



Konkola Copper Mines plc

Commitment to Transparency

The mining sector is a vital component of Zambia's economy. To ensure that the mining sector continues to contribute meaningfully to the country's economy it is critical that Zambians benefit from their natural resources. To achieve this, companies in the resources sector need to be transparent regarding their operations.

At Konkola Copper Mines (KCM) we are and have always been committed to transparency in all aspects of our work.

Corporate governance

Konkola Copper Mines (KCM) is a subsidiary of Vedanta Resources Plc, a London Stock Exchange listed, and globally diversified natural resources company. In addition, state-owned Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH) holds a significant stake (20.6%) in KCM. Vedanta does not employ any complex offshore subsidiary structures for its shareholding in KCM.

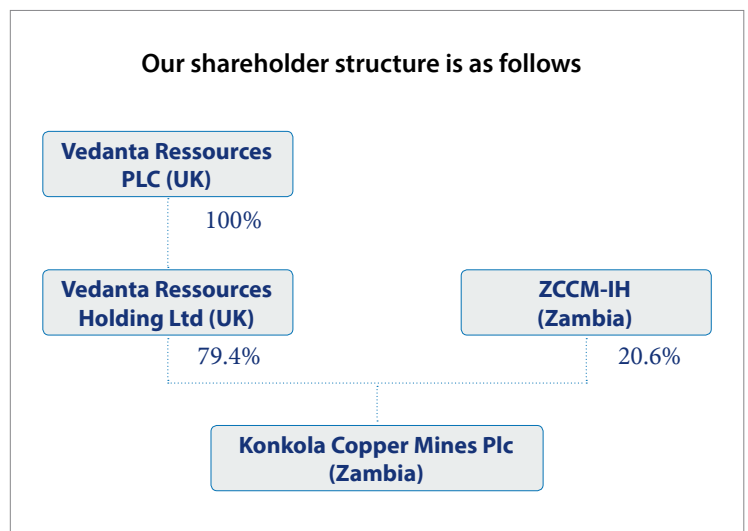
Our board of directors includes two ZCCM-IH directors as well as a director from the government of Zambia. All our directors participate in various board sub-committees providing them with insight and an overview of the company's full operations. This ensures a high level of transparency in the management of the company with all the critical shareholders given full overview.

KCM, through its majority shareholder Vedanta, fully adheres to all of the governance requirements of the UK Listing Authority and fully complies with the UK Anti-Bribery rules.

Audited results and reporting

The company is audited by one of the big four international audit firms, and another of these big four firms is responsible for KCM's internal audit function.

Vedanta's fully audited financial results are publicly filed with PACRA and summary results are published on a standalone basis as part of Vedanta's half yearly results published to investors. The company also submits detailed production data every month to the Ministry of Mines, safety data to the Mines Safety Department and environmental compliance data to the Zambia Environmental Management agency (ZEMA).





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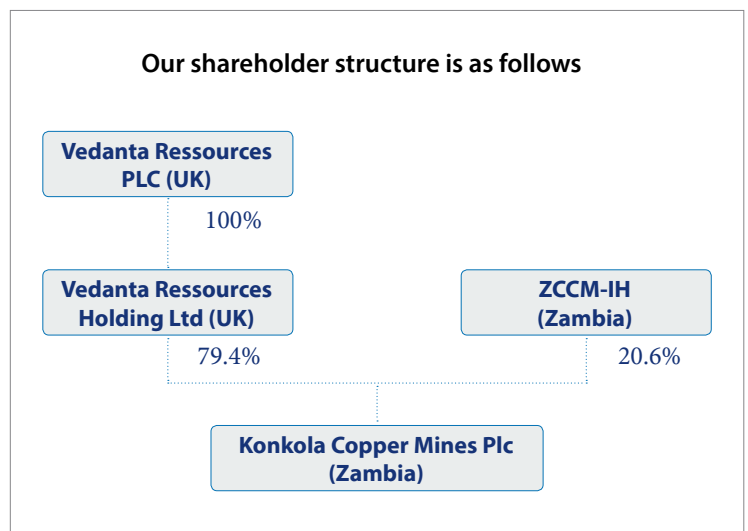
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Zambia Extractive Industry Transparency Initiative

We are proud of our active participation in the Zambia Extractive Industry Transparency Initiative (ZEITI), where our contributions to Zambia, through payments of taxes and royalties, have been reconciled with government records. We were the highest direct and indirect tax contributor to the Government of the Republic of Zambia in 2009 and second-highest in 2010 and 2011, as reported in ZEITI's reports (the 2012 ZEITI report is still being compiled).

Whistle blower policy

As part of its commitment to good governance, KCM has established a Whistle Blower Policy to ensure that all employees can anonymously register in confidence any complaint pertaining to:

- the prevention of theft and recovery of stolen assets;
- violations of any rules and regulations applicable to the Company and related to accounting, internal accounting controls and auditing matters;
- intentional error or fraud in the preparation, review or audit of any financial statement of the Company; and
- any violation to the Company's ethical business practices as specified in the Company's Code of Conduct policy

Background on privatisation process

As part of our pledge to transparency, KCM and Vedanta have remained transparent about the history of Vedanta's acquisition of KCM in 2004:

- The mines on the Copperbelt were initially established by Anglo American Corporation and Roan Selection Trust.
- In the early 1970s, the mines were nationalised and, during the subsequent 20 year period, the government's ownership of the mines was restructured several times.
- In 1991, Zambia became a multi-party state and the government embarked on an exercise to privatize parastatal companies, including the mining industry.
- By March 2000, the privatization programme of the largest mining assets was completed.
- Anglo American reacquired a 51% stake in Konkola Copper Mines, which comprised mining operations in Chingola and Konkola, and smelting/refining operations at Nkana.
- In September 2002, Anglo American withdrew as shareholders of KCM, leaving a restructured company whose main shareholders were again government entities, the ZCCM-IH and ZCI.

A majority stake in KCM was subsequently acquired by Vedanta Resources Plc in November 2004, following an international bidding process led by Standard Bank with support from the World Bank. The context of the purchase was a situation where much of the high-grade easy-to-access ore had been taken out by Anglo American during their previous two-year ownership of the company in 2000 to 2002. During the subsequent two years (2002-04), with record low copper prices, falling ore grades and a high cost base, KCM was under threat of closure without urgent and significant investment to resuscitate the operations.



It was in this environment that Vedanta Resources came in and provided:

- full commitment to re-capitalize the operations
- commitment to maintaining and increasing employment
- provide local business development support
- commitment to provide social services and support for the community.

At acquisition, Vedanta also committed to undertake a feasibility study of the Konkola Deep Mining Pit (KDMP) and, subject to the outcome, commence investment within two years. Vedanta's Board approved the project within one year of purchase of KCM and initiated the investment of sinking the first new mine shaft in Zambia since independence.

The total acquisition amount paid by Vedanta to eventually own a 79.4% in KCM was US\$ 261 million, after an initial US\$ 25 million payment for the subscription of new shares. In addition, KCM assumed a price participation arrangement which resulted in periodic payments to ZCCM-IH, the other shareholder, under certain circumstances when the copper price moved above certain levels. To date US\$ 76 million has been paid to ZCCM-IH in such payments.

Since Vedanta purchased its initial stake, KCM has invested over US\$ 3 billion to upgrade equipment, build new facilities and expand capacity of its operations. This represents the largest investment of any company in Zambia. These investments have further increased reserves and resources and extended the life of the mines by over 25 years.



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