



HUMAN RIGHTS
IMPACT ASSESSMENT
OF THE BISHA MINE
IN ERITREA

2015 AUDIT

LKL INTERNATIONAL
CONSULTING INC.

05 AUGUST 2015

PREPARED BY
LKL INTERNATIONAL
CONSULTING INC.

COMMISSIONED BY
NEVSUN RESOURCES LTD
ERITREAN NATIONAL MINING CORPORATION (ENAMCO)

TABLE OF CONTENTS

SECTION ONE

INTRODUCTION	1
1.1 Summary of Conclusions from Initial HRIA and 2015 Audit	2
1.2 Background on the HRIA process	5
1.3 Objectives of the HRIA process	5
1.4 Timeline of the HRIA process	6
1.5 Methodology for the HRIA process	7
1.5.1 Consistent approach	7
1.5.2 Continuity of methodological steps	8
1.5.3 Stakeholder engagement	12
1.5.4 Scope and limitations	15

SECTION TWO

CONTEXT: HIGHLIGHTS FROM THE CURRENT ASSESSMENT PERIOD	16
2.1 Bisha Mine operations	17
2.2 Mining sector in Eritrea	18
2.3 Political and human rights situation in Eritrea	19
2.4 Global context for business and human rights	20

SECTION THREE

IMPLEMENTATION OF HRIA RECOMMENDATIONS	21
3.1 HRIA Recommendation #1	22
Adopt and embed a more explicit human rights policy	
3.2 HRIA Recommendation #2	24
Conduct further human rights training at Bisha	
3.3 HRIA Recommendation #3	26
Integrate human rights considerations into the implementation of the 2012 IFC Performance Standards	
3.4 HRIA Recommendation #4	28
Engagement on human rights with suppliers, contractors and subcontractors	
3.5 HRIA Recommendation #5	30
Develop a framework and protocols to ensure the effective implementation and coordination of all grievance mechanisms	
3.6 HRIA Recommendation #6	32
Continue discussions about implementing the Community Assistance Program	

SECTION FOUR

EMERGING HUMAN RIGHTS ISSUES	33
4.1 Emerging Issue #1	34
Exploration	
4.2 Emerging Issue #2	36
Increase in staff turnover	
4.3 Emerging Issue #3	38
Road safety	
4.4 Emerging Issue #4	40
Security and Human Rights	

SECTION FIVE

UPDATED FINDINGS ON HUMAN RIGHTS ISSUES	41
5.1 Labour Rights and Working Conditions	42
5.1.1 National Service	42
5.1.2 Workplace Health and Safety	44
5.1.3 Wages, Hours, Leave and Benefits	47
5.1.4 Freedom of Association	49
5.1.5 Non-Discrimination	49
5.1.6 Harassment	51
5.1.7 Child Labour	51
5.2 Human Rights and Local Communities	52
5.2.1 Human Rights Related to the Environment	52
5.2.2 Community Development	54
5.2.3 Cultural Heritage	55
5.3 Cross-Cutting Human Rights Issues	57
5.3.1 Security and Human Rights	57
5.3.2 Grievance Mechanisms	58

SECTION SIX

EVOLUTION OF HUMAN RIGHTS DUE DILIGENCE AT THE BISHA MINE	61
6.1 Adoption of a Stand-Alone Human Rights Policy	62
6.2 Progress on Human Rights Due Diligence	63
6.3 Remediation	66

SECTION SEVEN

CONCLUSIONS AND SUMMARY OF RECOMMENDATIONS AND NEXT STEPS	67
--	-----------

ASSESSMENT TEAM

72

NEVSUN COMMITMENT

Inside Back Cover



SECTION
ONE

INTRODUCTION

SUMMARY OF CONCLUSIONS FROM INITIAL HRIA AND 2015 AUDIT

Initial HRIA

- Screening procedures in place since 2009
- Expanding awareness that national service workers are not permitted at the Bisha Mine
- Contractual provisions prohibiting national service
- National service screening and audits are entry-points for broader dialogue about human rights due diligence
- Intention to create Contract Manager position
- HRIA Recommendation #4 also addresses national service

Initial HRIA

- Workplace health and safety risks are being addressed in a responsible manner through rigorous policies, procedures, training and inspection
- Concerns about lack of adequate PPE do not appear to be justified
- Road safety needs further attention

Initial HRIA

- No statutory minimum wage in Eritrea, but workers stated that wages at the Bisha Mine are attractive and higher than in other sectors
- Development of other mines will put pressure on remuneration and benefits
- Eritrean Labour Proclamation accords with basic international standards for hours, holidays and leave for workers undertaking shift work, and BMSC follows Eritrean Labour Proclamation
- Lack of retirement benefits creates a risk to the right to social security at closure

Initial HRIA

- Right to freedom of association and collective bargaining are protected by Eritrean Labour Proclamation
- Collective agreements are in place for a number of BMSC's suppliers, contractors and subcontractors
- Ongoing discussions with National Confederation of Eritrean Workers about formation of an employees' association at Bisha or for more the mining sector

01

NATIONAL SERVICE FREEDOM FROM FORCED LABOUR

2015 Audit

- Audit activities concentrated on Segen and Transhorn
- Screening procedures ensure that workers have been discharged from national service
- High level of awareness of the prohibition against national service at the Bisha Mine amongst managers of Eritrean contractors
- Ongoing dialogue and audits including broader issues related to working conditions
- See follow-up on HRIA Recommendation #4

02

HEALTH AND SAFETY

2015 Audit

- The Bisha Mine continues to have a very strong health and safety record.
- There were no fatalities, occupational disease or lost time injuries during the audit period
- The illnesses and ailments being treated by the Medical Clinic were predominantly routine in nature
- Increasing attention to potential health impacts related to long-term exposure to dust and chemicals
- Road safety addressed as Emerging Issue #3:
 - Increasing volume of road traffic
 - An off-site road fatality involving a Transhorn driver occurred on the road to Massawa
 - Appropriate response by Transhorn in terms of benefits and compensation provided
 - Transhorn's initiative to install a GPS monitoring system has potential to strengthen road safety

03

WAGES, HOURS, LEAVE AND BENEFITS

2015 Audit

- Greater attention was given to wages, hours, leave, and benefits by workers and managers
- Increase in staff turnover addressed as Emerging Issue #2. Current priority issues from a human rights perspective are:
 - Addressing the challenges of rotational shift work
 - Ensuring the adequacy, fairness, and competitiveness of wages for Eritrean workers
 - Providing retirement benefits for Eritrean workers
 - Giving appropriate attention to the concerns and needs of female employees
- BMSC managers trying to proactively address issues
- Some issues have implications for the mining sector and require ongoing discussions with other stakeholders
- Need to track why workers are quitting and strengthen internal grievance mechanisms
- Staff turnover provides an indication that workers are voluntarily employed

04

FREEDOM OF ASSOCIATION

2015 Audit

- Ongoing dialogue with the NCEW, but no specific timeline for the formal steps required to create an employees' association
- NCEW remains an important entry-point for supporting freedom of association and the rights to organize and collective bargaining

Initial HRIA

- No evidence of discrimination between made and female employees
- Women are employed in traditional roles, but are advancing into operational roles
- Priority hiring for Eritrean workers is supporting the right to work
- Successful integration, skills development and promotion of Eritrean workers is contingent upon capacity-building; and, the Training Centre plays a role in supporting non-discrimination and other rights

05

NON-DISCRIMINATION

Initial HRIA

- BMSC has strict policies against harassment and procedures to raise complaints confidentially
- Interviews did not raise issues or previous incidents
- Ongoing attention through induction training on harassment policies and procedures

06

HARASSMENT

Initial HRIA

- No evidence of child labour at the Bisha Mine
- BMSC has screening procedures to ensure all workers are at least 18 years of age

07

CHILD LABOUR

Initial HRIA

- BMSC has responsible and progressive approach to environmental management
- Environmental and social management plans are being updated to align with 2012 IFC Performance Standards
- Interviews with community leaders did not identify environmental issues as a concern—apart from visible impacts such as dust and noise
- Internal and external experts have identified water-related issues as a leading long-term risk
- HRIA Recommendation #3 also addresses environmental and social management

08

HUMAN RIGHTS AND ENVIRONMENT

2015 Audit

- Strong commitments and results in terms of hiring female workers and Eritrean workers at the Bisha Mine
- In the discussions around staff turnover issues, human resource managers should pay particular attention to any warning signs related to discriminatory conduct.
- The role of the Training Centre remains central for ensuring that women and Eritrean workers can successfully advance in the workforce

2015 Audit

- No evidence or allegations of harassment during the audit period
- Heightened attention to issues related to staff turnover, so human resource managers should remain attentive to any warning signs related to harassment

2015 Audit

- No evidence or allegations of child labour
- The risk of child labour at the Bisha Mine is remote
- The screening program for national service should also ensure that there is no child labour

2015 Audit

- Water remains the leading human rights issue related to the environment
- With increasing water consumption, need for enhanced monitoring of the potential impacts on downstream communities' right to water
- Initiatives have been launched which should contribute to ongoing due diligence, including a major hydrological study and a new water treatment plant
- See follow-up on HRIA Recommendation #3

INITIAL HRIA RECOMMENDATIONS

HRIA RECOMMENDATION #1
Adopt and embed a more explicit human rights policy

- Nevsun has adopted a stand-alone Human Rights Policy and integrated human rights into its Code of Ethics
- Nevsun and ENAMCO have agreed to adopt a stand-alone Workers' Rights Policy for BMSC

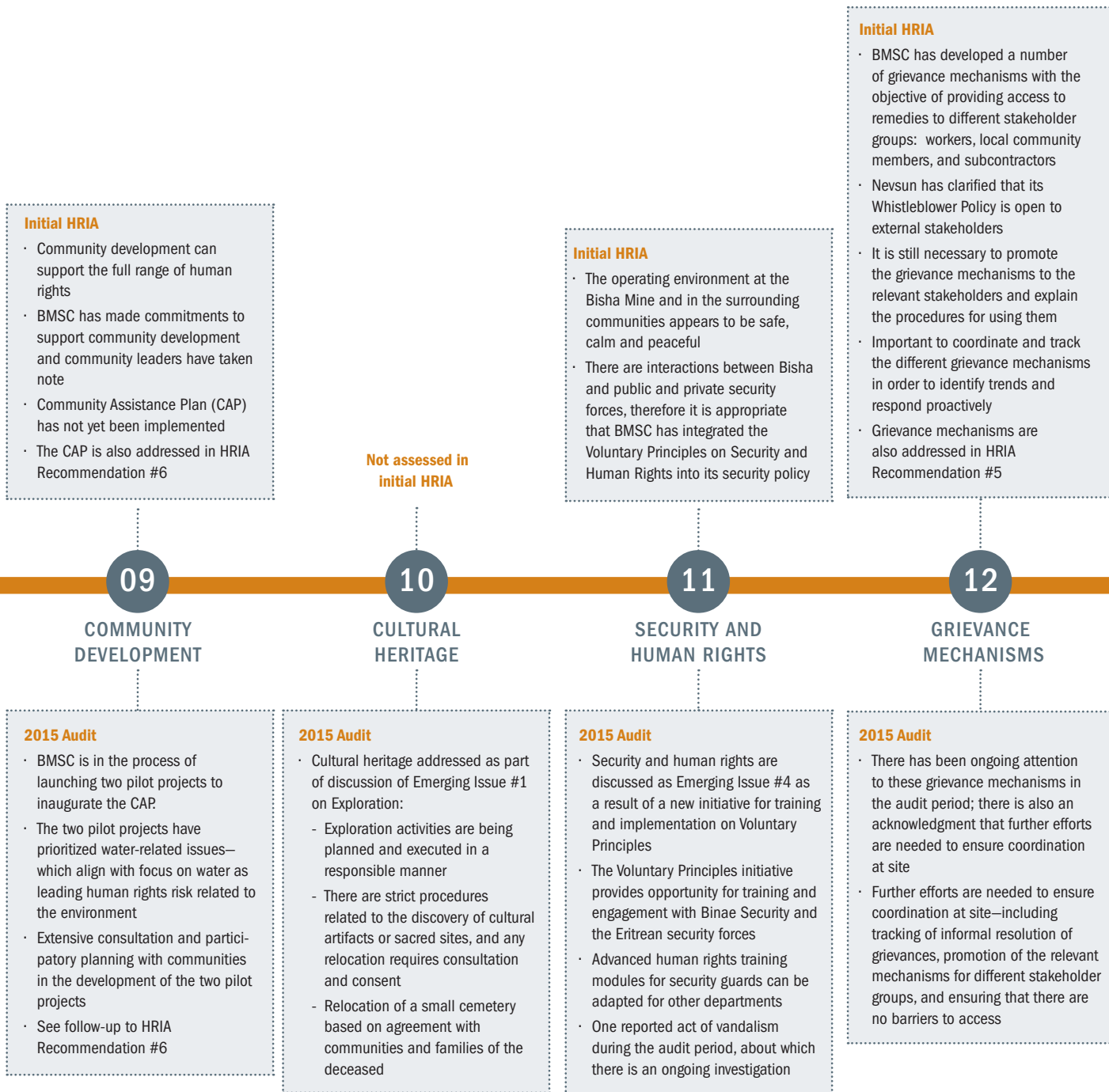
HRIA RECOMMENDATION #2
Conduct further human rights training at Bisha

Introductory human rights materials have been included in the induction training at site

- Advanced human rights module being developed as part of the new Voluntary Principles initiative
- Forthcoming BMSC Workers' Rights Policy provides an opportunity for additional human rights training

HRIA RECOMMENDATION #3:
Integrate human rights considerations into the implementation of the 2012 IFC Performance Standards

- The Environmental Department is developing or updating environmental and social management plans and Standard Operating Procedures
- About 15 of these plans/SOPs should be prioritized to contribute to ongoing human rights due diligence.



INITIAL HRIA RECOMMENDATIONS

HRIA RECOMMENDATION #4
Engagement on human rights with suppliers, contractors and subcontractors

- Segen and Transhorn workers at the Bisha Mine have been discharged from national service
- Further training and dialogue will be initiated with Binae Security as part of Voluntary Principles initiative
- Other issues related to working conditions are becoming part of the auditing and dialogue
- The development of a code of conduct is an option for a more comprehensive approach to the supply chain

HRIA RECOMMENDATION #5
Develop a framework and protocols to ensure the effective implementation and coordination of all grievance mechanisms

- The various grievance mechanisms at the Bisha Mine continue to be used and refined
- Further efforts are needed to ensure coordination at site—including tracking of informal resolution of grievances, promotion of the relevant mechanisms for different stakeholder groups, and ensuring that there are no barriers to access

HRIA RECOMMENDATION #6
Continue discussions about implementing the Community Assistance Plan

- BMSC is in the process of launching two pilot projects to inaugurate the CAP
- The two pilot projects have prioritized water-related issues—which align with focus on water as leading human rights risk related to the environment
- Extensive consultation and participatory planning with communities in the development of the two pilot projects

1.2

BACKGROUND ON THE HRIA PROCESS

This is the independent audit report for the human rights impact assessment of the Bisha Mine in Eritrea (2015 Audit). It presents the latest findings and recommendations of an ongoing human rights impact assessment (HRIA) process for the Bisha Mine that began in 2013. The HRIA was commissioned by Nevsun Resources Ltd. (Nevsun) with the support and cooperation of the Eritrean National Mining Corporation (ENAMCO). The HRIA process has been conducted by LKL International Consulting Inc.

An initial HRIA Report was published in April 2014, and included a series of recommendations for strengthening ongoing human rights due diligence at the Bisha Mine. This initial HRIA Report is available on the Nevsun website and should be read in conjunction with the 2015 Audit.¹

Nevsun and ENAMCO accepted all of the recommendations of the initial HRIA Report, and they are both supporting the implementation of these recommendations in various corporate policies, management systems, and initiatives at the mine site.² It was agreed, in the course of dialogue between Nevsun and international stakeholders about the initial HRIA Report, that the HRIA assessment team should play a role in monitoring the follow-up on the HRIA. Therefore, ongoing research, interviews, and other impact assessment activities have continued—including two further visits to Eritrea and the Bisha Mine in January and May 2015.

It is anticipated that further assessment activities will be undertaken after the publication of the 2015 Audit. Eritrean and international stakeholders will be consulted regarding the report's findings and recommendations, as well as the ongoing HRIA process, with a view towards continuous improvement of the human rights due diligence efforts at the Bisha Mine.³

1.3

OBJECTIVES OF THE HRIA PROCESS

HRIAs are tools that can help organizations (companies, communities, and governments) identify and address the potential and actual impacts of an investment, development project, or business operation on the human rights of affected stakeholders—particularly on the rights of workers and communities.

With the adoption of the United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles) in 2011, a global consensus has emerged that business enterprises should respect human rights.⁴ This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.⁵ Business enterprises will meet their responsibility to respect human rights through the adoption of human rights policies, the implementation of ongoing processes for human rights due diligence, and remediation of adverse human rights impacts when they occur.⁶ Since November 2014, the UN Guiding Principles have been included as one of the international standards to which the Government of Canada expects Canadian mining companies to adhere in their operations abroad.⁷

The UN Guiding Principles do not specifically call for business enterprises to undertake HRIAs, and currently there are no legal requirements for companies to undertake HRIAs.⁸ Nonetheless, they represent one potential tool for companies to refine their approach to human rights—specifically, to help identify, address and remediate potential adverse impacts in their operations and supply chains, and to facilitate dialogue with stakeholders about human rights concerns. Indeed, numerous civil society organizations and affected stakeholders are advocating for the wider use of HRIAs, including as a requirement in the planning, financing, and approval of large-scale investments and projects—particularly in conjunction with other due diligence and risk assessment processes in high-risk contexts.

1 See: www.nevsun.com/responsibility/human-rights/Nevsun-HRIA-Summary-April-2014.pdf. Cross-references to the initial HRIA Report will be provided throughout this report for ease of reference and avoidance of duplication.

2 The Bisha Mine is operated by the Bisha Mine Share Company (BMSC), which is owned by Nevsun (60%) and ENAMCO (40%). Unless otherwise specified, the relevant corporate policies for the Bisha Mine are those of BMSC.

3 Nevsun's commitments to follow-up on the 2015 Audit are included on the inside back cover

4 The UN Guiding Principles on Business and Human Rights were unanimously adopted by the UN Human Rights Council, the United Nation's main human rights institution, in June 2011.

5 UN Guiding Principle 11, accessed at: www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

6 UN Guiding Principle 15.

7 See: Government of Canada, Enhanced CSR Strategy for the International Extractive Sector (November 2014), accessed at: www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/other-autre/csr-strat-rse.aspx?lang=eng

8 UN Guiding Principle 18 stipulates that business enterprises should "identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships." However, the UN Guiding Principles do not require the assessment of impacts to be undertaken through a stand-alone HRIA. Commentary to Guiding Principle 18 states: "While processes for assessing human rights impacts can be incorporated within other processes such as risk assessments or environmental and social impact assessments, they should include all internationally recognized human rights as a reference point, since enterprises may potentially impact virtually any of these rights."

The HRIA of the Bisha Mine has been a voluntary undertaking by Nevsun and ENAMCO, and it is reported to be the first HRIA conducted in Eritrea. The initial HRIA Report stated that “the overall intention is for this HRIA to be a constructive tool to strengthen dialogue and due diligence about the Bisha Mine and thus contribute to further respect and support for human rights.”⁹ In particular, the initial HRIA Report provided information and analysis about:

- the ownership and operations of the Bisha Mine and the national context in Eritrea¹⁰
- the human rights issues that are relevant to the Bisha Mine¹¹
- the responsibilities for ongoing human rights due diligence with respect to the Bisha Mine¹²
- conclusions and recommendations to help ensure that human rights are respected and that the Bisha Mine sets a good precedent for the mining sector in Eritrea¹³

Most HRIAs conducted to date have been one-time exercises that present a snapshot of the human rights situation at a particular point in time. The initial HRIA Report provided a portrait of the Bisha Mine’s operations

and business relationships in 2013–2014. Since the publication of the initial HRIA Report, the assessment team’s mandate has been extended to the monitoring and auditing of the Bisha Mine. In this way, the HRIA has become an ongoing process. This represents a potential innovation in HRIA practice where an ongoing process extends beyond simply assessing impacts and supports further elements of human rights due diligence (i.e., integration and acting, tracking, and communication).

Therefore, this 2015 Audit provides current information regarding:

- the evolution of the context for mining and human rights in Eritrea
- the progress made on implementation of the recommendations in the initial HRIA Report
- the identification of emerging human rights issues since the initial assessment
- an update on the human rights issues covered in the initial assessment
- the evolution of human rights due diligence at the Bisha Mine
- conclusions and recommended next steps for human rights at the Bisha Mine

1.4

TIMELINE OF THE HRIA PROCESS

The following timeline summarizes the main HRIA activities since the process began in 2013.

2013

- **JUNE – JULY 2013** Nevsun Resources commissions the HRIA initial meetings with the assessment team and preparation of a detailed assessment plan
- **AUGUST – OCTOBER 2013** Background research, document review and analysis of the legal framework of Eritrea, and review of relevant international human rights standards
- **OCTOBER 2013** First mission to Eritrea for in-country research, interviews, and focus groups with Eritrean stakeholders; observations at the Bisha Mine and nearby communities audits of Eritrean subcontractors, and attendance at the Asmara Mining Conference

2014

- **JANUARY 2014** Second mission to Eritrea for in-country research, interviews with Eritrean stakeholders, observations at the Bisha Mine, and audits of Eritrean subcontractors
- **FEBRUARY 2014** Interactive Dialogue on Eritrea’s Universal Periodic Review at the UN Human Rights Council
- **FEBRUARY – MARCH 2014** Follow-up research, data verification, human rights analysis, and report preparation
- **APRIL 2014** Release of the initial HRIA Report and distribution of Executive Summary
- **MAY – JULY 2014** Engagement with Canadian and international stakeholders in response to the initial HRIA Report
- **JUNE 2014** Appearance before the Canadian Parliamentary Subcommittee on Human Rights
- **JULY – DECEMBER 2014** Ongoing research with respect to human rights and mining in Eritrea review of internal reports from the Bisha Mine monitoring activities related to implementation of HRIA recommendations

2015

- **JANUARY 2015** Third mission to Eritrea accompanied by the Canadian Ambassador to Eritrea and the Chair of the Canadian Parliamentary Subcommittee on Human Rights in-country research, interviews with Eritrean stakeholders, observations at the Bisha Mine and Massawa Port, and audits of Eritrean subcontractors
- **FEBRUARY – MAY 2015** Ongoing research with respect to human rights and mining in Eritrea review of internal reports from the Bisha Mine monitoring of activities related to implementation of HRIA recommendations
- **MAY 2015** Fourth mission to Eritrea for in-country research, interviews with Eritrean stakeholders, and observations at the Bisha Mine; audits of Eritrean subcontractors participation in needs assessment for Voluntary Principles on Security and Human Rights
- **MAY – JUNE 2015** Follow-up research, data verification, human rights analysis, and report preparation
- **JUNE 2015** Review of UN Commission of Inquiry (COI) report on Eritrea and Interactive Dialogue at UN Human Rights Council presentation; engagement with international stakeholders about COI report
- **AUGUST 2015** Release of the 2015 HRIA Audit

9 Initial HRIA Report, p. 16.

10 Section One of the initial HRIA Report at pp. 8–16.

11 Section Two of the initial HRIA Report at pp. 17–40.

12 Section Three of the initial HRIA Report at pp. 41–46.

13 initial HRIA Report at p. 47.

1.5

METHODOLOGY FOR THE 2015 HRIA AUDIT

In accordance with the emerging guidance regarding the conduct of HRIAs, the ongoing assessment process is explicitly based on the international human rights framework, and is driven by consultation and engagement with affected stakeholders. In particular, the input of affected stakeholders is a determinative factor in the prioritization of human rights issues for the assessment, including for the identification of the emerging issues which are discussed in this report.

The initial HRIA was based on the methodologies developed by credible international organizations, namely “Getting it Right,” the assessment tool developed by Rights & Democracy, and “Human Rights Compliance Assessment,” developed by the Danish Institute for Human Rights. The

HRIA guidance, steps, questions, and indicators have been adapted to the operational context at the Bisha Mine.¹⁴

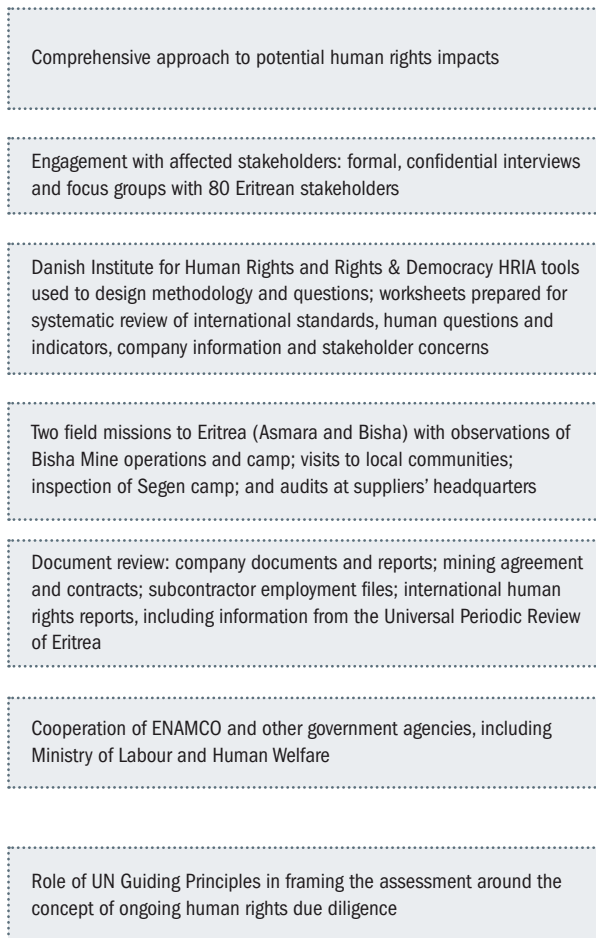
The majority of HRIAs have been conducted as one-time exercises that provide a snapshot of the human rights situation in a particular business operation, development project, or investment agreement. While there is little guidance or practice related to HRIA follow-up assessments, the same approaches, standards, questions, and indicators have been used to ensure methodological consistency of the ongoing assessment work—and to generate additional findings about positive or negative changes in the human rights situation over time.

1.5.1 CONSISTENT APPROACH

The following table provides an overview of some of the key approaches and methodological features of the initial HRIA, and how these are reflected and/or developed in the 2015 Audit.

