# Table of Contents

Message from Our President .............................................................................................................................................................................................................................................3
About Us .................................................................................................................................................................................................................................................................4

Our Approach to Sustainability ..................................................................................................................................................................................................................6
  Governance ............................................................................................................................................................................................................................................................8
  Stakeholder Engagement .................................................................................................................................................................................................................9
  Commitments to External Initiatives ....................................................................................................................................................................................12
    Mandatory Compliance ...........................................................................................................................................................................................................12
    Voluntary Compliance ......................................................................................................................................................................................................13
  Key Impacts, Risks and Opportunities ..............................................................................................................................................................................14

Our Performance .................................................................................................................................................................................................................................16
  Environmental Performance ..............................................................................................................................................................................................................17
    Management Approach to Environmental Sustainability ..........................................................................................................................................17
    Biodiversity ..........................................................................................................................................................................................................................18
    Artisanal & Small-Scale Mining ....................................................................................................................................................................................23
    Restoration to a Sustainable Landscape .................................................................................................................................................................23
    Water .................................................................................................................................................................................................................................24
    Energy ............................................................................................................................................................................................................................25
    Emissions, Effluents, and Waste ..................................................................................................................................................................................25
    Materials ........................................................................................................................................................................................................................28
    Transport ....................................................................................................................................................................................................................29
  Economic Performance ...........................................................................................................................................................................................................31
    Management Approach to Economic Sustainability ...........................................................................................................................................31
    Direct Economic Performance ..................................................................................................................................................................................31
    Community and Indirect Impact Investments ................................................................................................................................................33
    Market Presence .....................................................................................................................................................................................................34
  Social Performance ........................................................................................................................................................................................................37
    Management Approach to Society and Community Relations ................................................................................................................................37
    Resettlement ............................................................................................................................................................................................................38
    Cultural Preservation ...................................................................................................................................................................................................41
    Community Development ................................................................................................................................................................................................41
  Labour Performance .........................................................................................................................................................................................................47
    Management Approach to Labour Practices ..........................................................................................................................................................47
    Employment ................................................................................................................................................................................................................48
    Labour-Management Relations .................................................................................................................................................................................49
    Demobilization and Redeployment ......................................................................................................................................................................50
    Occupational Health and Safety ...........................................................................................................................................................................50
    Training and Education ................................................................................................................................................................................................52
    Diversity and Equal Opportunity ...........................................................................................................................................................................53
  Human Rights Performance ..................................................................................................................................................................................................55
    Management Approach to Human Rights ..........................................................................................................................................................55
    Human Rights Training ...................................................................................................................................................................................................56
    The Ambatovy Grievance Management System ...........................................................................................................................................56
    Child Labour and Prevention of Exploitation ....................................................................................................................................................57
  Product Responsibility Performance ................................................................................................................................................................................59
    Management Approach to Product Responsibility ...........................................................................................................................................59
    Material Stewardship ..................................................................................................................................................................................................59
    Customer Relations, Health and Safety ...................................................................................................................................................................60

About this Report .........................................................................................................................................................................................................................63
  Report Profile ..................................................................................................................................................................................................................63
  Defining Report Content ..................................................................................................................................................................................................63
  Report Boundary .............................................................................................................................................................................................................64
  GRI Content Index .......................................................................................................................................................................................................65

Appendices .............................................................................................................................................................................................................................................66
  Appendix 1: Partnerships and Associations ..........................................................................................................................................................67
  Appendix 2: Priority Species ..........................................................................................................................................................................................68
  Appendix 3: Acronyms ..................................................................................................................................................................................................69
  Appendix 4: GRI Content Index ..................................................................................................................................................................................70
Message from Our President

I am very pleased to present Ambatovy’s second annual Sustainability Report. This report reflects our continuing commitment to fostering sustainable economic development in Madagascar. In 2010, we began to integrate sustainability reporting into our business. We launched this process during the construction phase so that now, as we prepare to enter the operations phase, it is a core tool for monitoring and evaluating our sustainability initiatives. The goals and concerns related to the construction and commissioning periods are distinct from those we will have during long-term operations. As we approach start-up of commercial production, we see the need to balance our sustainability priorities relevant to each stage of our business. Throughout the last year, we implemented programs and policies to serve both the short-term needs and long-term goals of our shareholders, employees and other stakeholders. This year’s report is a valuable tool that allows us to reflect on our progress and to identify areas for improvement.

Ambatovy’s vision is to develop and operate a sustainable metals enterprise that contributes to Madagascar and delivers outstanding safety, environmental, social and economic results. Nickel is set to become one of Madagascar’s most valuable exports, bringing in significant returns and building the country’s productive capacity. To build up a secure and sustainable business, we need to ensure we have the right people in place with adequate training for safe operations. We must also have effective procedures so that our operations do not compromise environmental assets such as a local water supply or biodiversity. Finally, we must ensure meaningful engagement with our stakeholders, so that they may have accurate and timely information about our activities to maintain awareness of safety issues, economic opportunities and our commitment to sustainable development.

The year 2011 was a critical time of preparation for sustainable operations. We achieved several milestones related to construction and commissioning that will pave the way for sustainable operations. We also worked to put in place management systems that would ensure that we conduct our business openly and responsibly. Several key social, environmental and economic initiatives were undertaken throughout the year.

For example:

- As part of our Biodiversity Offsets Program, in March we carried out an expedition to the Ankerana offset, the first time this area has ever been scientifically studied.
- The Ambatovy Information Centre opened in Toamasina in May and a new site visit program was launched, giving local stakeholders the opportunity to view our facilities and learn about our activities.
- An external expert audited the resettlement program and identified key areas of focus going forward. As a result of this audit, the Resettlement Committee was reinvigorated and carried out public consultations that provided the resettled communities with a stronger channel of communication with our management.
- Our Supply Chain Management Department implemented an anti-corruption training course, which is now given to employees in a range of key roles.
- In September, we implemented the AIDE program, an innovative program that provides temporary assistance to construction contractor employees who are making the transition to find new employment.
- Ambatovy paid more than US$212 million to Malagasy suppliers and we organized the first annual supplier conferences and training sessions to help local entrepreneurs become better equipped to work with us.

These achievements would not have been possible without support from our stakeholders. The achievements discussed in this report illustrate how we are addressing the concerns of people affected by our activities, while creating lasting value for our shareholders. We are well-positioned to move forward into a successful operations phase. I hope that you will join me in celebrating the accomplishments and lessons learned in 2011. We look forward to building on them during the operations phase.

Sincerely,

Mark Plamondon
President
Ambatovy
About Us

Ambatovy is a large-scale nickel and cobalt mining enterprise in Madagascar, comprised of a lateritic mine near Moramanga and a processing plant in Toamasina. The two sites are linked by a pipeline of approximately 220 km in length. An auxiliary office in Antananarivo provides administrative support to both locations.

Our main outputs, once in production, will be nickel and cobalt briquettes. We will also produce fertilizer-grade ammonium sulphate as a by-product. Construction of the facilities was completed in October 2011. Operations are expected to begin in 2012.

AMBATOVY QUICK FIGURES

- **Operational Lifespan:** Mine reserve of minimum 29 years.
- **Annual Design Capacity:** 60,000 tonnes of refined nickel, 5,600 tonnes of refined cobalt and 210,000 tonnes of ammonium sulphate.
- **Number of Employees:** More than 18,000 direct jobs were created during the construction phase. Approximately 6,000 jobs are expected for long-term operations (2,500 employees and 3,500 operations contractors), of which over 85% are expected to be Malagasy nationals.
- **Expected Total Job Creation During Operations:** Approximately 15,000 direct, indirect and induced jobs, supporting 65,000 to 75,000 family members.
- **Environment and Biodiversity:** More than 18,000 ha of rainforest expected to be conserved as a result of Ambatovy’s environmental programs and initiatives.
- **Net Sales:** Since Ambatovy has not yet begun operations, there are no net sales for this reporting period.
- **Capital Investment Costs:** Current forecast is US$5.5 billion.¹
- **Location:** Ambatovy is located in Central and Eastern Madagascar.

¹ This figure represents the latest investment costs, excluding finance charges, working capital and foreign exchange. See www.sherritt.com for more information.
About Us

Mine Site
The mine site is located near the town of Moramanga in the Alaotra Mangoro region, 80 km east of Madagascar’s capital, Antananarivo. The ore body at the mine consists of two lateritic nickel deposits: the Ambatovy deposit and the Analamay deposit. The footprint will cover 1,800 hectares (ha) over the life of the mine. Ore will be surface-mined and turned into slurry for transportation to the plant site via a pipeline. The mine lies at the southern end of the eastern rainforest. The partially degraded forests around the mine have undergone considerable human-induced pressures, including hunting and gathering, selective logging, slash-and-burn agriculture, uncontrolled fires and species collection for trade.

Pipeline
Ambatovy’s pipeline, which is approximately 220 km, runs from the mine to the plant site in Toamasina. The route selected for the pipeline made some significant deviations to avoid sensitive environmental areas, cultural sites and local populations. It is buried for the majority of its route, avoiding critical wildlife habitats and residual forest fragments. In addition, workers from communities along the route have been hired to plant deep-rooting vegetation to stabilize steep slopes, prevent erosion and assist rehabilitation. The pipeline delivered its first batch of over 2,500 tonnes of slurried ore to the plant site in July 2011.

Plant Site
Ambatovy’s headquarters are located at the plant site, 11 km south of the Port of Toamasina in the Atsinanana region. It is an industrial complex covering more than 320 ha. The facility was designed and built to operate in accordance with Malagasy regulations and International Finance Corporation (IFC) Performance Standards. The site’s main components include a pressure acid leaching area, a refinery and a utilities area to support the process. Site facilities also include a medical clinic, training centre, several canteens, warehouses, workshops, a laboratory, offices and living quarters.

Tailings
Residue with no commercial value left over after mining, processing and refining is known as tailings. The tailings are neutralized and pumped from the plant site through a 15 km pipeline to the tailings site – a secure, stabilized area where the treated residue is discharged for permanent safekeeping. Excess water from the tailings is discharged into the ocean through a 1.5 km diffusor system designed to minimize localized impacts. A portion of this water is available to be reused at the plant site. When the tailings site has been filled, it will be reclaimed and drainage systems re-established. Ambatovy’s tailings facility was built to specifications consistent with the requirements of the IFC. The site was chosen for its relatively low environmental sensitivity.

End Products
Ambatovy will use hydrometallurgical processing developed by Sherritt International Corporation to produce finished nickel, cobalt and ammonium sulphate. It will generate 99.8% pure nickel and cobalt. Ammonium sulphate, a by-product of the process, will be produced in crystallized granules and sold as agricultural fertilizer.

Markets Served
Ambatovy will supply a global portfolio of industrial customers located primarily in Asia, Europe and the United States. These customers will use Ambatovy products as inputs for the production of stainless steel, chemicals for the manufacture of battery products, special alloys for turbine components and other industrial products.
Our Approach to Sustainability
Our Approach to Sustainability

Ambatovy’s vision is to operate a sustainable nickel and cobalt mining and processing facility that significantly contributes to Madagascar, delivers outstanding safety, environmental and social records, and generates attractive economic returns.

Our approach to achieving this vision is to implement responsible business practices that meet robust criteria for sustainable operations. Ambatovy has committed to a number of national, international and voluntary standards. We intend to meet them through careful planning and continuous monitoring and evaluation. As we prepare to enter into the operations phase, we are working towards improving internal coordination and synergies between departments to advance sustainability. We are also seeking to provide our external stakeholders with the information they need to work with us. Finally, we know that stakeholder engagement is a two-way street, and we actively welcome input from our stakeholders so that we all move forward towards our shared goals.

In order to guide how we plan and implement our operations, we developed a set of organizational values. These values outline how we want to work as an organization and what we expect of our employees when interacting with each other and external actors:

**Health and Safety**
Create and maintain an organizational culture that holds health and safety as a top priority with a goal of zero harm to all personnel and host communities.

**Environmental Responsibility**
Establish mutually beneficial stakeholder partnerships that respect social and cultural values and contribute to sustainable economic development while avoiding, minimizing and mitigating environmental impact in areas of operation.

**Stakeholder Alignment and Support**
Recognize Ambatovy’s stakeholders, communicate with them proactively and effectively, and manage stakeholder-related risks as a means of cultivating a broad level of public support.

**Good Corporate Governance**
Foster credibility and trust by complying with principles developed to protect investors, employees and the general public.

**Honesty and Integrity**
Establish and maintain high ethical standards and transparency in all of Ambatovy’s activities.

**Teamwork**
Achieve Ambatovy’s vision through teamwork that is based on mutual respect, trust and constructive relationships.

**Continuous Improvement**
Strive for continuous improvement in performance.

**Project Delivery**
Complete construction in a safe, timely and financially sound manner, and ensure that Ambatovy meets production targets once operational.

**Creation and Sustainability of Shareholder Value**
Generate significant returns for shareholders.

**CODE OF CONDUCT**
We aim to operate with the highest ethical standards throughout our workforce. At the start of construction, a Code of Conduct was introduced to govern expatriate personnel with respect to the local culture, environmental protection, personal behaviour and other core values. The aim was to prevent problems between the local communities and foreign staff and to ensure full compliance with IFC Performance Standards and Madagascar’s national laws. In 2008, a new version of the Code of Conduct, applicable to all employees and contractors, was developed. All staff – national, expatriate and contractors – are now required to sign it. This comprehensive Code of Conduct governs behaviour by Ambatovy employees relating to issues such as conflicts of interest, corruption and our Zero Tolerance Policy toward sexual exploitation of any kind.
Ambatovy is actually two companies: Ambatovy Minerals, S.A. (AMSA) and Dynatec Madagascar, S.A. (DMSA), which, together, are responsible for day-to-day operations. AMSA owns the mining permit and operates the mine site and pipeline. DMSA manages the plant site and all activities related to it. Both AMSA and DMSA are subject to the laws of Madagascar and each has a board of directors. In practice, AMSA and DMSA act in parallel and under the purview of Ambatovy’s Executive Committee, which consists of members from each of the four partner companies:

- Sherritt International Corporation (operator, publicly traded, TSX: S) 40% ownership
- Sumitomo Corporation (publicly traded, TSE: 8053) 27.5% ownership
- Korea Resources Corporation, (KORES, state-run enterprise) 27.5% ownership
- SNC-Lavalin Inc., (SLI, Engineering, Procurement and Construction Manager, publicly traded, TSX: SNC) 5% ownership

The Executive Committee, which is comprised of eight individual members, is responsible for overseeing the direction and execution of Ambatovy’s activities. The committee meets at least quarterly or more frequently as circumstances require for the efficient management of the company. The members are all representatives of each partner company. While Ambatovy executives are not disqualified from sitting on the Committee, neither the chair nor other members of the committee were concurrently executives of Ambatovy in 2011. The chairperson of the committee rotates on an annual basis among partners with an interest of 25% or greater. The partners have developed a formal Shareholders Agreement, which lays the framework for how the Executive Committee will function, including policies and procedures for handling potential conflicts of interest. The Committee’s focus is on sustainable value creation for all stakeholders.

In addition to the Executive Committee, there are currently five sub-committees whose members are also employees of each of our partners:

- Audit
- Environment, Health and Safety, and Community
- Finance
- Marketing
- Technical

Each partner company selects its representatives internally and strives to provide qualified people who will offer unique expertise and insight to their role.

Ambatovy’s governance structure has informal mechanisms to ensure accountability and performance evaluation. Ambatovy’s senior management is held accountable by the Executive Committee for Ambatovy’s performance. At each meeting, managers present an assessment of their activities and achievements either to the relevant sub-committee or directly to the Executive Committee. Employees may provide recommendations to supervisors and managers, who can in turn present these views through these quarterly updates to the Committee. During this time, the Committee evaluates performance and mandates changes as necessary. We also have regular internal audits by Sherritt, the operating partner company, to provide monitoring and evaluation on a range of issues.

In addition to these internal governance mechanisms, Ambatovy is required to adhere to stringent national and international standards for environmental management, social engagement and other business practices under the terms of our lending agreement. This monitoring provides, to both our lenders and our own management, an indication of our performance and highlights areas for improvement.
Stakeholder engagement is the overall manner with which we relate to the people and groups impacting or impacted by our business activities. How we relate to our stakeholders manifests itself in a range of activities, from providing information to involving stakeholders in decision-making processes. Most often, it takes the form of consultation—a dialogue between the company and our stakeholders. We want our stakeholders to understand why and how we operate. We especially want input from relevant stakeholders when a particular aspect of our operation will directly affect them. Our approach is founded on the belief that the more a stakeholder impacts us or is impacted by our activities, the greater our engagement should be with them.

STAKEHOLDER IDENTIFICATION

Ambatovy identifies stakeholders based on multiple criteria, but the following three factors are the most significant:

**Level of Impact**

Certain stakeholders experience or exert significant impact as a result of our construction and other activities. These stakeholders are identified and prioritized based on the level of impact. For example, we are aware of the immense impact caused by relocation and therefore consider the resettled communities to be high priority stakeholders.

**Geographic Zone**

People who are geographically close to Ambatovy sites are often automatically affected and thereby become stakeholders. For example, we consider the people living along the port-to-plant railway to be our stakeholders. We have conducted numerous public safety sessions to raise awareness on transportation activity to and from the plant. Our operation may affect their daily business in the form of traffic diversion and safety precautions.

**Area of Expertise**

Certain stakeholders have expertise that can augment our positive impact and help us minimize the negative. We have identified local, national and international non-governmental organizations (NGOs) that can offer technical knowledge in areas such as HIV/AIDS prevention or biodiversity management.

STAKEHOLDER GROUPS

In 2011, Ambatovy conducted an inter-departmental stakeholder identification process. We performed stakeholder mapping, which will continue in 2012. We conducted these exercises around specific issues in order to identify and engage the right stakeholder at the right time. It gave us a clear picture of which stakeholders should be engaged on a particular topic. Stakeholders identified fall within seven groups:

- Local communities
- Civil society
- Government and regulatory bodies
- Media
- Financial community
- Business community
- Workforce and contractors

PUBLIC CONSULTATION

Consulting and informing people affected by our activities in local communities are critical aspects to our engagement strategy. For those people living in the isolated communities located near the pipeline, Ambatovy launched a series of “roadshows” to increase awareness about our construction and activities. Since 2009, there have been 10 roadshows with more than 18,000 members of the community participating. Similarly, to consult and inform people living near National Route 2 (RN2), the highway connecting Toamasina to Antananarivo, Ambatovy conducted education campaigns using the Ambatovy Info Van. The Info Van’s first mission took place in Ampasimadinika, a rural village near Toamasina in November 2011.
Stakeholder Engagement

Local Communities
We understand that the individuals who make up these communities are the very people who can be most impacted by our activities. They are therefore important to us. The communities around our sites are represented by individuals, leaders and local associations. Our interactions take a variety of forms. We have quarterly meetings with various groups, such as the traditionally recognized leaders known as tangalamena and the Local Coordination Committee made up of district leaders and authorities. We also meet people in the communities informally every day through our Corporate Social Responsibility (CSR) community agents. These agents check on infrastructure, update the public on issues of concern and raise awareness of Ambatovy-sponsored events and programs.

Civil Society
We are pleased to partner with a number of civil society organizations that support the implementation of programs that fulfill our commitments to the government, our lenders and the local communities. One such stakeholder is UNICEF, with whom we work to implement programs related to education. HIV/AIDS and child protection. For a detailed list of our partner organizations, see Appendix 1: Partnerships and Associations.

Government and Regulatory Bodies
Compliance with regulatory requirements and best practices in the mining sector is fundamental to our success. We strive to have an open and transparent relationship with the Government of Madagascar and the regulatory bodies that are authorized to oversee our construction and operations. We meet with relevant ministries and authorities at national, regional and local levels.

