

Summary Assessment Regarding the Antapaccay Mine's Social License to Operate in Espinar, Peru

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This independent Assessment addresses issues related to efforts by Compañía Minera Antapaccay SA (“Antapaccay” or the “Mine”), a subsidiary of Glencore plc (“Glencore”) and Glencore Inversiones República SA (“Glencore Peru”), to sustain a social license to operate with respect to the Antapaccay Copper Mine in Espinar, Peru.

The findings and recommendations presented in the Assessment are intended to strengthen Antapaccay’s ability to demonstrate respect for the rights of individuals affected by the project in a manner consistent with the U.N. Guiding Principles on Business and Human Rights, the Voluntary Principles on Security and Human Rights (the “Voluntary Principles”), and other international guidelines to which Glencore, Glencore Peru, and Antapaccay are committed.

The Assessment finds that Glencore and Antapaccay policies related to human rights; community relations; security; and health, safety, and the environment are generally aligned with international best practice. Feedback from community leaders, villagers, and other stakeholders, however, suggests gaps regarding the communication and implementation of those policies. The gaps are illustrated by community concerns regarding the Mine’s potential impact on water resources and the environment as well as the activities of security providers. Community members also maintain that the Mine is not keeping commitments regarding benefit-sharing, and that stakeholders lack meaningful grievance mechanisms.

The Assessment concludes that these concerns reflect a threat to Antapaccay’s social license to operate and offers recommendations to help the Mine strengthen and sustain its social license. The recommendations focus on demonstrating Antapaccay’s respect for the rights of local stakeholders, engendering a climate of trust, and building mutually beneficial relationships.

I. BACKGROUND AND SCOPE OF ENGAGEMENT

Throughout 2018, personnel from Antapaccay and the Mine’s private security company, J&V Resguardo S.A.C. (“Liderman”), were involved in tense and sometimes violent confrontations with members of the Coaquira Umasi family -- local stakeholders who form part of the Alto Huarca *Comunidad Campesina*, a community within the Mine’s scope of influence.

The family occupies and claims to own a parcel of land in the vicinity of the Antapaccay waste dump along the Rio Juto. Antapaccay believes that it has rightful title to this parcel. On 28 December 2018, an incident occurred on this parcel involving a confrontation between members of the family, Antapaccay workers and security personnel, and Liderman guards.

In the wake of this incident, Glencore retained Foley Hoag LLP to provide a holistic assessment of the status of Antapaccay’s social license to operate, with a particular focus on stakeholder perceptions regarding the December incident. Glencore also asked Foley Hoag to make recommendations regarding actions that might be taken to facilitate the resolution of disagreements between community members and the Mine.

To secure a perspective on the strength of Antapaccay's relationship with local communities and community views regarding the December incident, Foley Hoag attorneys Gare Smith and Nick Renzler (the "Assessors") studied Glencore and Antapaccay policies and procedures and traveled to the Mine site to interview Glencore Peru executives, Mine Management, community members, and other local stakeholders -- ranging from representatives of civil society to the local parish priest.

Members of corporate management with whom the Assessors met included Glencore Peru's Corporate Affairs Manager, the Vice President of Operations, and Legal Manager as well as Antapaccay's General Manager, Community Relations Manager, and Legal Counsel. The Assessors engaged with community leaders from the *comunidades campesinas* of Alto Huarca, Alto Huancané, and Chorillo, and community members associated with the *Federación Unificada de Campesinos de Espinar*. Additionally, the Assessors met with eight members of the Coaquira Umasi family who were involved in the 2018 incidents, and their legal counsel. The Assessors also interviewed individuals from *Derechos Humanos sin Fronteras*, a non-governmental organization ("NGO") based in Cusco, to obtain outside perspectives regarding the community members' concerns and explore potential solutions. In total, the Assessors met with more than 30 local external stakeholders.

II. ADEQUACY OF POLICIES AND PROCEDURES

The Assessors reviewed key Glencore and Antapaccay policies and procedures related to human rights, community relations, security, and the environment in the context of internationally recognized normative standards and best corporate practices. The policies reviewed included Glencore's Code of Conduct; Human Rights Policy; Community and Stakeholder Engagement Policy; Social Incident Definition, Reporting and Investigations Guidelines; and Environmental Policy. They also included Antapaccay's Human Rights Policy; Social Management Manual; Complaints/Claims Handling Procedure; Internal Security Policy; and Health, Safety, Environment and Community Relations Policy.