OVERVIEW OF KEY APPROACHES TO THE HRIA PROCESS

INITIAL HRIA



2015 AUDIT

Review of all potential human rights impacts identified in initial HRIA; prioritization of new and emerging issues

Engagement with affected stakeholders: formal, confidential interviews and focus groups with 107 Eritrean stakeholders

Same HRIA tools used to guide follow-up assessment; update of worksheets to ensure the ongoing evolution of international human rights standards and guidance in included where relevant for different issues

Two field missions to Eritrea (Asmara and Bisha) with observations of Bisha Mine operations and camp; visits to local communities; continued inspection of Segen camp and audits at suppliers' headquarters; additional observations of Massawa Port, exploration and night shift activities

Document review: company documents and reports; government (IRC) monitoring activities; subcontractor employment files; international human rights reports, including the June 2015 UN Commission of Inquiry report

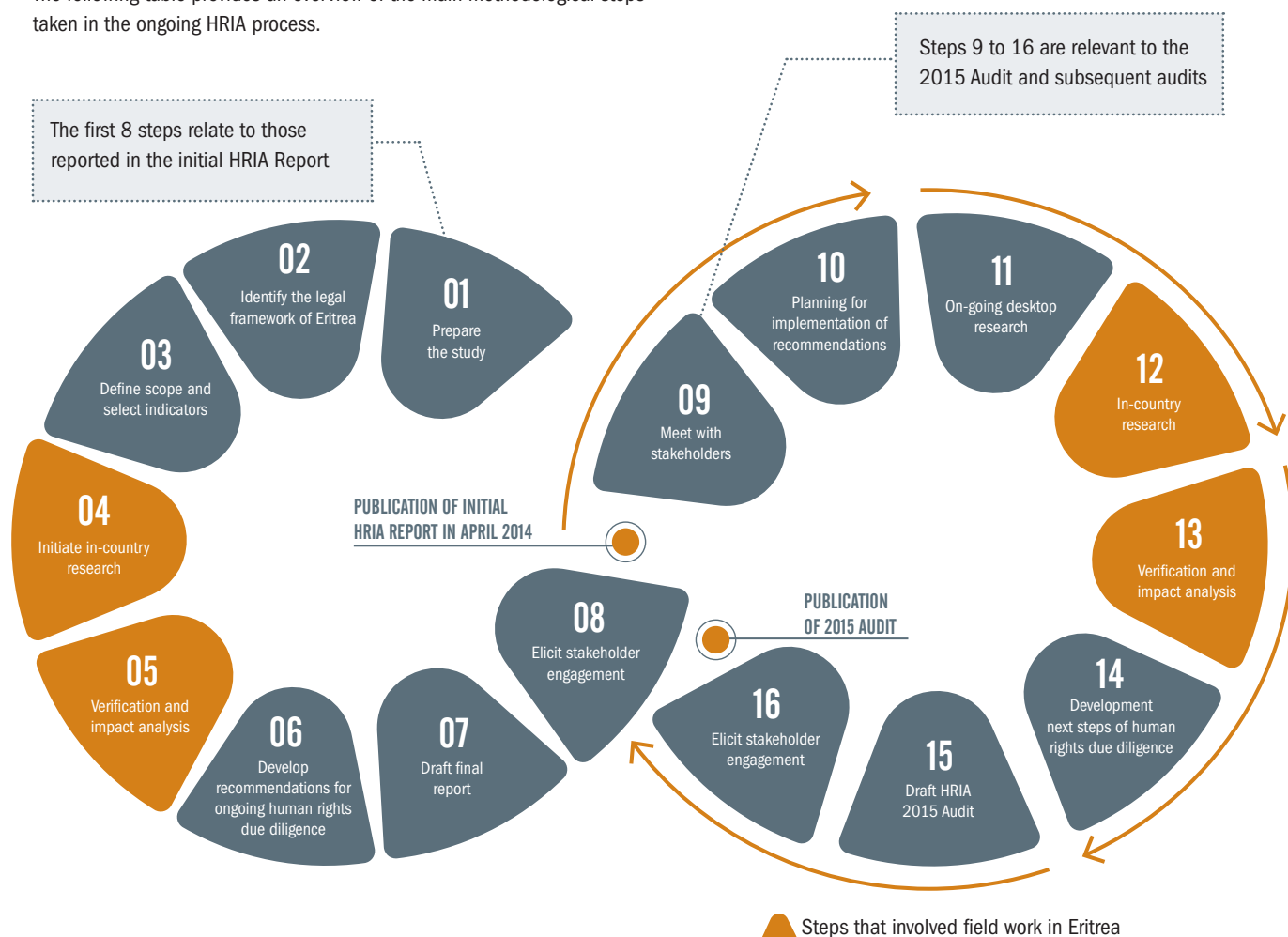
Continued cooperation of ENAMCO: Unfettered and unaccompanied access to employees, communities, and government officials; further dialogue with cross-departmental Impact Review Committee

UN Guiding Principles are now an explicit standard in the Government of Canada's Enhanced Corporate Social Responsibility Strategy and are included in Nevsun's new Human Rights Policy. The concept of ongoing human rights due diligence takes on increased significance in a follow-up assessment that looks further at management systems

14 For further information about methodology for, and main activities of the initial HRIA, see pp. 14 to 16 of the full HRIA Report, April 2014.

1.5.2 CONTINUITY OF METHODOLOGICAL STEPS

The following table provides an overview of the main methodological steps taken in the ongoing HRIA process.



	DESCRIPTION OF KEY ACTIONS	COMMENT ON IMPLEMENTATION
STEP 01 Prepare the study	<ul style="list-style-type: none"> Review technical information related to the project, including host country, joint venture, and subcontracting agreements Review BMSC and Nevsun policies and procedures Review information collected via environmental and social impact assessment processes Conduct stakeholder mapping with attention to identification of the most vulnerable individuals and groups 	<ul style="list-style-type: none"> Discussion of human rights issues and risks self-identified by Nevsun and ENAMCO Special attention given to human rights issues mentioned in external reports about the Bisha Mine
STEP 02 Identify the legal framework of Eritrea	<ul style="list-style-type: none"> Review Eritrea's legal, regulatory, and monitoring framework for human rights and for the mining industry, including the protection of the environment and workers Review human rights treaty commitments of the Eritrean government, plus ILO conventions and relevant regional agreements Conduct a Gap analysis, including a review of Eritrea's Universal Periodic Review exercise in 2009 and 2014 	<ul style="list-style-type: none"> Consultation with BMSC legal counsel to identify relevant Eritrean laws and contracts Translation of Segen Construction's collective agreement Follow-up interviews with particular attention to union officials and labour court judges in Eritrea

	DESCRIPTION OF KEY ACTIONS	COMMENT ON IMPLEMENTATION
<p>STEP 03 Define scope and select indicators</p>	<ul style="list-style-type: none"> Develop worksheets for the main human rights issues to be examined during the in-country research phase For each worksheet, compile the background information from phases 1 and 2 the relevant human rights standards, questions, and indicators to frame the assessment and guide interviews and other stakeholder engagement 	<ul style="list-style-type: none"> Maintained a broad scope on the full range of human rights issues at this stage Categories of issues for the worksheets adapted from the DIHR Compliance Assessment Tool Indicators for the State adapted from Rights & Democracy Guide Indicators for BMSC adapted from the DIHR Compliance Assessment Tool
<p>STEP 04 Initiate in-country research</p>	<ul style="list-style-type: none"> Interview external and internal stakeholders in Eritrea: <ul style="list-style-type: none"> Government officials, business partners, contractors and subcontractors Bisha managers (regarding policies, procedures and practices) Bisha employees Segen employees Traditional/community leaders Develop interview protocols to protect the security and confidentiality of stakeholders who were interviewed Prepare interview guides to ensure that interviews covered the relevant human rights issues and elicited balanced feedback about potential positive and negative human rights impacts Site visits to Bisha mine, Segen and SENET camps Develop understanding of political, economic, and social context for mining in Eritrea 	<ul style="list-style-type: none"> In-country visit between October 5 and 13, 2013 Formal interviews conducted with 44 stakeholders Some interviews were conducted in focus groups but the majority were held in private to ensure confidentiality Interviews with Segen employees on site and at camp on 3 separate occasions Interviews with Segen managers on 3 separate occasions, at site, and at Asmara office Bisha site visit included first-hand observations over 4 days of the mine's operations, administration, and camp Site visits to Segen and SENET camps Formal interviews supplemented by observations and informal conversations with employees at the mine site and with people in local villages and Asmara Attended 4th annual Asmara mining conference
<p>STEP 05 Verification and impact analysis</p>	<ul style="list-style-type: none"> Following the initial in-country research, prioritize the key human rights issues for verification and impact analysis Validate information gathered through further desktop research Develop a strategy for a second round of in-country interviews to validate information and follow-up on previous interviews Employ verification techniques to triangulate data, target second-round interviews, solicit expert opinion, and document physical evidence (including photos) Develop analysis of impacts and risks in relation to the human rights questions and indicators based on findings from the research and stakeholder interviews 	<ul style="list-style-type: none"> A second in-country visit was conducted between January 7 and 16, 2014 Formal interviews conducted with 36 stakeholders Follow-up interviews with national-level union representatives, Ministry of Labour, and Labour Court officials Follow-up interviews with Segen managers Follow-up interviews with government representatives and acting mine manager 2 focus group meetings with male and female employees Follow-up interviews on implementation of IFC Performance Standards and CSR reporting Postponed finalizing the HRIA report to take into account the Interactive Dialogue on Eritrea's UPR at the UN Human Rights Council on February 3, 2014
<p>STEP 06 Develop recommendations for ongoing human rights due diligence</p>	<ul style="list-style-type: none"> Develop recommendations for ongoing human rights due diligence in line with UN Guiding Principles and best practice for mining companies Prioritize areas where there is an ongoing risk of negative impacts Identify areas where positive human rights outcomes can be supported Identify opportunities to integrate human rights due diligence in existing social and environmental management plans Assess existing mechanisms for access to remedies, including site level mechanisms 	<ul style="list-style-type: none"> Dialogue with internal stakeholders about potential recommendations Focus on IFC Performance Standards and Voluntary Principles as strategic entry points at Bisha Mine Focus on training and capacity-building for employees and managers Focus on coordination between various site-level and corporate grievance mechanisms

	DESCRIPTION OF KEY ACTIONS	COMMENT ON IMPLEMENTATION
STEP 07 Draft final report	<ul style="list-style-type: none"> Prepare final report, including worksheets on various human rights issues Prepare an executive summary for publication; make available through website, and link to CSR report 	<ul style="list-style-type: none"> Disclosure of final report coordinated with preparation of 2013 CSR Report in order to support ongoing reporting on human rights and follow-up to the HRIA
STEP 08 Elicit stakeholder engagement	<ul style="list-style-type: none"> Develop a proposal for a stakeholder engagement plan to prompt formal dialogue with respect to the HRIA report, recommendations, and follow-up Include in plan: international and Canadian stakeholders, Eritrean business partners, communities, and workers from key Bisha departments 	<ul style="list-style-type: none"> Summary of HRIA report can be used as a training tool and a basis for dialogue with workers, community members, contractors, and subcontractors
PUBLICATION OF INITIAL HRIA REPORT IN APRIL 2014		
STEP 09 Meet with stakeholders	<ul style="list-style-type: none"> Meet with external stakeholders to discuss the HRIA report and consider company response: <ul style="list-style-type: none"> Canadian Parliament Subcommittee NGOs Nevsun Investors United Nations Consult about findings and recommendations 	<ul style="list-style-type: none"> Opportunity to respond to questions about the HRIA methodology Suggestion that HRIA assessment team should play role in follow-up Suggestions for additional issues to consider in follow-up assessment
STEP 10 Plan for implementation of recommendations	<ul style="list-style-type: none"> Meetings with Nevsun and ENAMCO senior management Meetings with BMSC General Manager and heads of departments Consult about next steps for implementation of recommendations 	<ul style="list-style-type: none"> Opportunity to provide information to managers responsible for implementation Support for new initiative related to Voluntary Principles training and implementation
STEP 11 Ongoing desktop research	<ul style="list-style-type: none"> Update information about the Bisha Mine's operations; new international human rights standards and guidance; legal, political, and economic developments in Eritrea, and other relevant sources 	<ul style="list-style-type: none"> Increase in attention to human rights in Canadian mining sector further to inclusion of UNGPs in government's Enhanced CSR Strategy for the International Extractive Sector Increase in political and media attention to Eritrea in light of work of UN Commission of Inquiry
STEP 12 In-country research	<ul style="list-style-type: none"> Hold further interviews with stakeholders in Eritrea: <ul style="list-style-type: none"> Government officials, business partners, contractors and subcontractors Bisha managers (about policies, procedures, and practices) Bisha employees Segen and Transhorn managers and employees Traditional leaders and community members Resident ambassadors Conduct site visits to Bisha Mine and camp, Segen camp, Transhorn depot, Massawa port Conduct employment file audit at Segen and Transhorn headquarters Undertake new observations of exploration activities and night shift at Bisha Mine 	<ul style="list-style-type: none"> Visit to Asmara, Massawa, Bisha Mine between January 18 and 24, 2015, accompanied by the Chair of Canadian Subcommittee on International Human Rights and Canadian non-resident ambassador to Eritrea¹⁵ Visit to Asmara and Bisha Mine between May 6 and 12, 2015. Follow-up interviews and document review with key managers Formal interviews or focus groups with 107 stakeholders in total Numerous informal conversations with workers and managers while at the Bisha camp

15 The Chair of the Subcommittee and the Ambassador were invited to observe some of the HRIA activities, such as site visits at Bisha and Massawa, the Segen camp inspection, the group meeting with the General Manager and heads of department, meetings with community leaders and visits to potential community projects. However, confidential interviews with workers and community members were conducted in private without the participation of the aforementioned leaders.

	DESCRIPTION OF KEY ACTIONS	COMMENT ON IMPLEMENTATION
STEP 13 Verification and impact analysis	<ul style="list-style-type: none"> · Validate information gathered through further desktop research, internal document review, and follow-up interviews · Employ verification techniques to triangulate data, target second-round interviews, solicit expert opinion, and document physical evidence, including photos · After the in-country research, prioritize the new and emerging human rights issues to be included in the follow-up assessment based on UNGP criteria with respect to severity and likelihood of negative human rights impacts · Develop strategies for subsequent rounds of in-country interviews to validate information and follow-up on issues raised in previous interviews · Develop analysis of impacts and risks in relation to the human rights questions and indicators based on findings from the research and stakeholder interviews 	<ul style="list-style-type: none"> · Visits to Eritrea in January and May 2015 provided opportunities for further verification and impact analysis, especially with respect to previous findings · Follow-up interviews and additional research and document review required for new and emerging issues · Focus of attention on verifying Nevsun's self-assessment of progress made on the implementation of the HRIA recommendations¹⁶ · Further verification and analysis required in light of the findings of the COI report
STEP 14 Development of next steps of human rights due diligence	<ul style="list-style-type: none"> · Recommendations developed in relation to: <ul style="list-style-type: none"> - Next steps in implementing HRIA recommendations - Proactively addressing new or emerging human rights issues - Further integration of ongoing human rights due diligence at site 	<ul style="list-style-type: none"> · Balance to be struck between providing next steps for the implementation of the initial HRIA's recommendations and addressing emerging issues
STEP 15 Draft 2015 Audit	<ul style="list-style-type: none"> · Prepare final report, including updated worksheets on various human rights issues 	<ul style="list-style-type: none"> · Additional review and consultation required to take into account COI report
STEP 16 Elicit stakeholder engagement	<ul style="list-style-type: none"> · Develop a proposal for a stakeholder engagement plan to prompt discussions about the HRIA report, recommendations, and follow-up assessment activities · Include in plan: international and Canadian stakeholders, Eritrean business partners, communities, and workers from key Bisha departments 	<ul style="list-style-type: none"> · Brief requested by the Parliamentary Subcommittee on International Human Rights as part of its study on the human rights situation in Eritrea · Meetings with NGOs, academics and government representatives in London in June 2015 · Meetings with Canadian and international stakeholders planned for Ottawa, New York, and Washington after the publication of the 2015 Audit · Meetings with Eritrean stakeholders to be held upon next visit to Asmara and Bisha Mine in September 2015

16 The self-assessment of progress made on the implementation of the HRIA recommendations can be found at p. 16 of Nevsun's 2014 Corporate Social Responsibility Report.

CONSISTENCY IN SOURCES OF INFORMATION AND INDICATORS FOR ONGOING ASSESSMENT

To ensure the methodological consistency for the 2015 HRIA Audit, the assessment team has updated the worksheets developed for the initial

HRIA Report. Where new or emerging issues have been identified, the same methodological steps and sources of information have been used to assess these issues.

UPDATED HUMAN RIGHTS ISSUES

1 LABOUR RIGHTS AND WORKING CONDITIONS

<input type="checkbox"/> National service program
<input type="checkbox"/> Workplace health and safety
<input type="checkbox"/> Wages, hours, leave and benefits
<input type="checkbox"/> Freedom of association
<input type="checkbox"/> Non-discrimination
<input type="checkbox"/> Harassment
<input type="checkbox"/> Child labour

2 HUMAN RIGHTS AND LOCAL COMMUNITIES

<input type="checkbox"/> Human rights related to the environment
<input type="checkbox"/> Community development
<input type="checkbox"/> Cultural Heritage*

3 CROSS-CUTTING HUMAN RIGHTS ISSUES

<input type="checkbox"/> Security and human rights
<input type="checkbox"/> Grievance mechanisms

INFORMATION REVIEWED

- International human rights standards
- Human rights indicators for the State
- Human rights indicators for companies
- Eritrean law/proclamations
- BMSC policies and procedures
- Nevsun policies and procedures
- Canadian/international CSR standards for the extractive sector
- Global reporting initiative indicators
- Information from Nevsun CSR reports
- Information from Eritrea's UPR reports
- Stakeholder concerns or allegations from media and civil society reports
- Information and observations from visits to Eritrea

* New worksheet - as defined by emerging issue through the audit process

1.5.3 STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an essential part of the ongoing HRIA process, an undertaking which is comprised of two main components: (1) engagement with affected stakeholders in Eritrea in order to understand their concerns, prioritize issues, and assess impacts; and (2) engagement with international stakeholders outside of Eritrea for the purposes of gathering feedback about the overall approach to human rights due diligence, and to consult about the recommendations from the HRIA.

While both of these components of stakeholder engagement are important for the HRIA process, engagement with affected stakeholders in Eritrea is the first priority. This refers primarily to the interviews, focus groups, and meetings that have taken place during the fieldwork in Eritrea with workers at the Bisha Mine (including employees of BMSC and subcontractors),

and with community members and traditional leaders in the surrounding villages. Stakeholder engagement in Eritrea also includes interviews with BMSC employees and managers, Eritrean government representatives, and other stakeholders with responsibilities for monitoring the Bisha Mine (e.g., community liaison officers, human resource managers, Impact Review Committee, National Confederation of Eritrean Workers, etc.), since these stakeholders have relevant information about the concerns of workers and community members.

While this engagement has been constructive and valuable for the HRIA process, it has not touched upon specific individual cases—which is understandable given the existence of other processes currently in place which allow individuals to raise their concerns, such as the UN Commission of Inquiry and the class action litigation in British Columbia.¹⁷

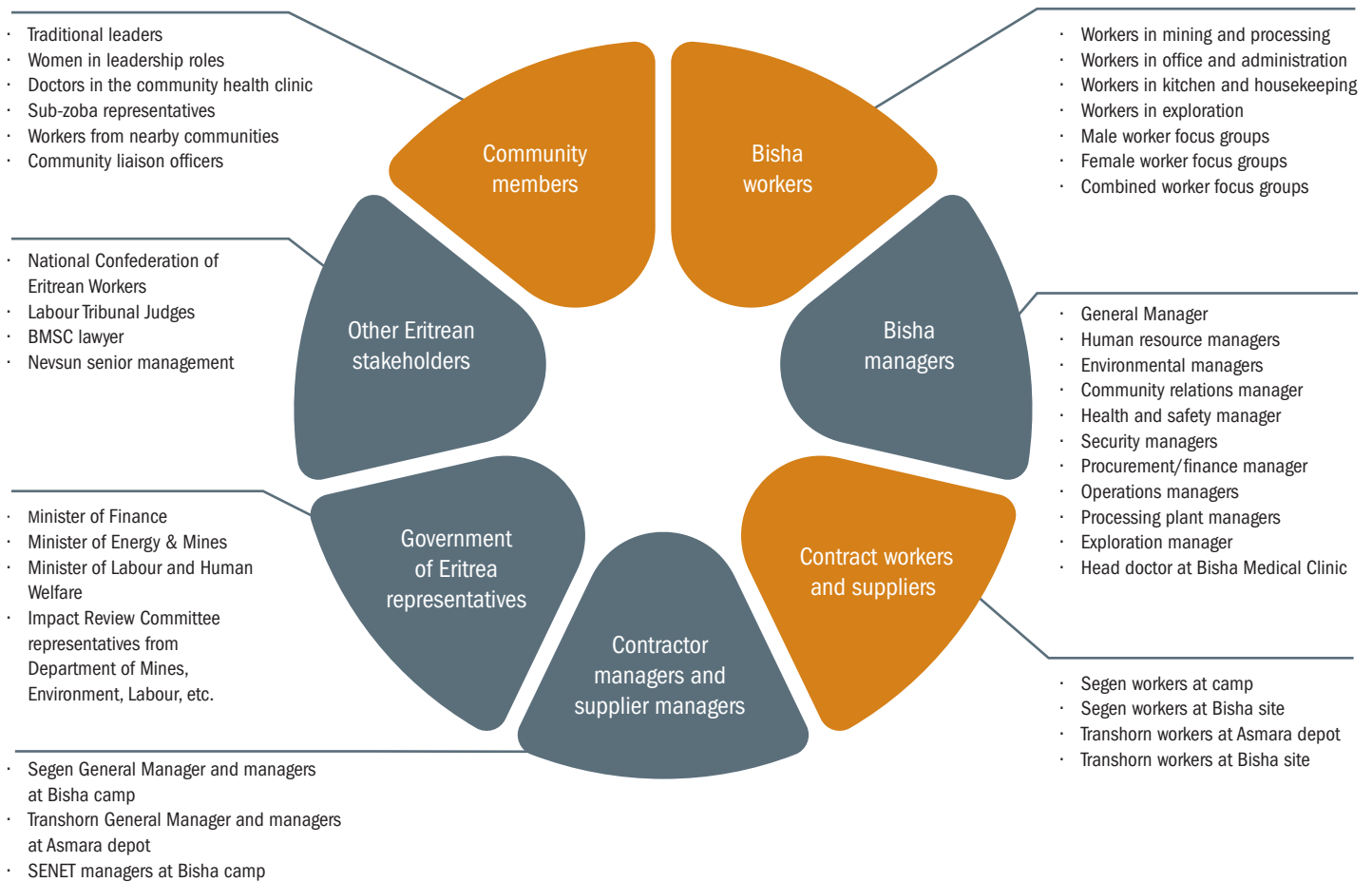
The graphic below provides further information about the stakeholders consulted during the HRIA process to date.

In the course of engagement with affected stakeholders, all precautions are taken to safeguard the confidentiality and safety of the interviewees. Interviews and focus groups are undertaken in private without supervisors or managers present, and are conducted in a respectful, compassionate, and sensitive manner. A number of individuals have been interviewed on successive visits to the mine in order to build rapport and trust. Focus group meetings with employees are used to identify overall patterns and trends related to working conditions rather than to discuss specific individual concerns. However, opportunities for follow-up individual interviews are provided and, in some cases, are proactively solicited. Given the potential sensitivity of some human rights topics, efforts are made to design questions and communicate in simple and non-technical language, and to probe where positive and negative feedback emerges in the course of the interviews.

From these activities, the assessment team believes that the ongoing HRIA process continues to build trust, understanding, and relationships with local stakeholders, workers, and managers at the site, as well as with the Government of Eritrea and other Eritrean stakeholders—all of which helps to elicit more nuanced and in-depth information about the human rights situation at the Bisha Mine. It is important to emphasize that, throughout the four field missions to Eritrea to date, there has been unfettered access to people, places, and documentation. The assessment team has not been assigned “handlers” nor did it experience interference by the Government of Eritrea in any aspect of the assessment work.

There has also been substantial engagement with international stakeholders since the publication of the initial HRIA report. This engagement has included meetings with Parliamentarians, government officials, NGOs, academics, experts, and socially responsible investors. This has provided an opportunity to receive feedback about the evolving

STAKEHOLDER GROUPS



 Affected Stakeholders

approach to human rights at the Bisha Mine, as well as feedback on the specific recommendations from the HRIA. For instance, the feedback from meetings with international stakeholders was instrumental in extending the mandate of the HRIA process to include follow-up auditing of the implementation of the recommendations. Other feedback received helped to prioritize certain issues for additional research and investigation during the follow-up visits to Eritrea (e.g., exploration activities, children’s rights, etc.). International NGOs have also been engaged in this process, along with academics and other experts about the human rights situation in Eritrea, as well as socially responsible investors in the Bisha Mine. To date, this engagement has been fairly general, and focused on the issues of greatest priority for the assessment and the implementation of the recommendations of the initial HRIA Report.

These meetings with international stakeholders are important for improving the transparency of the ongoing HRIA process, and they contribute to the communications component of ongoing human rights due diligence. In particular, the invitation to appear as a formal witness before the Canadian Parliament’s Subcommittee on International Human Rights provided an additional measure of accountability for the HRIA.¹⁸

Going forward, it is important that there to be ongoing engagement with international stakeholders with respect to the HRIA process—particularly as the human rights situation in Eritrea attracts greater international attention.

ENGAGEMENT WITH INTERNATIONAL STAKEHOLDERS

The main international stakeholder engagement activities to date are summarized in the table below.

STAKEHOLDER GROUPS	ADDITIONAL INFORMATION
Canadian Parliament’s Subcommittee on International Human Rights	<ul style="list-style-type: none"> Formal witness before Subcommittee on June 5, 2014¹⁹ Chair of Subcommittee visited Eritrea during the HRIA follow-up visit in January 2015²⁰ Follow-up brief submitted to Subcommittee at request of Clerk in May 2015
Government Representatives	<ul style="list-style-type: none"> Meetings with Government of Canada representatives in June 2014 and January 2015 Canada’s non-resident ambassador to Eritrea visited Eritrea during the HRIA follow-up visit in January 2015²¹ Meetings with resident ambassadors to Eritrea in May 2015 Meetings with Government of the United Kingdom in June 2015
United Nations	<ul style="list-style-type: none"> Meetings with UNICEF (Canada) in June 2014 Meetings at UN headquarters and with UN Global Compact in July 2014 Submission of HRIA to UN Commission of Inquiry in January 2015
Canadian NGOs	<ul style="list-style-type: none"> Meetings with representatives of Amnesty International and Mining Watch in June 2014
International NGOs	<ul style="list-style-type: none"> Meetings with representatives of Human Rights Watch in July 2014
Academics/Experts	<ul style="list-style-type: none"> Presentation to Mining Association of Canada’s International Social Responsibility Committee in April 2014 Presentation at Institute of Advanced Legal Studies in London in May 2014 Presentation at Universal Peace Foundation/Solicitors International Human Rights Group in London in June 2015 Presentation at Chatham House in London in June 2015
Socially Responsible Investors	<ul style="list-style-type: none"> Meetings with European ethical investors in May 2015

18 At present, there are no formal requirements for companies to make public their HRIAs; a significant proportion of reported HRIAs are undertaken confidentially. To the author’s knowledge, no previous HRIA report has been the subject of a formal hearing in a representative institution such as a Parliamentary committee. As the HRIA community of practice seeks to reinforce the transparency and credibility of future HRIAs, such a hearing allows for democratic oversight and enhanced accountability.

19 SDIR Meeting 32. The transcript of this appearance can be accessed at: www.parl.gc.ca/HousePublications/Publication.aspx?DocId=6651839&Language=E&Mode=1.

20 The Subcommittee Chair, Mr. Scott Reid, and Ambassador Dominic Rossetti subsequently provided testimony about their visit to Eritrea to the Subcommittee on March 12, 2015 (SDIR Meeting 60). The transcript is available at: www.parl.gc.ca/HousePublications/Publication.aspx?DocId=7880351&Language=E&Mode=1&Parl=41&Ses=2.

21 Ibid.

1.5.4 SCOPE AND LIMITATIONS

The HRIA process is focused on the human rights situation at the Bisha Mine. While the assessment team has conducted background research about the general context related to mining and human rights in Eritrea, these broader issues have not been the focus of the field visits and interviews while in the country.

While the assessment team is aware of the lawsuit filed against Nevsun in the Supreme Court of British Columbia in November 2014, as well as the UN Commission of Inquiry on Eritrea's report published in June 2015, these processes have objectives that are distinct from the ongoing HRIA process. Consequently, the HRIA Report will not comment on the merits of the lawsuit or the substance of the COI Report.

The main limitation of the ongoing HRIA process is the same as that described in the initial report.²² Namely that, since the HRIA process is an ex post assessment which commenced in 2013, it has been challenging to draw conclusions about the human rights situation prior to that period.

The same approach to the temporal limitations of the HRIA has been taken for the 2015 Audit: where it has not been possible to gather conclusive or convergent information about past practices at the mine, the focus has been on strengthening grievance mechanisms and stakeholder engagement mechanisms so that individuals past, present, or potential human rights concerns may be addressed in an effective and credible manner. Nonetheless, it is important to stress that questions about past practices have been consistently asked of BMSC and contractor workers and managers, and no information or testimonials were provided that corroborate the past allegations.

**SECTION
TWO**

CONTEXT: HIGHLIGHTS FROM THE CURRENT
ASSESSMENT PERIOD

The following section provides some relevant highlights of the developments at the Bisha Mine, and considers them in the context of mining and human rights in Eritrea, and more broadly at the international level. These developments cover the period from April 2014 to June 2015.