Media
We recognize the importance of disseminating clear and timely public information about our activities. We endeavour to be open and consistent with the media, providing accurate information both nationally and internationally. Ambatovy regularly issues press releases and newsletters and offers site visits to journalists in order to cultivate a truthful public record of our activities.

Financial Community
The financial community plays an integral role in supporting our construction and operations. Key stakeholders include the Ambatovy partners and lending institutions. In 2007, Ambatovy’s partners reached a financing agreement with a consortium of 14 lending institutions. This consortium is comprised of government-sponsored export credit agencies, international development and commercial banks. In addition, we communicate through our partner companies to financial and industry analysts who assess commodity markets.

LOCAL COORDINATION COMMITTEE (LCC)
Following a strike in 2010 in Moramanga, Ambatovy participated in the formation of the LCC, which was created to address issues related to local hiring and social investments. In 2011, it became a key forum for engaging the Moramanga community. Members of the committee represent business, civil society and government leaders. The LCC’s mandate is to provide a platform for consultation and development between authorities, local communities, Ambatovy and other actors. It aims to validate priority programs and to maximize the positive impacts from investment in the area. The committee has agreed to meet every two months, though it may meet more frequently.

Business Community
Ambatovy has an extensive supply chain and our suppliers and customers are integral stakeholders for us. While we have a range of suppliers from around the world, we endeavour to select local producers and suppliers whenever possible as a part of our commitment to support the Malagasy economy. The Ambatovy Local Business Initiative (ALBI) sources from and offers technical support to local enterprises. This has resulted in these enterprises supplying a range of goods and services to us. We also coordinate regularly with the wider business community in Madagascar. We are a member of the Chamber of Mines of Madagascar as well as the Madagascar Business Association (Groupement des Entreprises de Madagascar, GEM) and the Madagascar Industries Union (Syndicat des Industries de Madagascar, SIM). Our goal is that such relationships with suppliers and the business community build up the productive capacity within Madagascar.

Workforce and Contractors
Ambatovy is committed to maximizing national employment and developing a skilled local workforce. Thousands of Malagasy employees and contractors have received construction, technical and administrative training. Investing in such training ensures that they will be able to assume roles with increasing responsibilities during the operations phase. Moreover, the partnerships we maintain with local technical schools assure capacity building for our workforce and the local population.
Stakeholder Engagement

ENGAGEMENT TYPE AND FREQUENCY

Our engagement is both proactive and responsive every time we meet a member of our stakeholder groups. We view each interaction with our suppliers, communities, partners and employees as an opportunity to engage them on the issues that matter to them.

In 2011, we held regular meetings with external stakeholders, such as:

- Three roadshows to consult and inform people living in isolated communities along the pipeline.
- Monthly consultations held with the National Environment Office (Office national pour l’environnement, ONE).
- Quarterly consultation meetings with mayors and leaders from the Moramanga, Brickaville and Toamasina areas.
- Monthly reporting to our lenders and partners with the goal of keeping them informed on progress towards objectives that will keep us compliant with the IFC performance standards.
- Being an active participant in the business community in Madagascar, such as participating in a number of national and international conferences as well as career fairs.
- Internal team building exercises to engage employees and an employee survey with an 80% response rate.

These are just a few examples of our regular engagement. The frequency and subject of engagement ultimately depends upon the context and the stakeholder.

We had a range of topics presented through these channels. For the local communities in particular, our engagement through the public town-hall meetings and roadshows raised discussions on topics such as the AIDE and grievance management programs, commissioning, uses of nickel and cobalt, and safety awareness along the pipeline route and around infrastructures in Toamasina. In all engagements, we aim to be both proactive and responsive so that stakeholders have the right information at the right time.
Commitments to External Initiatives

Ambatovy strives to maintain the highest ethical standards, to respect local culture and traditions, and to comply with the laws and regulations of Madagascar. We endeavour to meet and, when possible, exceed the mandatory and voluntary compliance requirements of our agreements with our lenders, the Government of Madagascar and other stakeholders.

Mandatory Compliance

International Finance Corporation (IFC) Performance Standards
The IFC is a member of the World Bank Group established to foster sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets and providing advisory services to businesses and governments. Our agreement for US$2.1 billion in project financing requires that we adhere to the IFC’s Performance Standards on environment, labour and social aspects for a major investment project.

Investment and Environment Compatibility Regulation (Mise en Compatibilité des Investissements avec l’Environnement, MECIE)
MECIE regulates environmental compliance for investment projects in Madagascar. It describes the process and conditions for obtaining the necessary environmental permits and establishes regulations and penalties. Ambatovy received its environmental permit from the Malagasy authorities in December 2006, six months after filing its Environmental and Social Impact Assessment (ESIA). Following the ESIA, Ambatovy developed an Environmental Management and Social Development Plan, which covers four main areas:

▶ The Environmental Management Plan and Program provide the framework that ensures that issues identified in the ESIA are addressed.
▶ The Social Management Plan guides Ambatovy’s relationship with local communities.
▶ The Health and Safety and Emergency Response Measures define the conditions and manner in which work must be carried out so that potential risks to the health and welfare of Ambatovy personnel are minimized.

▶ There are also key monitoring and evaluation components to the plan that provide us guidelines for monitoring compliance with the regulations.

The ONE monitors Ambatovy’s performance against these plans.

Large Mining Investment Act (Loi sur les Grands Investissements Miniers, LGIM)
Madagascar’s LGIM established the legal framework for developing and operating large-scale mining projects in the country. The LGIM was developed with the support and assistance of the World Bank. Under the LGIM, we are required to report annually to the government on a range of sustainability issues, such as local employment and environmental measures. Ambatovy was certified under the LGIM in 2007.

Equator Principles
The Equator Principles are voluntary standards for banking institutions. Equator Principles Financial Institutions (EPFIs) pledge to take into account social and environmental criteria in the large-scale projects they finance and not to finance loans where the borrowers are not willing or able to comply with these criteria. Presented in June 2003, these principles are consistent with the standards promoted by the IFC and form the basis of responsible financing. The Equator Principles require an evaluation of environmental impacts of high-risk projects and, in certain cases, a management plan that addresses socio-economic impact, environmental protection, human rights and labour standards. Some of Ambatovy’s financing institutions are EPFIs and, as a result, our financing agreement requires that we uphold these principles.
Voluntary Compliance

With a view to achieving superior safety, environmental and social results, Ambatovy is committed to the following voluntary measures that go beyond its legal obligations:

**Business and Biodiversity Offsets Programme (BBOP)**
BBOP is a collaboration of some 50 companies, financial institutions, governments and civil society organizations. The members aim to develop and test best practices of conservation and biodiversity offsets. In 2006, Ambatovy became a BBOP pilot project and we currently align our offsets vision and design to the guidelines provided by the BBOP Secretariat and Advisory Committee.

**Extractive Industries Transparency Initiative (EITI)**
Madagascar became an EITI candidate country in February 2008. Ambatovy has been a strong supporter of the EITI in Madagascar and an active member of the Multi-Stakeholder Group, comprised of representatives from government, companies and civil society. In 2011, Ambatovy participated in preparing the first official reconciliation report, which was published on June 8, 2011. On October 25, 2011, Madagascar was suspended from the EITI. The Multi-Stakeholder Group has continued to work together within the country to promote the process. Ambatovy remains a committed member of this group to promote transparency with respect to taxes and other revenues derived from the extractive sector.

**International Council on Mining and Metals (ICMM) Principles**
The ICMM is an organization established in 2001 to act as a catalyst for performance improvement in the mining and metals industry. The ICMM brings together mining and metals companies with national and regional mining associations and global commodity associations. Ambatovy endeavours to apply relevant ICMM principles and has integrated them, where applicable, into internal planning and strategies.

**International Standards: ISO 9001**
Ambatovy is pursuing certification for its products under ISO 9001, the internationally recognized standard for quality management systems, which is required for products sold on the London Metal Exchange. Ambatovy has an internally-developed Quality Policy that affirms our commitment to supplying defect-free products to all our customers.
We have always understood that in order to work in Madagascar we must be mindful of the unique social, economic and environmental context of the island. Many of the impacts related to our activities are positive, such as the creation of new jobs and industrial capacity, but there are also negative effects that necessarily accompany mining activities, such as environmental impacts. It is necessary that we are aware of our impacts – good or bad – so that we develop and implement strategies to eliminate, minimize, manage, mitigate and/or compensate for negative effects.

**Key Impacts, Risks and Opportunities**

**OUR IMPACT ON SUSTAINABILITY IN MADAGASCAR**

We are aware that we are working in a country that has high biodiversity and challenging socio-economic issues. If we do not carefully manage our activities, there is risk that we may negatively affect a delicate ecosystem and exacerbate the poverty that already exists in Madagascar. These risks were carefully considered before we even broke ground and we continually assess risks and impacts as they arise. We have identified sustainability-related impacts and opportunities that have arisen over the last year and are working to ensure that these impacts are as positive as possible. While each challenge comes from a specific context, in general, we prioritize them based on impacts on stakeholders and on our ability to operate safely.

**Environmental**

We are operating in an environmentally sensitive area. Protecting the biodiversity around the mine has been a key issue since the early planning stages. We have an opportunity to make improvements through our biodiversity and offsets management program. We are working to offset the area of land we will disturb (the mine footprint) with reclamation and conservation areas several times the size of our footprint. Moreover, we are incorporating the communities around our site and offset areas into the management process to preserve the long-term viability of Madagascar’s diverse flora and fauna.

**Economic**

One of our greatest sustainability impacts in economic terms relates to how we manage our presence in the local economy. Negative impacts include price inflation as people move into the communities surrounding our operations looking for economic opportunities. However, there is also the potential for extensive positive financial benefits to these communities through wages and supply contracts. There is also the potential to improve capacity to deliver goods and services of international quality. We are working to maximize these positive impacts through targeted programs to increase local supply, local employment and training to support income-generation for community members.

**Social**

Minimizing and mitigating social impacts of construction have been a key focus for the last few years. One of the most critical social aspects of sustainability has been related to resettlement. Our target is to be fully compliant with both Madagascar’s national regulations and the IFC Performance Standard on Land Acquisition and Involuntary Resettlement. Following assessments made in 2011, we have identified that livelihood restoration remains a particular challenge related to resettlement. Programming in 2012 is being oriented towards meeting this challenge.

While there remains room to improve, we are proud of the accomplishments made in 2011. We have put in place a world-class biodiversity program. We have targeted programs to ensure local entrepreneurs and job-seekers have the skills and qualifications they need to work with us. We also have audit and assessment mechanisms in place, both internally and utilizing external monitors, to make sure that we stay on track.
Key Impacts, Risks and Opportunities

THE IMPACT OF SUSTAINABILITY ON US

Many of the sustainability challenges for our stakeholders are the same issues we face as an organization. If we do not manage our sustainability commitments well, it can impact our ability to operate.

Labour

2011 brought particular challenges related to labour and demobilization. If the transition is not managed soundly, the resulting high unemployment rates in surrounding communities could have a negative effect on our relationship with the local population. Throughout the year, we put in place strategic programs to mitigate the impact of demobilization.

We know that demobilization will be a short-term issue, so we have also prioritized a particular long-term challenge related to labour. We require highly-skilled employees. We also have a firm commitment to hire locally. Finding highly skilled workers locally can be a challenge so we introduced a number of key training and mentorship initiatives in the last year to create a local team that can take the lead during the operations phase.

Environment

We are obligated under the laws of Madagascar and our financing agreement to meet stringent environmental criteria. Compliance with these criteria can be expensive, but we have carefully budgeted funds to ensure that we meet or exceed the targets set for us. We have been working throughout 2011 to put in place environmental plans and programs that will ensure we meet all requirements necessary not only for our operational permits, but also to ensure that we are a leader in environmental management in Madagascar.

Social

Finally, there are a number of social risks in Madagascar that could impact our business. For example, we strive for transparency, but there is risk related to corruption in day-to-day business dealings. In 2011, we participated in the first Extractive Industries Transparency Initiative (EITI) reconciliation and remain committed to this initiative. We were disappointed that Madagascar was suspended from the process in late 2011. Nevertheless, we will continue to participate in the EITI multi-stakeholder group and promote the reduction of corruption through a range of initiatives related to our financial and procurement processes.

We remain committed to managing these challenges, risks and opportunities. Governance of sustainability-related risk management is the responsibility of the Executive Committee and the Environment, Health & Safety and Community sub-committee. These committees meet quarterly to discuss issues that have arisen over the period and authorize any significant changes to our plans and management strategies.
Environmental Performance

One of Ambatovy’s key goals is to minimize the impact on Madagascar’s environment. With regard to biodiversity, the aim is to achieve no net loss and, preferably, a net gain. We plan to accomplish these goals by rigorous mitigation techniques such as avoidance, timely restoration of a sustainable landscape, minimization of risks and offsetting residual impacts. Throughout 2011, we developed environmental management plans for the different operational components including the mine, pipeline, processing plant, port and tailings facility.

Specific biodiversity goals have been established to ensure we meet our vision of operating a sustainable and responsible business in Madagascar. These goals and associated key performance indicators (KPIs) are periodically assessed and adapted based on consultation and data gathered from monitoring programs. The KPIs are directly linked to national and international standards, including IFC Performance Standards and the BBOP standard.

Similar objectives were defined for the physical aspects of air, water and noise. For each component, quality objectives were established considering existing background levels, Malagasy regulations, and published international standards. A rigorous monitoring program has been put into place to determine if these objectives are being met. The program is reviewed and updated in response to monitoring results, project development, consultation and experiences acquired.

A Waste Management Plan for the processing plant has been developed to ensure that the collection, storage, transportation and disposal of all waste generated by Ambatovy will be conducted in a safe, efficient and environmentally-responsible manner. Waste is minimized through practices intended to reduce, reuse and recycle waste.

Ambatovy has and will continue to evaluate technically and financially sound options to improve efficiencies and in turn reduce negative environmental impacts.

Management Approach to Environmental Sustainability

<table>
<thead>
<tr>
<th>ENVIRONMENTAL PERFORMANCE GOALS</th>
<th>2011 RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Put in place an adaptive environmental management system that ensures compliance throughout construction, operations and closure.</td>
<td>In 2011, site-specific environmental management plans for the operations period were completed and submitted to the ONE. After a review by the ONE’s Technical Evaluation Committee, the Plant Management Plan was accepted and a signature ceremony was held at the plant in November. Other management plans will follow the technical review and be put forward for final acceptance in 2012.</td>
</tr>
<tr>
<td>Implement a best-practice mitigation hierarchy aimed at avoiding, restoring, minimizing and offsetting impacts.</td>
<td>Following an incident during which land was cleared too quickly to allow the maximum natural movement of animals from the clearing areas to the conservation areas, we refined the forest clearing method and updated our Job Environment Analysis procedure at the mine to minimize impacts on flora and fauna.</td>
</tr>
<tr>
<td>Manage environmental risks by enhancing stakeholders’ involvement through public consultations to maintain project transparency and receive timely input on emerging environmental issues.</td>
<td>Much of Ambatovy’s environmental mitigation and monitoring is done in partnership with national and international NGOs. This provides transparency and third-party input. Our CSR and Communications teams work with the Environment team to ensure there is dialogue with stakeholders on a range of issues, including the environment. In particular, this year we renewed and signed agreements with five communities around the mine to collaborate on management of the Torotorofotsy Wetlands.</td>
</tr>
<tr>
<td>Implement a Biodiversity Management Plan that aims to achieve no net loss and, preferably, a net gain in biodiversity.</td>
<td>A Biodiversity Management Plan has been in place since 2007. A comprehensive Biodiversity Action Plan will be developed in 2012 in accordance with IFC Performance Standard 6 to deliver a net gain in biodiversity through measurable objectives for the operations and closure phases.</td>
</tr>
</tbody>
</table>
Biodiversity

The main anticipated impacts on biodiversity from our activities are related to forest clearance at the mine (approximately 1,800 ha) and along a two kilometre strip of forest along the initial portion of the pipeline. Prior to construction, the mine area forest was threatened by human impacts such as agricultural clearing, illegal timber harvesting and hunting. The plant and tailings sites, located on modified coastal scrubland, have relatively low levels of biodiversity. Nevertheless, impacts on all sites have been taken into account in order to develop Ambatovy’s comprehensive biodiversity program, which applies to all sites. Its strategy is founded on the following core objectives:

- No net loss of biodiversity and, preferably, a net gain.
- No species loss and no net reduction in the population of any endangered species.
- Minimize impacts on flora, fauna and aquatic resources.
- Increase conservation of critical habitats.
- Ensure priority habitat viability by maintaining or increasing ecosystem connectivity.
- Integrate biodiversity activities with other regional initiatives on biodiversity.

In order to achieve these objectives, Ambatovy applies a mitigation hierarchy, as required by IFC Performance Standard 6 and the BBOP Standard on Biodiversity Offsets. According to these principles, biodiversity losses must first be avoided, minimized or restored as far as possible before offsetting any residual losses through establishment of ecologically comparable conservation areas. Additional conservation actions may further compensate for the impacts on biodiversity.

Avoidance

Ambatovy was designed as far as possible to avoid impacts on biodiversity. An example is the diversion of the pipeline route around forest patches and the breeding sites of critically endangered Mantella frogs.

Minimization

Impacts are minimized wherever possible. Ambatovy has developed a system of paced directional clearing to ensure that fauna are able to migrate freely to adjacent refuge areas and allowing time to salvage remaining fauna and relocate rare plants.

Restoration

Ambatovy will conduct progressive reclamation of the mine footprint that is compatible with the historical ecology of the landscape.

Offsetting

Ambatovy’s multifaceted biodiversity offsets program comprises a series of ecologically comparable conservation areas both on-site and off-site to achieve a net increase in protected and conserved critical habitats.

Compensation

Additional conservation actions will provide further compensation for residual losses.

Following these principles has resulted in a comprehensive approach to ensure that our impacts, as well as some that existed prior to our involvement, are controlled through cooperation with local communities and the Government of Madagascar. The program has several focal areas, including flora, fauna, offsets and aquatic and marine ecosystems. Each area has specific actions for the construction, operations and mine closure phases. In addition, we have specific management plans for the mine, tailings, pipeline and plant that include biodiversity elements as well as a separate overall Biodiversity Management Plan that governs all our programming in this area.

FAUNA MANAGEMENT PROGRAM

Lemurs

The goal of the lemur management program is to maintain population viability in the mine area. During 2011, the program focused on:

- Ecological monitoring, particularly after clearing activities.
- Paced directional clearing, which encourages the movement of lemurs into conservation forest or buffer areas.
- Salvaging animals that were isolated from connected forest habitat during the clearing process.
- Supporting regional conservation initiatives.
- Promoting engagement with the national/international primate conservation community through support and participation in workshops and international conferences.
Ambatovy has carried out radio-tracking studies on lemur populations within the mine site and surrounding forests since 2007. This methodology enables the monitoring of lemur movements and behaviour and allows us to assess whether these animals are able to adapt to new home ranges in the adjacent conservation forests. During 2011, capture and marking activities were focused on nocturnal species, with 62 captured and collared for the first time. The radio-tracking data collected since 2007 shows that groups are able to establish new home ranges in the adjacent forests after moving during a clearing process. These groups are successfully breeding: 30 births among four species were observed in 2011.

We have also continued to develop our biomedical monitoring system to assess the health trends of the lemur populations. Since 2008, 150 biomedical samples belonging to eight species have been analyzed. Over the course of the last year, 21 individuals from four different species were examined. The analysis revealed that the majority of health status parameters were within normal ranges, including similar blood nutrient levels, to other lemur populations found outside the area of impact.

