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Tax evasion in Zambia Five NGOs file an OECD complaint against Glencore International AG and First Quantum Minerals for violation of OECD guidelines

Lausanne/Zurich/Paris/Lusaka, April 12th 2011. SHERPA (France), the Center for Trade Policy and Development (Zambia), the Berne Declaration (Switzerland), l'Entraide Missionnaire (Canada) and Mining Watch (Canada) have filed a complaint today against Glencore International AG and First Quantum Minerals Ltd before the Swiss and Canadian National Contact Points (NCP) for violating the OECD guidelines for multinational enterprises.

The cause for the complaint lies in the financial and accounting manipulations performed by the two companies' subsidiary, Mopani Copper Mines Plc (MCM), in order to evade taxation in Zambia.

Those allegations are based on the results of a 2009 audit performed at the request of the Zambian authorities, with support from Norwegian government, by international accountants Grant Thornton and Econ Pöyry. Among the anomalies revealed by the report, an unexplained increase in operating costs in 2007 (+ \$380 million), stunningly low reported volumes of extracted cobalt when compared to similar mining companies operating in the region, and manipulations of copper selling prices in favor of Glencore which constitute a violation of OECD's "arm's length" principle. The result of those various processes was to lower by several hundreds of millions dollars MCM's net income for the 2003-2008 period, hereby substantially lightening the company's tax burden.

Those actions are all the more deplorable when one considers that the Mopani consortium operates in an already attractive fiscal environment, one highly favorable to foreign investment, and that Mopani also enjoys the effects of a 2000 development agreement with Zambia that provides massive financial and tax exemptions.

According to Global Financial Integrity, multinational corporations' tax evasion, when averaged per year over the last ten years, amounts to a global net loss of \$400 to \$440 billion for developing countries¹.

It is time for this scandal to stop! The five associations expect the NCPs to: 1/ formerly recognize the violations of the OECD Guidelines committed by corporations Glencore International AG and First Quantum Minerals Ltd.; 2/ ensure by all necessary means that the above-mentioned corporations refund the tax money the Mopani consortium should have owed to the Zambian Revenue Authority had the companies' communication been lawfully conducted, and had transfer pricing not been manipulated; 3/ require the above-mentioned corporations to commit themselves to comply scrupulously with the OECD guidelines and with Zambian laws and regulations.

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¹ Dev Kar and Karly Curcio, « Illicit Financial Flows from Developing Countries: 2000-2009 », Global Financial Integrity, January 2011.