

Ambatovy BANJINA

Banjina N° 15 - November 2017



Contents

| | |
|---|---|
| Stuart Macnaughton "We are totally aware of the role Ambatovy is playing as a model in Madagascar's economic development" | 1 |
| Ambatovy Local Business Initiative (ALBI) Promoting Local Content to Maximize Economic Benefits | 2 |
| Ambatovy Training Centre Several Employees Become Certified Welders | 3 |
| Entrepreneurial Culture Building Youth Capacity | 3 |
| Resettlement in Ambolomaro, Moramanga "Ambatovy supported us a lot", said Rakotonindriana | 4 |
| A 99 ha Area Developed in Ambolomaro | 4 |
| Financial System Self-Managed by Villagers A New Impetus for the Valisoa Village Cooperative | 4 |
| Environment Net Decline in Deforestation Around the Mine | 5 |
| Water Management Reinforcing the Structure of the Water User Association to Obtain Substantial Rice Yields | 6 |
| Ambatovy and Search for Common Ground Partnership Renewed for a Constructive Dialogue | 6 |
| Industrial Risk Management and Reduction Ambatovy Serves as a Model | 7 |
| Ambatovy's Partners Support the Population of Maroantsetra | 7 |
| Did You Know? Ambatovy's Economic Benefits in 2016 | 8 |
| Public Health Ambatovy Supports the Fight against Plague | 8 |

STUART MACNAUGHTON

"We are totally aware of the role Ambatovy is playing as a model in Madagascar's economic development"

Having recently taken over Ambatovy's management, what is your mission within Ambatovy?

My main mission is to accomplish Ambatovy's vision, which is to be recognized as the world's most successful nickel laterite operation at the lowest cost, by ensuring the safety of all as well as the sustainability of the company and its environment. We are totally aware of the role Ambatovy is playing as a model in Madagascar's economic development. We will continue to be compliant with the most stringent standards in terms of ethics, respect for the law, communities and environment, and health and safety, and our entire approach will continue to focus on the sustainability of the country and its communities.



a gigantic one, can overcome the economic difficulties of a whole country. Nevertheless, I would like to remind that, in addition to the creation of more than 7,000 stable jobs, Ambatovy has bought over USD 3.3 billion worth of goods and services in Madagascar since its start-up phase, which significantly contributes to the country's economy. Through our *buy locally, hire locally policy*, implemented to maximize our impact on the country's economy; we injected about USD 200 million in the national economy in 2016. On another point, nickel has become Madagascar's top export product with the largest foreign exchange earnings, outperforming traditional products by far. Ambatovy's exports, nickel and cobalt combined, account for more than 30% of Madagascar's export earnings. Ambatovy is indeed one of, if not the most, important economic contributors in Madagascar. Again, we are fully aware of our role as a driver and model in this area.

What will be Ambatovy's strategies to avoid shut down despite the low nickel price on the market?

It is vital for Ambatovy to remain operational because a shut-down would be very difficult, as you can imagine. We have taken all the measures required to stay operational by stabilizing our production, controlling costs and eliminating wastage across the business to keep our production costs as low as possible. We will continue this strategy to ensure the company's survival. The challenges that we still need to take up are obviously numerous, but we believe that we will reach our objectives.

Even if Ambatovy represents 32% of the country's export earnings, why do we feel like there is no palpable impacts on the population's living conditions?

Ambatovy's economic benefit is enormous, but I do not believe that Ambatovy alone, or any single mining operation, even

Stuart Macnaughton has been Ambatovy's new president since August 2017. He is Australian and a chemical engineer, and for many years his field of expertise has been nickel and cobalt production. He has worked on different mining projects for large mining companies, including BHP Billiton, in many countries all over the world, and he was previously in charge of Vale's mine in Newfoundland & Labrador, in Canada.

Promoting Local Content to Maximize Economic Benefits

In order to maximize the company's positive impacts of the processing of nickel and cobalt on Madagascar's economy, Ambatovy established a program called "Local Content" through the Ambatovy Local Business Initiative (ALBI).

This program aims at promoting local - local businesses; in others words, companies that are legally constituted in Madagascar and located in areas where Ambatovy operates, particularly in the Districts of Toamasina I and II, Moramanga, and Brickaville. The local-local businesses are the ones Ambatovy first consults for all purchases of goods and services before it turns to regional ones, enterprises in the other districts of Madagascar and to subsidiaries of international businesses. *"Thanks to this approach, we are increasing local purchases and job creation in our intervention areas,"* said Nelson Andrianarison, Head of ALBI.