In our 2010 report, we highlighted the innovative lemur bridge program, put in place during construction, to ensure lemurs had continuous access to forest habitats that were bisected by the pipeline or the mine roads. Lemurs can now avoid vehicle traffic and maintain habitual home ranges by using the bridges. While observers are only able to monitor a fraction of the crossings that take place, a steady increase in bridge use has been reported. There were 53 crossings observed in 2011, compared with only 34 in 2010. This indicates that the lemur population is growing accustomed to the bridges and that lemurs are able to move freely between sectors of habitat. In particular, there was a substantial increase in observed crossings during 2011 by diademed sifakas (*Propithecus diadema*), an endangered species.

### LEMUR POPULATION KEY INDICATORS

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>IUCN-listed lemur species in the area surrounding the mine*</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Lemurs given radio collars**</td>
<td>N/A</td>
<td>62</td>
</tr>
<tr>
<td>Biomedical analyses</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>Bridge use observations</td>
<td>34</td>
<td>53</td>
</tr>
<tr>
<td>Lemur births observed***</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>Lemur deaths observed***</td>
<td>10</td>
<td>16</td>
</tr>
</tbody>
</table>

* 13 confirmed with the possibility of 16 depending on the results of ongoing genetic testing. ** Includes lemurs captured and marked in the latter half of 2010. *** Observed in the mine footprint and conservation zones.

Our continual monitoring of the lemur population, particularly endangered species, is essential to measure the impact our activities have on these populations in the area around the mine. During the 2011 monitoring campaigns, Ambatovy’s Environment team was able to contribute observational data to enhance the scientific understanding of these animals and ensure that future operations take into account their unique behaviour and characteristics.
Environmental Performance

Several other species of mammals other than lemurs, including endemic rodent and carnivore species, are also monitored by Ambatovy’s Environment Department.

INVENTORY OF NON-LEMUR MAMMALS AT THE MINE SITE

<table>
<thead>
<tr>
<th>Year</th>
<th>Individuals</th>
<th>Species</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>222</td>
<td>19</td>
</tr>
<tr>
<td>2011</td>
<td>176</td>
<td>24</td>
</tr>
</tbody>
</table>

Amphibians and Reptiles
The goal of the amphibian and reptile program is to ensure the continued viability of their populations in Ambatovy areas of operation. The main activities include carrying out pre-clearance inventories and salvaging live animals to conservation forest refuge areas. Inventories of these animals were conducted in the Ambatovy and Analamay zones and, based on the results, there are now six priority species of reptiles and amphibians for which Ambatovy is in the process of developing action plans.

Between 2007 and 2011, the program salvaged just over 19,000 amphibians and reptiles from cleared areas. In 2011 alone, almost 4,700 individual animals were relocated from the clearing areas, including approximately 2,600 reptiles from 36 species and 2,100 amphibians from 29 species. This program will continue until forest clearing operations have been completed.

A specific conservation action plan has been developed for the Golden Mantella Frog, Mantella aurantiaca, a critically endangered species. Ambatovy supported regional surveys to identify the distribution of the frog and its critical habitats (in particular, breeding ponds and surrounding forest slopes). We are working with experts to identify the steps required to maintain viable populations in the mine area. Six new breeding ponds were found in 2011, five of which are in the conservation area and one within the mine footprint. Fifteen potential receptor ponds have been identified outside Ambatovy’s area of impact. Currently, four ponds have been designated suitable to receive relocated frogs. The Mantella Action Plan will be updated in 2012 to include all critical or endangered Mantella species. The plan will also include methods for continued monitoring of populations, relocations of individuals to safe natural ponds outside the area of impact, and salvaging individuals for a captive breeding initiative to ensure no net loss of populations.

Aquatic Ecosystems
Ambatovy’s aquatic management program demonstrates the full extent of our commitment to ensuring no net loss of Madagascar’s unique biodiversity. Endemic fish communities throughout Madagascar remain relatively unstudied. Little was known about the fish in the river systems and lakes around the mine, pipeline and tailings facility prior to Ambatovy’s inception. In 2007 Ambatovy initiated scientific surveys of all these aquatic systems in all of our areas of impact. Ambatovy partnered with leading international organizations to conduct genetic tests to assess the taxonomic status of fish species. Thus far, five previously undescribed Evolutionary Significant Units (ESUs) occur in the catchments draining from the mine – three in the genus Ratsirakia and two in the genus Rheocles. Ambatovy has treated these ESUs as if they are critically endangered species. The isolated and fragmented distribution of these endemic fish makes them especially vulnerable to local extinction, requiring careful conservation of even the smallest streams.

Ambatovy endeavours to maintain the habitat quality and viability of these endemic fish populations in streams affected by the mine and pipeline. In 2011, we conducted a survey of aquatic ecosystems along the pipeline and collected data on the habitat integrity and fish populations at 17 reference sites. The results revealed that although the habitat integrity of aquatic systems along the pipeline was still quite low, there has been a general trend of improvement in habitat quality since the end of construction.

Ambatovy has continued to maintain two endemic ESUs in captivity in order to ensure the continued viability of local populations. We monitored the populations we reintroduced in 2010 and we are pleased to note that they had successfully reproduced.
**Flora**

Ambatovy, with the help of the Missouri Botanical Garden, has prioritized plants as Species of Concern (SOCs), which are rare species, as yet known only from the mine site and a maximum of two other locations in Madagascar. We have continued throughout 2011 to carry out surveys to ascertain how many of these SOCs are found in other locations, particularly in the conservation zones around the mine. This search effort has resulted in the progressive reduction in the number of species requiring salvage and relocation. Those that remain rare are referred to as Red SOCs and we carry out extensive salvaging operations prior to clearing an area for mining. As a precautionary measure, Ambatovy’s comprehensive conservation program includes whole-plant salvaging (including trees), seed collection, plant propagation and the development of living collections for progressive rehabilitation of the mine footprint.

We have paid particular attention to the orchid species present in our mine area and have set up two orchid parks where salvaged plants can be nurtured. In 2011, we salvaged and transplanted over 6,900 individual orchids into these nurseries. Again with the support of Missouri Botanical Garden, Ambatovy has established an orchid house for conducting taxonomic research and acclimation of the plants before they are relocated to the orchid parks.

**Biodiversity Offsets Program**

Ambatovy’s biodiversity offsets program provides the framework for establishing offsets in accordance with IFC Performance Standard 6 and the BBOP Standard on Biodiversity Offsets. Since we know that we cannot accomplish the conservation of these forests without the support and engagement of the local communities living around the offsets areas, the program involves both environmental and community initiatives. By designating some areas as conservation lands and some as mixed-use forest, and by managing these areas jointly with local communities, we expect that they will remain sustainable and healthy habitats for generations to come.

The projected net gain of protected forest habitat has increased since our 2010 report from 12,000 to over 18,000 ha with the addition of a new protected area known as the Analamay-Mantadia Forest Corridor (AMFC), which will link the mine conservation forests to the Mantadia National Park.

**AMBATOVY NET IMPACT OF MINING ACTIVITIES ON FORESTED AREAS**

<table>
<thead>
<tr>
<th>FOREST/LAND AREAS</th>
<th>LAND TO BE IMPACTED (ha)</th>
<th>LAND TO BE RECLAIMED (ha)</th>
<th>LAND TO BE CONSERVED (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mine Footprint</td>
<td>1,800</td>
<td>1,800</td>
<td>0</td>
</tr>
<tr>
<td>Slurry Pipeline</td>
<td>600</td>
<td>600</td>
<td>0</td>
</tr>
<tr>
<td>Roads/Infrastructure</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>On-Site or Adjacent Offsets:*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Mine Conservation Forests</td>
<td>0</td>
<td>0</td>
<td>3,644</td>
</tr>
<tr>
<td>2. Analamay-Mantadia Forest Corridor (AMFC) (proposed core zone)</td>
<td>0</td>
<td>0</td>
<td>8,319</td>
</tr>
<tr>
<td>Ankerana Offset (BBOP area)</td>
<td>0</td>
<td>0</td>
<td>6,800</td>
</tr>
<tr>
<td>(proposed core zone)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub Totals</td>
<td>2,500</td>
<td>2,400</td>
<td>18,763</td>
</tr>
<tr>
<td>Net Gain</td>
<td></td>
<td></td>
<td>18,663</td>
</tr>
</tbody>
</table>

* The Mine Conservation Forest has been redefined since the 2010 report to include only land within Ambatovy’s land lease area. This caused the exclusion of approximately 1,200 ha that is outside the lease area but was being conserved by Ambatovy. This land is now under the control of the Analamay-Mantadia Forest Corridor (AMFC) administration, and has been included in the 8,319 ha referenced. The former 300 ha on-site offset noted in the 2010 report is now included in the Mine Conservation Forest total.
On-Site Conservation Areas
Two parcels of azonal forest growing over the ore body have been set aside and will not be mined, despite the valuable nickel ore lying beneath them. The combined area of these two parcels is approximately 300 ha. During the Environmental and Social Impact Assessment, these azonal forest habitats were considered to be a rare habitat type compared to the more typical zonal forests of the Eastern Forest Corridor. In addition, we have more than 3,300 ha on-site of transitional and zonal forests dedicated to conservation. The conservation zone provides a buffer for receiving the fauna leaving the mine footprint and as a seed bank to facilitate ecological restoration of the mine footprint.

Torotorofotsy Wetlands
The Torotorofotsy Wetlands lie immediately to the east of the mine and cover 9,776 ha of wetland, forest and other habitats. In 2006, Torotorofotsy was classified as a wetland of international importance under the Ramsar Convention on Wetlands. We consult with the Government of Madagascar, local NGOs and other stakeholders, and provide assistance to promote and enhance management of the area. During 2011, we supported the development of a management plan, biological inventories, hydrological studies and participated in discussions to resolve management challenges affecting the area. In celebration of International Wetlands Day on February 2, 2011, Ambatovy co-signed, with the Regional Forest and Environment Authority (Circonscription de l’Environnement et des Forêts, CIREF), the renewal of a management transfer contract with communities around the wetland. Ambatovy will provide technical and financial support to the managing communities.

Ankerana Offset
Ankerana is the centre-piece of Ambatovy’s Business and Biodiversity Offsets Program. Ankerana is a low-to-medium altitude forest lying 70 km to the northeast of the mine and is linked to the Ankeniheny-Zahamena Forest Corridor (Couloir Ankeniheny-Zahamena, CAZ). Ankerana comprises intact primary forest, but is threatened by encroachment from slash-and-burn agriculture in surrounding valleys. The site has a total surface area of approximately 8,000 ha, of which 6,800 ha have been proposed as a core protection zone. In 2011, Ambatovy put a team in place for Ankerana’s management. Studies were undertaken in 2011 to assess the biodiversity of the forest and monitoring was established to understand the pressures on the forest, including agricultural clearing, logging, hunting and illegal gold exploration. A number of educational campaigns were carried out around the perimeter to provide local populations with the knowledge needed to ensure resource sustainability of the area. In addition, our team started a multi-faceted livelihoods program in the area to promote viable alternatives to unsustainable harvesting of the forest. Ambatovy continued to work in collaboration with the CIREF to establish forestry committees in the villages around Ankerana.

Ambatovy is also supporting other actors who are implementing sustainable management of other surrounding forests adjacent to the mine, including those within the Torotorofotsy Wetlands, through technical and financial support. Examples of forests that benefit are:

- About 9,800 ha of periphery forests to the east of the mine footprint.
- Approximately 3,100 ha of forested land within the AMFC (in addition to the 8,319 ha core zone mentioned previously).
Environmental Performance

Artisanal & Small-Scale Mining

There was evidence of third-party, small-scale illegal mining in the AMFC and along the pipeline during 2011. In order to ensure that the conservation forests were protected, Ambatovy increased visibility of fencing. Furthermore, information and awareness activities in local communities were organized with the CIREF. The CSR Department has worked with local authorities along the pipeline to maintain continuous protection along the pipeline route. After September, observations of small-scale mining were not reported for the remainder of the year.

Restoration to a Sustainable Landscape

Ambatovy plans to restore a multifunctional forest on the mine’s footprint through progressive reclamation and replanting. The year 2011 marked the launch of the nursery complex construction, which consists of five community nurseries, a research nursery and an industrial nursery. All nurseries should become fully operational by mid-2012 in order to be ready for the first pit rehabilitation by 2017. During 2011, the nurseries produced about 134,000 saplings which sustained the immediate reclamation work, the annual Ambatovy tree planting initiative, long-term ecological restoration trials and the standing stock at the industrial nursery.

Construction of the pipeline was completed in 2010. The last year was dedicated to erosion control and re-vegetation along the route. Extensive work was undertaken to limit erosion and a monitoring system was put in place. Deep-rooting plants were planted along the route to stabilise slopes and a combination of hydro-seeding, planting and passive regrowth resulted in regenerated vegetation along the right-of-way. This was accompanied by careful compliance monitoring of water quality in the streams that collect run-off along the pipeline route. Erosion monitoring showed a substantial decline in erosion events since handover from the construction contractors in October 2010. The average severity of erosion events and levels of total suspended solids in water courses also declined substantially during the same period.

The long-term ecological restoration trials have been the subject of regular monitoring and are proving successful. There is an annual average tree growth in each plantation of 13 cm in height. Biological monitoring of 110 restored micro-habitats over the past 12 months has shown a progressive increase in faunal classes and species colonizing these rehabilitated ecosystems, including seven species of birds and three species of reptiles.
Environmental Performance

Ambatovy’s comprehensive Water Management Plan is designed to:

- Ensure that project construction, maintenance and operations do not adversely affect surface and groundwater quality, and that any wastewater complies with environmental standards.
- Monitor the flow rate and quality of surface and groundwater downstream of mining activities to detect any abnormalities.
- Ensure that the Torotorofotsy Wetlands and sensitive aquatic ecosystems are not adversely affected by the activities at the mine or along the pipeline.
- Communicate with downstream users to ensure their water needs are met and propose solutions if problems arise.
- Ensure that domestic water supply and sewage treatment meet the criteria of applicable water quality regulations and guidelines.

The mine’s Operational Plan is designed to ensure that runoff from mining excavations flows into sediment retention basins, lowering potential impacts on the sensitive watersheds around the mine. Water runoff collection ponds and flow allowances are designed to meet the World Bank and Malagasy regulations on water quality. Indicators monitored at 17 sites around the mine in 2011 included such measurements as total suspended solids, pH, heavy metals and coliform bacteria.

Annual water requirements for ore preparation at the mine represent about 0.5% of the mean annual flow of the Mangoro River. Water is mixed with ore to create slurry for transport down the pipeline.

At the plant site, the principal source is water recovered from dewatering the ore slurry, which will be augmented with withdrawals from the Ivondro River. A portion of the effluent discharge from the tailings facility (up to 300 m³/hr or approximately 9% of our total estimated withdrawals) is available to be utilized in the process if required. The use of processed water at the plant would be primarily for cooling water and boiler-feed water.

Much smaller extractions will be made from the Andranovory River for human consumption at the mine site. This water will be processed at a treatment plant.

These amounts of water withdrawal will not significantly affect the sources. Ambatovy’s Water Management Plan, coupled with strict environmental regulations, ensures that no water withdrawal will have any impact on the health of aquatic ecosystems.

### WATER WITHDRAWALS DURING OPERATIONS

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>ESTIMATED ANNUAL AMOUNT (m³/hr)</th>
<th>ACTUAL AVERAGE AMOUNT 2011 (m³/hr)</th>
<th>ACTUAL AMOUNT 2011 (m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mangoro River</td>
<td>1,800</td>
<td>1,000</td>
<td>1,962,258</td>
</tr>
<tr>
<td>Andranovory River</td>
<td>N/A</td>
<td>7</td>
<td>58,133</td>
</tr>
<tr>
<td>Ivondro River</td>
<td>1,375</td>
<td>561</td>
<td>4,912,138</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,175</strong></td>
<td><strong>1,568</strong></td>
<td><strong>6,922,529</strong></td>
</tr>
</tbody>
</table>
Energy

The mine site energy usage during operations will be supplied by nine diesel generators, producing 18 megawatts (MW) in total. The steady-state is expected to be around 14 MW.

The plant site has a three unit power plant that typically produces up to 80 MW of power, with an expected average demand of 65 MW. Three coal-fired boilers produce steam, which is used to generate power and is required in the metal production process. This steam production is supplemented from the waste heat boilers in the two acid plants. Process steam is used to heat slurry in the ore leach, sulphide precipitation, hydrogen reduction plant, ammonium sulphate plant and several minor refinery processes. Nine emergency diesel generators are used as backup for critical equipment that can produce up to 20 MW of power. An additional 30 auxiliary diesel generators can produce 30 MW. In 2011, we produced the following amounts of energy:

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>CONSUMPTION (MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity from coal</td>
<td>43,513</td>
</tr>
<tr>
<td>Electricity from diesel*</td>
<td>253,440</td>
</tr>
</tbody>
</table>

* Calculated using MIT factors and fuel consumption.

Emissions, Effluents and Waste

Ambatovy’s Waste Management Plan was developed to put in place the necessary measures and procedures for correct collection, transportation, storage and disposal of waste. The main objective is to ensure that it is handled in a safe, efficient and environmentally secure manner. Waste material ranges from construction waste, such as scrap metal and wood, to domestic waste such as food or office scraps. Waste management strategies in 2011 consisted of minimizing waste production and improving recycling and processing methods already being used.

At the mine, solid waste was sorted and disposed of in a number of ways. Vegetable food waste was separated for composting, while meat waste was incinerated. Paper, plastic and wood were all sorted appropriately for recycling.

At the plant, waste was processed or reused whenever possible. Some wastes required incineration or other methods to ensure safe disposal:

- Since September, an incinerator eliminated 1,568 m³ of food waste and other waste such as cardboard and paper.
- Approximately 215 m³ of waste was composted.
- About 2,000 tonnes of scrap materials were collected and stored for recycling and reuse as needed.

We also have integrated our recycling needs with our commitment to support local businesses and community development. For example, each month, the plant site generates more than 600 m³ of residual wood from construction and packaging. In 2011, more than 7,000 m³ of wood were distributed to communities near the plant site. These communities have used this material to build benches, tables, cupboards and various other items for use in schools and civic buildings.

Plastic bottles continued to be collected by a local company, ECO Aide, for shredding and recycling. This past year, ECO Aide took some 1,740 m³ of bottles. In an effort to reduce the need for recycling, bottled water is being progressively replaced with potable water distributed to water coolers and dispensed into reusable bottles. Since this initiative, the volume of bottles to recycle has been reduced from 300 m³ to 100 m³ per month.

**QUICK FIGURES**

- More than 7,000 m³ of wood were sent to communities for reuse.
- Approximately 1,267,000 water bottles were recycled.
- About 1,200 m³ of food waste was turned into animal feed.

MINE SITE WASTE MANAGEMENT

<table>
<thead>
<tr>
<th>WASTE TYPE</th>
<th>QUANTITY</th>
<th>METHOD OF ELIMINATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic/Operational waste</td>
<td>1,810 m³</td>
<td>Stored and incinerated</td>
</tr>
<tr>
<td>(e.g. Food, plastics, cartons)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic/Operational waste</td>
<td>1,125 m³</td>
<td>Buried, stored and/or sent to plant for disposal</td>
</tr>
<tr>
<td>(e.g. Scrap metal, ashes, sludge and fats)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contaminated Soil</td>
<td>24 m³</td>
<td>Stored, to be landfarmed*</td>
</tr>
<tr>
<td>Tires</td>
<td>371 units</td>
<td>Stockpiled/recycled</td>
</tr>
<tr>
<td>Hardware</td>
<td>40 units</td>
<td>Buried, incinerated or sent to plant</td>
</tr>
<tr>
<td>Oil</td>
<td>450 barrels</td>
<td>Sent for recycling</td>
</tr>
</tbody>
</table>

* Landfarming is the biological treatment of contaminants through exposure to air, water, nutrients and naturally occurring micro-organisms.
HAZARDOUS WASTE

Ambatovy does not ship any waste out of the country. Chemical waste is neutralized on site. Paints, hydrocarbon waste and batteries are recycled and treated by local companies. A waste management area is being constructed at the plant site that will incorporate facilities for incineration, separation, distillation and encapsulation for stabilizing hazardous waste materials.