The Assessors found most of the policies to be aligned with best practice regarding company respect for internationally recognized human rights. The exceptions were Glencore's Social Incident Definition, Reporting and Investigations Guidelines, and Antapaccay's Human Rights Policy, which need to be updated.

III. COMMUNITY PERCEPTIONS OF ANTAPACCAY'S OPERATIONS

The Assessors found that few local stakeholders were opposed to the extractive industry *per se* and that many welcome the economic benefits communities can derive from mining operations. At the same time, nearly every stakeholder with whom the Assessors engaged -- including campesinos, local elected officials, and the Catholic clergy -- is distrustful of both Antapaccay and the federal government. Many expressed a belief that the Mine and the government are despoiling the environment and are not adequately sharing benefits with individuals who live in the area.

Local stakeholders also expressed reservations regarding Antapaccay's operations and community relations practices. Although Glencore and Antapaccay policies and

procedures generally align with international best practice, feedback from affected community members suggests that those policies are sometimes inadequately communicated and implemented.

If not addressed, these community concerns could threaten Antapaccay's social license to operate. The Assessors uncovered five distinctive areas of community concern regarding Antapaccay's business activities that relate to its social license to operate. These areas are identified below, along with the Assessors' key findings and recommendations.

1. Security

FINDING: Local communities are distrustful of both Liderman guards and local police. With regard to the December 2018 incident, community members distanced themselves from the Coaquira Umasi family's land claims but accepted the family's allegations of mistreatment by Liderman security guards. This disparity reflects the communities' historical challenges with the Mine's security providers. It also suggests that the guards might not be effectively implementing Antapaccay's security policies.

FINDING: Community members are unaware of any standards governing the manner in which the Mine's security providers operate. Although Antapaccay's policies and procedures align with international best practice, it appears that they have not been socialized with the communities as stakeholders are unfamiliar with guidelines related to human rights, security, and grievance procedures.

RECOMMENDATION: If Antapaccay enters into a contract with the police, that document should reference the company's expectation that the public security forces will operate in a manner that is consistent with the Voluntary Principles -- especially with respect to the proportionate use of force. To minimize potential human rights risks related to the provision of security by the police, Antapaccay should also highlight in the contract other key principles, including that the police conduct appropriate vetting of prospective members of the security force who would work at the Mine.

RECOMMENDATION: To close the communications gap regarding Mine security, Antapaccay should conduct a community outreach initiative that underscores the Mine's commitment to premise its relationships with local communities and community members upon mutual respect. For example, the Mine might begin by drafting and socializing an "Antapaccay's Community Commitments" document. Such a document should explain, in simple and concise terms, that the Mine is committed to respect for the dignity of individuals impacted by the project, effective communication with stakeholders, and the timely resolution of grievances. It should also reference key policies and procedures to ensure that stakeholders are aware of them. The document should be promoted at town hall meetings, during the course of informal interactions between the Mine and community leaders, on posters in public areas, and on the Mine's website. Antapaccay should also socialize its commitments and policies regarding the provision of security.

RECOMMENDATION: Community members should have easy access to a standardized grievance process through which they can report concerns regarding security issues without fear of intimidation or retaliation. Although such a process already exists in Antapaccay's

Complaints/Claims Handling Procedure, community leaders and members are unaware of this process and should be educated regarding its existence.

2. Water Issues

FINDING: Community leaders and members lack confidence in the Mine's assurances that there is no heavy metal contamination of local water sources from the Mine's operations. Community members rely upon these water sources for personal use, the use of their livestock, and the cultivation of crops. They are also concerned about water availability, and regard the Mine as a source of competition for dwindling water resources and a disruptor of existing sources. Additionally, many communities believe the Mine is failing to comply with commitments to ensure the availability of clean water.

RECOMMENDATION: Antapaccay should develop a mechanism that is credible to community members to verify the environmental and health impacts of the Mine's operations, particularly as they relate to water quality. The Assessors understand the Mine has already carried out numerous tests and analyses that conclude its operations do not cause negative environmental impacts. To enhance the credibility of such testing, the Mine should identify an independent third party who is trusted by community members to participate in such initiatives and communicate to community members whether the studies indicate that the Mine poses significant risks to the environment and health -- especially with respect to heavy metals.

RECOMMENDATION: Antapaccay should develop and undertake a community engagement plan to educate villagers about water quality and availability, the Mine's legal obligations and voluntary commitments, and the Mine's impact on water availability and quality. To the extent feasible, this process should include a trusted third party.