40% of purchases

Along with the maximization of Ambatovy's impacts on the country's economy, ALBI has decided to identify and develop suppliers that have the capacity and potential to provide the products and services that are currently imported. *"If these businesses are able to provide the products that we are importing, and adhere to Ambatovy's safety and quality standards along with the regulations in force, in terms of staff management for example, Ambatovy will not hesitate to work with them,"* continued the official from ALBI. In addition, free training and mentoring programs are provided to local suppliers and contractors to help them improve, progress, and meet Ambatovy's expectations. Plastic, wood, and paper recycling businesses have been developed and supported through the training and mentoring sessions provided by ALBI. Various items purchased abroad are currently manufactured locally by local enterprises according to Ambatovy's standards, for examples caustic soda,

wooden pallets, windsocks, raincoats, and work uniforms...

At present, 40% of Ambatovy's purchases are made on the local market. Since the

company's settlement in Madagascar, about USD 3.3 billion has been spent on local contracts. In 2016, over 850 small and medium-sized enterprises in more than 40 sectors collaborated with Ambatovy.



Toavina M. Randriantsofalo (on the left) and her husband, Rabe Harivao Tahiry, showing a sample of their products

MGW Company: supplying raincoats

MGW, a tailoring business created in 2012 by Toavina Randriantsofalo and her husband, has stood up to the long economic crisis in Madagascar. Started with only two employees and two machines, it has now about 20 permanent and temporary employees. *"It was challenging as the market was not new; even more so, large and well-positioned companies competed with us. Most potential clients preferred to work with enterprises that have experience and references,"* explained its owner, Toavina Mandimbarisoa Randriantsofalo.

In 2014, after prospecting for markets in other local enterprises, MGW decided to propose its products to Ambatovy. *"We saw the potential in manufacturing the raincoats that Ambatovy was importing from abroad; this is why, we decided to work with this company and end the importation of this product,"* explains Gervais Rakotovao, ALBI Supervisor. Thanks to the training sessions on business management and the mentoring programs provided by Ambatovy, the company has multiplied its turnover fivefold. *"The training sessions were of great benefit to us,"* said Randriantsofalo. In 2016, MGW was able to acquire a seam sealing machine that will help it improve the quality of its products and meet its clients' requirements. Other opportunities with other large local businesses have opened up to MGW since its collaboration with Ambatovy.

Several Employees Become Certified Welders

The need for qualified welders to carry out various maintenance tasks within the Plant is very significant at Ambatovy. However, due to the complicated nature of welding equipment, welders must have specific skills and qualifications to meet safety standards.



A welder in training at the Ambatovy Training Center

In order to fill up the lack of certified welders in Madagascar and to meet the company's needs, Ambatovy set up a specific training program to train Malagasy employees according to international standards. *"The job of a welder requires very specific skills and qualifications,"* said Menja Rakotonirina, Mechanical and Lifting Training Coordinator at the Ambatovy Training Center. *"Ambatovy's welder training program allows the company to have the technicians required for the operations, and to develop highly skilled national workers. As a reminder, during the construction of the Pipeline, Ambatovy had to bring in hundreds of foreign skilled welders due to the lack of local competencies."*

Ambatovy's welder training program complies with international standards and provides national welders with the same level and quality of training they can receive abroad. To date, 37 national employees have been trained and qualified as certified welders with different specializations. The program is currently receiving two employee-apprentices seeking qualification in titanium welding every three weeks until December 2017.

At Ambatovy, apprentice welders must undergo a three-month basic training course before going to the field to gain experience. Then, they can apply for certification for specific welding tasks with the certification body. *"Training welders is one of the most costly training programs due to the high cost of welding equipment and consumables,"* said Menja Rakotonirina.

The certification of welders is very expensive, but is necessary to comply with international standards. Certification, once obtained, must be renewed every two years by an independent body.

Building Youth Capacity

In order to support youth in Moramanga to overcome challenges related to job searching, Ambatovy launched a project with the Employment Services in the District of Moramanga, that aims at building the capacity of young people in terms of job and business creation. Initiated in 2015, this project started with a training session on entrepreneurial culture preceded by an awareness campaign among 13 fokontany in the city of Moramanga, with the collaboration of the Innovation of Relationship (IORS) Platform.