HYDROCARBON WASTE RECYCLED AND MANAGED

<table>
<thead>
<tr>
<th>SUBSTANCE</th>
<th>QUANTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>32 m³</td>
</tr>
<tr>
<td>Oil Filters</td>
<td>1,464 units</td>
</tr>
<tr>
<td>Air Filters</td>
<td>154 units</td>
</tr>
<tr>
<td>Batteries</td>
<td>49 units</td>
</tr>
<tr>
<td>Soiled Rags</td>
<td>4,014 kg</td>
</tr>
</tbody>
</table>

OVERBURDEN

Overburden is composed of pieces of rock and soil with uneconomic concentrations of nickel and cobalt. During operations, ore is delivered from a surface pit to the Ore Preparation Plant (OPP), which is designed to separate waste material from the ore and produce the slurry. The ore from the trucks is dumped into a bin, screened, and conveyed to the primary scrubber. Materials mined that are rejected as waste will be returned to the pit and covered with topsoil during the mine site rehabilitation process.

MATERIAL EXTRACTED IN 2011, IN TONNES

<table>
<thead>
<tr>
<th>MATERIAL</th>
<th>CONSUMPTION</th>
<th>UNIT</th>
<th>CO₂ EQUIVALENT (nearest thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ore</td>
<td>753,781</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste</td>
<td>188,325</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>942,106</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TAILINGS

The tailings facility is a long-term construction project involving continuous expansion of the perimeter dams to meet containment needs. In 2011, construction of the first phase of civil works was completed, as was the testing of the pipelines and pump systems connecting it to the plant and ocean outfall. No tailings material was produced nor wastewater discharged via the ocean outfall in 2011. However, work carried out during the year was critical as it allowed us to put in place key management plans and procedures necessary for operations. The management plan for the tailings facility was submitted to the ONE in December 2011.

EMISSIONS

We have selected the following four major inputs used in 2011, which are sources of greenhouse gases, for monitoring: diesel, coal, limestone and liquid petroleum gas (LPG). These are contributors of carbon dioxide, methane and nitrous oxide.

We note that during our construction and commissioning phase, emissions are not necessarily comparable with the type and quantity of emissions that we will report during the operations period.

The proportion of emissions comprised of methane and nitrous oxide was minor in comparison to those that will be produced once operations begin. Once in production we intend to report on these and other air quality indicators regularly.

Following up on the regulator’s request, an independent firm was hired to undertake a safety audit of the ammonia handling and storage systems. The audit was submitted to the regulator by the end of 2011. All of the auditor’s recommendations were taken into consideration and many of them have already been implemented. We also worked with local authorities to develop an off-site emergency response plan in the event of ammonia escape or other industrial incident. A provisional plan was agreed upon by Ambatovy and local authorities in 2011 and the full emergency plan will be completed in 2012.
Environmental Performance

NOISE QUALITY

Installation, testing and commissioning of the air and noise quality monitoring systems were a critical environmental aspect for the completion of construction in 2011. Noise impacts are expected to be low or negligible around the mine and well within World Bank criteria. A noise monitoring program has been established to ensure compliance. Last year, we implemented a targeted monitoring program before and during blasting activities at the mine to ensure noise levels and disturbances to animals were minimized. This was carried out in parallel with the lemur monitoring program. Behaviour such as grooming, resting, eating and movement were observed for six groups of two species (*Indri indri* and *Propithecus diadema*). The data showed widely variable patterns of behaviour, without any indication of significant impact related to mine blasting. At the plant, noise monitoring equipment was installed this year at 13 points, including several locations off-site in nearby villages, the town of Toamasina and around the port. The port received the first shipments of coal, limestone, sulphur and ammonia in 2011. Air quality monitoring targets were set in place and shipments monitored. The shipments of coal, limestone and sulphur that arrived in April, May and August respectively, resulted in concentrations below the target maximum of 600 mg/m² per day. The Environment team used modeling to estimate ammonia dispersal around the ammonia storage tank and then undertook real time monitoring of atmospheric concentrations of ammonia in the storage area during the first transfer operation in November. This operation was observed by the national environment regulator and no major incidents were reported.

At the plant site, there is a new continuous air monitoring facility and weather station. The station continuously measures the mass concentration of inhalable particles (µg/m³) as well as concentrations of gases such as hydrogen sulphide, sulphur dioxide, ammonia and nitrous oxide. The analyzers became operational in 2012.

AIR QUALITY

At the mine, sampling of particulate matter (diameter < 10 µm) was undertaken in the last quarter of 2011. The average scores were below the WHO criteria (150 µg/m³ average over 24 hours), with concentrations below 74 µg/m³. There were, however, two instances in October of 2011 where the directive was exceeded in the village of Ampitambe. At the same time, the OPP area was on the threshold of the limit. In response, a road-watering program was put in place.
Environmental Performance

Ambatovy operates an integrated reporting system for all environmental, health & safety or security incidents. Spills and incidents are tracked and documented as part of the internal compliance reporting process.

In 2011 we had a limited number of significant spills: two fuel spills, which were 500 litres and 600 litres respectively, and two instances of external complaints related to dust and spillage during the limestone and sulphur unloading and transfer from the port to plant. Normally areas of containment prevent spills from having any major impact, however when spills go outside of the containment area, we have clean-up procedures to neutralize the impact, such as that of the fuel spills. We made specific improvements and adjustments to the port and Madarail equipment to prevent spillage in following shipments.

The reporting system ensures that appropriate measures are taken in response to a range of environmental incidents, not just spills. For example, in 2011, clearing rates briefly exceeded the usual operational maximum of 10 ha/month. This resulted in lemurs and other fauna being marooned in a patch of forest and requiring rescue. As a result, our Environment and Mine Operations teams worked together to develop an improved Job Environmental Analysis and a standard operational procedure. This now delineates clearing paths and imposes stricter procedures for the speed, direction and process of clearing. The improved procedure ensures fauna search and salvage work is completed before the area is cleared. No repeat incidents were observed for the rest of the year, indicating that this new cooperative procedure had resulted in more effective management of the mine footprint.

Materials

**PRIMARY MATERIALS INPUT**

In addition to approximately six million tonnes of ore that will be mined annually, the operation of the process plant requires four key raw input commodities. In 2011, we used modest quantities of the following for commissioning and start-up of our plant site:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Amount (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>118,184</td>
</tr>
<tr>
<td>Sulphur</td>
<td>6,409</td>
</tr>
<tr>
<td>Limestone</td>
<td>9,218</td>
</tr>
<tr>
<td>Ammonia</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Since we were not in production in 2011, no ammonia was consumed for processing. Quantities used of all commodities will be significantly higher once in production. Processing will also use smaller quantities of materials, such as sodium hydroxide, alum and polymers. The process does not make use of any recycled materials.
Environmental Performance

Transport

Transportation-related impacts are unavoidable in a project the scale of Ambatovy. However, we have aimed to reduce the use of local road traffic wherever possible:

- We chose a strategic location for the plant, close to the Port of Toamasina, to lower the cost and environmental impact of transportation of products coming in and out of the plant.
- The pipeline ensures that the ore coming from the mine to the plant is transported safely and with a relatively small environmental impact. Most of the energy needed to transport the ore slurry will come from gravity as there is a gradual decrease in elevation of approximately 1,000 meters from the mine down to the plant site.
- We have a fleet of buses that transport workers to and from our mine and plant site. This ensures that the cost of transportation is not a burden to our local employees, while reducing individual transportation footprints.
- At the port, we monitor all our unloading operations to ensure that the commodities we bring in do not have a negative effect on the town and the marine life in the harbour.

The transportation of personnel has contributed significantly to our overall transportation impact. Due to the need for specialized expertise during construction and commissioning, our workforce had large numbers of expatriate workers: approximately 2,000 remained at the end of 2011 and during construction more than 70 nationalities were represented on site. The emission impact may be greater than what we can account for. Aggregate data was not available to make calculations related to employees and subcontractors coming to and from Madagascar, since routing and travel arrangements were often made directly by the traveler or subcontractor. We have, however, reviewed the local business transportation undertaken by Ambatovy vehicles, trucks and a small aircraft that transports personnel between the plant, the mine and the capital city.

<table>
<thead>
<tr>
<th>MATERIAL</th>
<th>CONSUMPTION (litres)</th>
<th>CO₂ EQUIVALENT (tonnes, nearest thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle Fuel (Diesel) DMSA</td>
<td>5,046,150</td>
<td>14,000</td>
</tr>
<tr>
<td>Vehicle Fuel (Diesel) AMSA</td>
<td>6,797,532</td>
<td>18,000</td>
</tr>
<tr>
<td>Aviation Fuel</td>
<td>265,475</td>
<td>1,000</td>
</tr>
</tbody>
</table>
Our vision is to contribute significantly to Madagascar’s development and we see great potential for Madagascar’s economic development as a result of our activities. Nickel is set to become one of Madagascar’s most valuable exports, bringing foreign revenues to the economy. Significant benefits to local communities are already manifested in steady wages, improved infrastructure and new business opportunities for suppliers.

We also recognize that negative economic impacts can occur. For example, increased migration to Toamasina and Moramanga has benefitted local communities with new business, but also put pressure on the local labour market as people compete for a limited number of new jobs. Price inflation, particularly related to housing, has been noted in Toamasina and Moramanga, which has placed pressure on vulnerable populations without land tenure. Furthermore, with an investment of this size, there is a responsibility to ensure that funds are managed ethically and transparently, and that we do our due diligence to prevent corruption in our transactions.

In order to maximize the benefits and minimize the negative impacts, Ambatovy endeavours to implement three key policies: hire locally, buy locally and manage transparently our funds and payments to government.

The year 2011 was a particularly exciting year as we moved closer to maximizing local supply and employment. We had a number of successful new initiatives to invest in the capacity of local suppliers as well as training for our Supply Chain Department. Our efforts to build the capacity of local employees kicked into full gear with such initiatives as the Technical Excellence Program (PEXT) and the Ambatovy Leadership Development Program (ALDP).

In addition, we implemented key tactics against corruption. We participated in Madagascar’s first official EITI reconciliation report by publicly disclosing our payments to the Government of Madagascar. We also initiated a training course for our employees on ways to detect and prevent corruption. We are eager to continue this program as we know that there will be positive effects as we promote the highest ethical standards for sourcing and payment.

We are proud of these efforts and look forward to embedding such practices into our business as we move into production.

Management Approach to Economic Sustainability

ECONOMIC PERFORMANCE GOALS

<table>
<thead>
<tr>
<th>ECONOMIC PERFORMANCE GOALS</th>
<th>2011 RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest in local capacity to participate in our supply chain.</td>
<td>⊗ Major programs and initiatives in 2011 included local supplier conferences and training sessions, the introduction of the Ambatovy supplier audit program and continued support to key local enterprises.</td>
</tr>
<tr>
<td>Demonstrate transparency in tax payments and compliance with the Government of Madagascar and other financial regulations.</td>
<td>⊗ In 2011, we continued to support the EITI process in Madagascar as a participant of the Multi-Stakeholder Group and were one of three extractive industries companies to disclose their payments to the Government of Madagascar in the first official EITI report, published on June 8, 2011.</td>
</tr>
<tr>
<td>Maximize local recruitment and invest in the long-term sustainability of our Malagasy workforce.</td>
<td>⊗ In 2011, approximately 77% of total employment was held by nationals (includes construction workforce and contractors). For our operations workforce, national employment was even higher at 91%. We had several key programs start this year, which aim to build up the human capital of our employees and young graduates in the region.</td>
</tr>
</tbody>
</table>

Direct Economic Performance

Unless otherwise noted, all figures are stated in US dollars for the year 2011.

DIRECT ECONOMIC VALUE GENERATED

Revenue generation will commence after operations begin. However, in 2011 Ambatovy was able to contribute over $15 million to the local economy in the form of employee wages and benefits. In addition, we paid over $212 million for goods and services supplied by Malagasy enterprises.
Compensation was mainly related to rice fields impacted during construction of the pipeline. Payments were made in cash or in-kind (in the form of unmilled rice known as “paddy”). Compensation began in 2010 and extended into 2011 due to one of the following three situations:

- New or extra impacts caused by erosion along the pipeline route.
- Certain plots not identified in the 2010 survey were found to merit compensation.
- Outstanding compensation from the 2010 payment schedule.

In addition, Ambatovy continued to work with the 38 families who previously farmed in the mine footprint to ensure they were properly compensated. They will receive new farm land in the Ambolomaro area, located near the mine. Land transferred will be comparable and Ambatovy will continue to compensate for lost crops until production levels in the new land reaches the agreed-upon output. In 2011, we completed construction on the new land (leveling, drainage and irrigation canals) and the hand-over will likely take place in 2012. The hand-over will be accompanied by technical training aimed at improving productivity.

**Payments to Government**

Last year, Ambatovy paid more than $30 million in tariffs, payroll taxes and other government payments. Salary taxes included tax paid on behalf of expatriates, which are not factored into the payroll and benefits listed in the annual operating costs. Expatriate salary taxes to the Malagasy government are often paid by Ambatovy on behalf of partner or sub-contractor companies, even if the salary itself is not directly paid by Ambatovy. Royalty payments will commence once production starts. In 2011, there were no fines related to environmental or product compliance infractions.

**Operating Costs**

Prior to 2011, Ambatovy’s costs were primarily related to construction and these costs were managed separately from those for operations. The data below relates only to the operations costs for the year in order to provide comparability for future reports. The current investment forecast, which covers construction and operations costs, is approximately $5.5 billion.  

The table below provides costs incurred in 2011, including salaries and benefits, local procurement, taxes and compensation payments to people whose land and livelihoods have been affected by our activities. Royalties will not commence until the operations phase.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments to local suppliers</td>
<td>212,947,000</td>
</tr>
<tr>
<td>Non-strategic investments</td>
<td>0</td>
</tr>
<tr>
<td>Land and compensation payments</td>
<td>214,528</td>
</tr>
<tr>
<td>Payroll</td>
<td>10,612,905</td>
</tr>
<tr>
<td>Benefits</td>
<td>4,467,408</td>
</tr>
<tr>
<td>Salary tax</td>
<td>13,844,173</td>
</tr>
<tr>
<td>Land leases</td>
<td>250,000</td>
</tr>
<tr>
<td>Tariffs</td>
<td>640,108</td>
</tr>
<tr>
<td>Mining permit</td>
<td>233,269</td>
</tr>
<tr>
<td>Royalties</td>
<td>0</td>
</tr>
<tr>
<td>Taxes</td>
<td>15,737,342</td>
</tr>
<tr>
<td>Donations to political entities</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>2,287,985</td>
</tr>
<tr>
<td>Donations &amp; sponsoring</td>
<td>112,915</td>
</tr>
<tr>
<td>Total</td>
<td>261,347,633</td>
</tr>
</tbody>
</table>

* Does not include payments to offshore suppliers.

**Impact Compensation**

While Ambatovy has endeavoured to avoid and minimize impacts on the homes and livelihoods of surrounding communities, some construction activities resulted in unavoidable losses. Compensation is being paid accordingly. Overall, Ambatovy provided more than $214,500 in compensation in 2011.

---

2 Excluding finance charges, working capital and foreign exchange.
DONATIONS

Every year Ambatovy sets aside funds to respond to requests for donations and sponsorships. Ambatovy has supported civil society groups working in the areas of education, health, hygiene and sanitation. Ambatovy has not made any donations to political parties, politicians or related institutions. Our donations have funded activities related to World AIDS Day, International Women’s Day and other such initiatives. We endeavour to support groups and activities that align with our community development goals, such as the promotion of education and health. One of our major donations in 2011 was the facilitation of a container donation via Project C.U.R.E., an American NGO that provides medical equipment. Ambatovy has now worked with Project C.U.R.E. to bring six containers of much-needed medical equipment to Madagascar. The equipment was distributed to health centres in a number of districts following an allocation scheme developed by the Ministry of Public Health. Ambatovy’s Corporate Social Responsibility team has provided technical support in monitoring and evaluating recipient health centres. In 2012, Ambatovy, in collaboration with Project C.U.R.E. and the Ministry of Health, will conduct an extensive audit of all equipment donations.

PAYMENTS TO PROVIDERS OF CAPITAL

In 2007, Ambatovy’s partners reached a financing agreement for a total of $2.1 billion with a consortium of 14 lending institutions. No loan repayments have been made at this point. It should be noted that Ambatovy does not receive financing from the Government of Madagascar.

SIGNIFICANT INVESTMENTS AND HUMAN RIGHTS

Ambatovy did not make any significant investments agreements during the period. However, our lending agreement stipulates that we uphold the IFC Performance Standards, which provide our standard for labour conditions, respect for cultural heritage and other human rights-related issues. Several members of our lending consortium are Equator Principle banks, and as a result, we strive to uphold those principles, which also incorporate human rights into their requirements.

Community and Indirect Impact Investments

During construction, Ambatovy built or improved large-scale infrastructure that will benefit local populations. The majority of large infrastructure that serves a public benefit was completed and detailed in our 2010 report. These infrastructure investments included over 100 km of roads built or improved, and a significant upgrade to the Port of Toamasina. Throughout 2011, we continued to monitor the impact of our activities and installations to evaluate the results. We have also set up long-term programs and services to ensure that the appropriate care is taken of these infrastructures. For example:

- During construction, over 50 pumps and wells were built along the pipeline for communities. In 2011, the CSR and Environment teams worked with these communities to support the establishment of water-user associations to maintain and monitor the structures.
- Ambatovy inaugurated the Anjoma Public Market in Toamasina, built so that vendors could conduct business in a safe environment, out of the way of a major trucking route where they had previously sold from roadside stalls.
- Our Corporate Social Responsibility team provided strategic support to job seekers in project regions through our Redeployment Offices. We also provided technical and financial support to local employment offices, managed by the Ministry of Labour.
- In 2011, we built five youth kiosks to facilitate information exchange and to involve youth in community-level activities to fight HIV/AIDS and child exploitation.
- We continued to run the popular Agricultural Training Centre (ATC), which teaches sustainable agriculture to demobilized workers and people in areas around project sites. Additional training opportunities were offered in 2011 with the opening of a second training centre in Moramanga.

3 “Significant investment agreements” are defined per the GRI G3.1 guidance as agreements that “moved the organization into a position of ownership in another entity or initiated a capital investment project that was material to financial accounts.”
Ambatovy is committed to ensuring that the transfer of any infrastructure investments to the public or a managing authority is carried out in a sustainable manner. Technical support is offered (via our CSR Department) to numerous bodies, including community associations, public health authorities and education actors. We also have a significant environmental commitment, which includes investing in economic alternatives for local communities dependent upon unsustainable use of natural resources. The table below shows our overall social and environment budgets for the years 2010 and 2011, which represent the program and service investment we have made in our local communities and their surroundings. Details on these initiatives listed above and other specific programs can be found in our Environmental, Social and Labour Performance sections.

### COMMUNITY AND ENVIRONMENTAL INVESTMENTS

<table>
<thead>
<tr>
<th>AREA</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>$3,859,000</td>
<td>$5,513,000</td>
</tr>
<tr>
<td>Environment</td>
<td>$4,119,000</td>
<td>$4,240,000</td>
</tr>
</tbody>
</table>

### Market Presence

#### LOCAL JOB CREATION AND RECRUITMENT

Ambatovy remains firmly committed to maximizing employment opportunities for locals. We endeavour to attract local talent and invest in the development of our workforce. For operations, we expect to employ 2,500 direct employees with an additional 3,500 jobs held by sub-contractors, of which over 85% are expected to be Malagasy. As of December 2011:

- 77% national employees for total workforce.\(^4\)
- 91% national employees for direct operations employees.\(^5\)

While all senior management (executive or director) roles are currently held by expatriates, almost 11% of national operations employees hold a supervisory position that involves developing the competencies of other employees under their management.