2.1 BISHA MINE OPERATIONS

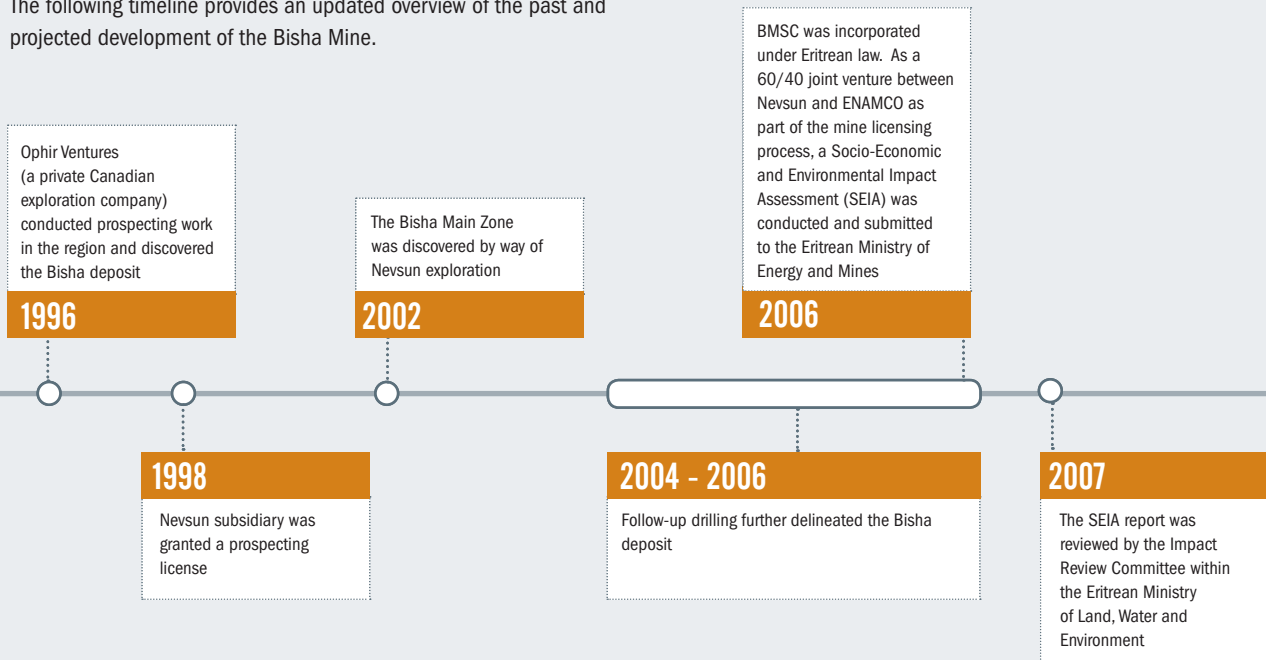
Some of the Bisha Mine's recent operational highlights were published in Nevsun's 2014 Corporate Social Responsibility report, including the following points:

- Average realized copper price per pound of \$3.02, with 196 million pounds of copper concentrate produced at cash cost of \$1.05 per pound
- Over \$206 million in payments to Government of Eritrea and ENAMCO
- Over \$112 million in payments to local payroll and suppliers
- 1,230 employees, of which 89% are Eritrean
- 21 million hours of work without a lost-time injury
- Training and development for local Eritreans has been accelerated with a total of 23,578 hours of training provided
- Exploration program has drilled 27,300 meters
- A wide range of community engagement activities have been undertaken



UPDATED TIMELINE OF THE BISHA MINE

The following timeline provides an updated overview of the past and projected development of the Bisha Mine.



In addition, the following general developments at the Bisha Mine are relevant to the assessment of human rights in the current period:

- The current copper phase of mining involves significant hauling of copper concentrate between the Bisha Mine and the Massawa Port by a truck fleet operated by an Eritrean subcontractor, Transhorn Trucking Company
- Preparations have begun for the transition to the mine's zinc phase, which is projected to commence in mid-2016. This entails further construction projects at the site, and will increase the water consumption requirements for zinc processing
- The Exploration Department has had a number of promising drilling results, which may result in future expansion of the mining operations and extension of the life of the Bisha Mine
- There has been an increase in staff turnover of Eritrean and non-Eritrean workers. There are a number of plausible reasons for staff turnover at a remote mine such as the Bisha Mine and BMSC management is conducting further interviews and dialogue with staff to obtain further information

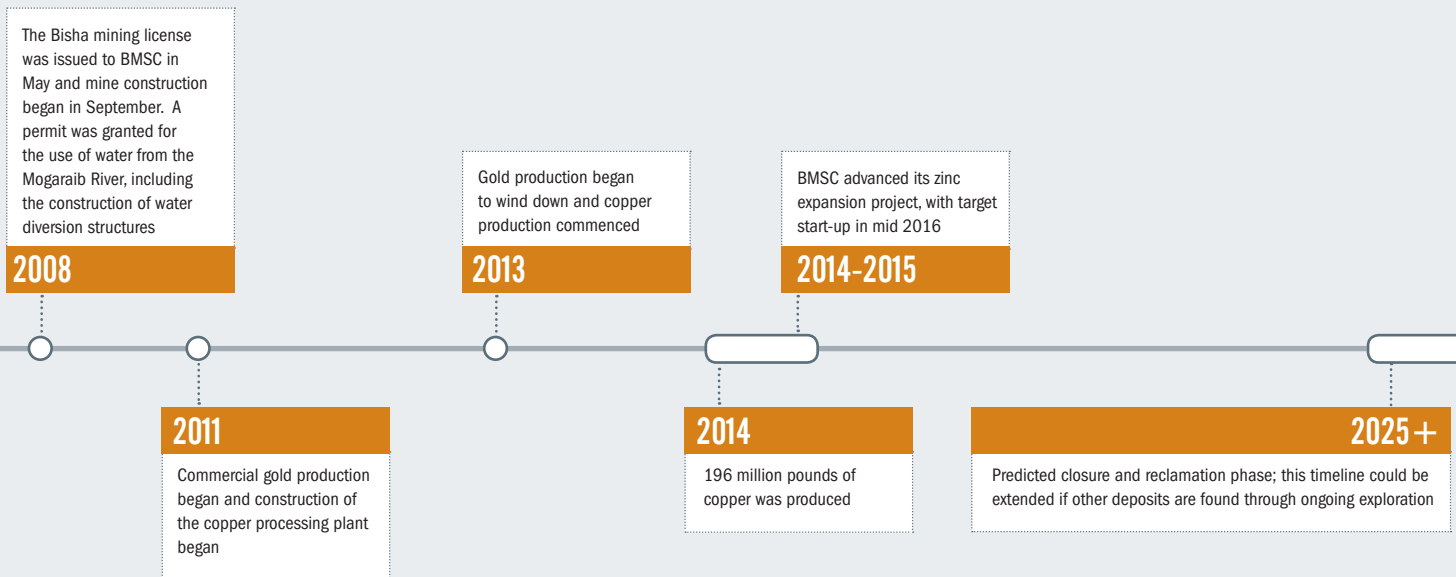
- A new General Manager has been appointed to oversee the Bisha Mine, and other key managers have been hired or promoted in recent months include new managers in the Environment Department, Training Department, and Human Resources Department. These managers will have an important leadership role in ensuring the ongoing implementation of human rights due diligence at the mine

2.2

MINING SECTOR IN ERITREA

- The mining sector continues to be a strong contributor to economic growth in Eritrea. According to a recent analysis by African Economic Outlook, "recent economic performance has been positive, driven mainly by the mining sector"²³
- The development of the Koka deposit (gold), located within the Zara Project area of northern Eritrea, has entered the construction phase and is scheduled to begin production later in 2015. This mine is being developed by the Zara Mining Share Company (ZMSC), a joint venture between ENAMCO and the SFECO Group, a subsidiary of Shanghai Construction Group Co. Ltd.

²³ The report states that economic growth for 2015 is projected at 2.1%, up from 1.3% in 2013 and 2.0% in 2014, reflecting improved economic activity and increased investment in the mining sector. See: African Economic Outlook, Eritrea 2015, pp. 1 and 3, accessed at: www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN_data/CN_Long_EN/Eritrea_GB_2015.pdf



- The development of the Asmara deposits (gold, copper, zinc), located near the Eritrean capital city, is currently in the mine permitting stage. If the relevant permits and project financing is obtained, construction could begin in the coming months. This mine is being developed by the Asmara Mining Share Company (AMSC), a joint venture between ENAMCO and Sunridge Gold Corp., a Canadian company²⁴
- The development of the Colluli deposit (potash), located in the south of Eritrea, is currently in the feasibility stage, with production expected to commence in 2018. This mine is being developed by Colluli Mining Share Company (CMSC), a joint venture between ENAMCO and Danakali Ltd., an Australian company²⁵
- There are a number of mining exploration companies operating in Eritrea

2.3

POLITICAL AND HUMAN RIGHTS SITUATION IN ERITREA²⁶

- The Government of Eritrea has reformed its criminal and civil code and rules of procedure
- In follow-up to Eritrea's Universal Periodic Review exercise, dialogue has been initiated with the UN Office for the High Commissioner on Human Rights about technical assistance on human rights matters
- Eritrea is receiving credit for its achievements on a number of Millennium Development Goals (MDGs)—particularly related to health—as the international community takes stock of progress at the 2015 deadline for the MDGs
- In June 2015, the UN Commission of Inquiry published a report which raises questions about potential crimes against humanity in Eritrea and includes allegations about human rights violations related to the activities of subcontractors at the Bisha Mine. While both the Government of Eritrea and Nevsun have publicly objected to the COI report, it has brought negative attention to the human rights situation in Eritrea in the media and at the UN Human Rights Council

²⁴ www.sunridgegold.com/s/Home.asp

²⁵ www.danakali.com.au/projects/project-overview

²⁶ This is only a brief update of a few key developments that are relevant to the HRIA Audit. Further discussion about the political and human rights context in Eritrea is included in the initial HRIA Report and in the reports cited therein.

2.4

GLOBAL CONTEXT FOR BUSINESS AND HUMAN RIGHTS

- At an international level, the UN Guiding Principles on Business and Human Rights continue to gain momentum as the leading standard for business and human rights. A growing number of countries in Europe and elsewhere have adopted, or are preparing National Action Plans to strengthen the implementation of the UN Guiding Principles at the national level. In Canada, the Government of Canada's Enhanced CSR Strategy for the International Extractive Sector (revised in November 2014) now includes the UN Guiding Principles as one of the standards that Canadian extractive industry companies are expected to implement when operating overseas
- While the number of new initiatives related to business and human rights are nearly impossible to track, the following are some of the key initiatives that are relevant to the follow-up assessment of the Bisha Mine:
 - The International Labour Organization adopted the 2014 Protocol to the Convention Against Forced Labour 1930²⁷, and released a Recommendation on Supplementary Measures for the Effective Suppression of Forced Labour²⁸ that provides new guidance for collective actions between governments, employees associations and employers associations to prevent, protect against, and provide remedy for forced labour at the national level
 - The UN Global Compact Network in Canada provides new guidance related to Key Performance Indicators for Auditing Implementation of the Voluntary Principles on Security and Human Rights; this document attempts to provide clearer guidance for companies and auditors about what good practice looks like when implementing the Voluntary Principles²⁹
 - The UN Global Compact's CEO Water Mandate provides new guidance for the Corporate Responsibility to Respect the Human Rights to Water and Sanitation. This mandate should help companies in their efforts to integrate human rights considerations into their water stewardship and environmental management systems³⁰
 - The UN Guiding Principles Reporting Framework will facilitate better and more consistent reporting by companies—either by way of integrated sustainability reports, or stand-alone human rights reports—in this way, more effectively aligning company reporting practices with the requirements of the UN Guiding Principles³¹
- While the UN Guiding Principles have been clearly accepted as the appropriate international standard for business and human rights by many governments, industry associations, and companies, it is important to note that there is a movement to supplement the UN Guiding Principles with a binding international treaty on business and human rights that would impose further legal obligations on government and companies with respect to business-related human rights abuses³²
- Many stakeholders and human rights defenders remain concerned about the lack of progress with respect to access to remedies—both judicial and non-judicial—for business-related human rights abuses. The issue of remedy is gaining greater attention internationally and a number of new initiatives to improve access to remedies have been launched in recent months. In particular, the UN Office of the High Commissioner for Human Rights has launched a major “Remedy and Accountability Project”³³

27 P029 - Protocol of 2014 to the Forced Labour Convention, 1930 (June 11, 2014), accessed at: www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:P029

28 International Labour Conference, Recommendation 203 (June 11, 2014), accessed at: www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_248908.pdf

29 UN Global Compact Network Canada and Business for Peace, Auditing Implementation of Voluntary Principles on Security and Human Rights: A Guidance Document to Assist Companies and their Auditors Assess Implementation of the Voluntary Principles on Security and Human Rights, May 2015, accessed at: www.globalcompact.ca/resources

30 CEO Water Mandate, Guidance for Companies on Respecting the Human Rights to Water and Sanitation: Bringing a Human Rights Lens to Corporate Water Stewardship, (January 2015 - Beta version), accessed at: www.ceowatermandate.org/files/business-hrws-guidance.pdf

31 The UN Guiding Principles Reporting Framework and accompanying materials can be accessed at: www.ungpreporting.org

32 Further to a resolution in the UN Human Rights Council, an intergovernmental working group has been struck to “to elaborate an international legally binding instrument on transnational corporations and other business enterprises with respect to human rights.” The first meeting of this intergovernmental working group was held on July 6-10, 2015 in Geneva. More information on the proposed binding treaty can be found at: www.business-humanrights.org/en/binding-treaty

33 For further information about the OHCHR's Remedy and Accountability Project, see: www.ohchr.org/EN/Issues/Business/Pages/OHCHRstudydomesticlawremedies.aspx



**SECTION
THREE**

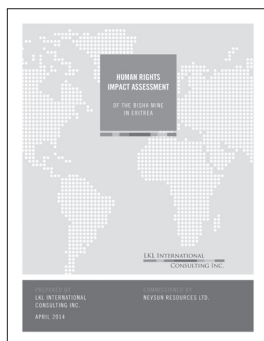
**IMPLEMENTATION OF
HRIA RECOMMENDATIONS**

IMPLEMENTATION OF HRIA RECOMMENDATIONS

This section of the report provides the findings of this assessment with respect to the current implementation of the recommendations set out in the initial HRIA Report.³⁴ As mentioned in the introduction, Nevsun and ENAMCO accepted all of the HRIA recommendations without reservation.

As part of its commitment to publicly report on human rights, Nevsun provided a self-assessment of its progress on the HRIA recommendations in a case study in the 2014 Corporate Social Responsibility Report.³⁵ From the follow-up assessment at the Bisha Mine, the self-assessment fairly reflects the current progress made towards implementing the recommendations on the ground.

The following review of each recommendation provides further information, as well as suggested next steps for ongoing implementation. In this regard, it should be emphasized that the 2014 Corporate Social Responsibility Report acknowledges that “we understand that some of these aspects require ongoing human rights due diligence, and we will continue to report on these ongoing efforts – including with respect to training, engagement, and auditing with our suppliers and contractors.”³⁶ The suggested next steps for the HRIA recommendations are consolidated in the Conclusions and Recommendations section at the end of this report.



2014 Human Rights Impact Assessment



2014 Corporate Social Responsibility Report

3.1

HRIA RECOMMENDATION #1

Adopt and embed a more explicit human rights policy

Explanation in the initial HRIA Report: The recommended option is for Nevsun to integrate a separate and distinct human rights section in its Code of Ethics, and to embed some additional human rights language in the existing BMSC policies. As important as these new words on paper may be, the signal of commitment from the most senior levels of Nevsun management is what counts.³⁷

NEVSUN SELF-ASSESSMENT:

Status – approved; 100% complete

Further to this recommendation, Nevsun’s Board of Directors adopted a Human Rights Policy on December 12, 2014, and integrated Human Rights into the Nevsun Code of Ethics in April of 2015.³⁸ The relevant text has been reproduced in the table on the next page.

The Nevsun Board of Directors formally adopted the Human Rights Policy and statement in their Code of Ethics after a process of internal consultation within the senior management team as well as with external experts. There was consultation with external stakeholders about the general idea of a stand-alone human rights policy during the meetings concerning the initial HRIA Report. Further feedback on the specific policy as adopted may be sought during the engagement with external stakeholders after the publication of this 2015 Audit.

³⁴ The full text of these recommendations can be found on p. 47 of the full HRIA report.

³⁵ Nevsun 2014 CSR Report, p. 16, accessed at: www.nevsun.com/pdf/Nevsun-2014-CSR-Report.pdf

³⁶ Ibid, note * on p. 16.

³⁷ Initial HRIA Report, p. 47. Further discussion about Bisha’s policy commitment is included at p. 42 of the initial HRIA Report.

³⁸ The Human Rights Policy is available on the Nevsun website: www.nevsun.com/corporate/governance/human-rights-policy/

NEVSUN HUMAN RIGHTS POLICY

Human Rights Policy

Human rights are fundamental values for Nevsun Resources Ltd. (“Nevsun” or the “Company”) and are an inherent part of our commitment to ethical business conduct and corporate social responsibility.

Nevsun respects, promotes and supports human rights across the organization and its operations.

Human Rights at Nevsun

In line with the UN Guiding Principles on Business and Human Rights, Nevsun will undertake to:

- Assess potential human rights impacts related to major acquisitions or investments in new jurisdictions
- Develop codes of conduct and policies in line with our commitments on human rights and national regulatory requirements
- Provide orientation on human rights and codes of conduct and policies for employees and contractors
- Consider additional, stand-alone human rights impact assessments where circumstances warrant
- Communicate our commitments and actions related to human rights with our stakeholders at the local, national and international levels
- Work with our business partners, contractors and suppliers to promote respect for human rights throughout our direct and controllable value and supply chain

Nevsun Subsidiaries

In order to promote the UN Guiding Principles on Business and Human Rights, each operating subsidiary of Nevsun (a “Subsidiary”) will be required to respect, promote, and support human rights in its operations.

In the Workplace

Nevsun is committed to fair employment. Nevsun will not tolerate any type of discrimination, harassment or forced or child labour and prioritizes initiatives to foster a safe, just and favourable workplace culture for our employees. We support the right of our workers to freedom of association and collective bargaining.

In Communities

Nevsun is committed to avoiding negative impacts on the human rights of local communities and vulnerable groups. While respecting local and national development priorities, we endeavour to support human rights and sustainable development outcomes in our local community.

Governance

The mandate of our Safety, Health & Environment Committee includes oversight of the implementation of our Human Rights Policy and addressing concerns raised through the Whistleblower Policy. The Vice-President of Corporate Social Responsibility leads in the implementation of our Human Rights Policy and provides guidance to Subsidiary management and each of the inter-departmental corporate social responsibility working groups at the operational level.

This Human Rights Policy was adopted by the Board of Directors of Nevsun Resources Ltd. on December 12, 2014.

STATEMENT ON HUMAN RIGHTS IN NEVSUN'S CODE OF ETHICS

Human Rights

The Company has adopted a Human Rights Policy that will promote the UN Guiding Principles on Business and Human Rights and that each operating subsidiary of Nevsun will be required to respect, promote, and support human rights in its operations.

View the Nevsun’s Human Rights Policy at:
www.nevsun.com/responsibility/human-rights

From the perspective of the UN Guiding Principles, some of the positive features of this new Human Rights Policy are as follows:³⁹

- It was approved by the most senior level of the business enterprise
- It was informed by relevant internal and external expertise
- It stipulates the expectation that all subsidiaries will respect human rights
- It has been communicated externally through the Nevsun website and, internally, the implication for its subsidiary has been discussed with ENAMCO
- It provides clear responsibilities for the oversight and implementation of the policy from the Board of Director’s Safety, Health and Environment Committee to the Vice-President of Corporate Social Responsibility and to corporate social responsibility working groups at site

- It includes requirements and strategies for human rights due diligence with respect to new acquisitions and investments in new jurisdictions, the use of stand-alone HRIAs where relevant, and engagement with contractors and suppliers on human rights

In terms of the scope of the policy, interviews with Nevsun management confirm that their reference to the UN Guiding Principles in their policy was intended to signal the company’s commitment to all internationally recognised human rights as specified in UN Guiding Principle 12 and its commentary. The company intends to identify and address the salient human rights for each operation through specific site-level human rights (and other related) policies of each subsidiary, as well as through stand-alone human rights impact assessments and/or other due diligence exercises.

39 See Commentary to UN Guiding Principle 16 and the OHCHR Interpretive Guide at pp. 26-31.

As discussed in the initial HRIA Report, many human rights aspects have already been embedded in the various CSR policies and procedures at the Bisha Mine. The focus at present is on the forthcoming roll-out of a new “Workers’ Rights Policy” for BMSC.

In this regard, Nevsun and ENAMCO have been collaborating to draft new stand-alone policy on human rights for BMSC. At the time of writing, the assessment team has been informed that a stand-alone “Workers Rights Policy” has been prepared for the Bisha Mine. This new policy is expected to be formally adopted by the BMSC Board of Directors before the end of 2015.

Therefore, it is recommended that a specific roll-out plan be prepared when the Workers’ Rights Policy is approved by the BMSC Board of Directors. Some of the next steps and approaches that the roll-out plan should cover include:

- Leadership from ENAMCO and the General Manager at site in communicating the commitment of senior management to the new policy
- Formalizing and providing a clear mandate for the CSR Working Group to participate in implementation of human rights due diligence activities
- Developing of supporting materials (posters, etc.) to promote awareness about the new policy at site
- Alignment of the human rights training initiatives at site with the new policy (see recommendation #2).
- Ensuring that the new policy requirements are communicated to Bisha’s contractors and suppliers to drive the on-going engagement with them on human rights (see recommendation #4)
- Ensuring that communities are informed of the new policy through the on-going engagement of the community liaison officers and distribution of promotional materials in the CLO offices

CONCLUSIONS

Nevsun has adopted a stand-alone Human Rights Policy and integrated a section on human rights into its Code of Ethics. Furthermore, Nevsun and ENAMCO have agreed to adopt a stand-alone Workers’ Rights Policy for BMSC. The development and roll out of this Eritrean, site-level human rights policy provides a good opportunity to raise further awareness about human rights with workers, communities, and business partners, as well as to embed responsibilities for the ongoing implementation of human rights due diligence at the Bisha Mine.

3.2

HRIA RECOMMENDATION #2

Conduct further human rights training at Bisha

Explanation in the initial HRIA Report: There is a thirst for capacity-building and training within the workforce at the Bisha Mine, and the new training centre provides an excellent venue to educate workers about BMSC’s human rights commitments and what they imply in their day-to-day roles and responsibilities. Some of the most promising opportunities for integrating human rights into training at the Bisha Mine include (1) an introductory module on human rights during the induction training (chalk-board module for local employees and on-line module for ex-pats), (2) specialized training on security and human rights in relation to the Voluntary Principles, and (3) conducting human rights workshops with key departments and operational implications of human rights.⁴⁰

NEVSUN SELF-ASSESSMENT:

Status – ongoing on a regular basis; 100% complete (with acknowledgment that training requires ongoing efforts)

Further to this recommendation, a basic human rights module has been developed and has been integrated into induction training for new workers at site. The overall induction training is delivered in a classroom setting in the Bisha Training Centre over three days when new employees first arrive at site. The induction training’s human rights module has been reviewed and it includes the topics summarized in the text box on the following page.

From interviews with the manager of the Training Centre, the induction training is mandatory for all new employees and visitors at site.

The next step for ensuring that all employees receive human rights training will be to develop a mechanism for existing employees (who have previously received induction training) to receive training on the new module. It is suggested that this be coordinated with the roll-out of the forthcoming BMSC Workers’ Rights Policy so that the training serves to embed the specific commitments contained in the new policy.

There are a number of potential approaches for ensuring that all employees receive the training on the new policy, including the following:

- Ensuring that the human rights training is included in each employee’s training and personal development plan for the next year, and verifying that it has been completed when the employee’s plan is reviewed
- Providing opportunities to deliver the human rights training module during other training sessions so that employees do not need to go to the Training Centre on additional occasions

The initial HRIA recommendation also suggested the development of more advanced human rights training programs related to the implementation of the Voluntary Principles on Security and Human Rights, as well as the development of specialized workshops for key departments.

INDUCTION HUMAN RIGHTS TRAINING AT BISHA SPEAKING POINTS FOR TRAINERS

- Human rights at the Bisha Mine
 - Commitment to respecting workers and communities
 - Commitment to ensure there are no negative impacts in the mine's operations and through business partners
 - Provide grievance mechanisms to ensure that we can discuss and resolve issues and concerns relating to human rights
 - Support for human rights in Eritrea through cooperation with ENAMCO and Government of Eritrea
- Overview of the HRIA process
 - Background on the HRIA process
 - Recommendations
 - Commitment to implement the recommendations
 - Overview of the grievance mechanisms available at Bisha
 - Anonymous drop box
- Expectations
 - Formal BMSC complaint process for employees
 - Formal BMSC complaint process for communities
 - Formal BMSC complaint process for Segen workers
 - Nevsun whistleblower policy
 - Union mechanisms for Segen employees
 - Speak up! Use these mechanisms to help us resolve issues and improve our operations
- Expectations
 - Respect for human rights is part of Bisha's leadership in the mining sector
 - All managers, employees and business partners are expected to respect human rights
 - Numerous BMSC and Nevsun policies and national laws reinforce human rights at Bisha

With respect to the Voluntary Principles on Security and Human Rights, a new initiative on training and implementation has been launched in recent months (the Voluntary Principles initiative). This initiative focuses on providing advanced training on human rights and security to the BMSC security managers, other relevant BMSC managers (health and safety, human resources, medical clinic, etc.), and the managers and security guards from Binae Security (private security contractors at site). Once the initial training on the Voluntary Principles has been delivered at site, the training can be offered to Eritrean security forces that operate in the vicinity of the Bisha Mine.

The assessment team assisted in the identification and selection of a Canadian security and human rights expert to lead the Voluntary Principles initiative, and participated in the initial needs assessment visit to the Bisha Mine in May 2015. From a review of the work plan for the Voluntary Principles initiative, some of the key next steps and deliverables are as follows:

- Training workshops on integrating human rights into ongoing risk assessment and standard operating procedures to be held at the Bisha Mine in September 2015
- A customized training package covering human rights, the Voluntary Principles and the relevant standard operating procedures for security guards to be developed by October 2015
- Delivery of the training at the Bisha Mine in November 2015 (planned for Five days)

Furthermore, Nevsun has indicated that it would like to conduct an independent third-party audit on the implementation of the Voluntary Principles after the training initiative has been completed. In this regard, Nevsun has established contact with the secretariat for Voluntary Principles network. Moreover, the recent launch of new guidance on Key Performance Indicators for Auditing the Implementation of the Voluntary Principles can help ensure that the training initiative and subsequent auditing exercise are aligned with external expectations and examples of good practice.

A final component of the initial HRIA recommendation relates to conducting human rights workshops with key departments addressing the operational implications of human rights. In the past months, there have been opportunities to convene an inter-departmental working group (chaired by the General Manager) during the assessment and auditing visits to site to further discuss the 2015 HRIA Audit. These inter-departmental meetings have been supplemented by individual and group meetings with managers in various departments to provide further information and resources about specific 2015 HRIA Audit activities within their responsibilities.

Given that Nevsun's Human Rights Policy assigns responsibility to inter-departmental CSR working groups at the operational level, it is suggested that this forum remain the main focus of supplementary human rights training and workshops for the time being. This will encourage a collaborative and coordinated approach to human rights, as well as encouraging the involvement of the General Manager. Additional training and resources for specific functions can be identified upon request to the assessment team.

CONCLUSIONS

Explicit human rights training has been initiated at the Bisha Mine at a number of levels. Introductory human rights materials have been included in the induction training for new BMSC employees. A more detailed human rights training course is being developed as part of a new initiative on the Voluntary Principles on Security and Human Rights, and will be delivered to the security department and other relevant departments in the fall of 2015.

The roll-out of the forthcoming BMSC Workers' Rights Policy provides an opportunity for additional human rights training activities for existing employees and business partners. The new policy also delegates responsibility for human rights due diligence at site to a cross-departmental CSR Working Group. This is a logical place to prioritize further human rights capacity-building and training.