"The objective is to encourage youth in Moramanga to create jobs and businesses on their own," said Herinjaka Randrianirina, founding President of IORS.

Since the beginning, nearly 1,150 young people have benefited from various training sessions on entrepreneurial culture, entrepreneurship, personal development, creativity, and management, in Moramanga. Similarly, a training session on how to apply for international funding, external scholarships as well as creativity was organized in collaboration with the University of Michigan in 2016.

New formal businesses set up by young people in Moramanga have thus come into being, for example, the Faka Process company involved in the textile industry (manufacturing uniforms, t-shirts ...), Valisoa in fish farming and marketing of soy yoghurt, Agrifaka in agriculture, the Ankey quail farm, and Virschool, specializing in information and communication technologies.

Faka Process, which was established in 2016, took advantage of the presence of Ambatovy and other companies in the region to launch its business on work uniforms.

Faka Process manufactures work uniforms



RESETTLEMENT IN AMBOLOMARO, MORAMANGA

“Ambatovy supported us a lot”, said Rakotonindriana

Rakotonindriana, a resident of the village of Behontsa, Fokontany of Ampitambe, Rural Municipality of Ambohibary in Moramanga, is one the owners of the lands and rice fields in the Mine footprint of Ambatovy. He is one of those who benefited from the resettlement program in Ambolomara located between the Rural Municipalities of Ambohibary and Morarano Gare. He would like to share the experience and challenges he has had since he started working his new land in Ambolomaro in 2015.



INTERVIEW.

How was your experience resettling in Ambolomaro?

It has been interesting since Ambatovy has supported us by offering seeds, fertilizer, and agricultural materials. Technicians are training us on new agricultural techniques. Besides, some development works were required for some of my lands and Ambatovy helped me as I could not afford the costs. They even provided us with rice paddy to compensate for the loss of crops.

How has your production progressed since you started exploiting these lands in Ambolomaro?

Since 2015, when our rice fields were relocated to Ambolomaro, I have not stopped cultivating rice and beans, whether during cultivation season or off-season. Our performance has been improving over the years, despite insufficient rain. This year the rainy season was considerably delayed, which obliged us to wait a little more before starting rice cultivation.

A 99 ha Area Developed in Ambolomaro

The valley of Ambolomaro lies to the west of Ambatovy's Mine, and connects the rural municipality of Morarano Gare to that of Ambohibary, in the District of Moramanga. 99 hectares of irrigated perimeters were developed by Ambatovy as part of the resettlement



system for the agricultural land that the farmers used to develop in the Mine Footprint. These farmers can resume their agricultural activities, in particular, rice growing, in Ambolomaro, on a surface equal or larger to what they had before.

FINANCIAL SYSTEM SELF-MANAGED BY VILLAGERS

A New Impetus for the Valisoa Village Cooperative

Félice Raharimandimbiaritsimba,
Valisoa Cooperative's President

Founded in 2015, the Valisoa Village Cooperative, which essentially operates a fruit tree nursery in Ambodibonara, Toamasina II, has further developed its activities after setting up a financial system self-managed by the members, following training provided by Ambatovy. As part of the technical support for the communities affected by its activities, Ambatovy has financed the establishment of savings and credit associations self-managed by the villagers to enable them to access the financial services needed to develop their income-generating activities. *“Thanks to Ambatovy's support that enabled us to set up this financial system, our cash-flow situation has greatly improved. Currently, the association is able to provide credit to its members while making savings,”* said the President of the Valisoa Cooperative, Félice Raharimandimbiaritsimba.

Net Decline in Deforestation Around the Mine



Ambatovy works closely with base communities in preserving forest areas around its Mine

The annual deforestation rate recorded between 2011 and 2014 in Ambatovy's conservation areas around its Mine Site has been reduced to 0.20%, according to figures validated by the the partners, including the Institute and Observatory of Geophysics of Antananarivo, Conservation International, the Protected Areas System Directorate, Madagascar National Parks, the Environmental, Ecology and Forest Regional Directorate in Alaotra Mangoro, and based on the results of the analysis of satellite images taken during this period. Compared to other protected areas in the surrounding areas, deforestation in this area is twice as low.