### LOCAL SUPPLIERS

In 2011, local procurement policies and programs were among our key accomplishments for locals. During construction, we created the Ambatovy Local Business Initiative (ALBI) to support local businesses and entrepreneurs. In June of 2011, ALBI was transferred from our CSR Department to our Supply Chain Management group to increase its ability to facilitate local procurement. With this closer working relationship came improved synergies and a number of exciting initiatives were the result.

### Anti-Corruption Training

Last year, Ambatovy’s Supply Chain team approached BIANCO, Madagascar’s independent anti-corruption agency, to implement an anti-corruption training for its procurement and contracts staff. By the end of the year, 194 of our employees had completed the training and 79% of Supply Chain Management employees had completed the training. The program is set to continue into 2012. The aim is to facilitate fair sourcing of goods and services and encourage our suppliers to maintain the highest business ethics standards.

### Supplier Conferences

In 2011, Ambatovy implemented a new program of conferences, which targeted local companies not currently registered as suppliers. The purpose was to inform companies about Ambatovy’s mission, objectives and expectations, as well as to provide information on how to become a supplier. Over 330 companies participated in these sessions, which were held in Toamasina, Moramanga and Antananarivo.

### Supplier Training Days

In addition to supplier conferences, ALBI organized four training sessions for companies already registered as Ambatovy suppliers, which provided information on Ambatovy’s expectations related to quality control and delivery of goods and services. Over 160 enterprises were represented at the four sessions.

---

\(^4\) Based on manpower headcount, December 2011, which includes construction employees and sub-contractors.

\(^5\) Based on direct operations employees headcount, December 2011.
The Ambatovy Supplier Audit Program
Ambatovy has initiated a new program that audits suppliers to ensure they fulfill the necessary legal, organizational and performance requirements for our Procurement Policy. A third party conducts the audit and recommendations are made to the supplier for ways to improve. Once a supplier passes all the requirements, they are given a Certificate of Approval stating that they are compliant with all of Ambatovy’s quality requirements. Although the audit does not look specifically at human rights-related aspects of the supplier’s business, it is an important tool to ensure that our suppliers provide a legitimate working environment for their employees. Since this is a new program in operation for only part of 2011, we were able to complete just a small portion of audits (less than 1% of national suppliers). Our target is to complete 250 audits by the end of 2012, which will be approximately 85% of our in-country suppliers.

Business Training Centre
By the end of 2011, ALBI had started working in collaboration with the World Bank/IFC to put in place a business centre, which will provide a two-part training to local businesses:

- Basic training including elements on answering a tender, cost-price analysis, basic accounting, building a business plan and accessing bank business loans.
- Additional training provided on specific needs identified through audits.

Tafita Supplier Database
The Tafita Supplier Database is an internal data management system that allows us to improve local supplier definition, linkages and availability for purchasing and contracts. By the end of 2011, more than 2,600 businesses had been registered, of which 86% were Malagasy enterprises, creating a vast pool of potential suppliers and contractors.

During the year, we also worked with Malagasy enterprises to build up specialized industrial capacity in the area to allow us to procure locally the major maintenance services we will require. While there was already some industry around the plant site before we began construction, there was nothing on the necessary scale or specific technical requirements. We have worked with small, medium and large local businesses to make sure they are equipped to participate in the supply and service opportunities our operations will create. For example:

- We worked with local companies to start a number of repair shops, such as the one to provide rubber lining services and repairs to the plant site. This repair service did not previously exist in the area, but is necessary for continual maintenance of major aspects of the plant. This project alone has added over 30 skilled technical service jobs.
- We provided contracts and training to numerous smaller companies for maintenance work on our equipment and infrastructure, such as heating, ventilation and air conditioning (HVAC), building and electrical maintenance.
- We initiated and developed links with larger national companies to put together the skilled work crews required during various maintenance cycles of the plant site. Such maintenance can require large crews numbering in the hundreds with a variety of technical skills, some of which will be new to the local economy. The initial discussions and planning, along with the award of some of the required contracts to local contractors, have begun and will continue to be a major effort in 2012. Training initiatives are being developed in conjunction with local suppliers to ensure we reach the appropriate quality and safety standards to operate on the site.
- 2011 also saw the first transportation of commodities from the port to the plant site using the Madarail services. In order to facilitate this process, Madarail, which operates the line, has hired and trained over 300 local employees, adding to the skilled trade capacity of the Toamasina area.

We have seen remarkable success in facilitating local procurement. In 2011 alone, we spent $212 million on local purchases.

* Based on 2011 supplier figures.
We wish to maintain a positive relationship with the people living around our areas of business and we endeavour to ensure that the benefits of being our neighbour outweigh any negative impacts. The process of how we handle these impacts and the end results – both positive and negative – affect our relationship with local communities.

As construction wound down in 2011, our community activities ramped up to focus on addressing the remaining impacts from construction, as well as laying a strong foundation for operations. One major area of focus was the long-term restoration of livelihoods to our resettlement villages. We also worked on laying strong operations strategies and programs with our communities as key stakeholders.

Activities and support offered to the communities are founded on international best practices. We have worked to align our actions with regional and national development plans as much as possible. We endeavour to uphold the IFC Performance Standards as well as national directives through our policies and planning. In order to tie all these commitments together, we have based our strategic objectives for Corporate Social Responsibility on four key principles from the International Council on Mining and Metals (ICMM), as noted in our Social Performance Goals.

In 2011, we worked with local communities to make sure that operations start on the right foot. We look forward to production and appreciate the long-term partnerships established over the last year to ensure it is a success.
Resettlement

From December 2007 to February 2008, we relocated 261 households living at the sites to be used for the plant and tailings. These families were resettled to two villages, Marovato and Vohitrambato, where they received a range of compensation aimed at restoring their quality of life and livelihoods.

The construction of the physical infrastructure was only part of our commitment to Marovato and Vohitrambato. Our task over the last three years has been to implement a resettlement program following the World Bank’s principles on involuntary resettlement and the IFC’s guidelines for resettlement action plans. Our strategic objective is to restore the livelihoods and standards of living among displaced persons through the provision of appropriate housing with security of tenure at the resettlement sites.

In 2011, we had an independent firm conduct an external audit of the resettlement process and results. The review found that our process was well planned and closely aligned with key requirements. However, it also pointed out critical aspects that remained to fulfill our commitments. For example, some of the livelihood strategies did not perform as expected so we have worked to implement alternative solutions. We have integrated this review and its recommendations into the development of the next phase of the resettlement program. Ultimately, we want to find both immediate and long-term solutions to ensure that the resettled communities enjoy a better quality of life as a result of the resettlement process.

Our resettlement program is divided into four major categories: governance, livelihoods, health and hygiene, and education. With this multidisciplinary approach, we are committed to making sure that all aspects of village life are restored.

GOOD GOVERNANCE

Following the recommendations of the review, we made a concerted effort in the latter half of 2011 to improve public consultation and participatory governance in the development process. We worked with the Development Agency of the Diocese of Toamasina (Organe de Développement du Diocèse de Toamasina, ODDIT), a local NGO, to provide strategic support to the village associations. ODDIT did an evaluation of 16 groups and provided training to 13 of them on subjects such as leadership, organizational structure, project planning and improved communication.

We also renewed the Resettlement Committee this year. Since the physical resettlement took place, the committee had been inactive. As a result of the recommendations laid out in the external audit, this committee is now an active participant working to ensure the remaining aspects of the resettlement process go smoothly. The Resettlement Committee currently has 42 members, comprised of resettled people, community elders, local government, civil society representatives and regional authorities. The committee facilitated 14 public consultations with the resettled communities, which allowed the population to discuss the strengths, problems and proposals regarding issues, such as land tenure, agriculture, education, infrastructure, rural security and water and sanitation. The committee also conducted visits to 20 households to verify the effectiveness of development programs and help resolve conflicts. Ambatovy facilitated training for the committee through local NGOs to improve the institutional capacity of the committee. As part of this training, the committee visited the mine and local cooperatives in Moramanga to see effective practices in the area.

QUICK FIGURES

In preparation for resettlement in 2008, Ambatovy built or allocated:

- 296 new houses
- 47 hectares for farming including space for community nurseries
- A health centre in Vohitrambato
- A primary school in Vohitrambato
- Two preschools and adjoining community centres, one in each village
- 167 latrines and showers were built in Vohitrambato and 16 latrines in Marovato
- 50 pumps and 4 traditional water pumps
- 3 washing houses in Vohitrambato and 1 in Marovato
- An additional 334 non-resident farms were affected.

Farmers received either land or cash compensation.

7 Due to the proximity of Marovato to the plant site and the city of Toamasina, the population was able to maintain access to its social network and civic amenities, such as their previous elementary school and health facilities. Therefore, construction of a school and health centre was not necessary.

8 Some families elected to share latrine and shower facilities with neighbouring houses.
SUSTAINABLE LIVELIHOODS

Livelihood restoration was a priority focus in 2011. Throughout the year, the resettlement villages produced a range of products including rice, vegetables and perennial crops. Agricultural technicians and resettlement team workers provided the support through:

- Provision of agricultural inputs, such as seeds, manure or equipment
- Training on livestock and farming techniques
- Family compost development

Rice production showed encouraging results in 2011. Farmers increased their average yields to 3.6 tonnes per hectare, an increase of almost 10% compared to 2010.

In addition to agricultural support, Ambatovy provided support to the resettled communities by improving access to markets. In 2011, 37 women were involved in microcredit programs and total cumulative savings were nearly $1,100 by the end of 2011.

In addition to agricultural support, Ambatovy provided support to the resettled communities by improving access to markets. In 2011, 37 women were involved in microcredit programs and total cumulative savings were nearly $1,100 by the end of 2011.

HEALTH AND HYGIENE

In 2011, Ambatovy continued to support the community health centre in Vohitrambato. The centre, which also serves surrounding communities near Vohitrambato, conducted over 3,300 consultations. For the second year in a row, the Vohitrambato Health Centre was recognized as the best performing private health care centre in the district.

In addition to treatment, Ambatovy is committed to offering preventative care and training to help the villagers live healthier lives. The health centre made particular efforts with vulnerable people to promote:

- Vaccination campaigns
- Nutritional monitoring for children under five years old
- Mother and child health awareness
- Hygiene and hand-washing awareness sessions
- Reproductive health education for adolescents

Ambatovy continued its health volunteer program in 2011 with 15 people trained and working to promote information on issues such as child diseases, malaria and diarrhea prevention. For the second year in a row, ODDIT operated the WASH program (Water, Hygiene and Sanitation) in the villages. This program trains villagers on hygiene principles and practices.

Continual performance of sanitation infrastructure is a critical component to ensuring the health and safety of the village residents. One particular area of concern in 2011 was access to safe drinking water. Both communities experienced problems with water quality coming from boreholes. Short-term solutions were implemented in the form of water purification materials distributed to households in both villages. With each distribution, there was a major education campaign conducted by Population Services International (PSI). Natural water sources (streams and rivers) were also improved. For a long-term solution, a water access improvement study was completed and validated by the villages. By the end of the year, we were assessing more durable water solutions.
EDUCATION FOR DEVELOPMENT

Throughout 2011, we continued to promote quality education, which will provide new economic opportunities, increase income and improve community integration. We built a primary school in Vohitrambato prior to resettlement, while Marovato children were still within distance of their original school. In 2011, 19 children from Marovato were enrolled in the local school, with 100% advancing to the next grade. The Vohitrambato primary school had an enrollment rate of 91%. In order to improve the educational experience, we made structural changes in Vohitrambato, including increasing the number of teachers and renewing membership in the parents’ association. Overall there have been improvements in the rate of enrollment, the pass rate and the student/teacher ratio.

Ambatovy endeavours to provide education opportunities for all ages. Preschools in the villages have shown positive results as children move into primary school with a strong foundation. Moreover, 21 students took part in an adult literacy course in Vohitrambato this year. Finally, a number of training sessions on environment and hygiene were carried out under an environmental education program. These had very positive results as shown in the table on the right.

**VOHITRAMBATO EDUCATION INDICATORS**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of students</td>
<td>271</td>
<td>261</td>
</tr>
<tr>
<td>Enrollment rate</td>
<td>80%</td>
<td>91%</td>
</tr>
<tr>
<td>Pass rate</td>
<td>71%</td>
<td>76%</td>
</tr>
<tr>
<td>Drop-out rate</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Average number of students per class</td>
<td>54</td>
<td>52</td>
</tr>
</tbody>
</table>

Ambatovy is taking the recommendations and lessons learned and integrating them into the next phase of our Resettlement Development Plan. Our aim is to ensure that the challenges that remain are met and surpassed for the benefit of these villages.
Cultural Preservation

Ambatovy implemented a cultural preservation program, in accordance with IFC Performance Standard 8 on Cultural Heritage. The goal of this program is to ensure that archaeological artifacts and remains found during construction are handled respectfully and in accordance with local customs and scientific procedures. Over 4,250 articles were found during construction and are in the process of being catalogued. In the last year, our archaeology group focused on completing the cataloguing process of the artifacts found throughout the pre-construction and construction surveys. We are currently preparing the artifacts for handover to universities in Toamasina and Antananarivo.

Community Development

Our impact on communities is not limited to construction effects so we have put in place community development programs to ensure people living around our sites benefit as our neighbours. The community development programs are divided into three main areas: health, education and livelihoods. Each one has strategic objectives aligned with best practices and IFC performance standards.

COMMUNITY HEALTH PROGRAM

Ambatovy is committed to working closely with local communities on issues of health and safety. We have implemented a number of programs, most notably the HIV/AIDS awareness campaign, to target specific health concerns in the areas where we work.

HIV/AIDS Campaign

An important community health objective for Ambatovy is to contribute to maintaining the national HIV/AIDS prevalence average of less than 1% in areas around our sites. The campaign, which was initiated in 2010, aims to prevent the transmission of HIV through a four-pronged approach based on education, access to condoms, voluntary testing and monitoring campaign results. It is closely tied to our Zero Tolerance Campaign, which promotes our policy against child sexual exploitation. For further information see our section on the Zero Tolerance Campaign.
Social Performance

The HIV/AIDS campaign targets employees and communities using a participatory approach, by working alongside members of the community, government and civil society. In 2011, Ambatovy was fully integrated into the Atsinanana Regional Coordination Program on HIV/AIDS awareness. After conducting a consultation and validation process, we launched a range of activities, such as:

- Voluntary testing and counseling on HIV/AIDS to employees and community members through sessions and events on our sites and in communities.
- Signing a collaborative agreement on HIV/AIDS prevention with a group of partners including the regional health authority, NGOs and a regional youth committee.
- A bicycle race to raise awareness in Toamasina.
- Supporting the Indian Ocean International Conference on HIV/AIDS.
- An HIV/AIDS & child prostitution prevention workshop for parents held in rural communities near the mine.
- Coordination of activities for the World AIDS Day ceremonies in the communities around our operations as well as on our sites for the second year in a row.
- Training four key groups from the resettlement villages (health volunteers, community volunteers, neighbourhood watch committee and the resettlement committee). In total, 55 leaders were educated.

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>PEOPLE REACHED</th>
<th>CONDOMS DISTRIBUTED</th>
<th>VOLUNTARY TESTS</th>
<th>HOURS OF EDUCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>16,161</td>
<td>52,606</td>
<td>495</td>
<td>11,274</td>
</tr>
<tr>
<td>2011- Employees</td>
<td>6,350</td>
<td>16,961</td>
<td>412</td>
<td>2,726</td>
</tr>
<tr>
<td>2011- Communities</td>
<td>23,467</td>
<td>N/A</td>
<td>3,498</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td>46,158</td>
<td>69,567</td>
<td>4,405</td>
<td>14,000</td>
</tr>
</tbody>
</table>

Community Health and Safety

Ambatovy is committed to giving our local communities the necessary health, safety and security tools and knowledge they need when near our sites. For example, during 2011, we conducted numerous public information sessions on safety around the port-to-plant rail line.

We also started the process for a feasibility study on waste management to support the municipality of Moramanga, where waste management has been a particular challenge. The study will be conducted in 2012.

Furthermore, we received a request from the Regional Nutrition Office of Alaotra Mangoro (the provincial authority for the mine region) to provide food security and nutritional support to communities around the mine area. Ambatovy accepted the request and an agricultural training program is being planned to support six communities around Moramanga.

In 2010, we involved local communities in surveillance along the pipeline. In 2011, 31 associations were operational. These associations are composed of nearly a thousand community members living along the pipeline route. A key objective for Ambatovy is to be aware of any impacts due to erosion, vandalism or broken equipment along the pipeline. The associations help us to respond swiftly, while receiving both training and a monthly stipend for their association to invest in community projects.

QUICK FIGURES

- 18 mobile voluntary HIV screening sessions with 3,498 people tested
- 1 voluntary screening centre renovated
- 3 HIV/AIDS clubs formed in local schools with 90 students trained
- 10 health workers, 24 young peer educators and 117 teachers from 24 different schools trained on adolescent reproductive health
Water Access
Ambatovy is committed to ensuring that our construction and infrastructure does not have a negative impact on community infrastructure. Even with anti-erosion efforts, Madagascar’s rainy season can exacerbate the levels of total suspended solids in streams near our mine and pipeline route. Pipeline construction affected some water courses so we put in place a mitigation program to ensure communities living along the pipeline had access to clean water. Since 2009, Ambatovy has built or renovated over 50 wells, filters and water pump systems throughout these villages. In 2011, we handed over the first wave of water pumps and wells to the communities and donated maintenance materials for each pump to the community authorities responsible for their maintenance. Ambatovy also trained villagers on usage and upkeep. We renovated or repaired earlier installations and surveyed 17 sites where there were new water impacts. We also installed four new filtered wells and moved two more at the request of the communities.

Finally, to ensure our interventions were sufficient while work was being conducted, we distributed jerry-cans and water filters as necessary. Ambatovy also installed a community wash house in one community and contributed to a survey conducted on water sources in the Alaotra Mangoro region.

<table>
<thead>
<tr>
<th>HOUSEHOLDS EFFECTED</th>
<th>WATER PUMP</th>
<th>WATER SYSTEM REHABILITATION</th>
<th>FILTERED WELL</th>
<th>SOLAR FILTER</th>
<th>WATER TANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wave I: 2009-2011</td>
<td>820</td>
<td>26</td>
<td>3</td>
<td>11</td>
<td>38</td>
</tr>
<tr>
<td>Wave II: 2010-present</td>
<td>1113</td>
<td>19</td>
<td>4</td>
<td>10</td>
<td>118</td>
</tr>
</tbody>
</table>
Education has been a significant component of our community development program, with activities and strategies founded on best practices. Ambatovy is working with the local school districts and international partners such as UNICEF, to implement quality programs to promote Madagascar’s educational goals.

In 2011, we continued to work with UNICEF to implement the Contract for School Success Program (Contrat Programme de la Réussite Scolaire, CPRS). Ambatovy supported training and investment in key school supplies and infrastructure.

**CPRS 2011 ACTIVITIES AND RESULTS**

<table>
<thead>
<tr>
<th>Action plans developed</th>
<th>242</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principals trained</td>
<td>264</td>
</tr>
<tr>
<td>Participating schools</td>
<td>100</td>
</tr>
</tbody>
</table>

Madagascar’s primary school completion rate is only 60% and students often repeat grades due to poor school infrastructure and supplies, unqualified teaching staff or complete lack of facilities in their community. In response to the educational context in Madagascar, UNICEF designed the Contract for School Success Program. The aim of this program is to mobilize administrators, teachers, parents and students through community contracts and action plans to drive their own local educational goals and activities. Parents and students collaborate with administrators, teachers and educational authorities to produce an annual contract and action plan, which determines the goals and how resources will be spent at each school. Each action plan is tailored to the needs and priorities agreed upon by the community.