HRIA RECOMMENDATION #3

Integrate human rights considerations into the implementation of the 2012 IFC Performance Standards at the Bisha Mine

Explanation in the initial HRIA Report: This is one of the most strategic entry points for ongoing human rights due diligence at the Bisha Mine. Furthermore, there is an excellent opportunity for human rights to be integrated into the management plans that have recently been developed for IFC Performance Standards (2012). This exercise can help break down the broad human rights commitments into more detailed and measurable actions and indicators that can be tracked over time. The integration of human rights into social and environmental management plans also helps ensure that these considerations can be managed within existing human and financial resources.⁴¹

NEVSUN SELF-ASSESSMENT:

Status – to commence in Q2 2015; 0% complete

The intention of this recommendation was to use the existing environmental and social management plans at the Bisha Mine—developed on the basis of the 2006 IFC Performance Standards—as a key framework for integrating human rights due diligence into the mine’s operations. In this respect, the 2012 IFC Performance Standards are widely regarded as the leading standard for environmental and social management; they also constitute one of the international standards that the Government of Canada expects Canadian extractive companies to adhere to when operating abroad. The effective implementation of the 2012 IFC Performance Standards can contribute to human rights due diligence, as there is significant overlap between the specific performance standards and operational human rights issues.⁴²

While there is no formal requirement for BMSC to “comply” with the 2012 IFC Performance Standards,⁴³ a voluntary commitment has been made to apply these standards at the Bisha Mine as a benchmark for good practice in the management of environmental and social impacts.

Nevsun evaluated its progress on the 2012 IFC Performance Standards as 0% in 2014. The main reason for this self-assessment relates to delays as a result of turnover in the management of the Environmental Department. However, interviews with the new environmental managers in 2015 indicate that Nevsun has begun to prioritize the updating/editing of existing environmental and social plans, and is attending to the development of new Standard Operating Procedures (SOPs) in a number of areas that have human rights implications.

The assessment team has reviewed the proposed priorities for updating existing environmental and social management plans and/or SOPs or developing new plans in at least 56 different areas. From a review of this list of plans and SOPs—and prior review of the environmental and social management plans prepared since the development of the mine in accordance with the 2006 IFC Performance and Eritrean permitting requirements—the assessment team suggests that approximately one quarter of these plans and/or SOPs should be prioritized from a human rights perspective, as outlined in the table on the next page.

In discussions with the environmental managers at site, it has been clear that the 2012 IFC Performance Standards are seen as one of the key reference points for ongoing improvements to the environmental and social management efforts at the Bisha Mine. However, there are other standards that may be relevant and provide additional guidance for some issue areas. One example relates to the updating of the existing community grievance mechanism plan: while the 2012 IFC Performance Standards provide useful guidance for operational grievance mechanisms, the UN Guiding Principles are the key reference from a human rights perspective. Therefore, the assessment team concurs that the 2012 IFC Performance Standards should be understood as an important entry point and reference, but should not be viewed as requiring full “compliance”—especially on some issues that may not be relevant to the Bisha Mine’s operations.

One further aspect of the 2012 IFC Performance Standards became clear during the current assessment period: by working on the implementation of the 2012 IFC Performance Standards and updating its environmental and social plans and SOPs, the Bisha Mine is contributing to capacity of the Government of Eritrea’s Impact Review Committee (a cross-department committee that monitors the Bisha Mine on a quarterly basis) in order to understand and apply leading environmental and social policies and procedures for the other mining projects that are currently being developed.

This capacity-building aspect was a clear and recurrent part of the feedback from meetings with representatives of the Impact Review Committee, who stated that they are referring to policies, management plans, and SOPs at the Bisha Mine as they review the environmental and social impact assessments and management plans being developed for the Zara Mine. In some cases, the Impact Review Committee has facilitated visits of environmental managers from Zara to observe the practices at Bisha with the expectation that the policies and practices at the new mine will meet the same standards. Therefore, maintaining ongoing dialogue and allowing for participation of Impact Review Committee members in the development of new environmental and social management initiatives can have a positive impact on the overall development of the mining sector in Eritrea.

⁴¹ Initial HRIA Report, p. 47. Further information about BMSC’s environmental and social management plans and the IFC Performance Standards can be found in the initial HRIA Report at pp. 31-33.

⁴² There is ongoing debate about whether the IFC Performance Standards fully cover the expectations for ongoing human rights due diligence according to the UN Guiding Principles, but there is consensus that they are a highly relevant and useful starting point for integrated approaches to human rights for extractives projects. In footnote 12 of Performance Standard 1, the IFC acknowledges that “it may be appropriate for the client to complement its environmental and social risks and impacts identification process with specific human rights due diligence as relevant to the particular business.” In the case of the Bisha Mine, it is clear that additional human rights due diligence is being undertaken—in part through the ongoing HRIA process and the implementation of its recommendations.

⁴³ The 2006 version of the IFC Performance Standards were included in the Mining Agreement between the Government of Eritrea and Nevsun. As the Bisha Mine does not receive project financing from the IFC (or Equator Principles banks that also apply the IFC Performance Standards), the initiative to update the mine’s environmental and social plans to the 2012 IFC Performance Standards has been undertaken on a voluntary basis.

ENVIRONMENTAL OR SOCIAL MANAGEMENT PLANS OR STANDARD OPERATING PROCEDURES (SOP) RELATED TO HUMAN RIGHTS

PLANS / SOPS	RELEVANCE TO HUMAN RIGHTS	STATUS
RELATED TO HUMAN RIGHTS OF COMMUNITIES		
1. Stakeholder engagement plan	<ul style="list-style-type: none"> Is a key component of ongoing human rights due diligence 	<ul style="list-style-type: none"> Existing plan is being updated.
2. Grievance mechanism management plan	<ul style="list-style-type: none"> Contributes to access to remedies and proactive management of human rights impacts and concerns 	<ul style="list-style-type: none"> Updated management plan is being prepared to align with international standards including the UN Guiding Principles
2a. Grievance mechanism for Segen Construction procedure	<ul style="list-style-type: none"> Contributes to access to remedies and proactive management of human rights impacts and concerns 	<ul style="list-style-type: none"> Segen grievance mechanism has been approved by the BMSC Board and there have been initial discussions with Segen workers and the NCEW about how it can be used
3. Community Assistance Program policy document	<ul style="list-style-type: none"> Contributes to management of potential negative impact and support for positive impacts in communities Follow-up on HRIA recommendation #6 	<ul style="list-style-type: none"> New policy is being drafted to address roles and responsibilities of BMSC, government and communities
4. Community assistance procedure	<ul style="list-style-type: none"> Contributes to management of potential negative impact and support for positive impacts in communities Follow-up on HRIA recommendation #6 	<ul style="list-style-type: none"> Internal policies are being updated to align with new CAP policy
5. Compensation policy	<ul style="list-style-type: none"> Contributes to remediation of potential negative impacts in communities 	<ul style="list-style-type: none"> New policy is being drafted
RELATED TO THE HUMAN RIGHT TO WATER AND SANITATION		
6. Ground water monitoring plan	<ul style="list-style-type: none"> Contributes to assessing impacts of operations on water quality and quantity 	<ul style="list-style-type: none"> Updated plan has been drafted
7. Ground water level metering SOP	<ul style="list-style-type: none"> Contributes to assessing impacts of operations on water quality and quantity 	<ul style="list-style-type: none"> New SOP is being developed
8. Surface water monitoring plan	<ul style="list-style-type: none"> Contributes to assessing impacts of operations on water quality and quantity 	<ul style="list-style-type: none"> Updated plan has been drafted
9. Potable water monitoring SOP	<ul style="list-style-type: none"> Contributes to assessing impacts of operations on water quality and quantity 	<ul style="list-style-type: none"> New SOP being prepared
RELATED TO WORKERS AND COMMUNITIES RIGHT TO HEALTH		
10. Noise monitoring plan	<ul style="list-style-type: none"> Contributes to assessing impacts on worker's health (hearing) 	<ul style="list-style-type: none"> Updated plan has been drafted
11. Noise meter SOP	<ul style="list-style-type: none"> Contributes to assessing impacts on worker's health (hearing) 	<ul style="list-style-type: none"> New SOP is being developed
12. Dust monitoring plan	<ul style="list-style-type: none"> Contributes to assessing impacts on workers and communities health (respiratory illness) 	<ul style="list-style-type: none"> Updated plan has been drafted
RELATED TO OVERALL ENVIRONMENTAL AND SOCIAL MANAGEMENT / HUMAN RIGHTS DUE DILIGENCE		
13. Internal reporting SOP	<ul style="list-style-type: none"> Contributes to human rights due diligence (especially tracking) 	<ul style="list-style-type: none"> Updated plan has been finalized
14. Environmental incident investigation SOP	<ul style="list-style-type: none"> Contributes to human rights due diligence (especially impact assessment, acting, and integrating) 	<ul style="list-style-type: none"> New plan is to be developed
15. Environmental inspection plan	<ul style="list-style-type: none"> Contributes to human rights due diligence (especially tracking) 	<ul style="list-style-type: none"> New plan is to be developed

CONCLUSIONS

The Environmental Department has prioritized the development of new and/or updating of existing environmental and social management plans and Standard Operating Procedures in nearly 60 different areas. Approximately 15 of these plans/SOPs are more relevant to BMSC's ongoing human rights due diligence; the completion and implementation of these plans/SOPs should be prioritized as much as possible. While the IFC Performance Standards 2012 are an important benchmark for the Bisha Mine, they should not be interpreted as restrictive for the Environmental Department; in some cases, other international standards can help address key issues at site.

3.4

HRIA RECOMMENDATION #4

Engagement on human rights with suppliers, contractors, and subcontractors

Explanation in the initial HRIA Report: Engaging with suppliers, contractors and subcontractors on human rights is an expectation of stakeholders, and is also a sign of a maturing approach when BMSC can address issues “outside the fence” as confidently as it manages issues “inside the fence”. The dialogue and screening procedures and grievance mechanism developed with Segen Construction should be transposed into deeper engagement with contractors such as Transhorn Transportation and Binae Security. Screening and monitoring efforts should be coordinated with SENET. BMSC contracts and procurement agreements should be tracked and revised to include human rights provisions where appropriate.⁴⁴

NEVSUN SELF-ASSESSMENT:

Status – Auditing underway, BMSC Standard Operating Procedure developed; 75% complete (with acknowledgment that auditing requires ongoing efforts)

Further to this recommendation, inspections and audits of Eritrean subcontractors have continued with respect to national service and working conditions. Given the repeated allegations of the use of national service workers by Segen Construction Company during the construction phase of the Bisha Mine, this particular subcontractor has been prioritized for the ongoing engagement on human rights matters. At the same time, the engagement with subcontractors has been expanded to other companies, notably Transhorn Trucking Company and Binae Security.

Given that the prohibition against national service remains one of the priority issues raised by external observers of the Bisha Mine, engagement with and auditing of Eritrean subcontractors has been an explicit part of the 2015 HRIA Audit mandate. However, additional engagement and audit activities have been undertaken by Nevsun and BMSC managers.

During the current assessment period, engagement and audits related to Segen Construction included the following activities:

- File audits at Segen headquarters in Asmara by Nevsun and BMSC Head of Human Resources in October 2014
- File audit at Segen headquarters in Asmara by the HRIA assessor in January 2015
- Site inspection and worker interviews at the Segen camp at Bisha by the HRIA assessor with the participation of the Chair of the Canadian Parliament's Subcommittee on International Human Rights and the Canadian non-resident Ambassador to Eritrea in January 2015
- File audit at Segen headquarters in Asmara by the HRIA assessor and BMSC Head of Human Resources in May 2015
- Site inspection and worker interviews at the Segen camp at Bisha by the HRIA assessor and the BMSC Head of Human Resources in May 2015

No evidence of national service workers has been observed during these auditing activities. In each case, the employee files reviewed contain the appropriate national service discharge certificate, and/or the employee's identification papers establish that he or she is above the established age for automatic discharge. Interviews with Segen workers confirm that they have been discharged from national service and that they are working at Segen voluntarily; that they are entitled to national and religious holidays and take personal leave when they want; and that they and their colleagues can quit if they want to. Further information is included in Section Five in national service.

There have been auditing activities at both Segen headquarters and the Bisha camp during each of the HRIA's four missions to Eritrea. With each mission, there has been further dialogue with Segen managers about a wider range of workers' rights issues related to wages, benefits, and working and living conditions. For instance, in relation to concerns raised by an international stakeholder, there have been discussions and auditing activities to ensure that the payment of wages to Segen workers does not pass through intermediaries who might misappropriate the wages.

It must be noted that, during the assessment period, the size of the Segen workforce at Bisha has been quite small (40 employees in January 2015 and 60 employees in May 2015). However, this number is projected to rise up to 200+ employees as temporary construction services are required for the zinc phase. This upswing in the Segen workforce will necessitate additional due diligence to ensure that all the employees have been discharged from national service and that the living conditions are acceptable for the number of workers at camp.

With respect to Transhorn Trucking Company, there have now been engagement and auditing activities during three of the assessment visits to Eritrea. At first, these activities focused on the issue of national service and involved reviewing Transhorn's screening procedures and employment file management to ensure that Transhorn drivers have been discharged from national service. To date, no evidence has been found for the

presence of national service workers in the Transhorn fleet which provides transportation services to the Bisha Mine.

In the most recent meetings with Transhorn managers, the main subject of dialogue has shifted to road safety issues with respect to Transhorn truck drivers after a number of accidents, including an off-site fatality earlier in the year. The issue of road safety is explored in further detail in Section Four as one of the human rights issues that emerged in the course of this assessment period. However, it is worth noting that, subsequent to this fatality, with the objective of improving road safety, Transhorn has voluntarily implemented a new GPS monitoring system for the Bisha trucking fleet which helps to monitor the speed of trucks and the hours within which the drivers are operating. It is also possible that the GPS monitoring infrastructure could be used by BMSC for its light vehicle fleet which operates on the same roads. This is a positive example of how dialogue with contractors and suppliers can generate opportunities for collaboration and mutual benefits.

Another Eritrean contractor that has been prioritized for ongoing engagement and auditing on human rights is Binae Security, the company which provides the private security guards at the Bisha Mine. The Binae Security contract contains clear stipulations that the security guards at Bisha must be cleared from national service. Ongoing screening for discharge from national service, as well as dialogue about other human rights issues, can be supported by further training and implementation of the Voluntary Principles on Security and Human Rights.

From interviews with managers responsible for overseeing procurement, it has been confirmed that a Standard Operating Procedure has been developed for inclusion of contractual provisions related to the prohibition against national service in new contracts with Eritrean subcontractors, and to ensure that new contractors and suppliers produce the requisite national service discharge papers before they will be allowed on site.

The following table provides information about the other contractors whose Eritrean workers were screened by BMSC during the audit period (in addition to Segen Construction and Transhorn Trucking). This screening was overseen by the Human Resources Department with collaboration from the relevant departments responsible for the contract work.

AREA	DEPARTMENT
BINAE Security Contractor	Security
Boart Longyear	Exploration
Furtuna (Back-hoe)	Exploration
TK Consultant	Environmental
Solomon Tesfaghergish Electronics	Finance and Administration
Lilo Transport	Engineering
SGS Contractor	Technical Services

However, these same interviews revealed that there have been delays in filling a proposed position for a Contract Manager who would be responsible for conducting additional screening of new contractors, subcontractors, and suppliers, and who would review contracts and apply contractual provisions as necessary to contribute to human rights due diligence in the supply chain. In this regard, the initial HRIA Report stated that “BMSC’s intention to create a Contract Manager position is a positive step and can serve as a focal point with clear responsibility for engagement with suppliers, contractors and subcontractors.... This focal point should take a role in ongoing inspection and maintenance of records related to discharge from national service.”⁴⁵

Filling this position of Contract Manager remains an important next step in the on-site coordination of engagement with contractors, subcontractors, and suppliers with respect to human rights; additional efforts should be made to fill it as soon as possible. The ideal profile for this position would be an Eritrean national with a legal background and with experience in contracts, labour law, and human rights. If an ideal candidate proves difficult to find, a skilled Eritrean can also be supported by BMSC legal counsel for contract review and trained to contribute to ongoing screening and auditing efforts by relevant managers from Procurement and Human Resources, as well as by the assessment team during future auditing activities.

The main thrust of these proposals are forward-looking and are aimed at ensuring that new contractors, subcontractors, and suppliers are appropriately screened and audited on human rights matters. However, to develop a holistic approach to all business partners over time, it is recommended that BMSC develop a code of conduct for business partners which consolidates the contractual provisions and various policies that are intended and/or required to apply to contractors, subcontractors, and suppliers. This code of conduct could be provided to business partners who would be required to sign a declaration of compliance on a periodic basis. The code of conduct would also provide a clearer basis for ongoing screening and auditing activities, as well as for expanded dialogue and training for key contractors and suppliers.

An additional consideration for ongoing auditing efforts is to provide further encouragement, requirements, or incentives for strengthening the record-keeping systems of the Eritrean contractors, subcontractors, and suppliers, in particular with respect to computer databases for human resource records.

CONCLUSIONS

The results of the ongoing file auditing, camp inspections, and worker interviews in the assessment period show that workers from Segen Construction and Transhorn Trucking have been discharged from national service. National service is prohibited in the mining sector and this prohibition has been reinforced by BMSC’s policies, contractual provisions, and screening mechanisms with Eritrean subcontractors. Furthermore, the continued international attention to this issue increases the pressure on BMSC and its Eritrean business partners to ensure that all workers at the Bisha Mine are discharged from national service.

45 Initial HRIA Report, p. 21.

On-going auditing activities and dialogue with business partners should continue to be broadened. For instance, further screening, training, and dialogue will be initiated with Binae Security as part of the implementation of the Voluntary Principles on Business and Human Rights. While national service will remain a top-of-mind concern based on external reports, other issues related to human rights and working conditions should also be part of the auditing and dialogue with subcontractors. The development of a code of conduct for business partners which aligns with the forthcoming BMSC Workers' Rights Policy is one option for having a comprehensive approach to human rights in the Bisha Mine's supply chain.

3.5

HRIA RECOMMENDATION #5

Develop a framework and protocols to ensure the effective implementation and coordination of all grievance mechanisms

Explanation in the initial HRIA Report: In essence, this involves appointing a focal point to ensure that the various grievance mechanisms are coordinated. In the short term, it would be useful to promote the grievance mechanisms with the intended stakeholders to ensure that they are credible and meeting their objectives. Further coordination and refinement between the mechanisms should help BMSC identify trends, adopt proactive approaches, and facilitate tracking and reporting.⁴⁶

NEVSUN SELF-ASSESSMENT

Status – underway in 2015; 20% complete (with acknowledgment that coordination requires ongoing efforts)

Further to this recommendation, there has been ongoing attention to formal and informal grievances by the relevant departments at site, in particular for Human Resources (responsible for the internal mechanisms for workers) and Community Relations (responsible for the external mechanisms for communities).

The coordination of grievance mechanism is currently being addressed through ongoing monthly reporting at site and by way of the engagement of Nevsun's Vice President of Corporate Social Responsibility. Further attention to grievances and stakeholder concerns is also an important part of the materiality assessment and data gathering exercise for Nevsun's annual CSR Reports.

Some of the current initiatives to strengthen awareness and use of grievance mechanisms at the Bisha Mine include:

- Awareness-raising of grievance mechanisms included in the human rights induction training with encouragement for new employees to "Speak up! Use these mechanisms to help us resolve issues and improve our operations"

- The updating of the formal community complaints mechanisms in line with the requirements of the 2012 IFC Performance Standards and UN Guiding Principles
- Ongoing dialogue with the National Confederation of Eritrean Workers about their role in providing grievance mechanisms for workers of Eritrean firms with collective agreements (i.e., Segen Construction and Transhorn Trucking), and discussions about the potential benefits of unionization of the Eritrean mining sector

In its self-assessment with respect to this HRIA recommendation, Nevsun acknowledges that further progress needs to be made to strengthen grievance mechanisms and their coordination at site.

From interviews with workers and community members over this assessment period, there is consistent and convergent information that they are aware of the relevant mechanisms and that they are prepared to use them if and when necessary. However, they generally resolve the majority of issues informally through dialogue with human resources managers or community liaison officers, as the case may be.

Furthermore, ongoing discussions with the National Confederation of Eritrean Workers and interviews with Segen Construction workers show that they do not have a dedicated representative at the Bisha camp; their representatives are based at Segen's headquarters and in regional NCEW offices. The NCEW's lack of ongoing presence at site reinforces the need to push forward with a dedicated grievance mechanism for Segen workers (and for other subcontractors' workers). These issues are discussed further in the section on access to remedy.

Given that this recommendation is focused on the coordination of grievance mechanisms at site level, it is suggested that this should be linked with the cross-departmental CSR working group that is mandated to help implement the Nevsun Human Rights Policy at the operational level. In other words, the cross-departmental CSR working group should have a standing agenda item to discuss informal and formal grievances, trends, and potential solutions on a regular basis.

The cross-departmental CSR working group can play a leadership role in the promotion of the grievance mechanisms throughout the workforce. In addition to the development of promotional materials (e.g., posters), there should be positive messaging and reinforcement to prompt workers and community members to bring grievances forward, contribute to improved operations, and make a commitment to respect human rights.

CONCLUSIONS

The various grievance mechanisms that apply to workers, communities, and contractors at the Bisha Mine continue to be used and refined. There has been ongoing attention to these grievance mechanisms in the assessment period; there is also an acknowledgment that further efforts are needed to ensure coordination at site—including tracking of informal resolution of grievances, promotion of the relevant mechanisms for different stakeholder groups, and ensuring that there are no barriers to access.

COMMUNITY FEEDBACK AS DISCLOSED IN CSR REPORTING

STAKEHOLDER	GRIEVANCE/COMPLAINT	HOW ADDRESSED OR RESOLVED
2013		
Community member (and ex-employee) from Mogoraib	Unfair dismissal due to a diabetic condition	An investigation and de-brief with the employee was conducted by BMSC human resources and the clinic. It was determined that the employee had other health conditions which could compromise his life
Villagers from Akordat (group of 3)	An age range limitation (18-35 years) restricted these individuals from employment opportunities due to their advanced ages	The posting for this particular labour contract required considerable physical stamina, however BMSC human resources removed this limitation and advised the complainants that there would be no age restriction in the employment procedure
Adibrahim Stakeholder Community	Concern that other villages were receiving more employment opportunities	Local CLO provided with enhanced training for communicating more closely with regional administration and steps taken to ensure equality of local employment opportunities amongst all nearby villages
Akordat Stakeholder Community	Speed and dust pollution caused by bus transport and copper concentrate trucks on the road from the Bisha Mine to the port city of Massawa	A new road for commercial traffic was constructed as a detour around this community
2014		
Akordat town residents	Concentrate trucks speed and excessive dust	Built new road to bypass the town
Two Mogoraib residents	Claim that some sort of mining- related contamination might have caused the sickness of 6 cows, with 2 fatalities	<p>Ministry of Agriculture Sub Zoba Dighe was formally invited to conduct an investigation. A formal letter was received from the Ministry of Agriculture which described the number of sick animals and type of treatment given. The letter stated that 4 cows were reported sick on 21/3/2014 but they became well after receiving treatment</p> <p>The investigation confirmed, and it was later agreed by all parties, that the animal's illness was not caused by the mine activities. The illness (locally referred to as "water disease") is common at the time of year and was evident elsewhere. The cattle were located 7 km from the mine site and there are no downstream impacts that could account for any illness</p>
Adarat Administration - stakeholder village	Dust generated due to BMSC vehicles near the villages is creating discomfort among the villagers	The exploration team was immediately notified and changed the access road to one further away from the village
Sub Zoba Dighe Administration on behalf of nine Mogoraib residents and former BMSC workers	Sub-Zoba Dighe Administration submitted written complaint that nine workers were laid-off without any tangible reason	The personnel were casual laborers hired for fixed, short terms and were laid off due to the ending of their contract period. However BMSC rehired them all on 30/9/2014 due to new project work

HRIA RECOMMENDATION #6

Continue discussions about implementing the Community Assistance Program

Explanation in the initial HRIA Report: This is a strategic mechanism for BMSC to address human rights concerns and support development at the community level, as well as to strengthen stakeholder engagement about projects through dialogue and collaboration.⁴⁷

NEVSUN SELF-ASSESSMENT:

Status – ENAMCO Board is supportive of a pilot CAP program in 2015-2016; 75% complete (with acknowledgment that implementation requires ongoing efforts)

This recommendation was made to help ensure that the Bisha Mine fulfils the expectations of the local communities situated near the mine. There are clear development needs in these communities and community leaders are aware of the commitments to create a Community Assistance Plan within the mine's environmental and social management plans. One of the main challenges to initiating the Community Assistance Plan was to build a consensus between various levels of government with respect to the clarifying the appropriate role for a company in community development projects.

Further to the recommendation of the HRIA report, additional meetings were held with ENAMCO, local government (zoba and sub-zoba) administrators, community leaders, community liaison officers, and managers from BMSC's Environmental Department. There is now agreement in principle about two CAP pilot projects to be launched this year. Moreover, a budget of \$150,000 USD per year has been approved by BMSC for CAP projects in 2015 and 2016 (\$300,000 USD in total).

Interviews with community leaders and sub-zoba administrators confirm that the pilot projects have been discussed and prioritized based on community needs and regional development priorities. From a company perspective, approvals of CAP projects is based upon factors such as alignment with

CAP objectives, community proximity to the Bisha Mine, sustainability of the project, as well as the impact on the community as a whole.⁴⁸

The two pilot projects which have been identified for implementation in 2015 will address irrigation and water supply infrastructure.

Visits to the two potential project locations in January 2015, and meetings with community leaders in January and May 2015 validate their alignment with community needs and potential for significant positive impacts. The focus on irrigation and water supply infrastructure also aligns with the HRIA's prioritization of water as a human rights issue from an environmental and community perspective.⁴⁹

While there is, understandably, great interest along with some pressure from communities to advance quickly on these projects, it also is important to get the partnership framework for CAP projects right, given the extent to which this framework represents a new model for community development situated alongside mining projects in Eritrea. In this regard, the Environmental Department has created a new social management plan for the CAP, and has committed to reporting and evaluating the CAP projects based on the metrics contained within the London Benchmark Group's Framework for Community Investment.⁵⁰

Furthermore, there is a strong preoccupation that the CAP projects are sustainable, particularly from the perspective of maintaining and repairing the proposed infrastructure. Therefore, care is being taken in the design of the projects, purchasing of equipment, and outlining clear expectations and cost considerations for maintenance and repair of the CAP projects—costs which should be borne by the communities and sub-regional government.

CONCLUSIONS

The dialogue between BMSC and Eritrean stakeholders has resulted in an agreement in principle to develop two CAP pilot projects in 2015 that will address community needs, regional development plans, and human rights priorities related to the environment. The projects are being developed in a participatory manner with substantial engagement with community leaders and sub-zoba administrators, and with a view to their long-term sustainability. Such an approach has a better chance to deliver development results and positive human rights impacts.

COMMUNITY ASSISTANCE PROGRAM (CAP) PROJECTS

CAP PILOT PROJECTS	DEVELOPMENT IMPACT	POTENTIAL HUMAN RIGHTS IMPACT
Aderat water supply	<ul style="list-style-type: none"> • Drill new water wells and provide new pump and pipes to transport the water to the community • Improved access to water • improved water quality and quantity 	<ul style="list-style-type: none"> • Right to water • Right to health • Women's rights
Tekeret water supply project	<ul style="list-style-type: none"> • Repair a water diversion for purposes of irrigation of crop land • Enhanced local agricultural production capabilities • Improved local food security 	<ul style="list-style-type: none"> • Right to food • Right to health

⁴⁷ Initial HRIA Report, p. 47. Additional information about grievance mechanisms can be found at pp. 38-40 of the initial HRIA Report.

⁴⁸ Nevsun 2014 CSR Report, p. 46

⁴⁹ Initial HRIA report, pp. 31-33.

⁵⁰ Nevsun 2014 CSR Report, p. 46.



SECTION
FOUR

EMERGING HUMAN RIGHTS ISSUES

The following section provides an assessment of new or emerging human rights issues which were prioritized during the audit period. The reasons for the prioritization of each issue are explained, and cross-references are provided for further discussion of the various and interconnected human rights issues that have been flagged in this section.

4.1

**EMERGING ISSUE #1:
EXPLORATION**

Human rights at risk: land rights, economic rights, right to food, and cultural rights

This issue is being prioritized for the following reasons:

In the first place, exploration was not addressed in the initial HRIA Report and therefore represents a gap in the full spectrum of potential activities of the Bisha Mine which could have an impact on stakeholders. Moreover, external stakeholders made specific inquiries about exploration activities, and assurances were provided that this issue would be addressed in the next assessment.

