal centre where the children of the local townspeople will be spending the day and the company will provide nutritious and wholesome mid-day meals at an estimated expenditure is \$250,000.
3. In addition we are building one children's park, costing \$50,000.
4. New support for orphanages by providing income generating schemes.
5. KCM has agreed to partner with the Zambian Government to set up a third university at Kabwe.

The report also mentions HIV/AIDS as one of the most significant challenges facing Zambia but it does not look into KCM's industry-leading approach to dealing with the pandemic:

The KCM HIV/AIDS policy protects the confidentiality of an employee's HIV status, employees' rights to work and benefits despite their status, prohibits discrimination against HIV positive employees and provides for education and voluntary counselling and testing ("VCT"). Efforts of peer educators and counsellors in the workplace and community sensitisation have led to increased VCT uptake. Last year, KCM introduced the provision of free ARVs to employees and their dependents and implemented the Prevention of Mother to Child Transmission of HIV (PMTCT) programme. To date more than 300 women have been enrolled in this programme. KCM also targets the wider community, and employs forty full-time team members supported by 126 village extension workers and 900 HIV/AIDS peer educators at KCM to reach out to 150 villages touching over 2.0 million lives.

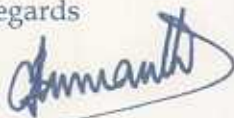
Conclusion

We would like to reiterate that we welcome the interest of your organisation in Zambia and its mining industry. Although we feel that this report is in some ways misleading, we welcome its aims of sharing the benefits of development and will pay attention to its recommendations.

At Vedanta and KCM we believe that having good relationships with the wider stakeholder community is essential to our success as and we strive to make a net positive contribution to all of the countries in which we operate. I would be happy to discuss with you further how we can help to ensure the future success of Zambia's mining industry and the maximum benefit to the people of Zambia.

Please contact me with any additional questions or comments.

Regards



Sumanth Cidambi
Associate Director - Investor Relations