---

In addition to CPRS, Ambatovy actively promoted education through three other key channels:

- **Student Merit Awards**: This program aims to encourage the students to greater achievement. The top student in each grade level from the schools in our local communities receives a prize. In 2011, 1,230 students received prizes.

- **Librarian Training**: A capacity building program was offered to support the creation of libraries in schools. Librarians were trained in financial management as well as how to promote books in order to encourage children to read. This training was given to 23 librarians.

- **Moramanga Technical High School Improvement**: We financed the construction of two new classrooms at the Technical High School in Moramanga. This targeted program will improve the access to education for approximately 120 students. Construction will be complete in 2012. Support was also given for teacher training in computer programs and technical topics.

Ambatovy has been able to reinforce support for education in our local communities in partnership with joint venture partners. These programs are not run solely by Ambatovy, but in collaboration with the educational communities and leaders, including the Regional Department of Education, the school district authorities, the school district superintendents and UNICEF. We are pleased to work alongside these partners in order to support the communities in our area of operations to have a strong educational foundation for success.

**LIVELIHOOD SECURITY**

In 2011, we officially established our livelihood program and formed a group to manage it. Their goal is to improve living conditions for people living in our intervention zones and affected by our construction activities by improving food security and increasing household income. The group now oversees the Agricultural Training Centres (ATCs) in Toamasina and Moramanga. In our first year of targeted programming, we saw several exciting milestones:

- 1,540 people from the districts of Brickaville, Moramanga and Toamasina trained in improved agricultural production. We were able to exceed our target number of students thanks to the opening of the Moramanga ATC in October.

- The signature of a collaboration agreement between Ambatovy and the Ministry of Agriculture to rehabilitate a property in Brickaville in order to run a third ATC there.

- The formation of a producers’ association made up of graduates of the ATC to manage proceeds from the ATC product sales. The funds will be used to support former students in need of agricultural financing. Last year, the Toamasina ATC brought in nearly $5,000 in farm product sales.

- An agricultural extension network of farmer-leaders formed with an agronomy advisor to support the farmers beyond the ATC. By December, 20 former students had been integrated into the network.

We also conducted a needs assessment of the target student population, which resulted in the creation of two new initiatives for 2012:

- Providing credit for income-generation activities for rural women.

- Creating and supporting small and medium agricultural enterprises to undertake value-adding activities to increase income and jobs from farm products.

We are pleased to report that our 2011 goals for the livelihoods program were all either met or exceeded. We look forward to consolidating these results and implementing the newly identified activities to further support the rural people in our zones of impact.
Labour Performance

We recognize that our employees are our most valuable asset. To prepare for operations, we will need a team that can meet the engineering, maintenance, technical, administrative and program aspects of our business. We know that we will create the best team possible by being an employer of choice. We have a number of policies in place to ensure that our workforce benefits from more than just a paycheck. We have developed policies and strategies for several core areas to ensure Ambatovy is an employer of choice in Madagascar. These areas cover local recruitment, training, labor-management relations, health and safety, demobilization support and diversity in the workplace.

Local Recruitment
We have two employment commitments: to optimize national employment and to develop a highly-skilled workforce in Madagascar. By locating our processing facilities in Madagascar, we have chosen to invest in the long-term recruitment, employment and development of human capital in the country. Our recruitment policy aims to attract and retain Madagascar’s top talent through competitive compensation and benefits. Our success will depend on recruiting a cohort of employees that are committed to our vision, values and long-term operation.

Management Approach to Labour Practices

<table>
<thead>
<tr>
<th>LABOUR PERFORMANCE GOALS</th>
<th>2011 RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximize local workforce composition to have 85% of positions held by nationals during operations.</td>
<td>By the end of 2011, we had surpassed our target and had approximately 91% of direct operations employment held by nationals.</td>
</tr>
<tr>
<td>Safety record of zero lost time incidents (LTIs).</td>
<td>Although we did not meet our goal, the LTI frequency decreased significantly since 2010. The construction group passed more than 200 days without an LTI and the Operations group passed 569 days without an LTI.</td>
</tr>
<tr>
<td>Create effective training programs that will position local candidates to take on highly-skilled positions.</td>
<td>2011 saw the inception of three key programs to promote skill and career development: the Ambatovy Leadership Development Program, the Technical Excellence Program and the Mentorship Program.</td>
</tr>
<tr>
<td>Working conditions meet or exceed national requirements and negotiated terms of employment.</td>
<td>We are recognized as an attractive place to work, providing competitive benefits, compensation and development opportunities.</td>
</tr>
</tbody>
</table>

Labour-Management Relations

One of our core values is teamwork. We believe that in order for us to be a successful enterprise, all employees must work in a spirit of mutual respect, trust and constructive relationships. In no other relationship is this as important as it is for labour-management relations. We have four principles that guide how we ensure this relationship is indeed constructive and respectful:

- Fair treatment for every employee
- Respect and integrity is required for and by all employees
- Respect for privacy and confidentiality
- Nurture Malagasy talent

By upholding these commitments and working with a spirit of constructive dialogue, we are certain that our labour-management relations can be constructive, setting the company up for success from the very beginning of the operations phase.
Labour Performance

Health and Safety
Ambatovy is dedicated to running a safe and responsible operation. Our first core value is to create and maintain an organizational culture that holds health and safety as a top priority with a goal of zero harm to all personnel and host communities. The three main goals of our Health and Safety Policy are to:

- Provide the best working and safety conditions for employees.
- Identify potential hazards and mitigate them.
- Avoid incidents, injuries, property damage, occupational illnesses and production losses.

Our key health and safety target across the organization is a rate of zero lost-time incidents, in order to protect employees, contractors and the wider community.

Training and Education
At Ambatovy, we believe that significant investment in training will ensure that employees will be able to assume positions of increasing responsibility and build a fulfilling career with us. We aim to create a standard of excellence through a blended approach to learning and leadership development. Ambatovy is committed to the development of our people and is recognized as a learning organization.

Demobilization Support
One important aspect for the current period of transition from construction to operations is demobilization support for construction workers. Demobilization involves a large number of temporary local workers and this will affect not only these individuals but also the larger community. As a result, we take a multi-faceted approach to demobilization, offering employees a range of assistance, such as targeted training and job search assistance.

Diversity and Equal Opportunity
Ambatovy is an equal opportunity employer that maintains strict confidentiality and values diversity in our workforce. Every employee has the right to equal treatment and respect in the workplace. We are firmly committed to following up any instances where someone feels they have experienced discrimination or harassment.

Employment

WORKFORCE
Ambatovy is creating direct and indirect jobs, which provide a major stimulus to the local economy. Operations employment is expected to be approximately 6,000 workers, comprised of 2,500 employees and 3,500 contract personnel, with an expectation that over 85% will be national employees.

APPROXIMATE PROJECT-WIDE MANPOWER, DECEMBER 2011

<table>
<thead>
<tr>
<th></th>
<th>NATIONAL</th>
<th>EXPATRIATES</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct employees</td>
<td>2,140</td>
<td>222</td>
<td>2,362</td>
</tr>
<tr>
<td>Construction Contractors</td>
<td>1,116</td>
<td>1,533</td>
<td>2,649</td>
</tr>
<tr>
<td>Operational Contractors*</td>
<td>4,626</td>
<td>597</td>
<td>5,223</td>
</tr>
<tr>
<td>Total</td>
<td>7,882</td>
<td>2,352</td>
<td>10,234</td>
</tr>
</tbody>
</table>

* Includes the owners’ project group.

EMPLOYEE BENEFITS AND WAGES
Ambatovy aims to be an employer of choice in Madagascar. Our Malagasy employees are offered competitive wages and benefits, including innovative programs that target some of the specific constraints our employees face. The national minimum wage for entry-level unskilled labour is 110,000 MGA or approximately $55 per month. Ambatovy’s standard entry-level wage starts well over this threshold at 178,000 MGA (or approximately $88), with opportunities for training, promotion and increase in pay.
Labour Performance

The organization offers a number of attractive benefits in order to promote a positive working environment and the well-being of our employees. Permanent employees are eligible for:

- A social benefits program, which includes health, death, accident and disability insurance.
- Two possible annual salary increases: a general increase in January and a merit one in April.
- An annual performance bonus.
- A housing program that offers a living allowance to employees who relocate to our areas of operation, which can be a monthly stipend or a capitalized allocation to put towards home ownership.
- Support for career development: all national employees with a permanent contract and six months of service by the end of the first quarter are given performance evaluations to reinforce what they do well and areas that they can work on for improvement in their role or preparation for another.

All employees are eligible for medical coverage and accident insurance. The company will also cover expenses and repatriation services for funerals and traditional Malagasy burials in the event of death of the employee and provide leave and a traditional payment in the event of the death of a close relative.

Labour-Management Relations

At Ambatovy, we believe that employees should always feel comfortable bringing feedback and concerns to management without fear of repercussions. We strive to maintain an open environment so that problems can be addressed before they escalate. The Work Council is a formal channel through which employees can present their issues via their employee representative. This group is comprised of 24 representatives (12 from AMSA and 12 from DMSA) who meet on a monthly basis to ensure continual, effective communication with management. The representatives are elected by their peers and serve a term of two years. Their mandate is taken directly from the Malagasy labour code, which charges them to:

- Present personal or collective concerns regarding working conditions, workers’ protection, collective agreements, professional classifications and salary rates.
- Follow up on any labour inspection regarding complaints or claims.
- Ensure the health, safety and worker welfare requirements are followed and propose supporting measures to that effect.
- Provide the employer with suggestions for organizational improvement.

The Work Council delegates are also mandated to negotiate on behalf of the employees for a collective agreement. By the end of 2011, among the fifteen sub-agreements to be finalized, seven were concluded and signed. This agreement covers all Ambatovy employees.

Employees may also raise a concern through a confidential online reporting system, developed with a third-party provider, which follows the procedure set out in our Reportable Concerns Policy. This allows employees to report confidentially issues of concern, harassment or unethical behaviour. The service is available in Malagasy, French and English.

STRIKES AND LOCKOUTS

While we strive to maintain an open environment, there were instances where workers of construction sub-contractors felt industrial action was necessary in 2011. None of these actions lasted longer than seven days. Management remained committed to keeping the lines of communication open and arriving at an outcome that made it possible for all parties to move forward.
Demobilization and Redeployment

Ambatovy is transitioning from construction to operations and the majority of contracts related to construction are coming to an end. Since construction began in 2007, we have employed more than 18,500 workers directly or through contractors. While the demobilization process is typical of any large-scale construction project, Ambatovy has created a comprehensive program to help demobilizing employees make the transition to other employment. The program includes:

- The AIDE program, which offers a limited monthly stipend to support demobilizing employees. Ambatovy expects approximately 17,000 participants in the program. Payments last from three to twenty-one months, depending on the length of service of the employee. Payments began in September.
- Redeployment Centres (Bureau de Redéploiement de la Main d’Œuvre, BRMO) established in Toamasina and Moramanga to help demobilized workers find new employment opportunities within Ambatovy or contractor companies. In 2011, we operated two additional centres, one in Antananarivo and one in Brickaville, to facilitate the demobilization process.
- Continued collaboration with the Ministry of Labour to support the local employment office in Toamasina. In 2011, we facilitated a consulting service for the office to improve its day-to-day functioning and ability to connect job seekers with the opportunities in the region. Ambatovy expects to offer similar support to another employment office in Moramanga, where we will also support building renovation efforts at the employment office there. During 2011, this office operated out of our Moramanga BRMO.

2011 DEMOBILIZATION SUPPORT INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2011 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDE registrations</td>
<td>14,585</td>
</tr>
<tr>
<td>% of target</td>
<td>86</td>
</tr>
<tr>
<td>Employment office registrations</td>
<td>2,137</td>
</tr>
</tbody>
</table>

Occupational Health and Safety

The health and safety of our employees, contractors and neighbouring communities is the primary value for us. Our Health and Safety team oversees training, work authorization and reporting for occupational incidents and diseases.

We report health and safety performance on a weekly basis to management to ensure safe operations and improvement. Our recording and reporting system is compliant with the International Labour Organization’s Code of Practice on Recording and Notification of Occupational Accidents and Diseases.

In addition, there are two joint employee-management Health and Safety Committees, one for the mine and one for the plant area. These committees are dedicated to ensuring that all employees are able to work in a safe environment and that their health and safety concerns are represented and resolved effectively. Each committee is made up of 1-2 managers and 11 regular employees who serve up to two years.
Throughout 2011 we continued to emphasize health and safety training for all employees, including specific courses for different aspects of work. We more than doubled our health and safety training team, from seven to thirteen trainers. We also made significant progress in the area of emergency preparedness and response training, including crisis management, firefighting and evacuation drills.

We endeavour to provide timely information related to diseases that may affect our employees and community. For example, we offered a specific course on legionnaires’ disease for employees who may encounter risks related to this disease in their work. We also covered public health topics in our regular health and safety meetings. Material and information was distributed or posted on-site related to diseases such as malaria and conjunctivitis. Our HIV/AIDS program also offered targeted education and prevention activities to both employees and the communities. For more information on the latter, see the Community Development section.
Labour Performance

Training and Education

We use a blended approach to learning that combines on-the-job training, e-learning, and traditional instructor-led classes. With this approach, employees can continuously develop skills, allowing them to advance professionally with us.

The strategic foundation of our training program is investment in local skill creation. Malagasy workers have received construction, technical and administrative training for the operations phase. We have a number of targeted training programs to ensure that the technical know-how and leadership qualities are developed within our local workforce.

- During 2011, 67 maintenance technicians completed training in skilled trades, such as electricians, millwrights, instrument technicians, welders and pipelayers.
- We had our first wave of 43 students under the Technical Excellence Program (PEXT), which offers 18 months of training and a two-month internship for recent high-school graduates in the Atsinanana Region.
- In 2011, we launched the Ambatovy Leadership Development Program, which aims to give talented local employees the skills and development they need to grow and advance in their career.
- We also launched the Mentorship Program, which pairs senior personnel with less experienced employees to develop and assist in the transfer of knowledge and experience.

Although our focus is on the transfer of skills and knowledge to national employees, we also provided training to expatriate staff who have been brought in for their technical expertise. Examples include cultural learning development and effective communication. These and other critical skills were a focus for expatriates taking part in the Ambatovy Leadership Development program.

SIGNIFICANT EMPLOYEE TRAINING PROGRAMS, ENROLLMENT PER YEAR

<table>
<thead>
<tr>
<th>MAJOR TRAINING COURSES</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>AVERAGE DURATION IN 2011 (h)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambatovy General Induction</td>
<td>429</td>
<td>1403</td>
<td>714</td>
<td>8-16&lt;sup&gt;10&lt;/sup&gt;</td>
</tr>
<tr>
<td>Health &amp; Safety Courses (contractors included)</td>
<td>155</td>
<td>10,540</td>
<td>36,501</td>
<td>4</td>
</tr>
<tr>
<td>Languages</td>
<td>135</td>
<td>933</td>
<td>973</td>
<td>N/A</td>
</tr>
<tr>
<td>Office &amp; Administration Software</td>
<td>123</td>
<td>765</td>
<td>990</td>
<td>N/A</td>
</tr>
<tr>
<td>Area Specific Training</td>
<td>N/A</td>
<td>216</td>
<td>943</td>
<td>24</td>
</tr>
<tr>
<td>Vendor Specific Training</td>
<td>N/A</td>
<td>335</td>
<td>721</td>
<td>42</td>
</tr>
<tr>
<td>Skilled Maintenance Training</td>
<td>102</td>
<td>83</td>
<td>67</td>
<td>840</td>
</tr>
<tr>
<td>Operators Training</td>
<td>N/A</td>
<td>328</td>
<td>340</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Total: 944 14,603 41,249

<sup>10</sup> Average estimates of training are provided when possible. However, Ambatovy aims to be a learning organization and each employee has a tailored training plan. It is not currently possible to give an accurate representation of training per employee, as some positions require more dedicated training time than others.

<sup>11</sup> Dependent upon personnel type (expatriate – 8 hours; national – 16 hours).
We are committed to providing and maintaining equal opportunities for job applicants, regardless of their ethnicity, religion, age, gender, marital status or sexual orientation. By recruiting on a competitive basis, Ambatovy aims to select the best candidate for each job. While our goal is to boost local access to jobs, our policy is to offer positions to the best qualified candidate based on employment-related indicators. Our recruitment is as objective as possible following the principles of transparency and fairness. The selection process is based on measurable criteria, such as technical, behavioural and linguistic testing. There is a mechanism to voice any complaints that a candidate may have with the hiring process.

In addition, all employees are expected to reject any form of discrimination or harassment, as explained in our Code of Conduct and Employee Handbook. There is an identified investigation and disciplinary procedure for any instances when a complaint of harassment is made.

---

12 All diversity charts show figures based on direct operations employees as of December 2011.
### Human Rights Performance

#### Human Rights Performance Goals

<table>
<thead>
<tr>
<th>Goal</th>
<th>2011 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respect human rights as well as cultures, customs and values in dealings with employees and others who are affected by our activities (ICMM principle 3).</td>
<td>Respecting human rights is undertaken through a number of channels in our business by our employees. We have made important operational decisions in order to respect the traditional beliefs and culture of communities around our sites. For example, it was discovered that a cellular tower at the mine site was on a sacred hill. As a result, we removed the tower and facilitated a traditional ceremony to bless the site.</td>
</tr>
<tr>
<td>Ensure suppliers are aware of and in compliance with the ethical standards required by Ambatovy.</td>
<td>This year we held a conference to inform potential suppliers on our requirements for goods and services, which includes the Supplier Code of Conduct. We also implemented the Ambatovy audit system to verify that national suppliers were compliant with local labour laws. Specific information on our performance can be found in the Market Presence section.</td>
</tr>
<tr>
<td>Increase awareness among our employees and local communities of child sexual exploitation and our Zero Tolerance Policy on this issue.</td>
<td>Ambatovy continued its rigorous Zero Tolerance campaign, educating both local communities and its own employees.</td>
</tr>
<tr>
<td>Respect the human rights of our employees through sound policies on collective bargaining and non-discrimination, practised through open communication.</td>
<td>Progress was made on the collective bargaining agreement in 2011. While we were not able to finalize all aspects, we were able to complete and sign seven of the fifteen sections. Specific information on our collective bargaining process can be found in the Labour-Management Relations section.</td>
</tr>
<tr>
<td>Promote the Voluntary Principles on Security and Human Rights.</td>
<td>Ambatovy provided training to its own security personnel on human rights related to security practices and we support efforts to align nation-wide security to the Voluntary Principles.</td>
</tr>
</tbody>
</table>

---

### Management Approach to Human Rights

**Our core values provide the basis of our approach respecting human rights in the workplace. Our commitment to working with integrity, transparency, respect and the highest ethical standards provide the framework to ensure that Ambatovy is an organization that respects human rights. We hold all employees, regardless of their position, responsible for respecting both fellow employees and the communities around our operations.**

We also expect that the companies with which we work will maintain the same level of ethical behaviour. Our suppliers and contractors are required to sign a Supplier Code of Conduct and fulfill certain labour rights requirements if they wish to do business with us. Our Supply Chain Department is responsible for informing these companies and acquiring their signature.