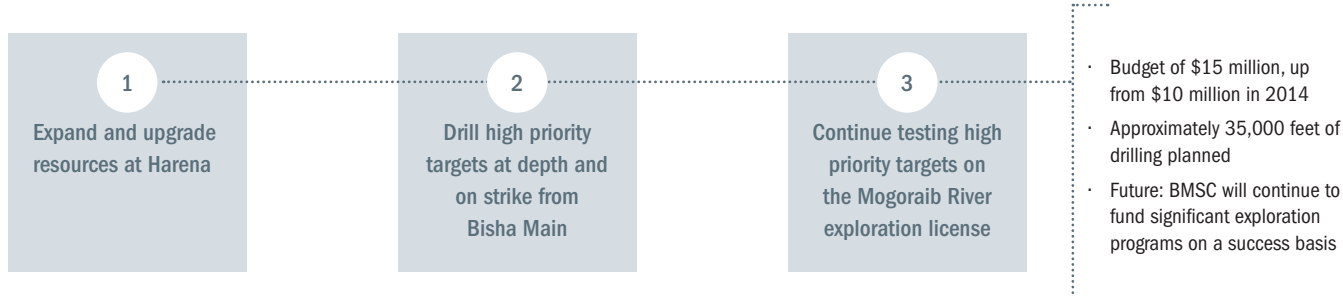
Additionally, there has been increasing focus on exploration in recent years, including the creation of a stand-alone Exploration Department and increased spending on exploration activities. There have also been

positive exploration results that potentially could expand the Bisha operations and extend the life of the mine.

The main assessment activities related to exploration took place during the latest visit to the Bisha Mine in May 2015. These activities included document review, interviews with the Exploration Department, the Environment Department, community liaison officers and community leaders, and observation of an active drilling site near the Harena pit.

By way of background, the exploration activities at the Bisha Mine are taking place in the three areas where BMSC has mining or exploration licenses, namely: (1) the Bisha Mining License; (2) the Harena Mining License; and (3) the Morograib River Exploration License. The Nevsun website contains detailed information regarding the exploration program at the Bisha Mine, including a recent slideshow presentation (the “Exploration Presentation”) which states “the Bisha District remains underexplored with potential for significant additional tonnage and deposits.”⁵¹ The main objectives for Bisha’s exploration program in 2015 are outlined in the graphic below.⁵²

EXPLORATION OBJECTIVES FOR THE BISHA MINE 2015



⁵¹ Nevsun Exploration Presentation (June 2015), slide 2, accessed at: www.nevsun.com/projects/exploration/

⁵² Ibid, slide 14.

The key takeaways from the Exploration Presentation, apart from the interviews with managers in the Exploration Department, are that exploration activities are increasing, results have been promising, and the ultimate objective is to extend the life of mine.

From a human rights perspective, the potential extension of the life of mine concurrently extends all potential positive and negative human rights impacts related to the mine's activities as discussed throughout the HRIA. They also push back the potential impacts related to closure of the mine. However, the focus here is on the exploration activities themselves. Typically, human rights risks related to exploration activities relate to access to land, resettlement, potential disturbances of traditional agricultural or grazing activities, and cultural heritage sites.

The assessment's findings related to the Bisha Mine's exploration activities are as follows:

- The exploration activities take place within the mine's three licenses areas, and are therefore regulated by the Eritrean Mining Code and the terms of the licenses⁵³
- There is very little to no likelihood of resettlement given the unpopulated locations where drilling is currently taking place
- There is some interaction between the exploration activities and community members—notably with those farmers who plant their crops within the boundaries of the license area (with the permission of BMSC). According to the managers in the Exploration Department, flexibility has been built into the annual planning of the exploration schedule to accommodate these community members until harvest has been completed before drilling a section of land that is used for agriculture. In some cases, BMSC has provided community members with assistance to complete the harvest before the commencement of drilling activities. The Community Relations Department collaborates with the Exploration Department with these planning discussions with affected communities⁵⁴
- Each drilling site is inspected by the Environment Department before drilling commences. The environmental managers and staff conduct a risk assessment of potential environmental and social impacts; they are able to include conditions about how drilling activities will be conducted and how the site is to be remediated upon completion. The Exploration Department cannot begin its activities until it has obtained a certificate from the Environment Department identifying any applicable mitigation and remediation measures
- Exploration activities can have impacts on aspects of cultural heritage. There are provisions in the Eritrean Mining Code that regulate how these situations should be handled—including with respect to the role of cultural artifacts and the Eritrean National Museum. Furthermore, the BMSC Code of Conduct contains provisions related to respecting religious and sacred structures and areas, and the exploration workers are trained to follow “chance find” procedures⁵⁵
- In 2014, there was a need to move a small cemetery. Through interviews with the Impact Review Committee, community leaders, and managers from the Environment Department and Community Relations Department, the consultation process that preceded the relocation was explained. The process involved numerous meetings with cultural and religious leaders, and families of the deceased, as well as national, regional, and local authorities. Agreement was reached with the community and family members for the cemetery to be relocated upon the completion of a series of religious ceremonies, with all the related expenses assumed by BMSC. In further interviews with the Impact Review Committee and the Environment Department, it was confirmed that this is the “standard” procedure for other relocations of cultural heritage or sacred sites. There have been three other such relocations in the past, and each is reported to have been done with (a) the agreement of the families, community leaders, and religious leaders; and (b) the oversight of relevant government authorities—including the Eritrean National Museum
- In interviews with members of the Exploration Department and drilling subcontractors, there are occasional encounters with members of the Eritrean security forces who patrol in the area surrounding the mine. While there have been no issues associated with these encounters in the past, the current increase in exploration activities may lead to additional interaction with the Eritrean security forces; therefore, it may be useful to reinforce communications protocols to ensure that the Eritrean security forces are advised of the timing and scope of planned exploration activities. These are topics that will be covered in detail through the current training initiative related to the Voluntary Principles on Security and Human Rights; and, therefore, it would be useful to include key personnel from the Exploration Department when the training is delivered this fall

CONCLUSIONS

Exploration activities conducted around the Bisha Mine are being planned and executed in a responsible manner that is sensitive to—and avoids negative impacts on—the human rights of local community members. In particular, the long-term planning that underlies exploration activities provides the Exploration Department with the flexibility to organize their drilling campaigns on a seasonal basis in order to accommodate traditional land use for farming and harvesting. There are strict procedures related to the discovery of cultural artifacts or sacred sites, and any relocation requires the consultation and consent of local communities, and the oversight of national, regional, and local authorities—including the Impact Review Committee. There was a relocation of a small cemetery in 2014 that followed these procedures, and was based on the agreement of the local communities and the families of the deceased.

53 Proclamation to Promote the Development of Mineral Resources No. 68 (1995); Legal Notice No. 19/1995 – Regulation on Mining Operations; Material Cultural Heritage Protection and Conservation Proclamation (in draft as of 2011)

54 For more information, see Nevsun's 2014 CSR Report, p. 45

55 The provisions of the BMSC Code of Conduct are reproduced on p. 12 of the initial HRIA Report, including the following: “Religious and Sacred Structures/Areas: - Respect the religious shrines and burial sites and practices of the local population - Do not disturb shrines and other religious monuments - Recognise that shrines and sacred sites may include trees, sheds, piles of pebbles, and piles of offerings - Follow procedures if chance finds are encountered.”

Human rights due diligence on the part of the Exploration Department depends, to some extent, on cross-departmental coordination and collaboration with the Environment Department (for site inspections, and environmental and social mitigation and remediation plans), and on the Community Relations Department (for dialogue with community leaders and members on how to organize exploration activities with a minimum impact on traditional activities). Furthermore, it is important to coordinate communication between Exploration Department and the Security Department so that Eritrean security forces patrolling in the vicinity of the mine are informed of exploration activities. This provides a good example of the type of cross-departmental collaboration that is necessary for ongoing human rights due diligence in other areas.

4.2

EMERGING ISSUE #2 INCREASE IN STAFF TURNOVER

Human rights at risk: right to safe and healthy working conditions, right to just and favourable working conditions, right to social security, and freedom of association/collective bargaining, etc.

The issue of staff turnover has been prioritized on the basis of a statistical increase in staff turnover of both Eritrean and expatriate workers, as well as on the increased attention that the issue of turnover is being given by BMSC management and workers. Staff turnover increased by 5% (18% in 2014 vs. 13% in 2013), for a total of 224 workers who resigned or were dismissed in 2014;⁵⁶ turnover was approximately 10% higher for female workers than male workers.

While the turnover rate is not necessarily unusual compared to other mines operating in remote locations, it could pose a threat to the localization objectives and the stability of the Bisha Mine's labour force—which in turn can have an impact on how effectively various policies and

procedures are implemented. It also raises some questions about job satisfaction, given that previous interviews with workers elicited more uniformly favourable responses.

It is important to underline the fact that not all human resources issues are human rights issues. Rather, some typical human resources issues can escalate into human rights issues if they are systematic, discriminatory, unfair, or left unaddressed. Therefore, this section of the report seeks to link the main reasons given for staff turnover with potential impacts on human rights if they are not addressed. By so doing, these emerging issues can be considered and prioritized in ongoing attempts by the BMSC Board and management to respect workers' rights and for the Bisha Mine to be an employer of choice.

The main assessment activities related to staff turnover involved interviews with human resource managers, focus groups with male and female workers, interviews with the Impact Review Committee and the National Confederation of Eritrean Workers, as well as informal conversations with employees during inspections of various parts of the mining operation and camp—including during the night shift.

In these interviews, a wide variety of hypotheses and anecdotes have been given as to why workers are choosing to leave the Bisha Mine. Therefore, the issues identified below are intended as a preliminary list of potential issues for further investigation and analysis. In this regard, at the time of writing, the assessment team has been informed that the BMSC has initiated a formal study about staff turnover and satisfaction issues. This will help provide more detailed information for a more in-depth assessment of any potential human rights issues during a future HRIA audit.

The key themes and considerations that emerged from the interviews about staff turnover are summarized in the table below. The implications and potential impacts on human rights are also highlighted and further elaborated in the relevant subsections of Section Five of the report.

KEY THEMES AND CONSIDERATIONS ABOUT STAFF TURNOVER

KEY THEMES AND CONSIDERATIONS	IMPLICATIONS AND POTENTIAL IMPACTS ON HUMAN RIGHTS
<p>Isolation of the Bisha Mine</p> <ul style="list-style-type: none"> Challenge for workers to be away from their families for long periods of time For Eritrean workers, particularly heads of households, cultural obligations to extended family present additional pressures The mine's location is geographically fixed, and rotational shift work is the norm for mining operations, so there are limited options for addressing the fact that workers will be isolated from their families 	<ul style="list-style-type: none"> Work-life balance issue; related to just and favourable working conditions, and other human rights such as the right to a family life and the right to adequate rest and leisure Need to ensure that rotational shifts are designed in accordance with international standards Further discussion in section on hours, wages, benefits and holidays

⁵⁶ As stated in Nevsun's 2014 CSR Report at p. 25, "the Bisha Mine continues to experience a high turnover rate for its workforce, approximately 18% in 2014 (2013 – 13%) which equates to 224 individuals in 2014 compared to 157 individuals in 2013. By gender, this figure represents 16% for male employees and 26% for female employees."

KEY THEMES AND CONSIDERATIONS

Wages paid to Eritrean workers

- Discrepancies in salary scales between different departments and between local workers and expatriates
- Rising cost of living in Asmara makes it difficult to save money; while workers report that their wages are still attractive, they have less money than before, once regular household expenses are paid
- Wages are still very competitive and reported to be amongst the highest in the country, but there are other opportunities for workers with other mining companies and business in Asmara.
- The absence of wage information in Eritrea makes it difficult to establish benchmarks for wages

Dismissal of employees

- No indication that employees have been wrongfully dismissed, or that the appropriate procedures have not been followed for dismissals for performance related issues
- Severance packages are provided as required by the Eritrean Labour Proclamation
- Since there is no statutory retirement age, elderly employees may no longer be fit for tasks; however, there is reluctance to dismiss them because they do not have adequate retirement savings or benefits
- Since many Eritreans have been discharged from national service at an older age, there is a significant portion of older Eritrean workers in the Bisha workforce—so the issue of (lack of) retirement benefits will likely emerge in the coming years from a demographic standpoint

Higher rates of turnover for women

- Not necessarily related to maternity leave, as more women returned to their jobs from maternity leave in 2014 than in 2013⁵⁷
- The challenges for female employees to balance work-family obligations is most frequently cited as the reason for departure
- Women who advance into non-traditional jobs (e.g., truck drivers) are highly motivated and tend to seek further training opportunities to support advancement

Competition from other mines

- Some workers have already left the Bisha Mine to go to the Zara Mine
- Based on anecdotal evidence, the wages at Zara are comparable to those at Bisha; however, the living conditions are reported to be less attractive than those at the Bisha Mine
- A key concern for management is about the forthcoming Asmara Mine, which may attract those currently working the Bisha Mine, given the opportunity it provides to live close to home

IMPLICATIONS AND POTENTIAL IMPACTS ON HUMAN RIGHTS

- While it is common for workers to want additional pay, the key issues from a human rights perspective relate to non-discrimination, the right to just and favourable working conditions, and the right to an adequate standard of living
- Need to ensure that wages are competitive and provide a living wage; an isolation bonus has been proposed by the Human Resources Department to the BMSC Board
- Further discussion in Section Five on hours, wages, benefits and holidays

- While the right to work does not guarantee workers a job if their performance is unsatisfactory, dismissal procedures must be fair and non-discriminatory
- Given the paucity of government-funded social security and retirement benefits for Eritrean workers, the impacts of dismissal are potentially severe, so there is a need to review the adequacy of company-funded benefits along with the availability of public health and other social services
- Further discussion in Section Five on hours, wages, benefits and holidays and the section on nondiscrimination

- Globally, mining is a male-dominated industry, and special efforts are required to attract, promote, and retain qualified women—particularly at an isolated site such as the Bisha Mine
- There is a need to pay particular attention to tracking the reasons that female workers have higher turnover rates than male workers, and to consider special initiatives (e.g., in terms of training and leisure options) in order to make the Bisha Mine more attractive to women
- Further discussion in Section Five on non-discrimination

- Competition from other mines, and voluntary movement of workers between mines, suggests that there is no forced labour in the Eritrean mining sector
- Strategies to counteract this competition should be based on ensuring that Bisha remains an employer of choice rather than on restricting worker movement
- The development of the other mines puts collective pressure on limiting the national service program so that more discharged workers are eligible to work in the mining sector
- Further discussion in Section Five on hours, wages, benefits and holidays and on national service

57 See Nevsun 2014 CSR Report, p.26: "We also had 24 employees on maternity leave in 2014 of which 21 returned back to the post and three decided not to return for personal reasons (compared to 13 maternity leaves in 2013 with 5 returning back to their post)."

CONCLUSIONS

It is important not to overstate the issue of staff turnover, as the interviews conducted during the assessment period confirmed that there remains a high degree of satisfaction among workers at the Bisha Mine with respect to wages, working conditions, training, opportunities for professional development, and advancement. However, the reality is that working in an isolated mine is a demanding job that requires compromises—with family and with personal endeavours—which makes retention efforts particularly challenging over the long term.

Of the various themes that emerged from interviews to address increases in staff turnover, the priority issues from a human rights perspective relate to the following:

- Addressing the challenges of rotational shift work so that workers maintain a satisfactory balance between work and family life
- Ensuring the adequacy, fairness, and competitiveness of wages for Eritrean workers over time as other mines enter into production and the cost of living continues to rise
- Ensuring the adequacy of benefits for workers who are dismissed—particularly for elderly workers who may need to be dismissed in the future for reasons of age and inability to perform the required tasks
- Giving appropriate attention to the concerns and needs of female employees to ensure that they are increasing in number, and that they are gaining additional responsibilities at the Bisha Mine

BMSC managers demonstrate a high degree of awareness of these issues and are expending effort to proactively address those issues that BMSC can control directly. In particular, the Human Resources Department has brought recent proposals to the BMSC Board with respect to the pay and benefits for BMSC's Eritrean workers. Some of the other issues identified previously have implications for the mining sector as a whole, and therefore require ongoing discussions ENAMCO, the Impact Review Committee, and other stakeholders such as the National Confederation of Eritrean Workers.

There is a need to more fully track the reasons that workers are departing from the Bisha Mine. The Human Resources Department should ensure that formal exit interviews are conducted in a systematic, safe, and confidential manner, and that the results are aggregated and analyzed to support proactive management initiatives and human rights due diligence. The follow-up to the HRIA process should continue to monitor any trends related to worker turnover as part of the assessment of various labour rights issues.

While it is useful to understand the reasons that workers have voluntarily departed, an exit interview is often too late to keep these workers in the Bisha Mine workforce. Therefore, it is also important to strengthen mechanisms that help address concerns more proactively and

systematically. In particular, additional attention should be given to the internal grievance mechanism for workers—for its ability to function as an early warning system which would allow management to address concerns in a real-time manner and thereby increase satisfaction and reduce staff turnover. The proposed cross-departmental CSR Working Group can also provide an ongoing forum to discuss and consolidate the informal feedback that managers are receiving from workers with respect to working conditions.

As a final reflection on the issue of staff turnover, it is worth noting that given the external attention to the issue of national service and allegations of forced labour at the Bisha Mine, staff turnover provides an important indication that workers are voluntarily employed and can freely quit.

4.3

EMERGING ISSUE #3 ROAD SAFETY

Human rights at risk: right to safe and healthy working conditions, right to life and security of the person, right to health, and children's rights.

This issue was previously discussed in the initial HRIA Report⁵⁸, but it was prioritized in the assessment period for a number of reasons.

In the first place, there was one fatality in the Transhorn Trucking fleet in June 2014, which focused attention on the potential severity of negative impacts to human rights when road accidents occur. It is worth noting that the potential impacts on children's rights in relation to road safety was highlighted in dialogue with UNICEF further to the publication of the initial HRIA Report—and is the most important children's rights issue for the Bisha Mine.⁵⁹

In addition, there has been a significant increase in road traffic with a fleet of heavy trucks hauling copper concentrate from the Bisha Mine to the Massawa Port—particularly on the portion of the road from Asmara to the Bisha Mine. Heavy truck traffic will likely increase when the mine transitions into the zinc phase, as higher quantities of zinc concentrate are required to keep the mine economically viable. Furthermore, the risk of road accidents will likely increase if roads and bridges along the main route from Bisha to Asmara and Massawa continue to deteriorate without an increase in maintenance efforts.

Assessment activities related to road safety involved observation of the roads between Massawa, Asmara, and Bisha. Truck traffic on the road and villages was also observed, along with observations of the bypass which has been constructed to diminish contact between the Bisha fleet and community members. Given the focus on Transhorn's fleet of heavy

58 Initial HRIA Report, p. 23.

59 Based on the HRIA assessment activities of the past 2 years, the road safety issue is the area where the Bisha Mine's operations have the most likely and potentially severe impacts on children. The other potential adverse impacts of mining on children's rights that are identified in UNICEF's "Children's Rights and the Mining Sector: UNICEF Extractive Pilot" (April 2015) are much less likely given the location and operations of the Bisha Mine (i.e. conflict; land access, use and acquisition; in-migration; environment; safety and security; and, artisanal mining). Further discussions of children's rights are included in section on environment (water) and in the relevant sections on stakeholder engagement.

trucks, interviews and inspections were conducted at the Transhorn headquarters and truck depot. Follow-up inspections and interviews were also conducted with Transhorn and the BMSC Safety Department in order to understand the specifications, operations, and effectiveness of the new GPS system currently being installed for the Transhorn truck fleet.

With respect to the fatality within the Transhorn fleet, the accident occurred on the road between Massawa and Asmara on June 24, 2014. According to Transhorn managers, the accident was investigated by both the police and the company. Fatigue was identified as the most likely cause of the accident. The driver's funeral expenses and benefits for the family have reportedly been paid according to the terms of the Transhorn collective agreement, with additional voluntarily contributions provided to the family by Transhorn and its workers.

Subsequent to the fatality, there has naturally been an increased emphasis on putting road safety policies and regulations in place. However, it has always been difficult for Transhorn management (and BMSC) to monitor the truck fleet outside of designated work areas, such as the mine, port, and depot. Furthermore, the Eritrean police force does not appear to do much in the way of monitoring speed monitoring. Transhorn's installation of a new GPS system on its Bisha truck fleet—and their plan to extend the system to the rest of Transhorn's non-Bisha fleet—is an important new initiative. This GPS system facilitates the constant monitoring of truck traffic, promotes compliance with internal speed regulations (set for different stretches of the road), and monitors the hours that drivers work in an attempt to limit fatigue. The GPS system is particularly noteworthy given that it is a costly and complex solution that involved setting up GPS infrastructure along all of the 350 kilometres of the transportation route.

NEW GPS SYSTEM ON TRANSHORN TRUCKS USED FOR THE BISHA MINE

- GPS infrastructure (satellite towers) has been installed along the trucking route from the Bisha Mine to the Massawa port
- GPS transmitters have been installed throughout the Bisha fleet
- Computers at the BMSC depot allow managers/monitors to view the location of each truck on a GPS map
- The computer logs and archives the speed, hours of operations, radio communications, and notifications for each truck
- Notifications appear in red when there is a warning about a truck's speed, deviation from the route, etc., in which case the manager/monitor can contact the driver by radio
- Additional computer terminals could be installed elsewhere for secondary monitoring

CONCLUSIONS

Road safety will remain an important issue because the high volume of road traffic for transportation and shipping materials to and from the Bisha Mine brings a certain risk of road accidents. While most accidents will likely be minor and not result in human rights impacts, some accidents have potentially severe impacts—as the fatality on the road to Massawa highlights. In this regard, it is worth noting that road safety is an important issue globally, and that traffic accidents are one of the leading causes of death in Africa.⁶⁰

A fatality has an irremediable impact on the right to life. With respect to this particular fatality, initial interviews with Transhorn managers indicate an appropriate response in terms of benefits and compensation provided to the deceased driver's family.⁶¹ Equally important is Transhorn's demonstrable efforts to change its management systems to enhance road safety and prevent future accidents, injuries, and fatalities to the extent possible.

In particular, Transhorn's initiative to install a GPS system has a strong potential to strengthen road safety in its Bisha fleet. From the perspective of BMSC, having a remote terminal for the GPS system would permit the company to conduct its own monitoring activities on the Transhorn fleet.⁶² In addition, BMSC can likely negotiate access to the GPS infrastructure with a view to installing GPS transmitters on the BMSC fleet and light vehicles that leave the mine site. This development could help address the human rights risks related to road safety in BMSC's direct operations, and it would provide an interesting example of how dialogue with Eritrean contractors can lead to expanded human rights due diligence and mutually beneficial solutions to challenging operational issues.

60 World Health Organization, "Road Safety in the WHO African Region - the Facts 2013," accessed at: www.afro.who.int/en/clusters-a-programmes/dpc/mental-health-violence-and-injuries/features/2846-status-report-on-road-safety-in-countries-of-the-who-african-region.html.

61 Nonetheless, follow-up inquiries should be made to verify this, including with the driver's family. This will be included in the work plan for any follow-up assessment activities.

62 According to information revealed in interviews with Transhorn managers, Total (the multinational oil company) is in the process of installing its own monitoring terminals for its fleet of oil tanker trucks operated by Transhorn.

4.4

EMERGING ISSUE #4 SECURITY AND HUMAN RIGHTS

Human rights at risk: right to life, liberty, and security of the person; right to safe and healthy working conditions, and civil and political rights.

Although security and human rights were discussed in the initial HRIA Report,⁶³ this issue was prioritized during the assessment period due to a number of factors which coalesced around the Voluntary Principles on Security and Human Rights.

There has been significant attention and motivation from Nevsun and security managers at site to build further capacity related to the Voluntary Principles. In part, this is a result of the follow-up to the initial HRIA recommendation about specialized human rights training for key departments,⁶⁴ and in part to update the assessment of security risks in Eritrea and the Horn of Africa region. Further to this, a specific Voluntary Principles training initiative has been launched—and is ongoing—at the Bisha Mine (described in the table below).

The Voluntary Principles are also one of the international standards included in the Government of Canada's Enhanced CSR Strategy for the Canadian Extractive Sector Abroad, and are therefore part of the policy framework that Canadian mining companies are expected to implement where applicable in their international operations. During the assessment period, there has been specific attention to the Voluntary Principles by the Government of Canada and various stakeholders in the Canadian mining industry. For instance, the UN Global Compact Network for Canada developed and recently published a guidance document for auditing implementation of the Voluntary Principles, a document which provides a new and useful tool for framing and evaluating the current Voluntary Principles initiative at site.⁶⁵

VOLUNTARY PRINCIPLES IMPLEMENTATION AND TRAINING INITIATIVE

- Needs assessment—completed in May 2015
- Development of advanced training package, including two-day training module on human rights, and three-day training on Voluntary Principles and relevant SOPs—ongoing, to be completed prior to delivery of training in November 2015
- Workshops to update risk assessments and standard operating procedures—to be conducted in September 2015
- Delivery of training to BMSC managers and security guards—to be conducted in November 2015
- 3rd party audit of Voluntary Principles implementation—to be conducted in early 2016

In terms of the assessment activities, there has been close collaboration with a Canadian security expert who is leading the Voluntary Principles initiative at the Bisha Mine site. The purpose of this coordination is to ensure alignment with the overall 2015 HRIA Audit, and to facilitate an integrated approach to stakeholder engagement, risk assessment, and training activities. This process also included coordination of some of the audit activities with a Voluntary Principles needs assessment conducted at the Bisha Mine in May 2015.⁶⁶

CONCLUSIONS

To date there have been minimal risks related to security and human rights at the Bisha Mine. The mine has benefited from an isolated location, peaceful relationships with nearby communities, and a harmonious relationship with its workforce. The mine also benefits from stable, routine interaction with the Eritrean security forces (who are stationed unobtrusively outside the perimeter of the mine, and with whom there is interaction at checkpoints at the mine's entrance and on the road to Asmara).

Furthermore, the security risk profile of the mine, when it comes to theft, is likely diminishing after the transition from the gold to the copper and zinc phases. In addition, there is no artisanal mining in Eritrea and there have been no reported encroachments of civilians into the mine's perimeter (apart from local herders and farmers who access their traditional lands with the mine's permission). There was one reported act of vandalism during the assessment period, about which there is an ongoing investigation.⁶⁷

While security risks may be low, their potential human rights and business impacts can be severe. Therefore, the new Voluntary Principles initiative is strategic as a stand-alone initiative to address potential risks, policy commitments, and stakeholder expectations. However, it is important to ensure that the Voluntary Principles are contextualized as one piece of the broader human rights strategy at the Bisha Mine. In other words, the broader framework of the UN Guiding Principles on Business and Human Rights should frame the overall approach to human rights due diligence, while the Voluntary Principles can provide practical operational guidance for the BMSC Security Department—along with other managers, contractors, and public sector stakeholders with related functions.

As discussed in the previous section on human rights training, the focus on advanced human rights training for security guards provides a model and materials that can be used for human rights training in other departments, and for future dialogue with the Government of Eritrea and other mining companies about security and human rights in the mining sector. Furthermore, the outputs and learning from this Voluntary Principles training and implementation initiative can also be applied by Nevsun with respect to any future mine acquisitions in high-risk contexts.

63 Initial HRIA Report, pp. 36-37.

64 Initially, the security department was identified for specialized training since the BMSC Security Policy contains an explicit reference to the Voluntary Principles—the inclusion of which is typically a good entry-point for explicit and operational discussions about human rights for an extractive company.

65 UN Global Compact Network Canada and Business for Peace, Auditing Implementation of Voluntary Principles on Security and Human Rights: A Guidance Document to Assist Companies and their Auditors Assess Implementation of the Voluntary Principles on Security and Human Rights, May 2015, accessed at: www.globalcompact.ca/resources

66 Given this collaboration between the HRIA and the Voluntary Principles initiative, it is important to note that an evaluation/audit of Voluntary Principles implementation will be conducted by an independent 3rd party in 2016.

67 Nevsun Press Release of March 22, 2015: www.nevsun.com/news/2015/march22.



SECTION
FIVE

UPDATED FINDINGS ON HUMAN RIGHTS
ISSUES

The following section presents the consolidated findings on a comprehensive series of human rights issues that are relevant to the Bisha Mine. Each sub-section contains a discussion of one of these human rights issue and is presented in the following manner:

- The conclusions of the initial HRIA Report are reproduced and the relevant sections of the initial report are cross-referenced
- The updated findings and conclusions from the 2015 Audit are presented
- A summary table of relevant local and international standards is included, highlighting any updates that were noted in the audit period

There have been substantive discussions of some of these human rights issues in previous sections of the report. They will be cross-referenced as necessary to avoid duplication.