"The implementation of an environmental conservation and protection program by Ambatovy, alongside tremendous work that involves many sectors, has helped to achieve these results," explained Josia Razafindramanana, Ambatovy's Environment Superintendent. Indeed, permanent awareness campaigns, ranging from environmental education for young schoolchildren to various specific training sessions for adults gathered within base communities (COBA) with whom Ambatovy works closely, are carried out among populations of all ages living in the municipalities affected by Ambatovy's activities. Ambatovy actively supports these base communities through financial support, training, and income-generating activities, to enable them to carry out activities that seek to protect and preserve forest areas around the Mine.

"To prevent communities from being dependent on forest resources, Ambatovy closely works with the inhabitants while providing them with new sources of income. People living around these conservation areas have now moved on to other income-generating activities, such as agriculture and farming," said Josia Razafindramanana

ENVIRONMENT

Fight Against Bushfires

A campaign against bushfires was conducted by Ambatovy in September and October of this year. The population living near the Mine site and Ambatovy's staff were educated on bushfire preventive measures as well as on approaches to adopt in case of wildfire, which most often occurs in dry season.

FIGHT AGAINST CORRUPTION About 8,600 Employees Educated

In accordance with its anti-corruption policy with which Ambatovy's staff as well as its subcontractors and suppliers' staff have to comply; Ambatovy has, for a few years, conducted a trainers' training program intended for its subcontractors and suppliers' employees. Up to now, 274 employees from about 100 companies have benefited from it. These employees, in turn, educated nearly 8,600 of their co-workers in their respective companies on the fight against corruption. The training aims at sensitizing and educating its contractors and suppliers' employees on principles related to business ethics and approaches to adopt during the fight against corruption and fraud. As for Ambatovy's staff, 65% of them received refresher training on the fight against corruption.

VOHITRAMBATO

Scholarships for the Students

As part of the company's support for the community, Ambatovy covers half the school fees of children under 13 belonging to both the resettled households and those already installed in Vohitrambato. Ambatovy directly pays the school fees to the children's parents following a list established by the Public Primary School of Vohitrambato and the College of General Education of Ambodisaina. 229 school children benefited from the program during the 2015-2016 school year.

Reinforcing the Structure of the Water User Association to Obtain Substantial Rice Yields

Having rehabilitated the rice fields impacted by its construction and compensating the population concerned, Ambatovy is continuing its various accompanying projects by reinforcing the structure of the Water User Association (WUA).

The hydro-agricultural network police, who were elected during the general assembly, are responsible for monitoring and supervising the hydro-agricultural networks and structures, managing the water tower, and dispatching maintenance works. In addition, leaders of 15 newly established AUEs also benefited from a training session on management, roles and responsibilities, along with the legislation governing this type of association. As a reminder, Ambatovy already implemented this kind of project in 2015 when it provided a training session for 17 association leaders from rice-growing communities within its intervention areas in the district of Brickaville and Toamasina II. To date, 40



Water management is essential to obtain substantial rice yields

associations, including 24 in Brickaville and 16 in Toamasina II, that are in charge of 27 rice fields (21 of which are located in Brickaville and 6 in Toamasina II) covering a total surface area of over 737ha, have been established.

Water management is not only vital for all agricultural activities, especially in rice growing, but is also crucial for obtaining good yields. In other words, these structures, the implementation of which was supported by

Ambatovy, will improve the living conditions of the peasants in the Districts of Brickaville and Toamasina II that respectively have 24 and 16 Water User Associations. In parallel with this initiative, Ambatovy is also implementing a valorization plan for these restored rice fields by focusing on various activities, including training rice farmers on new agricultural techniques and donating inputs (seeds, fertilizers ...) and agricultural equipment.

AMBATOVY AND SEARCH FOR COMMON GROUND

Partnership Renewed for a Constructive Dialogue

Ambatovy is continuing the partnership that it began in 2015 with Search for Common Ground (SFCG), an international NGO that is promoting peacebuilding and conflict transformation. The second phase of the Mazava Project ("light" in English) got underway in March of this year and aims to enhance the capacity of Ambatovy staff and local community members to engage in constructive, solution-oriented dialogue in order to build trust, foster transparency and improve mutual comprehension. The project will seek to consolidate the results from the first phase and will expand geographically to work in areas along the pipeline and in Toamasina.