**We have mechanisms in place to listen to and address concerns from anyone who feels they have experienced an infringement upon their human rights as a result of our activities. The Ambatovy Grievance Management System is available to any person, whether a community member, employee, supplier or other stakeholder. Employees also have several internal channels to ensure their concerns are presented to management. We are committed to investigating and taking necessary action in response to any violations of human rights. Ultimately, we aim to prevent such violations before they take place by informing our employees and key stakeholders of our expectations of respect and integrity.**
Human Rights Training

We take our responsibility to respect human rights very seriously. Respect for others in the workplace is a basic requirement for employment at Ambatovy. All employees are required to respect the rights of those with whom they work and the communities around our sites. The Code of Conduct was introduced in 2008 and was updated in 2009. In November 2010, the basic induction training that all employees must complete was updated to include a 30-45 minute review of the Code of Conduct, which details Ambatovy’s policies related to human rights. In 2011, there were 714 employees who went through this induction training. New employees also receive a copy of the Code of Conduct in writing in the Ambatovy Employee Handbook. In 2011, we established a new process in which all employees are required to review annually the Code of Conduct and other key policies. A signed acknowledgement is required by all employees. Key policies include Health & Safety, Violence-Free Workplace, Privacy, Internet Usage and Reportable Concerns.

In 2011, our Security Department members also received a briefing on human rights and security practices, which covered key concepts and subjects such as the Voluntary Principles on Security and Human Rights. They were also provided fictional scenarios to help Security employees apply what they learned to a context similar to their own.

The Ambatovy Grievance Management System

While many issues can be resolved through regular consultation, we know that an official complaints system is necessary to manage cases that should be addressed formally and confidentially. In 2010, we initiated the Ambatovy Grievance Management System to provide a transparent, participatory channel through which people can raise their issues of concern and know that they will receive a fair and thorough consideration.

Throughout 2011, we made sure that the system was easily accessible through three toll free numbers, email and a dedicated service team within our CSR Department. We also expanded the Grievance team to ensure there were case officers for each district in which we work.

All complaints are taken through a three-step process:

- The stakeholder receives an acknowledgement of and initial response to the complaint.
- Ambatovy’s Grievance team conducts a thorough investigation.
- Ambatovy provides the results of the investigation to the stakeholder with a proposed course of action to resolve the matter. If the stakeholder does not accept the proposed course of action, Ambatovy engages in further dialogue until there is a mutually acceptable outcome.

Ambatovy has monitored closely the number of grievances and their progression, as well as recurrent topics. Our grievance mechanism has been a critical way of tracking these major concerns. In 2011, the most frequently raised issue was related to impacted income and compensation for lost crops due to construction along the pipeline. We continue to work with local communities to come to a positive resolution of these issues. For more information on impact compensation, see the Direct Economic Performance section.

Quick Figures

- 793 complaints received in 2011
- 436 resolved by the end of the year
- 80% of complaints related to impacted incomes and compensation for resources
Human Rights Performance

Child Labour and Prevention of Exploitation

We have a firm commitment to the prevention of exploitation, especially that of children. One key aspect of this has been preventing sexual exploitation in the areas around our sites, which is an identified problem in the area. Our Code of Conduct explicitly states that employees, partners, suppliers and other parties working on-site must commit to the Zero Tolerance Policy on child sexual exploitation. Since sexual exploitation is not limited to children, payment for any sexual services is forbidden under our Code of Conduct. To put this into practice in 2011, we ran our Zero Tolerance Campaign for the second year in a row. The campaign’s objective is to contribute to the protection of children against all forms of abuse, exploitation and violence.

CHILD PROTECTION AND THE ZERO TOLERANCE CAMPAIGN

Ambatovy endeavoured throughout 2011 to implement this policy proactively with education and programs targeting youth in local communities. Working with partners such as the local Child Protection Networks and UNICEF, Ambatovy ran a comprehensive campaign that included:

- A radio and television program that ran for four months.
- A watchdog committee set up to support the Child Protection Networks and to report any abuses of the Zero Tolerance Policy by Ambatovy employees.
- A youth soccer tournament organized to mark the International Day Against Child Sexual Exploitation. More than 9,000 youth participants and 7,000 adult participants, who received awareness-raising messages on the causes, consequences and tools against child exploitation.
- A capacity building session for the Child Protection Networks of Andasibe and Moramanga in September to reinforce coordination between members.
- Moramanga youth peer educators made an exchange visit to the adjoining district to Toamasina, where they met with other peer educators to discuss their awareness-raising strategies and create linkages between the groups.
- The construction of five kiosks for local youth in partnership with UNICEF, which now serve to facilitate youth aged 10-24 years in community management of issues that relate to them, such as child abuse.

QUICK FIGURES

- 9,992 youth and 7,000 adults educated on Zero Tolerance for child prostitution
- 2 parent workshops with 40 parents educated
- 2 child protection networks received capacity building support
- 9 hotel owners educated in collaboration with UNICEF on child prostitution
- $88,000 committed to the cause

ZERO TOLERANCE CAMPAIGN RESULTS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees educated on Zero Tolerance Policy</td>
<td>3,495</td>
<td>6,350</td>
</tr>
<tr>
<td>Educational materials distributed</td>
<td>7,758</td>
<td>16,961</td>
</tr>
</tbody>
</table>

11 Includes education and materials on HIV/AIDS as well as Zero Tolerance Policy.
**Product Responsibility Performance**

<table>
<thead>
<tr>
<th>PRODUCT RESPONSIBILITY GOALS</th>
<th>2011 RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare our internal processes so that we are able to provide comprehensive product information and labelling once in production.</td>
<td>◆ Labels and Safety Data Sheets have been prepared for nickel, cobalt and ammonium sulphate, consistent with industry standards and the requirements of various jurisdictions. Processes are in place to update these documents as new information becomes available and as regulations evolve.</td>
</tr>
<tr>
<td>Plan and commence steps to gain necessary and voluntary certifications, such as ISO 9001.</td>
<td>◆ We are on track and expect to have the third party review necessary for certification take place in late 2013.</td>
</tr>
</tbody>
</table>

### Management Approach to Product Responsibility

The Ambatovy Quality Policy is our formal commitment to supplying defect-free products to all our customers. In order to deliver on this commitment we must:

- Understand the requirements as agreed with our customers.
- Communicate effectively with our customers and suppliers.
- Do our work correctly the first time.
- Supply products at standards that meet our customers’ needs.
- Practice effective communications about safety and quality.
- Involve all personnel.
- Continuously improve everything we do.
- Comply with applicable government laws and regulations.

A practical way to put these strategies into place is to have a formal management system in place. In 2010, Ambatovy began implementing an internal quality management system and taking steps to be certified under ISO 9001 as required by the London Metal Exchange. We continued to work towards this system throughout 2011. Moreover, we are working to create a series of labels for each product and for each country where our products will be sold, taking into account the different languages, safety information and standard formatting for each destination country.

### Material Stewardship

Ambatovy’s production process involves industrial and hazardous materials, such as chemicals and compressed gas. Ambatovy has implemented detailed policies and procedures on handling, transporting, storing, recycling and disposing of such items. We also maintain safety data sheets from suppliers on all hazardous materials and commodities that we use. These data sheets are electronically accessible to employees. Training is provided on proper handling procedures and, where relevant, appropriate personal protective equipment requirements for safe handling and use. Our procurement and transportation handling procedures are based on regulations from the International Air Transport Association and the European Agreement Concerning International Carriage of Dangerous Goods by Road.

When possible, we try to procure goods and services that have a positive social or environmental return. ALBI continued to work with local businesses to procure a range of items for our business, such as pallets made from Forest Stewardship Council-certified sources. Other examples of major local procurement initiatives can be found in the Market Presence section.

### ABOUT OUR PRODUCTS

Our primary product is nickel, which is found in many of the items people use every day. Two-thirds of worldwide consumption of nickel is as a component of stainless steel. Nickel and stainless steel using nickel can be found in buildings, medical instruments, airplanes, household tools and appliances, coins, rechargeable batteries, portable computers and many more items.

Our secondary product, cobalt, is most often found alongside nickel or copper. For centuries, cobalt has been used to add vivid blues to glass and pottery. It is now used in many industrial products, including catalytic processes to produce cleaner fuels. Cobalt is also a key ingredient for rechargeable batteries, particularly those used in hybrid and electric vehicles.

Ammonium sulphate is an inorganic, highly water-soluble salt that is used as an agricultural fertilizer. It lowers soil pH and provides two major plant nutrients: nitrogen and sulphur. Ammonium sulphate fertilizer can contribute an excellent component of a complete agricultural improvement plan.
Customer Relations, Health and Safety

While Ambatovy does not directly market its products to end users, we have a number of processes in place to ensure that our customers have relevant and accurate health and safety information. Nickel marketing is conducted by our partner companies. Cobalt is marketed on behalf of Ambatovy by distribution agents for each region. Ammonium sulphate, the by-product of our hydrometallurgical process, is ready to use or can be integrated into other elements of fertilizers. It will be marketed to end-users through an American distributor.

All Ambatovy products will have comprehensive Safety Data Sheets (SDS), which provide guidelines and recommendations for their safe use and handling. These data sheets conform to international standards. In addition, we are continually assessing the health and safety aspects of our products via participation in international industrial organizations established to provide science-based knowledge on product use and qualities. These organizations include the Nickel Institute (NI), the Cobalt Development Institute (CDI), and consortia established for the purposes of complying with the requirements of the European Union’s Registration, Evaluation, Authorization and Restriction of Chemical Substances (REACH) regulations. These organizations publish information that is available to member companies, customers, employees and to the general public.

Customers in the European Union have cooperated in the development of specific Generic Exposure Scenarios to assist with compliance with the REACH regulations. These scenarios provide guidance on the operating conditions that must be met in order to ensure safe use of both nickel and cobalt with respect to potential human health and environmental impacts in industrial settings. They also provide evaluations of potential impacts on the local populations in the vicinity of facilities producing or using nickel compounds.

<table>
<thead>
<tr>
<th>STAGE</th>
<th>RELEVANT CHANNEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Development</td>
<td>Via NI, CDI and Nickel and Cobalt Consortia</td>
</tr>
<tr>
<td>Manufacturing and Production</td>
<td>General information and site-specific monitoring of exposures and releases</td>
</tr>
<tr>
<td>Storage Distribution and Supply</td>
<td>Based on product classification plus compliance with applicable regulations (e.g. the globally harmonized system of classification and labelling of chemicals and International Maritime Dangerous Goods regulations)</td>
</tr>
<tr>
<td>Use and Service</td>
<td>Via NI, CDI and Nickel and Cobalt Consortia</td>
</tr>
<tr>
<td>Disposal, Reuse or Recycling</td>
<td>Via Nickel and Cobalt Consortia plus information from the NI and CDI.</td>
</tr>
</tbody>
</table>
Ambatovy is working to create optimum labelling, which fully complies with relevant rules and regulations, such as the REACH and Classification, Labelling and Packaging (CLP) regulations in countries of destination. We pay careful attention to safety notices such as hazardous material warnings in accordance with international standards such as the International Marine Dangerous Goods Code.

Neither nickel nor cobalt, nor any of the metal-containing by-products, are sold directly to end-use consumers. They are sold to industrial users, who are generally aware of the health and safety aspects that must be considered.

The international industrial organizations to which Ambatovy belongs promote appropriate and safe uses of nickel and cobalt, as well as advocating for appropriate science-based regulations. Environmental impacts of our products are considered and communicated in a variety of ways, including guidance on safe use, environmental quality standards, and, under REACH, through a variety of exposure scenarios for industrial uses.

<table>
<thead>
<tr>
<th>Information required for product labelling</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content, particularly with regard to substances that might produce an environmental or social impact</td>
<td>Yes</td>
</tr>
<tr>
<td>Safe use of the product or service</td>
<td>Available on SDS, Ni and CDI websites</td>
</tr>
<tr>
<td>Disposal of the product and environmental/social impacts</td>
<td>A caution to dispose of materials in accordance with these applicable national, regional and/or local environmental regulations is included in the SDS. Due to the high value of nickel and cobalt, global recycling rates are significant.</td>
</tr>
</tbody>
</table>
Report Profile

This is an annual sustainability report that follows the Global Reporting Initiative (GRI) indicators and guidelines. This report gives performance data for January through December 2011, following our inaugural 2010 report published in November 2011. Ambatovy is a large-scale mining investment project that officially completed construction in 2011 and moved into the commissioning stage in preparation for production. As a result, we have chosen to report annually until we are in regular production and data collection and reporting processes become fully integrated into our business practices.

Aside from the construction completion milestone, no significant changes regarding size, structure or ownership took place during the reporting period, nor did we significantly diverge from our last report in terms of scope, boundary or measurements that would affect the comparability of previous reports or require a restatement of major disclosures.

We welcome comments and questions related to this report. Please contact Ambatovy’s External Relations Department at info@ambatovy.mg for further information.

Defining Report Content

In compiling this report, we considered the GRI G3.1 principles for defining report content and quality. There were two key considerations that stood out for us during the process to determine what is included in this report and how we prioritized content.

- Organizational commitments: In view of Ambatovy’s commitment to the IFC Performance Standards and other international codes, we have internal programs in place and under development to ensure compliance with these standards. The GRI framework was specifically selected for its compatibility with these standards.

- Completeness and availability of data: Ambatovy is a young company and not yet in production. In 2011, many of our data management systems were still under development. Moreover, the data that was relevant during construction will not necessarily be the same for operations. As a result, there were some indicators that were selected or omitted due to availability of quality data.

We intend this report to be used as a reference for a variety of stakeholders, particularly employees, partner companies, financial institutions, NGOs, suppliers and other members of the business community. More in-depth information on our stakeholder identification and activities can be found in our Stakeholder Engagement section.
About This Report

Report Boundary

This report covers Ambatovy and the departments and initiatives directly under its control. As a joint venture private entity, there are no other groups, subsidiaries, leased facilities, joint ventures, suppliers or other bodies that fall under Ambatovy’s jurisdiction. The report has drawn the majority of data from internal sources, but when relevant or feasible, we have included Project-wide data that includes indicator information from the Engineering, Procurement and Construction Manager and sub-contractors related to construction.

LIMITATIONS

In the period under review, Ambatovy had not yet begun operations. The separation of construction from operational management has presented a particular challenge for the collection of timely and complete data. For example, construction has required that we have a number of sub-contractors on site. While we may exert influence over their sustainability-related actions through certain site requirements, we are not able to control their internal organizational decisions. Furthermore, we want to preserve the comparability of data for future reports, in which case construction-phase information may be irrelevant. For this reason, we have reported on activities and initiatives managed by the operations group. If particular data are related to initiatives or actions undertaken by construction management in addition to operational management, we have clarified this by footnote or directly in the text.

DATA MEASUREMENT TECHNIQUES

Each department uses its own data collection and measurement techniques oriented towards its particular objectives and requirements. For example, the financial accounting procedures are calculated using industry standards. Where appropriate, we have noted our calculation method and/or factors. However, it is not practical to describe in detail all of the techniques used. Therefore, Ambatovy would be pleased to respond to specific requests for more information relating to data measurement techniques.
About This Report

GRI Content Index

The GRI has a three-tiered application system, in which organizations select the amount of the reporting framework they will apply to their reports based on its relevance to their activities and their ability to provide quality data. This year, we have produced a C level report incorporating the Mining and Metals Sector Supplement. This gives stakeholders essential information on our structure, strategy and performance with specific information that relates to the particular sustainability challenges of our industry. Since our last report, we have increased our level of disclosure and we are proud to offer improved information to our stakeholders.

For a complete list of where to find each GRI indicator, see Appendix 4 for the GRI indicator reference table. For further information on the definitions, protocols and the GRI framework, please visit www.globalreporting.org where the complete G3/3.1 Framework and the Mining and Metals Sector Supplement are available.
Appendix 1: Partnerships and Associations

Ambatovy is a member of several industry associations and initiatives. We are a member of the Multi-Stakeholder Group for the EITI in Madagascar, the Madagascar Chamber of Mines, the Madagascar Industrial Union (Syndicat Industriel de Madagascar, SIM) and the Madagascar Business Association (Groupe des Entreprises de Madagascar, GEM). We also engage with international industry bodies, such as the Nickel Institute and the Cobalt Development Institute (CDI) through our operator, Sherritt International Corporation.

Ambatovy is also a member of several regional coordination committees with civil society and local government. Ambatovy works with a number of local, national and international organizations to ensure transparency, to create opportunities and to develop sustainable operations. These partners include:

International

- Business and Biodiversity Offsets Programme (BBOP)
- CARE International
- Conservation International (CI)
- Henry Doorly Zoo
- Human Network International (HNI)
- Missouri Botanical Garden (MBG)
- Population Services International (PSI)
- Project C.U.R.E.
- United Nations Children’s Fund (UNICEF)
- Wildlife Conservation Society (WCS)

National

- Action et Développement
- Association Nationale d’Actions Environnementales (ANAE)
- Association Handicaps Esperance Tamatave
- Association Mitsinjo
- Brickaville Miara-Mitraka (BRIMIMI)
- Centre d’Études et de Recherches Ethnologiques et Linguistiques (CEREL)
- Centre National de Recherches Océanographiques (CNRO)
- Centre National de Recherche sur l’Environnement (CNRE)
- Centre Technique Horticole de Tamatave (CTHT)
- Circonscription de l’Environnement et des Forêts (CIRF)
- Direction Régionale de l’Environnement et des Forêts (DREF)
- Ezaka ho Fampandrosoana any Ambanivohitra (EFA)
- Fifanampiana Kristiana ho an’ny Fampandrosoana eto Madagasikara (FI.KRI.FA.MA)
- Fianakaviana Sambatra (FISA)
- Group d’Etude et de Recherche sur les Primates (GERP)
- Groupe MAVITRIKA – University of Toamasina
- Man and the Environment (MATE)
- Ny Sahy
- Organe de Développement du Diocèse de Toamasina (ODDIT)
- Ombona Tahiry Ifampisamborana Vola (OTIV)
- Sampan’Asa momba Fampandrosoana/Fiangonan’i Jesoa Kristy eto Madagascar (SAF/FJKM)
- St. Gabriel
- University of Antananarivo
- Vahatra
Appendix 2: Priority Species

Priority species are listed by the International Union for Conservation of Nature (IUCN 2011 ver. 3.1) as endangered (EN) or critically endangered (CR) and are regionally or locally endemic to our mine conservation zone. These include three frogs, two geckos, one chameleon, one small mammal, four birds and four lemurs.

**LEMURS**
- *Indri indri* (Indri: EN) has been observed in the azonal forest, azonal thicket and transitional forest in or near the Ambatovy and Analamay azonal conservation areas.
- *Propithecus diadema* (Diademed Sifaka Lemur: EN) has been spotted in logged areas, azonal thicket and transitional forest in or near the Analamay and Ambatovy azonal conservation areas as well as in the Torotorofotsy Wetlands.
- *Prolemur simus* (Greater Bamboo Lemur: CR) has been observed once in the mine area and also along the pipeline area near the Torotorofotsy Wetlands. Ambatovy is part of an international effort to help conserve this critically endangered species.
- *Varecia variegata* (Black and White Ruffed Lemur: CR) has been observed in the conservation zones, although infrequently. This species is patchily distributed in lowland to mid-altitude rainforests along the eastern coast. It is, however, common at the Ankerana offset site.

**AMPHIBIANS**
- *Mantella aurantiaca* (Golden Mantella Frog: CR) has been found in azonal vegetation at Analamay and also in the Torotorofotsy Wetlands.
- *Mantella crocea* (Mantella Frog: EN) has been found in azonal vegetation at Analamay and also in the Torotorofotsy Wetlands.

**BIRDS**
- *Anas melleri* (Meller’s Duck: EN) has been seen in the Torotorofotsy Wetlands.
- *Ardea humbloti* (Madagascar Heron: EN) has been seen in the wetland area of the Ambatovy mine.
- *Ardea idea* (Madagascar Pond Heron: EN) was observed in the Torotorofotsy Wetlands in 2008.
- *Sarothrura watersi* (Slender-billed Fluff Tail: EN) was observed in the Torotorofotsy Wetlands and was known to exist in only one other wetland in Madagascar. However, this species is now known from three other regional localities.