5.1 LABOUR RIGHTS AND WORKING CONDITIONS

5.1.1 NATIONAL SERVICE

Conclusions of initial HRIA Report⁶⁸

- Since 2009, BMSC has implemented screening procedures and dialogue with the management of its main suppliers, contractors and subcontractors to implement the prohibition against national service workers at the Bisha Mine. The dialogue and screening procedures were first developed with respect to Segen Construction and have also been implemented with respect to other important contractors such as Transhorn Transportation and Binae Security
- BMSC's efforts are contributing to an expanding awareness amongst internal and external stakeholders that national service workers are not permitted at the Bisha Mine, and these efforts should be continued. Based on a review of the various suppliers, contractors and subcontractors at the Bisha Mine, ongoing engagement should be maintained with Segen Construction, Transhorn Transportation and Binae Security, and BMSC's procurement policy and procedures should serve to identify opportunities to engage with new suppliers

- Contractual provisions prohibiting the use of national service employees appear in the main contracts with BMSC's contractors and subcontractors. These provisions reinforce the dialogue and screening procedures for suppliers, contractors and subcontractors. Ongoing attention should be paid to opportunities to add similar provisions as new contracts are negotiated and signed—particularly when supplier, contractor or subcontractor will involve the provision of national and local workers
- The engagement with suppliers, contractors and subcontractors about national service workers represents a constructive entry-point for a more comprehensive strategy for human rights due diligence in the Bisha mine's supply chain
- BMSC's intention to create a Contract Manager position is a positive step and can serve as a focal point with clear responsibility for engagement with suppliers, contractors and subcontractors, including for coordination with BMSC's engineering, procurement and construction management (ECPM) contractor, SENET. This focal point should take a role in ongoing inspection and maintenance of records related to discharge from national service

2015 Audit Findings

- National service remains a focus issue in external reports regarding the human rights situation in Eritrea. National service is considered in detail in the UN Commission of Inquiry's report of June 2015, including specific allegations with respect to the use of national service workers by Segen Construction at the Bisha Mine during the construction phase of the mine's development

- Some of these allegations do not align with the observations and findings of the HRIA, and appear to be related to the construction period rather than current operations at the Bisha Mine.⁶⁹ Nonetheless, given the overall concerns raised about the national service program, including possible falsification of discharge documents and intimidation of workers, it is important for continued auditing activities related to Segen be undertaken in order to address the specific concerns raised in the COI report
- National service also remains an important issue for Nevsun because of the lawsuit in British Columbia which includes allegations of forced labour and slavery
- There has been international media attention focused on national service, particularly in reports about migration of Eritreans to Europe across the Mediterranean, including stories about human rights impacts related to human trafficking, detention, and drowning
- The HRIA auditing activities at Segen Construction and Transhorn Trucking have uncovered no evidence of national service workers at the Bisha Mine. Auditing activities included file inspections, worker interviews, and discussions with managers at Segen Construction, Transhorn Trucking, as well as the BMSC managers in the Human Resources and Procurement Departments. From all indications, the screening procedures which are in place to ensure that contractor and subcontractor workers at the Bisha Mine have been discharged from national service are being enforced. The attention that this issue has received—and continues to receive—provides a strong incentive for Segen Construction, Transhorn Trucking and other Eritrean suppliers and contractors to comply with the prohibition against national service workers at the Bisha Mine
- The Chair of the Parliament of Canada’s Subcommittee on International Human Rights participated in certain audit activities at the Segen camp at the Bisha Mine in January 2015. In subsequent testimony to the Subcommittee on March 12, 2015, he opined that, for a variety of reasons, “that it is highly unlikely that forced labour is being used at present, or will be used in the future, by state-owned subcontractors at the Bisha mine”⁷⁰
- From interviews with BMSC procurement and human resource managers, it was confirmed that progress has been made with respect to developing a Standard Operating Procedure for including provisions in all relevant contracts that reinforce the prohibition against national service workers at the Bisha Mine. However, the plan to hire a local contract manager to coordinate screening and audit activities related to national service workers has not yet been implemented
- In the audit assessment period, there have not been any major contracts awarded to new Eritrean suppliers; however, the standard screening procedures requiring documentation of discharge of national service has been applied to all new contractors or subcontractors before they are allowed on site

- Over time, the role of SENET (as the ECPM contractor) in screening Eritrean subcontractors has diminished and has been assumed by the BMSC Human Resources and Procurement Departments. At the time of writing, there are no SENET presence at the mine site—although SENET will likely have a role in future engineering and construction projects. From the perspective of ongoing human rights due diligence, it is likely best if BMSC retains responsibility for the screening and audit activities related to contractors and suppliers. In this regard, some next steps have been suggested to build a more comprehensive approach to human rights due diligence in the Bisha Mine’s supply chain has been suggested in the assessment of the follow-up on the initial HRIA’s Recommendation #4

Updated conclusions and next steps

- The national service issue remained an important subject of ongoing attention with activities concentrated in particular on Segen Construction and Transhorn Trucking during the audit period. From all indications, the screening procedures in place to ensure that contractor and supplier workers at the Bisha Mine have been discharged from national service are being diligently enforced
- While the audit activities at Segen Construction and Transhorn Trucking have disclosed no evidence of national service workers being used at the Bisha Mine, this issue remains an priority for ongoing human rights due diligence. Nonetheless, given the importance of the issue, ongoing attention is required by BMSC management and any contractors or suppliers who wish to work at the Bisha Mine
- As suggested in the initial HRIA Report, ongoing dialogue with Eritrean contractors and suppliers will be most constructive and effective if it builds upon ongoing audits of the national service screening procedures and includes broader discussions of working conditions and labour rights
- Next steps for ongoing human rights due diligence on the national service have been previously discussed in the section about the implementation of Recommendation 4 from the initial HRIA Report. They include: creation of a Contract Manager position development of a code of conduct for contractors and suppliers and ongoing audits and engagement with contractors and suppliers about national service and other human rights issues

69 In correspondence between Nevsun and the Chair of the COI, this assumption appears to have been confirmed. In an email dated June 17, 2015, the Chair states that the “COIE report focuses on...the construction of the mine infrastructure until it started to be exploited” (2011).

70 SDIR 60, March 12, 2015.

STANDARDS RELATED TO FORCED LABOUR

HUMAN RIGHTS: FREEDOM FROM FORCED LABOUR; FREEDOM FROM SLAVERY; FREEDOM OF MOVEMENT; RIGHT TO WORK

Eritrean Constitution (suspended):

- Article 16(3) No person shall be held in slavery or servitude nor shall any person be required to perform forced labour not authorised by law
- Article 25(3) All citizens shall have the duty to complete one's duty in national service

Labour Proclamation No. 118/2001:

- Article 3 (17) Compulsory national service, normal civic obligations, forced labour as provided for in the Penal Code, communal services and services rendered during emergency may not, however, be regarded as forced labour
- Article 9(6) An employer who engages in forced labour shall be punishable under the Penal Code

Proclamation of National Service (No. 82/1995):

- Persons aged 18-50 have the obligation to perform National Service
- For persons aged 18-40, the obligation consists of 6 months of military training and 12 months of active duty military service for a total of 18 months
- People over 40 are considered to be on reserve status if they have performed active duty service

BMSC Social Responsibility Policy (Policy 3) states that "BMSC management shall conduct the company's business activities to: procure materials, goods and services in a manner that enhances local benefits and protects against unethical practices such as child labour and forced labour"

BMSC Employee Policy (Policy 4) states that BMSC will:

- establish a sound human resources policy framework which meets all aspects of the Eritrean Labour Law and international labour standards and conventions
- ensure that conditions of employment adhere to the standards of freedom, security, equity and dignity
- ensure that involuntary labour is not used by BMSC or its contractors, specifically the use of Eritrean National Service personnel on extended service

Eritrea has ratified the **ILO Convention Against Forced Labour (No. 29)** and the **ILO Convention concerning the Abolition of Forced Labour (No. 105)**

In 2014, the ILO adopted a new Protocol to the Convention Against Forced Labour (No. 29) and promulgated the Forced Labour (Supplementary Measures) Recommendation (No. 203).

5.1.2 WORKPLACE HEALTH AND SAFETY

Conclusion of initial HRIA Report⁷¹

- Workplace health and safety is an area of ongoing risk due to the nature of mining operations. However, workplace health and safety risks are being addressed in a responsible manner through rigorous policies, procedures, training, inspection that combine into the development of an effective safety culture. Stakeholder concerns about lack of adequate Personal Protective Equipment (PPE) for employees and contractors at the Bisha Mine do not appear to be justified at present
- One area for further attention relates to road safety on the public roads between the mine site, local communities, Asmara, and Massawa. The risks in this area have likely increased with the transition to the copper phase and ramp-up to the round-the-clock hauling of copper concentrate. While BMSC has policies in place with respect to safe vehicle operation, it is more difficult to enforce these policies outside the mine site, and there are many variables beyond the company's control. As this is an area that also poses risks to community members, it is an appropriate area for ongoing consultation and engagement with communities, contractors, as well as the traffic police about road safety

2015 Audit Findings

- Workplace health and safety continues to be addressed in a responsible manner and as a matter of priority for managers and workers. Interviews with managers and workers confirm an ongoing emphasis on safety through task-related safety training, standard operating procedures (SOPs), and the promotion of a safety culture at the mine
- As outlined in the table on the next page there is a very low reportable injury rate and there have not been any fatalities, occupational diseases and only one lost time injury reported during the audit period. The lost time injury occurred in February 2015 and involved a piece of equipment falling onto a worker's foot and fracturing his foot. Furthermore, minor accidents are reported, reviewed, and discussed as opportunities for continuous learning and improvement
- Observations at different locations in and around the mine operations and processing plant confirm that BMSC workers are wearing PPE and following the required safety procedures in their tasks. From observations of the contractor workers at site, they are also following the relevant safety procedures and are wearing the requisite PPE. Inspections included observations of Segen Construction workers conducting earth works projects at site and Transhorn Trucking drivers loading copper concentrate at the mine and unloading at the Massawa Port
- Road safety was the priority workplace safety issue for Transhorn Trucking as a result of the off-site fatality of one of their drivers. It also raises the importance of off-site road safety as an issue for BMSC and other contractors
- The Bisha Mine continued to have strong safety statistics for the audit period, as outlined in the table below

2014 WORKPLACE HEALTH AND SAFETY HIGHLIGHTS

- Total reportable injury frequency rate* was 0.22 in 2014 (compared to 0.23** in 2013)
- Total lost time injury frequency rate was 0.00 (no lost time injury recorded)***
- No occupational diseases recorded
- No work related fatalities recorded

* Reportable Injury Frequency Index refers to the frequency of injuries relative to the total time worked by the total workforce multiplied by a factor of 200,000

** The 2013 Reportable Injury Frequency Index was correctly reported as 0.23 in the 2013 CSR Report, however was incorrectly reported in the 2014 CSR Report as 0.41

*** The total lost time injury frequency rate was 0.00 for 2014. At the time of writing, there has been one LTI in February 2015. The total lost time frequency rate for 2015 will be reported in the next HRIA audit and/or Nevsun CSR report.

- Occupational health matters were assessed in the audit period through interviews with the head doctor at the mine site, observations of the Medical Centre, review of internal health reports, and interviews with workers

- According to the head doctor, approximately 10,000 workers visit the Medical Clinic each year, predominantly for minor illnesses and ailments. Medical treatments and medicine are provided to the BMSC workers and contractors at site without charge and the doctor provides workers with clearance if absence from work might be deemed necessary. The services available at the Medical Clinic continue to expand, with dental care for workers being added during the audit period
- Regular visits from workers provide Medical Clinic staff with the opportunity to record data that contributes to an analysis of long-term health trends. Health data from individual visits to the clinic is also compared with the baseline health assessments conducted when workers are hired
- In rare cases, a sick or injured worker is transferred to the hospital in Asmara for more advanced treatment such as surgery, as currently there is no surgical theatre at the Medical Clinic. There are two ambulances on site that are used for such transfers when necessary

2014 MAIN ILLNESSES/AILMENTS

From interviews with the head doctor and a review of reports from the mine's Medical Clinic, the following are the main illnesses and ailments that are being treated and tracked:

MAIN ILLNESSES / AILMENTS	EXPLANATION
Respiratory	<ul style="list-style-type: none"> · Trends related to respiratory illness rates since the beginning of mine operations are being closely monitored · Background environmental conditions related to the dry and dusty climate are contributing factors · Seasonal factors (e.g. flu season) have strong influence on incidence of respiratory complaints · Impact Review Committee also identified respiratory illness as a subject for its long-term monitoring · According to the head doctor's assessment, current rates of respiratory illness are in line with WHO guidance
Muscle and joint	<ul style="list-style-type: none"> · Common ailments related to physical labour · Given the current demographics at the mine, older workers tend to have more muscle and joint ailments · Physiotherapy treatments are provided at the Medical Clinic · Emphasis on prevention through on-site physical fitness
Gastro-intestinal	<ul style="list-style-type: none"> · Seasonal factors (e.g. flu season) have strong influence on incidence of gastro-intestinal complaints · Focus on prevention of food-poisoning and food / water-borne illnesses; ongoing inspection program for the mine's kitchens and food handlers has had good results
Malaria	<ul style="list-style-type: none"> · There continue to be seasonal incidents of malaria; however, there are better controls and hospital admissions have not been required · Controls include a vector-control plan; mosquito spraying and fogging and anti-malarial drug treatments
Dehydration	<ul style="list-style-type: none"> · The hot climate at the mine site means that dehydration is a constant concern · Educational campaign during audit the audit period emphasizing hydration, fruit consumption and self-monitoring of urine colour · Oral hydration pills are provided at clinic · No incidents of heat collapse during audit period
Fatigue	<ul style="list-style-type: none"> · Fatigue can be related to a number of factors, including rotational shifts and heat · Greater emphasis is being placed on educating workers about fatigue as a potential safety concern · Importance of maintaining the level of comfort and privacy in the camp so that workers can get adequate rest between shifts
HIV / AIDS	<ul style="list-style-type: none"> · The national rates of HIV/AIDS are low compared to some other African countries⁷² · Drug treatments and counseling services are provided by the public health system in Asmara · Workers with HIV/AIDS are provided with confidential support at site by a nurse counselor

72 According to UNAIDS, in 2014 the prevalence rate for adults from 15 to 49 was 0.7%. www.unaids.org/en/regionscountries/countries/eritrea

- The mine is in its fifth year of operations, and therefore it is still early for the appearance of chronic diseases. However, the head doctor demonstrates strong concern for potential occupational health impacts and is carefully monitoring and reporting on trends—particularly related to dust and particulate exposure. The doctor is also collaborating with other departments on monitoring and prevention measures
- In the focus groups with workers, the main concerns about health were related to potential impacts of long-term exposure to dust and/or chemicals—particularly for workers in mine operations and the processing plant. These are natural concerns for mine workers, which align with and reinforce the focus of the Medical Clinic's ongoing monitoring. The workers expressed confidence in and appreciation for the doctor and staff at the Medical Clinic for their monitoring efforts, as well as the quality of treatment that they receive for minor illnesses and ailments
- Interviews with the Impact Review Committee—which includes representatives from the Ministry of Health and the Ministry of Labour and Human Welfare—confirm that they are providing oversight on general health issues and occupational health issues during their quarterly mine inspections. Members of the IRC are also paying close attention to the indicators related to respiratory illnesses. As the Bisha Mine Medical Clinic is the first mine clinic in the country, there is a shared interest in making it a positive example of good practice for the mining sector
- Looking forward, there have been discussions between the Medical Clinic, the IRC and BMSC managers about additional health assessments to ensure that the mine is addressing potential long-term health impacts. The doctor is supportive of such initiatives to help provide additional information to update the workers' health baseline and to contribute to ongoing monitoring and prevention efforts

2015 Audit Conclusions and Next Steps

- The Bisha Mine continues to have a very strong health and safety record. During the audit period, there were no fatalities, occupational disease or lost time injuries reported at the Bisha Mine
- As discussed in the Section Four on emerging issues, the most important safety issue assessed during the audit period related to off-site road safety. While road safety was primarily a concern for Transhorn Trucking, it also has implications for BMSC and other contractors in terms of reinforcing their safety controls outside of the mine
- The illnesses and ailments being treated by the Medical Clinic were predominantly routine in nature. The head doctor is carefully tracking the medical conditions of workers that use the Medical Clinic with a focus on identifying and addressing long-term trends and contributing to education and prevention measures
- As the mine has been operating for a number of years, there is increasing attention from the Medical Clinic, management, workers and the Impact Review Committee on potential health impacts related to long-term exposure to dust and chemicals. In this regard, there are current discussions about additional health assessments, which can

contribute to the ongoing due diligence efforts at the mine, and should serve to reinforce the confidence of workers in the mine's occupational health and safety efforts

STANDARDS RELATED TO WORKPLACE HEALTH AND SAFETY

HUMAN RIGHTS: RIGHT TO JUST AND FAVOURABLE WORKING CONDITIONS; RIGHT TO HEALTH

Labour Proclamation No. 118/2001

Article 20: Obligations of an Employer include:

- (4) to take all the necessary occupational safety and health measures...
- (9) to take appropriate measures early on to ensure that all work place premises and the processes of work do not become a source or cause of hazards to the health and safety of the employees
- (10) to provide employees with personal protective equipment and other necessary materials and instruct them on use

Article 21: Obligations of an Employee include:

- (5) to implement all health and safety instructions issued by an employer or by a concerned authority
- (6) to utilize appropriately and with care appliances and devices provided for the protection of the safety and health of himself and other employees
- (7) to render assistance when an accident occurs or imminent danger threatens his fellow employees or the employer's property without endangering himself

BMSC Health and Safety Policy (Policy 2)

Our guiding principles are:

- all injuries are preventable
- our most important objective is safety and health
- working safely is a condition of employment
- any task that can't be done safely shouldn't be done

To ensure that these principles are adopted, BMSC will:

- train and motivate all our people to work in a safe and responsible manner
- carry out risk assessment for all construction and operational activities
- ensure that health and safety performances comply with relevant legislation
- assist the local community in health awareness activities
- establish and maintain a health & safety management system in accordance with the requirements of OHSAS 18001:2007

BMSC Code of Conduct (Policy 5)

Health & Safety of Yourself, other Employees/Contractors and the Community:

- Vehicles must be operated safely and in accordance with established speed limits in local communities
- No job should be undertaken if it is not safe to do so

Nevsun Code of Ethics

"The Company provides an operating environment that is oriented to protect health and safety at its work sites for the benefit of its employees, contractors and community."

5.1.3 WAGES, HOURS, LEAVE AND BENEFITS

Conclusions of the initial HRIA Report⁷³

- There is no statutory minimum wage in Eritrea and little comparative information about national wage levels; however, all workers and stakeholders stated that wages at the Bisha Mine are attractive and higher than those paid in other sectors
- The development of other mines in Eritrea will put pressure on BMSC to ensure that remuneration and benefits remain attractive in order to retain employees who may choose to work at other mines in a less remote location. This will become an issue where actively supporting the right to just and favourable working conditions and related rights should be seen as a competitive advantage
- The Eritrean Labour Proclamation generally accords with basic international standards for hours, holidays, and leave for workers undertaking shift work, and BMSC follows the Eritrean Labour Proclamation quite strictly
- Although closure is still over a decade away, the lack of retirement benefits creates a risk of potential negative impacts on workers' right to social security. At the national level, this right has only been addressed recently through the Ministry of Labour and Human Welfare's efforts to create a voluntary Provident Fund for workers. This is an issue that should be considered in closure planning and explored through dialogue with the Ministry and workers

2015 Audit Findings

- As discussed in the section on staff turnover, there have been further concerns raised by workers regarding human resources issues during the audit period, including those related to wages and benefits
- The lack of national wage information continues to make it difficult to make it difficult to assess the wages and benefits at the mine. Interviews with workers, human resources managers, and government representatives converge around the fact that wages at the Bisha Mine remain comparatively high, but there are competitive factors at play in the Eritrean job market as a result of the new mines being developed and other skilled jobs available in Asmara
- In this context, there are discussions between management and the BMSC Board of Directors about potentially instituting an "isolation bonus" for workers at the Bisha Mine to make wages more competitive and to attract and retain workers who may be lured elsewhere. In this regard, it is interesting to note that Segen Construction currently provides its workers at the Bisha camp with an isolation bonus. The decision to provide an isolation bonus is more of a business issue than a human rights issue, although it would have a positive impact on workers' rights to just and favourable working conditions and the right to an adequate standard of living

- Concerns related to wages were raised primarily by workers living in Asmara. Further information is required to ascertain the degree to which inflation is creating negative impacts on workers and their families—and whether these have implications in terms of the right to an adequate standard of living
- An area of ongoing concern is the lack of retirement benefits for workers at the Bisha Mine. While it appears that mine closure may be postponed because of potential extension or expansion of the mine, there are some older workers who are creating a dilemma for management; they will not be fit for work for much longer, yet they will not want to retire because they have no benefits. While the bulk of the Bisha workforce is reported to be in their 30s and 40s, this issue will continue to gain importance for older workers at the mine
- It is a government obligation to make available a system of social security that includes retirement benefits.⁷⁴ However, such systems are rare in developing countries. In Eritrea, the Ministry of Labour and Human Welfare is promoting a voluntary Provident Fund that provides retirement benefits for some public sector workers however there currently is no requirement for the Provident Fund to be implemented for the mining sector. The issue of retirement benefits is another subject of discussion between human resources managers and the BMSC Board of Directors
- Shift work was a subject during the interviews with workers and managers during the audit period. For the most part, shift work is accepted as one of the operational realities of working in the mine however it is cited as one of the factors contributing to staff turnover. Some concerns were raised about fatigue related to the night-shift rotation for workers in mine operations and processing. Furthermore, expatriate workers raised certain complaints about a change in their rotational schedule during the audit period
- Shift work is in an exempted category from the regular Eritrean and international standards that apply to hours of work. The current shifts at the Bisha Mine have been reviewed and approved by the BMSC Board and the Ministry of Labour and Human Resources. The 12-hour shifts at the Bisha Mine are commonplace at most mines around the world. The shift rotations provide workers with a sufficient number of days of rest away from the mine after their rotation; nonetheless, fatigue may accumulate for workers towards the end of their rotation. For this reason, shift work should also be viewed as an occupational health and safety issue
- The details related to shift length and rotations are often best resolved through the process of collective bargaining. In the absence of a formal mechanism for collective bargaining at the Bisha Mine, shift work will likely remain a topic of informal discussion between workers and management in the broader conversation relating to staff turnover. Competitive pressures from other the other mines in development may result in the need to consider alternative shift arrangements

73 See Initial HRIA Report, pp. 24-26 for discussion and p. 26 for conclusions

74 See OHCHR, "Human Rights Translated: A Business Reference Guide," section on social security at pp. 105-109.

- Concerns related to the working conditions of Segen Construction workers were repeated in the Commission of Inquiry report and in the lawsuit against Nevsun during the audit period.⁷⁵ While the audit activities with Segen Construction focused on the prohibition against national service at the Bisha Mine, there was increasing dialogue surrounding other workers' rights issues—including hours of work, overtime, and benefits. Interviews with workers and employment file audits show that Segen workers are working 12-hour shifts (same as the BMSC workers) and are paid overtime after 8 hours of work as required. Segen workers at the Bisha camp also receive an isolation bonus.

2015 Audit Conclusions and Next Steps

- During the audit period, greater attention was given to wages, hours, leave, and benefits by workers and managers. In part, this can be attributed to the focus on staff turnover issues in interviews, as well as the labour market pressures being created as the Zara Mine nears operations and other jobs become available in Asmara
- From a human rights perspective, the areas of potential impact that require further attention and assessment include:
 - The adequacy of wages and benefits in relation to inflation in Eritrea. It is likely that competitive pressures from other mines and jobs in Asmara will provide incentives for management to continue to provide attractive wages and benefits that are amongst the best in the country
 - The need for a public and/or private retirement benefit scheme to provide older workers with social security when they are no longer fit to work at the mine. Due to the current gaps in legally required retirement benefits for workers in the mining sector, BMSC may wish to consider providing extraordinary support and safeguards to its workers through contributions to a Provident Fund or some other retirement saving scheme
 - While the rotational work schedule appears to meet international norms for the mining industry, there will likely be ongoing discussion about this issue for a variety of reasons—including attracting and retaining workers at the Bisha Mine. The most important of these reasons from a human rights perspective relate to rest and fatigue; therefore, follow-up inquiries should be framed in terms of occupational health and safety rather than as a mathematical equation of working hours
- The issues related to hours, benefits, leave, and holidays will have a dynamic element, as they need to be compared to evolving Eritrean standards and competitive labour practices of other employers. In this regard, the BMSC Board has an important role in setting a strong benchmark for working conditions in the mining sector. As other mines are developed, there will likely be ongoing pressure to surpass the benchmark in order to remain an employer of choice

STANDARDS RELEVANT TO WAGES, HOURS, LEAVE AND BENEFITS

HUMAN RIGHTS: RIGHT TO JUST AND FAVOURABLE CONDITIONS OF WORK; RIGHT TO AN ADEQUATE STANDARD OF LIVING; RIGHT TO REST, LEISURE AND HOLIDAYS; RIGHT TO SOCIAL SECURITY

Labour Proclamation No. 118/2001

Article 41(2) Wages shall be determined by the contracting parties, but may not be less than the minimum wages fixed by a collective agreement in an undertaking

Article 48 – Regular Hours of Work

(1) Regular hours of work may not exceed eight hours a day and forty-eight hours a week

Article 50 – Distribution of Hours of Work in Weeks

Where the circumstances in which the work has to be carried on are such that normal hours of work cannot be distributed evenly over a week, working hours calculated on the basis of average hours of work may be distributed over a period longer than one week, provided that the average number of hours worked over a four-week or shorter period may not exceed eight hours per day and forty eight hours per week

Article 52 – Overtime Work

(1) An employer may make an employee work over time, provided he may not make the latter work overtime for more than two hours without the latter's consent

Article 53 – Overtime Work Payment

(1) An employee who works overtime between six o'clock in the morning and ten o'clock in the evening shall be paid at the rate of one and a quarter multiplied by the regular hourly rate. For overtime work from ten o'clock in the evening up to six in the morning, he shall be paid at the rate of one and one half multiplied by the regular hourly rate

(2) An employee who works overtime on a weekly rest day shall be paid at the rate of two multiplied by the regular hourly rate

(3) An employee who works overtime on public holidays shall be paid at the rate of two and one half multiplied by the regular hourly rate

Article 54 – Weekly Rest

(1) An employee shall, at the minimum, be entitled to a weekly rest of twenty-four consecutive hours in the course of each period of seven days

(2) The weekly rest period shall be Sunday, provided that undertakings that work on Sundays may replace it by another suitable day

(3) The Minister may issue regulations concerning the weekly rest of employees engaged in work of a special nature

See also Article 55 – Public Holiday; Article 56 – Annual Leave; Article 57 – Recall from Annual Leave; Article 58 – Leave for Family Events; Article 59 – Association Leave; Article 60 – Leave for Special Purpose; Article 61 – Obligation to Notify; Article 62 – Sick Leave; Article 66 – Pregnancy and Maternity Leave

BMSC Labour Policy (Policy 4)

The Company is committed to the creation of a work environment which helps and encourages employees to reach their personal and professional goals, as well as ensures the timely achievement of Company business objectives. In achieving the above objectives, BMSC will:

- establish a sound human resources policy framework which meets all aspects of the Eritrean Labour Law and international labour standards and conventions
- ensure fair entitlements, benefits and remuneration, of a level which is in keeping with Eritrean norms and laws and enables BMSC to attract and retain employees

International Labour Organization (ILO)

Regular hours: employees should not be required to work more than 10 hours per day and weekly hours should not exceed 48 hours. Days of rest: workers should receive at least one full day off every seven and a minimum of 3 weeks of holiday for every year of full time service

5.1.4 FREEDOM OF ASSOCIATION

Conclusions of the initial HRIA Report⁷⁶

- The right to freedom of association and collective bargaining are protected by the Eritrean Labour Proclamation and these rights can and have been exercised—as is evidenced by the collective agreements in place for a number of BMSC’s suppliers, contractors and subcontractors
- Discussions with internal and external stakeholders suggest that there are ongoing informal discussions about the formation of employee associations for the mining industry, including with respect to the Bisha Mine. It is foreseeable that these informal discussions may eventually result in a formal request to BMSC—which will test its support for the rights related to freedom of association and collective bargaining