Activities will include training workshops for Ambatovy staff and local actors on various topics such as rumor management, conflict analysis and conflict sensitivity to help strengthen their skills and knowledge; the organization of "town hall meetings" in order to discuss and debate common problems and challenges and to identify possible solutions; the production and transmission of the second and third seasons of the *Miandrandra Maraina* ("In Search of Dawn") radio soap opera that focuses on current issues and dilemmas that a fictional mining community faces; the production and transmission of radio talk shows; and the organization of participatory theater campaigns, involving community members and Ambatovy staff in order to strengthen citizen education, people's understanding of their roles and responsibilities, and trust amongst parties.

The project will also include the identification and organization of small, community projects that will foster peace and development and that will encourage joint action and collaboration amongst different groups and Ambatovy staff.

Ambatovy Serves as a Model



CRGRI members visiting Ambatovy's Mine

"Ambatovy has already taken strict measures to prevent any disaster. This reassured the regional committee members," said Daniel Rakotondrasoa, Prefect of Ambatondrazaka and a member of the Regional Industrial Risk Management Committee (CRGRI) in the Alaotra Mangoro Region, after visiting Ambatovy's Mine Site in Moramanga and seeing first-hand the measures taken by the company in terms of industrial risk prevention.

As the health and safety of its employees and the surrounding communities is one of Ambatovy's top priorities, the company has established security measures based on the most stringent international standards, such as the International Finance Corporation's Performance Standard 4 on Health, Safety, and Community Security, which consists of preventing and avoiding negative environmental and social impacts on communities. Similarly, Ambatovy adheres to the standards of the SEVESO Directive, which, among other things, focuses on reducing risks at the source, response planning, and preventive information for the population.

Thus, everything was well-planned, starting from the Pumping Station in Mangoro, where the maximum pumped volume is adjusted to the available water flow to avoid any waste and water scarcity. All processes used in facilities such as the mineral processing plant, the power station, etc., are designed to avoid any risk of negative impacts on communities. Above all, control and emergency systems are highly advanced. The dams, which are mainly used to protect downstream communities from sludge discharges and water contamination, were also well-constructed, and periodic geotechnical monitoring is carried out on site. All these measures can be taken as a model in terms of industrial risk management in Madagascar. To ensure prevention and preparedness for industrial risks, Ambatovy works closely with the surrounding communities and the CRGRI, the members of which are representatives of decentralized technical services, local communities, civil society, and community elders. As there is no such thing as zero-risk, the CRGRI in the Alaotra Mangoro Region considered, after assessing all potential risks for the case of Ambatovy's Mine Site, in Moramanga, that the Specific Response Plan (SRP) remains the priority, and the National Office for Risk and Disaster Management (BNGRC) is the best positioned to develop it. As a matter of fact, the health and safety of employees and that of the surrounding communities can only be assured by involving all stakeholders in the prevention and the reduction of industrial risks. In other words, it is everyone's business.

Ambatovy's Partners Support the Population of Maroantsetra

On July 27th, Ambatovy and Medair, the international humanitarian aid organization, signed a Memorandum of Understanding in Toamasina to formalize a contribution to Medair's "Samia Mitakogno Project" for post-Cyclone Enawo emergency response, rehabilitation and recovery efforts in the Maroantsetra District. The objective of the project is to improve the population's access to potable drinking water, strengthen their capacities and knowledge on disaster risk reduction, and help communities become more resilient against natural disasters.

Towards that end, Ambatovy's three partners – Sumitomo, Kores and Sherritt – granted USD 30,000 US (approximately 88,000,000 Ariary) for the rehabilitation of 11 refuge houses where families can seek safety and shelter during floods and cyclones. The refuge houses will help the vulnerable population to be less exposed to and better protected against future cyclones and flash floods, which are frequent in the district. The partners' contribution will also support the training of local craftsmen on techniques for constructing cyclone-resistant houses for individual families.