**REPTILES**
- *Platipelys mavomavo* (arboreal frog: EN) has been salvaged from the forest of Ambatovy/Analamay and is being identified by partner organizations.
- *Phelsuma pronki* (a gecko: CR) has been found in both forest and cleared areas in the mine area since 2007. This species is relatively unknown except from a few areas of isolated fragments in the eastern rainforest.
- *Uroplatus pietschmanni* (a gecko: EN) has been found in both forest and cleared areas in the mine area since 2007.
- *Brookesia ramanantsoai* (a chameleon: EN) has been found in both forest and cleared areas in the mine area since 2007.

**OTHER MAMMALS**
- *Microgale jobihely* (Northern Shrew Tenrec: EN) was found in both the forested and cleared areas of the mine site, which represents a range extension for the species, previously only known from the Tsaratanana Forest in northern Madagascar.
## Appendix 3: Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALBI</td>
<td>Ambatovy Local Business Initiative</td>
</tr>
<tr>
<td>AIDE</td>
<td>Assistance Initiative for Demobilized Employees</td>
</tr>
<tr>
<td>ALDP</td>
<td>Ambatovy Leadership Development Program</td>
</tr>
<tr>
<td>AMFC</td>
<td>Analamay-Mantadia Forest Corridor</td>
</tr>
<tr>
<td>AMSA</td>
<td>Ambatovy Minerals, S.A.</td>
</tr>
<tr>
<td>ATC</td>
<td>Agricultural Training Centre</td>
</tr>
<tr>
<td>BBOP</td>
<td>Business and Biodiversity Offsets Program</td>
</tr>
<tr>
<td>BMP</td>
<td>Biodiversity Management Plan</td>
</tr>
<tr>
<td>CAZ</td>
<td>Ankeniheny-Zahamena Corridor (Coulour Ankenihehny Zahamena)</td>
</tr>
<tr>
<td>CITES</td>
<td>Convention on International Trade in Endangered Species of Wild Fauna and Flora</td>
</tr>
<tr>
<td>CLP</td>
<td>Classification, Labelling and Packaging</td>
</tr>
<tr>
<td>CR</td>
<td>Critically Endangered Species</td>
</tr>
<tr>
<td>CPRS</td>
<td>Contract for School Success Program (Contrat Programme de la Réussite Scolaire)</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DMSA</td>
<td>Dynatec Madagascar, S.A.</td>
</tr>
<tr>
<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
</tr>
<tr>
<td>EN</td>
<td>Endangered</td>
</tr>
<tr>
<td>EPCM</td>
<td>Engineering, Procurement and Construction Manager</td>
</tr>
<tr>
<td>EPFI</td>
<td>Equator Principle Financial Institution</td>
</tr>
<tr>
<td>ESIA</td>
<td>Environmental and Social Impact Assessment</td>
</tr>
<tr>
<td>ESU</td>
<td>Evolutionary Significant Unit</td>
</tr>
<tr>
<td>GHG</td>
<td>Greenhouse Gas</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>Ha</td>
<td>Hectare(s)</td>
</tr>
<tr>
<td>ICMM</td>
<td>International Council on Mining and Minerals</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IUCN</td>
<td>International Union for Conservation of Nature</td>
</tr>
<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
</tr>
<tr>
<td>LCC</td>
<td>Local Coordination Committee</td>
</tr>
<tr>
<td>LGIM</td>
<td>Large Mining Investment Act (Loi sur les Grands Investissements Miniers)</td>
</tr>
<tr>
<td>LPG</td>
<td>Liquid Petroleum Gas</td>
</tr>
<tr>
<td>LTI</td>
<td>Lost Time Incident</td>
</tr>
<tr>
<td>MECIE</td>
<td>Investment and Environment Compatibility Regulation (Mise en Compatibilité des Investissements avec l’Environnement)</td>
</tr>
<tr>
<td>MWh</td>
<td>Mega-Watt Hours</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>ONE</td>
<td>National Environment Office (Office National pour l’Environnement)</td>
</tr>
<tr>
<td>OPP</td>
<td>Ore Preparation Plant</td>
</tr>
<tr>
<td>PEXT</td>
<td>Technical Excellence Program (Programme d’Excellence Technique)</td>
</tr>
<tr>
<td>REACH</td>
<td>Registration, Evaluation, Authorization and Restriction of Chemical Substances</td>
</tr>
<tr>
<td>SCC</td>
<td>Scientific Consultative Committee</td>
</tr>
<tr>
<td>SDS</td>
<td>Safety Data Sheets</td>
</tr>
<tr>
<td>SOC</td>
<td>Species of Concern</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
</tbody>
</table>

Note: we have chosen to use the French acronym, whenever possible, for consistency across publications and within our own communications. The English translation is provided when necessary.
## Appendix 4: GRI Content Index

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>DESCRIPTION</th>
<th>REPORTED</th>
<th>CROSS-REFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STANDARD DISCLOSURES PART I: Profile Disclosures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Strategy and Analysis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Statement from the most senior decision-maker of the organization.</td>
<td>Fully</td>
<td>Message from our President</td>
</tr>
<tr>
<td>1.2</td>
<td>Description of key impacts, risks, and opportunities.</td>
<td>Fully</td>
<td>Key Impacts, Risks and Opportunities</td>
</tr>
<tr>
<td>2. Organizational Profile</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Name of the organization.</td>
<td>Fully</td>
<td>About Us</td>
</tr>
<tr>
<td>2.2</td>
<td>Primary brands, products, and/or services.</td>
<td>Fully</td>
<td>About Us</td>
</tr>
<tr>
<td>2.3</td>
<td>Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.</td>
<td>Fully</td>
<td>About Us, Governance</td>
</tr>
<tr>
<td>2.4</td>
<td>Location of organization’s headquarters.</td>
<td>Fully</td>
<td>About Us</td>
</tr>
<tr>
<td>2.5</td>
<td>Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.</td>
<td>Fully</td>
<td>About Us</td>
</tr>
<tr>
<td>2.6</td>
<td>Nature of ownership and legal form.</td>
<td>Fully</td>
<td>Governance</td>
</tr>
<tr>
<td>2.7</td>
<td>Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).</td>
<td>Fully</td>
<td>About Us</td>
</tr>
<tr>
<td>2.8</td>
<td>Scale of the reporting organization.</td>
<td>Fully</td>
<td>About Us</td>
</tr>
<tr>
<td>2.9</td>
<td>Significant changes during the reporting period regarding size, structure, or ownership.</td>
<td>Fully</td>
<td>Report Profile</td>
</tr>
<tr>
<td>3. Report Parameters</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Reporting period (e.g., fiscal/calendar year) for information provided.</td>
<td>Fully</td>
<td>Report Profile</td>
</tr>
<tr>
<td>3.2</td>
<td>Date of most recent previous report (if any).</td>
<td>Fully</td>
<td>Report Profile</td>
</tr>
<tr>
<td>3.3</td>
<td>Reporting cycle (annual, biennial, etc.).</td>
<td>Fully</td>
<td>Report Profile</td>
</tr>
<tr>
<td>3.4</td>
<td>Contact point for questions regarding the report or its contents.</td>
<td>Fully</td>
<td>Report Profile</td>
</tr>
<tr>
<td>3.5</td>
<td>Process for defining report content.</td>
<td>Fully</td>
<td>Defining Report Content</td>
</tr>
<tr>
<td>3.6</td>
<td>Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).</td>
<td>Fully</td>
<td>Report Boundary</td>
</tr>
<tr>
<td>3.7</td>
<td>State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).</td>
<td>Fully</td>
<td>Report Boundary</td>
</tr>
<tr>
<td>3.8</td>
<td>Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.</td>
<td>Fully</td>
<td>Report Boundary</td>
</tr>
<tr>
<td>3.9</td>
<td>Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.</td>
<td>Partially</td>
<td>Report Boundary, in text as appropriate</td>
</tr>
<tr>
<td>3.12</td>
<td>Table identifying the location of the Standard Disclosures in the report.</td>
<td>Fully</td>
<td>Appendix 4</td>
</tr>
<tr>
<td>4. Governance, Commitments, and Engagement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.</td>
<td>Fully</td>
<td>Governance, Key Impacts, Risks and Opportunities</td>
</tr>
<tr>
<td>4.2</td>
<td>Indicate whether the Chair of the highest governance body is also an executive officer.</td>
<td>Fully</td>
<td>Governance</td>
</tr>
<tr>
<td>4.4</td>
<td>Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.</td>
<td>Fully</td>
<td>Governance</td>
</tr>
<tr>
<td>4.6</td>
<td>Processes in place for the highest governance body to ensure conflicts of interest are avoided.</td>
<td>Fully</td>
<td>Governance</td>
</tr>
<tr>
<td>4.7</td>
<td>Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization’s strategy on economic, environmental, and social topics.</td>
<td>Fully</td>
<td>Our Approach to Sustainability</td>
</tr>
<tr>
<td>4.8</td>
<td>Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.</td>
<td>Fully</td>
<td>Commitments to External Initiatives</td>
</tr>
<tr>
<td>4.12</td>
<td>Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.</td>
<td>Fully</td>
<td>Stakeholder Engagement, Appendix 1, Partnerships and Associations</td>
</tr>
<tr>
<td>4.13</td>
<td>Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; or views membership as strategic.</td>
<td>Fully</td>
<td>Stakeholder Engagement</td>
</tr>
<tr>
<td>4.14</td>
<td>List of stakeholder groups engaged by the organization.</td>
<td>Fully</td>
<td>Stakeholder Engagement</td>
</tr>
<tr>
<td>4.15</td>
<td>Basis for identification and selection of stakeholders with whom to engage.</td>
<td>Fully</td>
<td>Stakeholder Engagement</td>
</tr>
<tr>
<td>4.16</td>
<td>Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.</td>
<td>Partially</td>
<td>Stakeholder Engagement</td>
</tr>
<tr>
<td>4.17</td>
<td>Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.</td>
<td>Fully</td>
<td>Stakeholder Engagement, The Ambatovy Grievance Management System</td>
</tr>
</tbody>
</table>
## Appendix 4: GRI Content Index

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Reported</th>
<th>Cross-Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DMA EC</td>
<td>Disclosure on Management Approach EC</td>
<td>Fully</td>
<td>Management Approach to Economic Sustainability</td>
</tr>
<tr>
<td><strong>ECONOMIC PERFORMANCE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC1</td>
<td>Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.</td>
<td>Fully</td>
<td>Direct Economic Performance, Stakeholder Engagement</td>
</tr>
<tr>
<td>EC4</td>
<td>Significant financial assistance received from government.</td>
<td>Fully</td>
<td>Direct Economic Performance</td>
</tr>
<tr>
<td><strong>MARKET PRESENCE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC5</td>
<td>Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.</td>
<td>Fully</td>
<td>Employment</td>
</tr>
<tr>
<td>EC6</td>
<td>Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.</td>
<td>Fully</td>
<td>Market Presence, Direct Economic Performance</td>
</tr>
<tr>
<td>EC7</td>
<td>Procedures for local hiring and proportion of senior management and workforce hired from the local community at significant locations of operation.</td>
<td>Fully</td>
<td>Market Presence, Management Approach to Labour Practices</td>
</tr>
<tr>
<td><strong>INDIRECT ECONOMIC IMPACTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC8</td>
<td>Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.</td>
<td>Fully</td>
<td>Community and Indirect Impact Investments</td>
</tr>
<tr>
<td>EC9</td>
<td>Understanding and describing significant indirect economic impacts, including the extent of impacts.</td>
<td>Fully</td>
<td>Management Approach to Economic Sustainability, Community and Indirect Impact Investments</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DMA EN</td>
<td>Disclosure on Management Approach EN</td>
<td>Fully</td>
<td>Management Approach to Environmental Sustainability</td>
</tr>
<tr>
<td>EN1</td>
<td>Materials used by weight or volume.</td>
<td>Fully</td>
<td>Materials</td>
</tr>
<tr>
<td><strong>ENERGY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EN3</td>
<td>Direct energy consumption by primary energy source.</td>
<td>Fully</td>
<td>Energy</td>
</tr>
<tr>
<td>EN5</td>
<td>Total water withdrawal by source.</td>
<td>Fully</td>
<td>Water</td>
</tr>
<tr>
<td>EN9</td>
<td>Water sources significantly affected by withdrawal of water.</td>
<td>Partially</td>
<td>Water</td>
</tr>
<tr>
<td><strong>BIODIVERSITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EN11</td>
<td>Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.</td>
<td>Fully</td>
<td>Biodiversity, About Us</td>
</tr>
<tr>
<td>EN12</td>
<td>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.</td>
<td>Fully</td>
<td>Biodiversity</td>
</tr>
<tr>
<td>MM1</td>
<td>Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.</td>
<td>Fully</td>
<td>Biodiversity</td>
</tr>
<tr>
<td>EN13</td>
<td>Habitats protected or restored.</td>
<td>Fully</td>
<td>Biodiversity</td>
</tr>
<tr>
<td>EN14</td>
<td>Strategies, current actions, and future plans for managing impacts on biodiversity.</td>
<td>Fully</td>
<td>Biodiversity</td>
</tr>
<tr>
<td>MM2</td>
<td>The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.</td>
<td>Fully</td>
<td>Biodiversity</td>
</tr>
<tr>
<td>EN15</td>
<td>Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.</td>
<td>Partially</td>
<td>Appendix 2</td>
</tr>
<tr>
<td><strong>EMISSIONS, EFFLUENTS AND WASTE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EN16</td>
<td>Total direct and indirect greenhouse gas emissions by weight.</td>
<td>Partially</td>
<td>Emissions, Effluent and Waste</td>
</tr>
<tr>
<td>EN22</td>
<td>Total weight of waste by type and disposal method.</td>
<td>Partially</td>
<td>Emissions, Effluent and Waste</td>
</tr>
<tr>
<td>MM3</td>
<td>Total amounts of overburden, rock, tailings, and sludges and their associated risks.</td>
<td>Fully</td>
<td>Emissions, Effluent and Waste</td>
</tr>
<tr>
<td>EN23</td>
<td>Total number and volume of significant spills.</td>
<td>Fully</td>
<td>Emissions, Effluent and Waste</td>
</tr>
<tr>
<td>EN24</td>
<td>Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.</td>
<td>Partially</td>
<td>Emissions, Effluent and Waste</td>
</tr>
<tr>
<td>EN25</td>
<td>Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff.</td>
<td>Partially</td>
<td>Biodiversity, Water</td>
</tr>
</tbody>
</table>
## Appendix 4: GRI Content Index

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>DESCRIPTION</th>
<th>REPORTED</th>
<th>CROSS-REFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPLIANCE</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.</td>
<td>Fully</td>
<td>Direct Economic Performance</td>
</tr>
<tr>
<td>TRANSPORT</td>
<td>Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce.</td>
<td>Fully</td>
<td>Transport</td>
</tr>
<tr>
<td>OVERALL</td>
<td>Total environmental protection expenditures and investments by type.</td>
<td>Fully</td>
<td>Community and Indirect Impact Investments</td>
</tr>
<tr>
<td>Labour Practices and Decent Work</td>
<td>Disclosure on Management Approach LA</td>
<td>Fully</td>
<td>Management Approach to Labour Practices</td>
</tr>
<tr>
<td>EMPLOYMENT</td>
<td>Total workforce by employment type, employment contract, and region.</td>
<td>Partially</td>
<td>Employment</td>
</tr>
<tr>
<td>LA3</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.</td>
<td>Partially</td>
<td>Employment</td>
</tr>
<tr>
<td>LABOUR/MANAGEMENT RELATIONS</td>
<td>Percentage of employees covered by collective bargaining agreements.</td>
<td>Fully</td>
<td>Labour-Management Relations</td>
</tr>
<tr>
<td>MM4</td>
<td>Number of strikes and lock-outs exceeding one week’s duration, by country.</td>
<td>Fully</td>
<td>Labour-Management Relations</td>
</tr>
<tr>
<td>OCCUPATIONAL HEALTH AND SAFETY</td>
<td>Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.</td>
<td>Fully</td>
<td>Occupational Health and Safety</td>
</tr>
<tr>
<td>OCCUPATIONAL HEALTH AND SAFETY</td>
<td>Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.</td>
<td>Partially</td>
<td>Occupational Health and Safety</td>
</tr>
<tr>
<td>OCCUPATIONAL HEALTH AND SAFETY</td>
<td>Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.</td>
<td>Fully</td>
<td>Community Development, Occupational Health and Safety</td>
</tr>
<tr>
<td>TRAINING AND EDUCATION</td>
<td>Average hours of training per year per employee by employee category.</td>
<td>Partially</td>
<td>Training and Education</td>
</tr>
<tr>
<td>DIVERSITY AND EQUAL OPPORTUNITY</td>
<td>Composition of governance bodies and breakdown of employees per category according to gender, group, minority group membership, and other indicators of diversity.</td>
<td>Partially</td>
<td>Diversity and Equal Opportunity</td>
</tr>
<tr>
<td>Human Rights</td>
<td>Disclosure on Management Approach HR</td>
<td>Fully</td>
<td>Management Approach to Human Rights</td>
</tr>
<tr>
<td>INVESTMENT AND PROCUREMENT PRACTICES</td>
<td>Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.</td>
<td>Fully</td>
<td>Direct Economic Performance</td>
</tr>
<tr>
<td>INVESTMENT AND PROCUREMENT PRACTICES</td>
<td>Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.</td>
<td>Fully</td>
<td>Market Presence</td>
</tr>
<tr>
<td>CHILD LABOUR</td>
<td>Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.</td>
<td>Fully</td>
<td>Child Labour and Prevention of Exploitation</td>
</tr>
</tbody>
</table>
## Appendix 4: GRI Content Index

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>DESCRIPTION</th>
<th>REPORTED</th>
<th>CROSS-REFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Society</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DMA SO</td>
<td>Disclosure on Management Approach SO</td>
<td>Fully</td>
<td>Management Approach to Society and Community Relations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMMUNITY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO1</td>
<td>Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.</td>
<td>Partially</td>
<td>Social Performance, Community and Indirect Impact Investments</td>
</tr>
<tr>
<td>MM7</td>
<td>The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.</td>
<td>Fully</td>
<td>The Ambatovy Grievance Management System</td>
</tr>
<tr>
<td>ARTISANAL AND SMALL-SCALE MINING</td>
<td>Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.</td>
<td>Fully</td>
<td>Artisanal and Small-Scale Mining</td>
</tr>
<tr>
<td>MM9</td>
<td>Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.</td>
<td>Fully</td>
<td>Resettlement</td>
</tr>
<tr>
<td>CORRUPTION</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO3</td>
<td>Percentage of employees trained in organization’s anti-corruption policies and procedures.</td>
<td>Partially</td>
<td>Market Presence</td>
</tr>
<tr>
<td>PUBLIC POLICY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO6</td>
<td>Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.</td>
<td>Fully</td>
<td>Direct Economic Performance</td>
</tr>
<tr>
<td>Product Responsibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DMA PR</td>
<td>Disclosure on Management Approach PR</td>
<td>Fully</td>
<td>Management Approach to Product Responsibility</td>
</tr>
<tr>
<td>MATERIALS STEWARDSHIP</td>
<td>Programs and progress relating to materials stewardship.</td>
<td>Fully</td>
<td>Materials Stewardship, Market Presence</td>
</tr>
<tr>
<td>MM11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CUSTOMER HEALTH AND SAFETY</td>
<td>Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.</td>
<td>Fully</td>
<td>Customer Relations, Health and Safety</td>
</tr>
<tr>
<td>PR1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRODUCT AND SERVICE LABELLING</td>
<td>Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.</td>
<td>Fully</td>
<td>Customer Relations, Health and Safety</td>
</tr>
<tr>
<td>PR3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMPLIANCE</td>
<td>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</td>
<td>Fully</td>
<td>Direct Economic Performance</td>
</tr>
</tbody>
</table>
Ambatovy
Tranofitaratra Building
Ravoninahitriniarivo Street
Ankorondrano
Antananarivo 101
Madagascar
T: +261 20 22 397 35
F: +261 20 22 540 30
www.ambatovy.com