2015 Audit Findings

- There has been continued dialogue with the National Confederation of Eritrean Workers (NCEW) about a range of issues during the audit period: potential unionization of the mining sector; ongoing industrial relations with unionized Eritrean contractors providing services to the Bisha Mine (Segen Construction and Transhorn Trucking); and, general observations about the Eritrean labour market
- From interviews with representatives of the NCEW, they are encouraged by the generally favourable tone of the dialogue with representatives from Nevsun and ENAMCO about the potential creation of a union at the Bisha Mine. However, there have been no specific timelines decided upon NCEW’s next steps
- There has been no suggestion or allegation that BMSC has engaged in any anti-union behaviour. NCEW representatives state that they are able to visit the Bisha Mine and have open discussions with BMSC managers. BMSC managers continue to express their willingness to discuss the potential advantages of an employees’ association to collectively address some of the issues discussed in relation to staff turnover and working conditions. However, management also needs to ensure that any unionization proposal follows the proper procedures and is initiated by workers with the support of the NCEW. In the meantime, the Human Resources Department is focusing on its internal communications and grievance mechanisms for workers to resolve human resource issues proactively
- There have been discussions between Nevsun and ENAMCO about the potential creation of an employers’ association for the mining sector, which would act as a natural counterpart for any future workers’ association(s) in the mining sector. While this is viewed as a potentially beneficial option, it is currently viewed as premature until the forthcoming mines are further developed and there is broader agreement about the need for an employers’ association
- In discussions with the NCEW regarding working conditions for Segen Construction workers, it was revealed that the NCEW does not have a permanent representative at the Bisha camp. NCEW representatives visit the Bisha Mine and the Segen Bisha camp periodically, however requests for information or grievances from the Bisha camp are normally forwarded to the NCEW representative at Segen’s

headquarters and/or to a regional office. As discussed in the section on grievance mechanisms, it appears that the NCEW mechanism may not be particularly well suited for addressing grievances at the Bisha camp; and, therefore, it seems that the development of a complementary grievance mechanism for BMSC contractors is a useful initiative to ensure access to remedy

2015 Conclusions and Next Steps

- There has been ongoing dialogue with the National Confederation of Eritrean Workers about the potential creation of an employees’ association at the Bisha Mine and/or for the mining sector as a whole. While this dialogue has been constructive and the value proposition of having a unionized mining sector is being further refined, there is no specific timeline for the formal steps required to create an employees’ association
- External reports raise concerns about the lack of independence of the trade unions from the government in Eritrea, however in interviews with external stakeholders, there is agreement that ongoing dialogue with the NCEW remains an important entry-point for supporting freedom of association and the rights to organize and collective bargaining. Interviews with the NCEW continue to present a picture of a knowledgeable and committed organization that can play a constructive role in the development of a responsible mining sector and, therefore, dialogue should continue and be expanded to include other mining companies as they develop their operations

STANDARDS RELATED TO FREEDOM OF ASSOCIATION

HUMAN RIGHTS: RIGHT TO FREEDOM OF ASSOCIATION AND PROTECTION OF THE RIGHT TO ORGANIZE; RIGHT TO COLLECTIVE BARGAINING

Labour Proclamation No. 118/2001

Title VIII – Formation of Associations and Collective Bargaining

Article 89 – Formation of Associations

Article 90 – Functions of Associations

Article 99 – Collective Bargaining

Eritrea has ratified the relevant ILO Conventions on Freedom of Association and Protection of the Right to Organize (No. 87) and on the Right to Organize and Collective Bargaining (No. 98) in 1999

5.1.5 NON-DISCRIMINATION

Conclusions of the initial HRIA Report⁷⁷

- There is no evidence of discrimination between male and female employees at the Bisha mine. While women are employed primarily in traditional roles such as housekeeping and the kitchen, there are a growing number of women advancing into operational roles through the training programmes offered at the mine. Even local women who are employed in entry-level positions have challenged traditional roles and cultural values to work outside of the home. These women represent individual success stories and testify to the respect and support of their rights by BMSC

⁷⁶ See initial HRIA Report, pp. 26-27 for full discussion and p. 27 for conclusions

⁷⁷ See initial HRIA Report, pp. 27-28 for full discussion and p. 28 for conclusions

- The requirements for priority hiring of Eritreans that are being implemented at the Bisha Mine represent another facet of non-discrimination and also support the right to work. BMSC is currently exceeding its contractual targets with 91% Eritreans in the workforce
- The successful integration of female and male Eritreans into the workforce, as well as their skills development and promotion (with a view to gradually replacing some of the expatriate workers), is contingent upon training and capacity-building. In this regard, the Bisha Mine's training centre has an important role to play in respecting and supporting the right to non-discrimination, the right to work and the right to education

2015 Audit Findings

- In interviews with workers during the audit period, gender-based discrimination was not identified as a concern. The Bisha Mine has already succeeded in hiring more female workers than international average.⁷⁸ Female workers state that they are respected and enjoy working at the mine. In particular, female workers are strong supporters of the training programs that allow women to progress in non-traditional roles at the mine. Female workers report that another contingent of female truck drivers will be trained this year
- From discussions with managers and workers about staff turnover, it appears that a greater number of female workers decided to return after maternity leave than in the previous year (21 of 24 in 2014 vs. 5 of 13 in 2013). On the other hand, fewer women were hired in the audit period than in previous years (23% of new hires in 2014 vs. 32% in 2013). While it is too early to draw any conclusions from these trends, they should be monitored on an ongoing basis to ensure that female workers are a strong component of the Bisha Mine's workforce
- Some female workers made constructive suggestions about potential recreational initiatives that would be more focused on women's interests and would make their time at camp more enjoyable (i.e., a hair salon or tea house). Human resource managers are receptive to new ideas for future recreational initiatives and encourage female employees to bring their suggestions forward directly or through the suggestion box
- Another area of potential discrimination relates to the relationship between expatriate and Eritrean workers. Overall, these relationships remain positive and mutually respectful on a personal level. However, as staff turnover increases (both for expatriate and Eritrean workers), there should be an emphasis on cultural sensitivity training to ensure that the working environment remains respectful and harmonious. Such training is already offered as part of the induction training for new employees
- A few concerns were expressed about the discrepancies in wages between expatriate and Eritrean workers. While there is understanding that expatriate workers are relatively few in number (11% in 2014) and have specialized skills, the Eritrean workers who are being trained in management roles will likely make wage comparisons to expatriates as their skills are developed. Over time, the objective is for Eritrean

managers to increasingly assume the lead in running the mine, so it is hoped that this issue can be managed through promotion of Eritrean managers and diminished reliance on expatriates

2015 Conclusions and Next Steps

- In terms of non-discrimination, the focus during the audit period continued to be on potential discrimination related to female workers and Eritrean workers. In both cases, there are strong commitments and results in terms of hiring female workers and Eritrean workers at the Bisha Mine. While there was a slight downtick in the statistics related to the hiring of female workers and Eritrean workers, this is largely explained by the increased need for international engineering workers required for construction related to the zinc phase
- Potential discrimination issues can be observed through the internal workers' grievance mechanism, as well as in exit interviews for workers who have resigned from the Bisha Mine. In the ongoing discussions around staff turnover issues, human resource managers should pay particular attention to any warning signs related to discriminatory conduct
- In addition to the BMSC policies that promote equality and non-discrimination in the workplace, the role of the Training Centre remains central for ensuring that women have opportunities for professional development and can successfully advance in non-traditional roles. Furthermore, the Training Centre is helping Eritrean workers develop the mining and management skills required to assume some of the senior management roles currently occupied by expatriate workers

STANDARDS RELATED TO NON-DISCRIMINATION

HUMAN RIGHTS: RIGHT TO NON-DISCRIMINATION (WHICH APPLIES TO ALL LABOUR AND HUMAN RIGHTS); WOMEN'S RIGHTS; RIGHT TO WORK; AND RIGHT TO EDUCATION

Eritrean Constitution

- Article 7(2) Any act that violates the human rights of women or limits or otherwise thwarts their role and participation is prohibited
- Article 14(1) All persons are equal under the law. (2) No person may be discriminated against on account of race, ethnic origin, language, colour, gender, religion, disability, age, political view, or social or economic status or any other improper factors

Labour Proclamation No. 118/2001

- Article 23(4) The following may not constitute legitimate grounds for the termination by an employer of a contract of employment: an employee's race, colour, nationality, sex, religion, status, political orientation or social status
- Article 41(1) An employer shall pay equal starting wages for the same type of work
- Article 65(1) Women may not be discriminated against as regards opportunity or treatment in employment and remuneration, on the basis of their sex

BMSC Social Responsibility Policy (Policy 3) states that BMSC will "promote job equity and equal access to employment opportunities for women."

78 The international average of female employees in mining operations is approximately 13% and the Bisha Mine currently has approximately 20% of female employees

BMSC Employee Policy (Policy 4) states that the company:

- will not discriminate against potential or existing employees on the basis of religion, ethnicity, gender or other factors
- adopt recruitment procedures which facilitate the employment of people from the immediate Project area and local communities in the first place
- ensure fair entitlements, benefits and remuneration, of a level which is in keeping with Eritrean norms and laws and enables BMSC to attract and retain employees
- implement mechanisms for the fair and consistent measurement of employee performance

The **Mining Contract** between the Government of Eritrea and BMSC provides for local hiring preference:

- 16.2. Preference for local hiring: The Company shall give preference to the employment of Eritrean nationals provided that such persons have the required skills and/or qualifications
- 16.3. Right to hire expatriate experts: Subject to Applicable Law and Article 16.2, the Company has the right to hire and employ a reasonable number of expatriate workers who have specialized skills, knowledge and experience. A “reasonable number” shall mean with regard to:
 - 16.3.1. Development work: no more than 20% of the Company’s workforce
 - 16.3.2. Mineral Exploitation: no more than 20% of the related workforce initially and no more than 10% of the Company’s workforce after five (5) years from the commencement of Commercial Production

STANDARDS RELEVANT TO HARASSMENT

HUMAN RIGHTS: RIGHT TO NON-DISCRIMINATION; WOMEN’S RIGHTS; RIGHT TO FREEDOM FROM DEGRADING AND INHUMAN TREATMENT

Labour Proclamation No. 118/2001

Article 65(1): Women may not be discriminated against as regards opportunity or treatment in employment and remuneration, on the basis of their sex

The **Transitional Criminal Code** prohibits sexual violence

BMSC Social Responsibility Policy (Policy 3) states that “BMSC management will conduct the company’s business activities to promote job equity and equal access to employment opportunities for women.”

BMSC Code of Conduct (Policy 5) states:

“Harassment of any kind will not be tolerated from personnel engaged with the Project. Harassment may take many forms including religious and ethnic slurs, jokes, statements, gestures, impeding another’s movement, culturally offensive writing or pictures, and unwelcome sexual advances or conversations.”

Nevsun’s Code of Ethics:

“The Company will not tolerate ... sexual harassment, abusive behaviour.”

5.1.6 HARASSMENT

Conclusions of the initial HRIA Report⁷⁹

- BMSC has strict policies against harassment and has procedures in place to raise complaints confidentially to the human resources department. Interviews with employees—in particular, with female employees—did not raise any issues or previous incidents of concern. Nonetheless, this is an area that deserves ongoing attention through induction training on the harassment policies and procedures, as well as monitoring of the internal employee grievance mechanisms for any incidents

2015 Audit Findings

- Interviews with human resource managers, worker focus groups and female workers have not raised any issues related to sexual or psychological harassment
- No incidents of harassment were reported in internal reports or the 2013 or 2014 CSR Reports

2015 Conclusions and Next Steps

- There was no evidence or allegations of harassment during the audit period
- As there is heightened attention to issues related to staff turnover, human resource managers should remain attentive to any warning signs related to harassment. Similarly, as there are ongoing efforts to strengthen grievance mechanisms at site, attention should be given to ensuring that appropriate and confidential channels are available for workers to bring forth complaints or concerns related to harassment

5.1.7 CHILD LABOUR

Conclusions of the initial HRIA Report⁸⁰

- There is no evidence of child labour at the Bisha Mine. BMSC has appropriate human resources screening procedures in place to ensure that future employees are at least 18 years of age, which meets the standards in Eritrean and international labour law for work at a mine

2015 Audit Findings

- There was no observation of children at mine site, camp or in contractors’ camps during the audit period
- Policies and procedures are firmly in place to prohibit child labour at the Bisha Mine, including age verification procedures to ensure that all workers are over 18 years of age. Combined with the prohibition against national service at the Bisha Mine, the Eritrean workforce is mainly from an older demographic segment—the risk of child or youth labour appears to be extremely remote
- Dialogue between Nevsun and UNICEF Canada encouraged the company (and the HRIA process) to consider children’s rights more broadly than just child labour. In this regard, UNICEF’s Extractive Pilot on “Children’s Rights and the Mining Sector” provides a number of additional children’s rights to be considered.⁸¹ As a result, greater attention was given in relation to children’s rights issues, notably with respect to stakeholder engagement and road safety—the latter of which was prioritized as an emerging issue for the 2015 HRIA Audit

2015 Conclusions and Next Steps

- There is no evidence or allegations of child labour during the audit period, and the risk of child labour at the Bisha Mine continues to be extremely remote

79 See initial HRIA Report, p. 29 for discussion and conclusion.

80 See initial HRIA Report, p. 30 for full discussion and conclusions

81 www.unicef.org/csr/files/UNICEF_REPORT_ON_CHILD_RIGHTS_AND_THE_MINING_SECTOR_APRIL_27.pdf

- The screening program that has been put in place to ensure that BMSC and contractors' workers have been discharged from national service should also ensure that there is no child labour being used at the Bisha Mine or by its business partners

STANDARDS RELATED TO CHILD LABOUR

HUMAN RIGHTS: FREEDOM FROM CHILD LABOUR; AND THE RIGHTS OF THE CHILD

Labour Proclamation No. 118/2001

Article 68(1) It is prohibited to employ a person under the age of fourteen years

Article 69(1) The Minister may, by regulation, issue a list of activities prohibited to young employees, including apprentices, which shall, in particular, include:

- (a) work in the transport of passengers and goods by road, railway, air and sea and in docksides and warehouses...
- (b) work connected with toxic chemicals, dangerous machines...
- (c) underground work, such as mines...

BMSC Employee Policy (Policy 4) states that BMSC will: "abide by minimum age laws and conventions and prohibit all forms of child labour."

BMSC Social Responsibility Policy (Policy 3), it is stated that BMSC management will conduct the company's business activities to "procure materials, goods and services in a manner that ... protects against unethical practices such as child labour."

Nevsun's Code of Ethics: states that: "the Company will not tolerate ... exploitation of child labour."

personnel changes in the Environmental Department, however BMSC's commitment to their implementation as an ongoing priority appears to be genuine and shared across management. The integration of human rights considerations into the Environmental and Social Management Plans represents one of the most strategic entry points for ongoing human rights due diligence at the Bisha Mine

- Interviews with community leaders from nearby villages did not identify environmental issues as a concern—apart from the most visible impacts such as dust and noise related to the transportation route. However, internal and external experts have identified water-related issues as a leading long-term risk from an environmental and business perspective. Any impacts on water availability, accessibility, and quality related to the mine's production needs or potential pollution also amount to human rights impacts. Therefore, a human rights lens provides an additional rationale for BMSC to prioritize water-related impacts for ongoing due diligence. Furthermore, human rights principles suggest that BMSC's approach to environmental management should not only strive for technical and scientific good practice at the mine site, but also should incorporate ongoing consultation with and consideration of the concerns and rights of end-users

2015 Audit Findings

- From a review of the 2014 CSR Report and internal documentation, interviews with managers, community leaders, and the impact review Committee, water remains the leading human rights issue related to the environment. Key factors in this determination are:
 - There was an increase of 29% in water use at the Bisha Mine from 2013 to 2014 as a result of the transition to copper processing and it is anticipated that further increases will continue as the mine transitions to zinc processing
 - There is some evidence of declining water levels in the Mogoraib aquifer since the beginning of production in 2011. In particular, the 2014 CSR Report notes a 1.18 metre decline since 2011 in monitoring wells close to the production well.⁸³ As two local communities also use this aquifer, declining water levels may have an impact on community access to water and water quantity
 - Globally, water is increasingly recognised as the global social risk with the greatest impact on business⁸⁴
 - Links between corporate water stewardship and human rights due diligence are being made by leading companies⁸⁵
- In discussion with managers in the environmental department and water experts on the Impact Review Committee, there is a high degree of awareness of the importance of water at and around the Bisha Mine—including as a human rights issue for the nearby communities
- Additional hydrological investigations and groundwater studies have been commissioned to better understand the mine's impact on the Mogoraib aquifer – the mine's main water source. A reputable international water management consultancy has been retained to

5.2

HUMAN RIGHTS AND LOCAL COMMUNITIES

5.2.1 HUMAN RIGHTS RELATED TO THE ENVIRONMENT

Conclusions of initial HRIA Report⁸²

- BMSC has adopted a responsible and progressive approach to environmental management by supplementing its compliance with Eritrean environmental regulations with the adoption of the IFC Performance Standards and updating them in line with the 2012 revision of these standards. This is one of the areas where BMSC is committed to going beyond compliance with domestic legal standards and implementing international standards and best practices
- Detailed Environmental Management Plans in line with IFC Performance Standards (2012) have been developed, including timelines, indicators and responsibilities for implementation and monitoring. Implementation of these plans has been delayed, in part due to

⁸² See initial HRIA Report, pp. 31-33 for discussion and p. 33 for conclusions.

⁸³ 2014 CSR Report, p. 37.

⁸⁴ For example, water was ranked as the leading social business risk (by impact) at the 2015 World Economic Forum. <http://reports.weforum.org/global-risks-2015/part-1-global-risks-2015/introduction/>

⁸⁵ UN Global Compact CEO Water Mandate, "Guidance for Companies on Respecting the Human Rights to Water and Sanitation: Bringing a Human Rights Lens to Corporate Water Stewardship" (January 2015), accessed at: <http://ceowatermandate.org/files/business-hrws-guidance.pdf>

undertake these studies—which will take approximately 12 months to complete. Part of this work will involve drilling additional monitoring wells that should help provide further information about potential impacts on the downstream water quality and quantity for communities that also use this aquifer

- Additional efforts and investments are being made to improve water recovery from the Tailings Management Facility (TMF) to be re-used in the mine's processing plant. In this regard, a new water treatment plant is being built with a target of being operational in Q1 2016
- Interviews with community leaders do not point to specific impacts on the right to water from the mine's operations at present. It must be noted, however, that nearby communities do not have reliable access to water, with many community members obtaining water from private water suppliers or by travelling to distant water sources. For this reason, supporting water infrastructure has been prioritized for the pilot projects for the Community Assistance Projects. Improving access to potable water is also one of the Government of Eritrea's national priorities
- Other potential human rights risks related to the environment that were discussed with managers and stakeholders during the assessment period include:
 - Dust: In discussions about the potential impacts of dust on worker health, potential impacts on community health were also considered. In this regard, there has been consideration of a community health assessment that would cover issues related to dust and other potential community health impacts
 - Mine closure: presents a series of environmental impacts on the license area and social impacts on nearby communities. Given the current enthusiasm regarding the potential for expansion and/or extension of the Bisha Mine's operations, it appears that there is a reasonable amount of lead time for mine closure preparation and planning (at least 10 years), which good practice suggests is needed. The Bisha Mine is required to update the closure and reclamation costs (with \$34.1 million estimated as of December 31, 2014).⁸⁶ The commitment to develop a conceptual social mine closure plan in 2016 is an important step to ensure that the potential human rights impacts on community members and other affected stakeholders
- In terms of the management systems in place to address and mitigate the potential impacts on the environment and human rights, there is further discussion in the Section Three related to HRIA Recommendation #4 on the IFC Performance Standards

2015 Conclusions and Next Steps

- Water remains the leading human rights issue related to the environment at the Bisha Mine. To date, community leaders have not raised concerns about negative impacts on the right to water. Nonetheless, the fact that water is the main focus of dialogue between BMSC and different levels of government about potential water

infrastructure and support projects related to the Community Assistance Program, demonstrates the importance of the prioritization of the topic of water to the affected communities

- With the mine's increasing water consumption for the current copper and forthcoming zinc phase, there is a need for enhanced monitoring of the potential impacts on downstream communities' right to water. The key dimensions of this right are availability, accessibility, quality and safety, acceptability, and affordability.⁸⁷ In particular, the communities of Mogoraib and Aderat use the same aquifer as the Bisha Mine and are at the greatest risk of human rights impacts due to the mine's water consumption
- A number of important initiatives have been launched during the audit period which should contribute to ongoing due diligence relating to the human right to water. In particular, a major hydrological study has recently been commenced which should provide better information about the mine's impacts on the Mogoraib aquifer—including potential impacts on downstream communities. Furthermore, a new water treatment plant is being constructed at the mine, which should enhance recycling of water from the TMF and reduce the rate that water is drawn from the aquifer

STANDARDS RELATED TO HUMAN RIGHTS AND THE ENVIRONMENT

HUMAN RIGHTS: RIGHT TO WATER AND SANITATION; RIGHT TO HEALTH; RIGHT TO FOOD

Eritrean Constitution

Article 8 (3) In the interest of present and future generations, the State shall be responsible for managing all land, water, air and natural resources and for ensuring their management in a balanced and sustainable manner; and for creating the right conditions to secure the participation of the people in safeguarding the environment

Eritrean Mining Regulation No. 19/1995, Article 29 provides for Health, Safety and Environment Protection, including provisions for reporting and mitigation of environmental damage, and for progressive reclamation

Eritrea has adopted National Environmental Assessment Procedures and Guidelines in March 1999

Eritrea has adopted a relatively new law on water and sanitation: **Water Proclamation 162/2010**

Eritrea has ratified a number of **UN Conventions related to climate change, biodiversity and biosafety**. In cooperation with the UN Environmental Programme (UNEP), the Eritrean government conducted a national capacity needs self-assessment for global environmental management, and developed a national Action Plan

The **Mining Agreement** between the Government of Eritrea and BMSC:

- Article 22 – Environment, Rehabilitation and Protection Against Loss and Waste
- Article 22.1 – Company to minimize environmental impact and pollution
- Article 22.2 – Company to obtain environmental approvals
- Article 22.3 – Environmental procedures and guidelines
- Article 22.3.1 – Environmental impact assessment study
- Article 22.3.2 – Environmental management and rehabilitation programme plan

⁸⁶ 2014 CSR Report, p. 41 (referring to Note 13 of Nevsun's 2014 audited consolidated financial statements).

⁸⁷ UN Global Compact CEO Water Mandate, p. 17.

Article 22.3.3 – Company may submit amended proposed studies and plans
 Article 22.3.4 – Company shall update plan
 Article 22.3.5. – Minister to approve plan
 Article 22.4 – Annual reporting obligation
 Article 22.5 – Company to implement and comply with environmental management and rehabilitation programme plan

BMSC's Environmental Policy (Policy 1)

- comply with all host country environmental laws and regulations together with industry best practice standards or whichever is the more stringent of the two;
- commit the necessary resources to support and implement the company's environmental policy
- establish and maintain an Environmental Management System (EMS) in line with ISO 14001:2004
- be committed to continual improvement in environmental performance by developing environmental indicators, monitoring and auditing performance, and by implementing corrective actions where needed
- report externally on environmental performance and encourage dialogue with employees, local communities and other stakeholders to promote environmental awareness
- include environmental performance criteria in decisions on promotions, salary increases and awarding contracts
- apply the principles of BAT (Best Available Technology) to environment management
- reduce, re-use and recycle resources and implement proper waste management practices
- train, motivate and ensure that all employees adhere to environmental protection and pollution prevention policies
- incorporate an emergency preparedness and response system into standard operating practices
- monitor and report on performance through periodic audits

BMSC's Social Responsibility Policy (Policy 3)

- conduct business within a framework that promotes ... environmental protection...
- actively consult with local communities to identify and resolve environmental and social issues

Nevsun Code of Ethics

The Company also utilizes the best environmental practices in the jurisdictions in which it operates to minimize impact to the local ecosystems and the human communities. It is the Company's policy that the Company will return all utilized sites back to a high environmental standard at the end of the project cycle. The Board has appointed a Social, Environmental, Health and Safety Committee (SEHS) to oversee these concerns.

5.2.2 COMMUNITY DEVELOPMENT

Conclusions of initial HRIA Report⁸⁸

- BMSC has made policy and contractual commitments to support community development and community leaders have taken note of those commitments. While BMSC has developed a Community Assistance Plan as part of its Social Management Plans, the CAP has not yet been implemented. This deprives BMSC of a valuable mechanism to address potential risks to human rights and/or support human rights, as well as to contribute to national, regional, and local development goals. Implementing the CAP as a matter of priority will help to maintain goodwill with the community leaders and can help the Bisha Mine set another important precedent for responsible mining in Eritrea

2015 Audit Findings

- The findings related to the Community Assistance Program are summarized in the discussion of the implementation of HRIA Recommendation #6. The key findings are:
 - Through dialogue with the Government of Eritrea, there has been progress made on implementation of the CAP and BMSC has budgeted a total of \$300,000 USD to support CAP projects in 2015 and 2016
 - There have been discussions between BMSC, zoba and sub-zoba administrators to ensure alignment of the proposed CAP pilot projects with regional and national development priorities
 - The Environmental Department has established a Steering Committee and developed implementation guidance to ensure the sustainable development of CAP projects and to manage community expectations and participation in the projects
 - Two pilot projects have been prioritized for implementation in the coming months, both of which will enhance water supply to local communities
 - Even for relatively modest amounts of money, the potential positive impacts of the CAP projects are quite significant given the needs of the local communities. At the same time, community expectations are high and there is pressure to have the pilot projects delivered as soon as possible
- From the latest information available from site, the next steps for the delivery of the pilot projects are:
 - Terms of reference are being developed for the Tekeret water supply project (repairing a water diversion to provide better irrigation for the community's agricultural land) and a call for proposals should be issued in September 2015
 - Well drilling for the Aderat water supply project (an infrastructure project for community water supply) is scheduled to commence in August or September 2015
 - Both pilot projects should be complete in 2016

⁸⁸ See initial HRIA Report, pp. 34-35 and conclusions on p. 35.

- Discussions with community leaders and members have confirmed that water projects are priorities for the community. Other developmental priorities discussed include education, health and infrastructure

2015 Conclusions and Next Steps

- After lengthy discussions and a participatory planning process involving affected communities and government representatives, BMSC is in the process of launching two pilot projects to inaugurate the Community Assistance Program. This represents a new model of partnership for development for the communities near the Bisha Mine and can reinforce positive relationships between the communities and the mine
- The two pilot projects have prioritized water-related issues—which makes sense from a human rights perspective, particularly since water is the leading human rights risk related to the environment. In other words, projects that contribute to mitigating potential negative water-related impacts related to the Bisha Mine’s operations can be viewed as part of the mine’s ongoing social and environmental risk assessment processes as well as human rights due diligence and not a philanthropic or community relations initiative
- The extensive consultation and participatory planning with community leaders and members in the development of the two pilot projects provides a positive example of a rights-based approach to development. Arguably this approach should contribute to sustainable development results—as communities have input and ownership in the projects—and should be replicated for future CAP projects

17.2. Company to Respect Traditions

The Company shall recognise and respect the rights, customs, cultures, beliefs and traditions of local communities

17.3 Community Development Expenditures to be Deductible

Only MEM pre-approved community development expenditures shall be deductible for tax purposes

BMSC’s Social Responsibility Policy (Policy 3) states that BMSC management will conduct the company’s business activities to:

- conduct business within a framework that promotes worker and community health and safety, environmental protection, human rights, community involvement, community benefits and the quality of life for employees and their families
- build capacity by sharing environmental and social experiences and solutions with local communities and regional and national governments

BMSC’s Code of Conduct (Policy 5) also includes related commitments about: community goodwill vs. opportunity seekers; and, to respect requests of community leaders

BMSC’s Social and Environmental Management Plans include a Community Assistance Plan (CAP). This plan “sets out steps for BMSC to contribute to the sustainable development of the communities near to the Bisha site. The plan sets out a strategy of working with the Government to ensure that any community assistance projects are consistent with the Government’s regional development plans. All community assistance projects proposed by BMSC are subject to approval of the relevant government administrations.”

The Nevsun Code of Ethics states that: “the Company provides an operating environment that is oriented to protect the health and safety at its work sites for the benefit of its employees, contractors and community.”