RECOMMENDATION: Antapaccay should also establish a Water Quality Control Commission composed of representatives of the Mine, the community, and a trusted third party expert to periodically collect and analyze water samples for purity vis-à-vis heavy metals and other contaminants. The results of such monitoring should be shared publicly.

RECOMMENDATION: Antapaccay should compile, through an internal review and external outreach, a registry of all written Mine commitments made to stakeholders regarding water availability. The registry should include commitments made by Antapaccay, Glencore, and previous owners of the Mine. Antapaccay should analyze these commitments and either (1) take steps to fulfill them, (2) communicate that they have been fulfilled, or (3) explain to why it is not possible to fulfill them. Such communication should be presented publicly by a senior member of Mine Management.

3. Other Environmental Issues

FINDING: Community members are concerned about quality-of-life issues associated with Antapaccay's operations, including the impacts of dust, operational noise, and blasting. Some such concerns are based in fact; others might be exaggerated. The Assessors were unable to assess complaints about dust, as their visit coincided with the rainy season, but recognize that dust is a common impact of mining operations. On the other hand, accounts

of blasting early in the morning and late at night conflict with the Mine's stated practice of conducting blasting operations in the early afternoon.

RECOMMENDATION: As with the water issue, Antapaccay should develop and implement a community engagement plan to educate villagers about Mine policies and procedures regarding dust and blasting, as well as legal requirements with respect to these issues. Stakeholders, including NGOs such as *Derechos Humanos sin Fronteras*, might be consulted in developing this plan.

RECOMMENDATION: Mine procedures already in place mitigate dust and limit the frequency and time frame of blasting, in conformity with Peruvian legal standards. To the extent additional mitigation measures can be reasonably implemented, however, Antapaccay might seek to adopt them and communicate to community leaders Mine efforts to go above and beyond the law to respond to community members' concerns.

RECOMMENDATION: Building upon the community engagement plan, Antapaccay could create a Monitoring Group with respect to blasts, noise, and dust, composed of representatives of the Mine, the community, and a trusted third party expert. The results of such monitoring could be shared on public bulletin boards, in town hall meetings, and on the Mine's website, and the data collected could permit Antapaccay to identify and mitigate any unreasonable impacts associated with blasting or dust and demonstrate to community members the limits of such impacts.

4. Mine Commitments and Benefit-Sharing Related to Relocation

FINDING: Leaders and members of the local communities contend that, over the years, Mine owners have not kept promises made to local communities regarding issues such as local procurement and employment, and the provision of social benefits to local communities. This is a significant issue for community members and negatively impacts the Mine's efforts to sustain a social license to operate. Accordingly, it will be important for Antapaccay to address the claims.

RECOMMENDATION: As recommended above in Section III (2), Antapaccay should conduct a review of all verbal and written commitments to community members, including those made by predecessors-in-interest, such as Xstrata, and create a Commitments Registry. This review should include both internal records and information secured from outreach to stakeholders. Antapaccay can then analyze the compilation, assess which of the commitments the Mine has evidence to believe that it or its predecessors made, and publicly share the steps it is taking to fulfill certain commitments and why it is not possible to fulfill other commitments. The Mine should share its conclusions directly with the claimants, and post its findings and determinations on Antapaccay's website.

RECOMMENDATION: As part of the above process, Antapaccay should implement a mechanism for individuals and groups who believe the Mine made a commitment that it has not recognized, and provide them with an opportunity to present the evidence of such a commitment for re-evaluation.

5. Grievance Procedures

FINDING: Most stakeholders professed to be unaware of Antapaccay's Complaints/Claims Handling Procedure. To the extent they are aware of a procedure, many do not trust the Mine to fairly evaluate or remedy their grievances.

RECOMMENDATION: Antapaccay should make a priority of socializing the existence of its Complaints/Claims Handling Procedure and how that procedure operates. This can be done through town hall sessions, informal interactions with community leaders and members, through posts on bulletin boards in common areas, and on the Mine's website. The information provided should include designated points of contact and the timeframe in which the Mine is committed to responding to complaints. It would also help to restore confidence in the process if the Mine were to cite recent examples in which it responded affirmatively to complaints and took steps to provide redress to stakeholders.

RECOMMENDATION: A representative of senior management should attend meetings at which the most significant grievances are discussed to demonstrate the seriousness with which Antapaccay takes community members' concerns.

RECOMMENDATION: To engender trust in the Complaints/Claims Handling Procedure Antapaccay might consider modifying the procedure to include a mutually trusted third party as part of the determination process in certain instances.