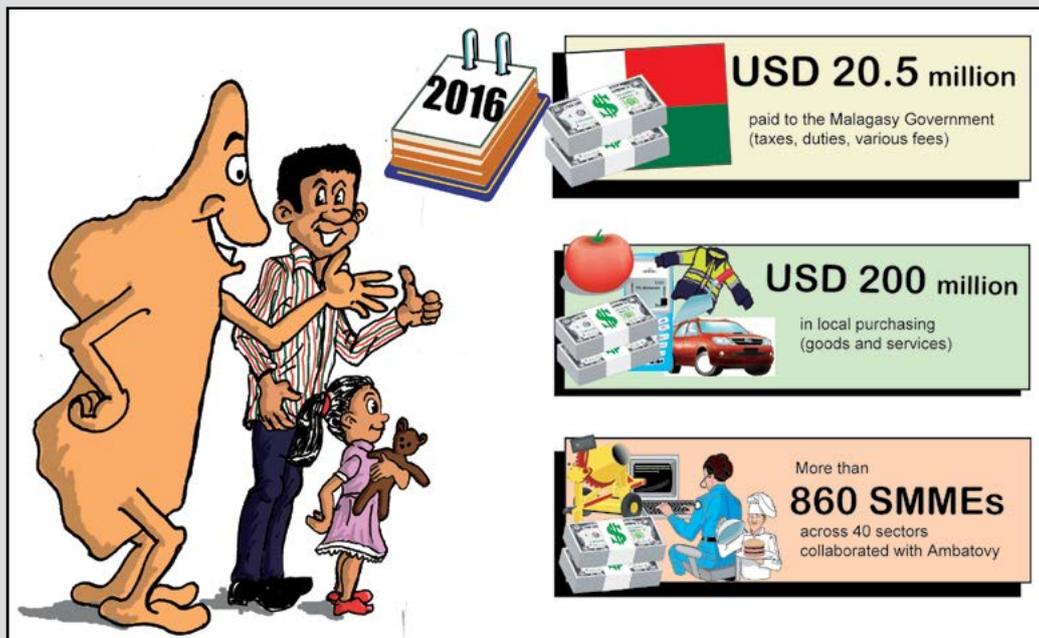
MEDAIR
HELPING PEOPLE BY RECONSTRUCTING

A shelter house in Maroantsetra



Ambatovy's Economic Benefits in 2016

In spite of the financial difficulties that Ambatovy, like many other mining companies in the world, is facing due to the fall in nickel prices, the Malagasy economy continued to draw the positive impacts that the company generated. As stated in the 2016 Sustainability Report, Ambatovy paid USD 20.5 million in tariffs and taxes to the Malagasy State, injected directly about USD 26 million into the local economy in the form of salary and benefits to employees, and spent about USD 200 million in local procurement in 2016. It should be noted that Ambatovy has concluded contracts amounting to approximately USD 3.3 billion with local suppliers since 2007. In addition, over 860 SMMEs collaborated with Ambatovy in 2016. Madagascar can benefit from all these economic benefits thanks to Ambatovy's settlement in the country and to the company's integrated operation; in other words, the sum of activities: from ore extraction to nickel and cobalt refining.



As Ambatovy has decided to refine the nickel and cobalt in Madagascar, instead of only exporting crude ore, the country can benefit more from the value-added created by the presence of its Processing Plant in Toamasina (job creation, foreign currency, tax revenues, contract, for providing goods

and services with the private sector ...) In short, in the mining sector, sustainable economic impacts, brought by an operation to the benefit of a producer country, remain primarily in the refining and wealth creation that it is providing to the local economy.

PUBLIC HEALTH

Ambatovy Supports the Fight against Plague

Over 52 million Ariary have been allocated by Ambatovy to support the fight against plague in its intervention area. In Toamasina, one of the cities most affected by the epidemic, Ambatovy donated different personal protective equipment for the medical staff of the hospitals of Analakinina and Morafeno to protect them while taking care of the patients. Other materials, equipment and furniture were donated to support the establishment of a new center for patient treatment to add 20 beds to the hosting capacity of the Pneumonia and Phtisiology service

of the *Hopitalibe* in Toamasina. As well, Ambatovy supported the prevention of the disease in Moramanga through equipment donation.



Donation of materials and equipment for the CHU Analakinina, in Toamasina

Banjina

Edited by

Editor-in-Chief:
Vony Ramahaleo

Address:
6th floor, Tranofitaratra Building,
Ravoninahitriarivo Street
Ankorondrano
BP 12 085 Antananarivo 101
Tel.: 261 32 33 665 65
E-mail: banjina@ambatovy.mg
www.ambatovy.com