STANDARDS RELATED TO COMMUNITY DEVELOPMENT

HUMAN RIGHTS: COMMUNITY DEVELOPMENT ACTIVITIES CAN POTENTIALLY SUPPORT THE FULL RANGE OF HUMAN RIGHTS

The Eritrean Constitution:

Article 8, Economic and Social Development

(1) The State shall strive to create opportunities to ensure the fulfilment of citizens’ rights to social justice and economic development and to fulfil their material and spiritual needs

(2) The State shall work to bring about a balanced and sustainable development throughout the country, and shall use all available means to enable all citizens to improve their livelihood in a sustainable manner, through their participation

Eritrea has developed a national development plan with various objectives related to eradicating poverty and providing citizens with better access to education, health care, job opportunity and social security. Through a process of devolution to the regional (Zoba) level, Eritrea is putting in place **Integrated Rural Development Schemes (IRDS)** to guide local development

The **Mining Agreement** between the Government of Eritrea and BMSC:
Article 17 – Community Development

17.1. General Obligation to Promote Development

The Company shall assist in the development of the community to promote the general welfare and enhance the quality of life of the inhabitants living in the host and neighbouring communities

5.2.3 CULTURAL HERITAGE

Conclusions of initial HRIA Report

- The issue of cultural heritage was not assessed in the initial HRIA Report. At the time, interviews with community members, local workers and BMSC managers had not raised concerns related to cultural heritage and land use

2015 Audit Findings

- The issue of cultural heritage was addressed in the 2015 Audit as the result of a relocation of a small cemetery during the audit period. This was reviewed as part of the inquiry into the exploration activities associated with the Bisha Mine
- In terms of background, archaeology baseline information was compiled as part of the Bisha Mine’s Environmental and Social Impact Assessment (ESIA) through three field assessments conducted by the National Museum of Eritrea. Following the review of available data collected during the initial field survey conducted in 2004, additional field investigations were developed and conducted in 2004 and 2005. These field assessments focussed on identifying areas of archaeological significance within the local study area for the proposed project

- Cultural heritage is defined in the ESIA to encompass a wide range of resources, including archaeological deposits and remains, historical monuments, sites and buildings, historical and culturally-significant landscapes, places of worship, cemeteries and graveyards, places associated with local folklore, mythology, and traditions and the location of historical and cultural festivals, events and rituals
- According to the BMSC Cultural Heritage Management Plan, a large number of archaeological sites were identified during the three field surveys conducted for the Bisha Project, and can be summarized as follows:
 - Evidence was collected in the project and surrounding area and surrounds pertaining to a number of burial sites; oral traditions indicated that burial sites change frequently and that the Bisha communities were still burying their dead near the old Bisha village (up to 2006)
 - Some of the tombs/burial sites recorded during the most recent survey may date as early as the Italian, Turkish, or even the pre-colonial periods
 - Ethnographic inquiries indicated that the area seems to have been occupied before the Turkish colonial period, which began in 1557 and oral traditions alluded to a long and unstudied history that included social, cultural, and economic transformations
 - Ceramics were identified in all field surveys conducted, and they displayed various features indicating both recent and ancient formation (the art of pottery making was reportedly still continuing, but due to widespread use of plastic and metal utensils, the use of clay-made products has diminished)
 - Lithic materials identified included grinding stones, scrapers, blades, perforated stones, hammerstones, pestles, stone axes, mortars, polished stones, cores, flakes and debitage⁸⁹
- BMSC managers and IRC members report prior work with the communities and National Museum to relocate graves during the construction period. This was previously reported in Section One of the 2010 BMSC Social Management Plan
- During the audit period, there was a need to move a small cemetery of 43 graves in relation to exploration activities. A cemetery is considered to be a part of cultural heritage and has obvious religious and spiritual significance
- Through interviews with the Impact Review Committee, community leaders, and managers from the Environment Department and Community Relations Department, the consultation process that preceded the relocation was explained. The process involved numerous meetings with cultural and religious leaders and families of the deceased, as well as national, regional, and local authorities. Agreement was reached with the community and family members for the cemetery to be relocated upon the completion of a series of religious ceremonies, with all the related expenses assumed by BMSC
- In further interviews with the Impact Review Committee and the Environment Department, it was confirmed that this is the “standard” procedure for other relocations of cultural heritage or sacred sites. There have been three other such relocations in the past, and each is reported to have been done with (a) the agreement of the families, community leaders, and religious leaders; and (b) the oversight of relevant government authorities—including the Eritrean National Museum

2015 Conclusions and Next Steps

- There are strict procedures related to the discovery of cultural artifacts or sacred sites, and any relocation requires the consultation and consent of local communities, and the oversight of national, regional, and local authorities—including the Impact Review Committee
- There was a relocation of a small cemetery in 2014 that followed these procedures, and was based on the agreement of the local communities and the families of the deceased

STANDARDS RELATING TO THE PROTECTION OF CULTURAL HERITAGE

HUMAN RIGHTS: THE RIGHT TO TAKE PART IN CULTURAL LIFE; THE RIGHT TO FREEDOM OF RELIGION

Eritrean Law

Material Cultural Heritage Protection and Conservation Proclamation (draft), Article 24 “Creation of Protected Sites”

Proclamation to Promote the Development of Mineral Resources No. 68 (1995), Chapter 4 and Legal Notice No. 19/1995 Regulations on Mining Operations (the Regulations)

Eritrea ratified “The Convention Concerning the Protection of the World Cultural and Natural Heritage” (The World Heritage Convention) on October 24, 2001. The signatories to this Convention have agreed “to ensure that effective and active measures are taken for the protection, conservation and presentation of the cultural and natural heritage” on their territories

BMSC Social Responsibility Policy

- actively promote understanding by all BMSC employees, of culture, language and history of the communities, regions and countries in which we work
- work to protect cultural heritage resources potentially affected by our activities
- conduct activities in a manner that respects traditional-use rights, cultures, customs and social values
- actively consult with local communities to identify and resolve environmental and social issues

BMSC Code of Conduct

Religious and Sacred Structures/Areas:

- Respect the religious shrines and burial sites and practices of the local population
- Do not disturb shrines and other religious monuments (adjust work program in order to avoid creating the need to disturb such structures)
- Recognise that shrines and sacred sites may include trees, sheds, piles of pebbles, and piles of offerings.
- Follow BMSC project procedures if chance finds are encountered

BMSC Cultural Heritage Management Plan

The Cultural Heritage Management Plan is designed to ensure that the Bisha Project has minimal impact on the cultural resources of the project area, through the implementation of effective mitigation and monitoring measures through construction, operation and closure. The plan contains the methods to map, document and excavate known cultural resources including the procedures for dealing with Chance Finds

Site specific protection/retrieval plans will be developed for each known site potentially impacted by project activities.

- Subsurface evaluative testing will be conducted at potentially threatened sites prior to construction activities to determine if buried cultural deposits are present
- All testing and collection will be done under an approved plan and conducted by experienced archaeologists/work teams recognised by the National Museum of Eritrea
- Scientific and cultural analysis and interpretation of the archaeological data collected during mitigation is an integral part of the process and will be undertaken in a timely fashion- BMSC will work with both archaeologists familiar with the area and local communities on issues related to site interpretation of cultural resources
- The Environment Manager will be employed to monitor activities at locations deemed to require special attention in terms of cultural heritage/ archaeological management
- The Environment Manager monitor will oversee any routine mine operations that require additional subsurface activities that may uncover new artefacts
- Close consultation with the National Museum will be maintained regarding specific assessment for each archaeological site to ensure it is protected adequately

5.3

CROSS-CUTTING HUMAN RIGHTS ISSUES

5.3.1 SECURITY AND HUMAN RIGHTS

Conclusions of initial HRIA Report⁹⁰

- While external perceptions about the situation in Eritrea raise concerns about security and human rights, the operating environment at the Bisha Mine and in surrounding communities appears to be safe, calm, and peaceful
- There are interactions between the Bisha Mine and public and private security forces. Therefore, it is appropriate that BMSC has integrated the Voluntary Principles on Security and Human Rights into its security policy and is implementing further training on these principles. Moreover, the Voluntary Principles are one of the other areas where BMSC has made a commitment to international good practice standards and which can provide an example and learning opportunity for the Eritrean mining industry

2015 Audit Findings

- Security and human rights was identified as one of the emerging issues for the audit period; and a detailed discussion on this subject is included in Section Five
- The Voluntary Principles on Security and Human Rights (the Voluntary Principles) have provided the framework for further attention to security issues from a human rights perspective:
 - There has been increased interest in and attention to the Voluntary Principles on Security and Human Rights at site as part of the follow-up to the HRIA Recommendation on human rights training for the Security Department. Basic training on the Voluntary Principles has been provided and an advanced training package is being prepared for delivery to the BMSC security personnel in the fall of 2015
 - There is a desire to update the assessment of security risks at the site level, in Eritrea and the Horn of Africa using the Voluntary Principles criteria for risk assessments
 - During the audit period, there has been specific attention to the Voluntary Principles by the Government of Canada and various stakeholders in the Canadian mining industry. The UN Global Compact Network for Canada developed and recently published a guidance document for auditing the implementation of the Voluntary Principles⁹¹
- An independent, Canadian security and human rights expert has been mandated to design and deliver a training and implementation initiative for the Voluntary Principles including: a needs assessment (which was conducted in May 2015); workshops on risk assessment and Standard Operating Procedures in September 2015; and a comprehensive Voluntary Principles training package to the BMSC security personnel in November 2015
- The training initiative for the Voluntary Principles will provide opportunities for further engagement with Binae Security, the private security firm that provides security guards for the Bisha Mine. This will help advance the dialogue and screening procedures related to the prohibition against national service workers and other human rights matters that have been implemented for BMSC contractors and suppliers
- A 3rd party audit is planned for 2016 to assess progress on the implementation of the Voluntary Principles
- The security situation around the Bisha Mine appeared as safe and peaceful as during previous visits to the mine and surrounding communities while the auditing activities conducted in January and May 2015. However, there was one reported act of vandalism during the assessment period, which is currently subject to an ongoing investigation.⁹² The results of the investigation should inform the updated risk assessment workshop planned for September 2015

90 See initial HRIA Report, pp. 36-37 for discussion and p. 37 for conclusions.

91 UN Global Compact Network Canada and Business for Peace, Auditing Implementation of Voluntary Principles on Security and Human Rights: A Guidance Document to Assist Companies and their Auditors Assess Implementation of the Voluntary Principles on Security and Human Rights, May 2015, accessed at: www.globalcompact.ca/resources

92 Nevsun Press Release of March 22, 2015: www.nevsun.com/news/2015/march22.

2015 Conclusions and Next Steps

- The Voluntary Principles on Security and Human Rights are being promoted at the Bisha Mine as a tool to advance human rights training and engagement with Binae Security. Over time, the Voluntary Principles can also serve as a basis for further engagement with the Eritrean security forces
- A new initiative for training and implementation of the Voluntary Principles has been launched with the participation of a Canadian security and human rights expert. This initiative will support an update of the mine's security risk assessment and Standard Operating Procedures, and will deliver a comprehensive training on security and human rights to the BMSC security personnel (including the private security guards provided by Binae Security). This initiative will be completed by the end of 2015 and a 3rd party audit of implementation of the Voluntary Principles will be conducted in early 2016

STANDARDS RELATED TO SECURITY AND HUMAN RIGHTS

HUMAN RIGHTS: RIGHT TO LIFE; RIGHT TO LIBERTY AND SECURITY; FREEDOM FROM TORTURE, CRUEL, INHUMAN AND/OR DEGRADING TREATMENT OR PUNISHMENT; RIGHT TO JUST AND FAVOURABLE WORKING CONDITIONS

Eritrean Constitution:

Article 12 - National Defense and Security

1. The defense and security forces of Eritrea shall owe allegiance to and obey the Constitution and the government established thereunder
2. The defense and security forces are an integral part of society, and shall be productive and respectful of the people
3. The defense and security forces shall be competent and be subject to and accountable under the law
4. The defense and security of Eritrea depend on the people and on their active participation

Article 15 - Right to Life and Liberty

1. No person shall be deprived of life without due process of law
2. No person shall be deprived of liberty without due process of law

Article 16 - Right to Human Dignity

1. The dignity of all persons shall be inviolable
2. No person shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment

BMSC Health and Safety Policy (Policy 2):

- adhere to local laws as well as international standards on law enforcement in securing its operations, particularly those that relate to the use of force
- carry out risk assessments in relation to security issues at each of its project sites
- ensure that security is managed in a way that respects and protects human rights, avoids creating conflict and addresses security threats in as peaceful a way as possible

BMSC Security Policy

- To treat all people with respect and dignity, and to be guided in our approaches and actions by the Voluntary Principles on Security and Human Rights

- To provide the security expertise and resources required to develop a safe and secure working environment
- To provide the security expertise and resources required to develop a safe and secure working environment
- To establish security strategies, plans, standards, policies and procedures to support achievement of Bisha's business objectives
- To identify and manage risks effectively, with a focus on preventing security incidents
- To be prepared to respond to incidents with appropriate and tested response plans
- To establish programs that protect employees, company assets and shareholders from loss from theft, fraud, and other inappropriate activity
- To investigate and analyze security incidents, to take appropriate action and continuously improve
- To operate in accordance with the laws of Eritrea
- To maintain a high degree of professionalism, knowledge and integrity among security staff with appropriate recruiting, training, resources and contracting procedures
- To use proven technology to increase the reliability and efficiency of our operations

The above-noted commitment to international standards on law enforcement refers expressly to the UN Code of Conduct for Law Enforcement Officials

BMSC Code of Conduct (Policy 5)

- The Project has a zero tolerance to crimes and violence
- Use of force will not be tolerated and all disagreements must be resolved through appropriate legal channels
- The carrying of firearms, explosives etc. is prohibited
- Workers must carry appropriate identification at all times and there will be no access to site by non-authorized personnel. Workers must be willing to produce identification upon request

Nevsun Code of Ethics:

Voluntary Principles on Human Rights & Security. The Company has implemented numerous policies to ensure all employees, contractors and subcontractors are treated with dignity and respect at all times. The security standard in our operations is designed to help the Company protect its people and assets in a way that minimizes conflicts and respects the human rights of its stakeholders.

5.3.2 GRIEVANCE MECHANISMS

Conclusions of initial HRIA Report⁹³

- Developing effective operational grievance mechanisms are a critical component for providing access to remedy and meeting the corporate responsibility to respect human rights. BMSC has developed a number of grievance mechanisms with the objective of providing access to remedies to different stakeholder groups: its own workers, local community members, and contractors. In addition, Nevsun has clarified that its Whistleblower Policy is open to external stakeholders including those inside and outside of Eritrea
- Just as the Bisha Mine is relatively young, so are these grievance mechanisms. It is still necessary to promote them to the relevant

stakeholders and to explain the procedures for using them. The process of consulting with stakeholders provides an opportunity to make adjustments to the design of the grievance mechanism with a view to ensuring their effectiveness and credibility

- It is important to coordinate the tracking of all the grievance mechanisms to ensure appropriate follow-up actions are taken and that any trends can be ascertained for a more proactive response. The coordinated tracking of the various grievance mechanisms should also facilitate ongoing reporting and dialogue about how issues have been addressed

2015 Audit Findings

- There has been greater attention to grievance mechanisms at the Bisha Mine during the reporting period, in part due to implementation of the HRIA Recommendation #5, which is discussed in Section Three
- There have been convergent efforts from the Environmental Department, Community Relations and Human Resources to strengthen and coordinate the various grievance mechanisms available at site and through Nevsun's Whistleblower Policy. This has been supported by the following actions:
 - The Community Relations Department is updating the Standard Operating Procedures for the community grievance mechanism according to the criteria of the IFC Performance Standards and the UN Guiding Principles on Business and Human Rights. A draft of the updated SOPs has been reviewed and is anticipated to be rolled-out by the end of 2015. While the SOPs are being updated, the community grievance mechanism continues to operate through a combination of formal procedures and informal dialogue
 - The Human Resources Department continues to manage the internal grievances from workers that are raised through informal and formal channels. Given the attention to staff turnover issues during the audit period, a number of new human resources initiatives have been undertaken to resolve systemic complaints (e.g. salary review and pay scale adjustment), as well as discussions with the BMSC Board of Directors about other proposals to address worker concerns
 - A specialized grievance mechanism for Segen Construction workers at the Bisha camp was developed in 2014 and there has been ongoing dialogue with Segen workers and the National Confederation of Eritrean Workers about how this new grievance mechanism can complement the mechanisms that exist under the Collective Agreement between the NCEW and Segen Construction. As the NCEW does not have a permanent representative at the Bisha camp, the new grievance mechanism can contribute to greater access to remedy for Segen workers and should be promoted. Given that BMSC's responsibility for human rights due diligence extends to all of its contractors and suppliers, the specialized grievance mechanism has been expanded to apply to all contractors and suppliers and not just Segen Construction

- The Nevsun Whistleblower Policy has been expanded to cover non-financial issues, including human rights. No human rights issues were raised through this mechanism during the audit period. Although the Whistleblower Hotline was tested and is working, there is likely a need for greater promotion and awareness of this mechanism at site
- In the human rights induction training module for new employees, there is a presentation on these various grievance mechanisms with a message encouraging employees to use them and contribute to continuous improvement at the Bisha Mine
- Interviews and focus groups with workers revealed that there is awareness of the site-level grievance mechanisms and a willingness to use them. However, there is a preference for first trying to resolve issues informally with supervisors, managers and the Human Resource Department. Using the formal grievance mechanism is seen as more of a "last resort"
- During the January 2015 audit visit, the Community Relations manager showed how the Bisha offices in the nearby communities are used as points of access for community members with grievances. The Community Liaison officers have a role in receiving and recording the grievances and ensuring follow-up with the relevant departments and senior management at the mine. Interviews with community leaders and members demonstrated a convergent understanding of the role of the Bisha community offices and Community Liaison Officers in receiving complaints. As noted in Section Three, the Standard Operating Procedures are being updated and will be explained and promoted in the communities when they are finalized
- In the context of discussions about staff turnover, workers expressed appreciation for some of the new initiatives being undertaken to address collective issues; however, questions were raised about whether collective issues could be identified and addressed more proactively. As previously discussed, there is currently no employees' association at the Bisha Mine, although there have been preliminary discussions with the National Confederation of Eritrean Workers in this regard
- In November 2014, a lawsuit was filed against Nevsun in the British Columbia Supreme Court with allegations from three individuals with respect to national service and working conditions at the Bisha Mine. Without commenting on the merits of the lawsuit, it is part of a recent series of cases against Canadian mining companies related to their operations outside of Canada. This is arguably part of a larger global trend towards improving access to remedy through various judicial and non-judicial mechanisms

2015 Conclusions and Next Steps

- The various grievance mechanisms that apply to workers, communities, and contractors at the Bisha Mine continue to be used and refined. There has been ongoing attention to these grievance mechanisms in the audit period; there is also an acknowledgment that further efforts are needed to ensure coordination at site—including tracking of informal resolution of grievances, promotion of the relevant mechanisms for different stakeholder groups, and ensuring that there are no barriers to access
- The following are some suggested next steps for strengthening each of the grievance mechanisms, as well as their overall coordination:
 - When the updated SOPs for the community grievance mechanism have been finalized, ensure that they are widely promoted in the communities through meetings and materials (in local languages) in the Bisha community offices
 - Given the recent attention on staff turnover issues, focus attention on the internal grievance mechanisms for BMSC workers to identify trends and address collective issues proactively. Ensure that exit interviews are used to supplement management’s understanding of trends related to worker concerns
 - Ensure that the grievance mechanism for BMSC contractors is promoted to the relevant workers and that confidential points of access are provided. Further interviews with contractors’ workers can help promote and refine the mechanism based on their feedback
 - If the Whistleblower Hotline is not being used for non-financial matters, consider whether it needs to be further promoted, adjusted, or supplemented with a different mechanism at site
 - The proposed CSR Working Group (that will have a primary role in the implementation of the new Nevsun Human Rights Policy and BMSC Workers’ Rights Policy at site) should become a forum for regular discussion about the coordination and continuous improvement of the various grievance mechanisms at site. Because of its cross-departmental composition, the proposed CSR Working Group can be particularly useful in identifying collective issues for workers that go beyond a single department

STANDARDS RELATED TO GRIEVANCE MECHANISM

HUMAN RIGHTS: ACCESS TO REMEDY

The Eritrean Constitution:

Article 24 - Administrative Redress

1. Any person with an administrative question shall have the right to be heard respectfully by the administrative officials concerned and to receive quick and equitable answers from them
2. Any persons with an administrative question, whose rights or interests are interfered with or threatened, shall have the right to seek due administrative redress

Proclamations No. 166/2012, 167/2012, 168/2012 and Legal Notice No. 120/2012. These laws were promulgated by the government in 2012 with the aim of enhancing access to and better delivery of justice. The amendments encompass changes in the jurisdiction of courts; refinement of the procedural laws as well as the introduction of new laws for enforcement

Labour Proclamation 118/2001 provides for a system of Labour Courts and the Labour Relations Board for the adjudication of individual employment cases as well as issues involving Collective Agreements

Article 126 – First Instance Labour Courts

Article 127 – The Labour Relations Board

The BMSC Social Responsibility Policy (Policy 3) states that BMSC will “actively consult with local communities to identify and resolve environmental and social issues.”

The BMSC Employee Policy (Policy 4) states that BMSC will “provide avenues for the timely, confidential and appropriate resolution of employee grievances and complaints.”

The BMSC Code of Conduct (Policy 5) states the following:

“Respect requests of Community Leaders: Any request / issue raised by community leaders shall be directed to the Community Liaison Officers or other member of the community relations team. Any complaints shall be treated under the procedure defined by the BMSC Stakeholder Engagement Programme.”

The **BMSC Stakeholder Engagement Plan** contains a grievance mechanism for local communities, which was updated as part of the revision of the environmental and social management plans in line with IFC Performance Standards (2012)

A specific **Segen Construction Ltd.** Grievance Procedure at the Bisha Mine has been developed for Segen employees and is being updated to apply to all contractors and suppliers at the Bisha Mine

Nevsun expanded the scope of its **Whistleblower Policy** beyond financial accounting matters to include violations or suspected violations of the Code of Ethics.



SECTION
SIX

EVOLUTION OF HUMAN RIGHTS
DUE DILIGENCE AT THE BISHA MINE

EVOLUTION OF HUMAN RIGHTS DUE DILIGENCE AT THE BISHA MINE

The conclusions of the 2015 Audit are structured around the different components of the corporate responsibility to respect human rights according to the UN Guiding Principles on Business and Human Rights.⁹⁴

THE CORPORATE RESPONSIBILITY TO RESPECT HUMAN RIGHTS

In order to meet their responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:

- (a) A policy commitment to meet their responsibility to respect human rights
- (b) A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights
- (c) Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute

Commentary: Business enterprises need to know and show that they respect human rights. They cannot do so unless they have certain policies and processes in place

The initial HRIA Report also included a section that outlined the “building-blocks” that were in place for ongoing human rights due diligence at the Bisha Mine in accordance with the UN Guiding Principles.⁹⁵

In this section, relevant excerpts from the initial HRIA Report will be provided along with highlights of the progress made during the audit period. Recommendations and suggested next steps outlined elsewhere in the report will also be highlighted to show how they fit together in a coherent package that supports ongoing human rights due diligence.

6.1

ADOPTION OF A STAND-ALONE HUMAN RIGHTS POLICY

The following table shows the progress that has been made in terms of Nevsun’s adoption of a stand-alone human rights policy as a foundation for enhanced human rights due diligence at the Bisha Mine.

POLICY COMMITMENT

Operational Principle

As the basis for embedding their responsibility to respect human rights, business enterprises should express their commitment to meet this responsibility through a statement of policy that:

- (a) Is approved at the most senior level of the business enterprise
- (b) Is informed by relevant internal and/or external expertise
- (c) Stipulates the enterprise’s human rights expectations of personnel, business partners and other parties directly linked to its operations, products or services
- (d) Is publicly available and communicated internally and externally to all personnel, business partners and other relevant parties
- (e) Is reflected in operational policies and procedures necessary to embed it throughout the business enterprise

Observations from initial HRIA Report

In relation to policy commitments at the Bisha Mine, Nevsun and BMSC have the following strengths:

- Human rights and related issues are included in the Nevsun Code of Ethics and the BMSC operational policies
- The Nevsun Code of Ethics and BMSC operational policies have been approved by their respective Boards of Directors
- The Nevsun Code of Ethics applies to all employees, officers and directors of the Company and its subsidiaries

⁹⁴ As mentioned above, the UN Guiding Principles on Business and Human Rights have now been included by the Government of Canada as standards that are expected of Canadian extractive sector companies in their overseas operations; and, human rights due diligence is one of the core concepts of the corporate responsibility to respect human rights. Nevsun has also included the UN Guiding Principles on Business and Human Rights in its new Human Rights Policy.

⁹⁵ See initial HRIA Report, pp. 41 to 46

- The BMSC operational policies apply to BMSC management, and the BMSC Code of Conduct applies to all employees, contractors and subcontractors
- The Nevsun Code of Ethics and BMSC operational policies are publicly available and are communicated internally and to business partners
- Specific human rights issues are reflected explicitly and implicitly in the detailed operational policies and procedures for the Bisha Mine

Progress during 2015 Audit Period

- As discussed above, Nevsun has adopted a stand-alone Human Rights Policy and has integrated a section on human rights into the Nevsun Code of Ethics
- The Nevsun Human Rights Policy:
 - Refers explicitly to the UN Guiding Principles on Business and Human Rights
 - Requires a human rights policy at each operation
 - Requires specific human rights due diligence, including human rights impact assessment where necessary
 - Requires the creation of a site-level committee for oversight of the policy's implementation

Next Steps

- Finalize the BMSC Workers' Rights Policy and roll it out at the Bisha Mine through coordinated promotion and training activities
- Formalize the cross-departmental CSR Working Group to ensure effective implementation of the policy commitment and follow-up on HRIA Recommendations
- Finalize the BMSC Workers' Rights Policy and roll it out at the Bisha Mine through coordinated promotion and training activities. Some of the next steps include:
 - Leadership from ENAMCO and the General Manager at site in communicating the commitment of senior management to the new policy
 - Develop supporting materials (posters, etc.) to promote awareness about the new policy at site
 - Align the human rights training initiatives at site with the new policy
 - Ensure that the new policy requirements are communicated to Bisha's contractors, subcontractors and suppliers to drive the on-going engagement with them on human rights
 - Ensure that communities are informed of the new policy through the on-going engagement of the community liaison officers and distribution of promotional materials in the CLO offices
- Encourage ENAMCO and the General Manager to play a visible role in the roll out of the BMSC Workers' Rights Policy

6.2

PROGRESS ON HUMAN RIGHTS DUE DILIGENCE

The following section outlines the progress that has been made in terms of ongoing human rights due diligence at the Bisha Mine. Each of the constituent elements of human rights due diligence—assessing impacts, integrating and acting, tracking, and communicating externally—are examined in turn.

ONGOING HUMAN RIGHTS DUE DILIGENCE

Operational Principle

In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed. Human rights due diligence:

- Should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships
- Will vary in complexity with the size of the business enterprise, the risk of severe human rights impacts, and the nature and context of its operations
- Should be ongoing, recognizing that the human rights risks may change over time as the business enterprise's operations and operating context evolve

The following discussion examines each of the main components of ongoing human rights due diligence.

ASSESSING IMPACTS

Operational Principle

In order to gauge human rights risks, business enterprises should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should:

- Draw on internal and/or independent external human rights expertise
- Involve meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation

Observations from initial HRIA Report

- A Social and Environmental Impact Assessment (SEIA) was undertaken for the Bisha Mine as part of the licensing process. The SEIA was conducted in accordance with the IFC Performance Standards, and consultation with potentially affected stakeholders was undertaken in accordance with the Eritrean guidelines for impact assessment
- The SEIA's Environmental and Social Management Plans are being updated to reflect the revised IFC Performance Standards. This includes an updated Stakeholder Engagement Plan

- BMSC has undertaken a stand-alone HRIA conducted by an independent external team with human rights and social performance expertise, which involved meaningful consultation with potentially affected stakeholders, including workers, community leaders, and the workers of subcontractors

Progress during 2015 Audit Period

- There was dialogue with international and Eritrean stakeholders regarding the findings and recommendation of the HRIA
- A follow-up audit was commissioned to provide an update on the implementation of the HRIA Recommendations and to identify any emerging issues. As explained in the section about methodology, the audit was conducted in a manner that involved significant engagement with affected stakeholders
- Targeted impact assessment activities have been launched or proposed to improve understanding of areas of potential human rights impact, including:
 - Ongoing audit activities for contractors for potential impacts related to national service and working conditions
 - A hydrology study has been launched to improve understanding of the mine's impacts on the aquifer shared with two local communities
 - Additional health impact assessments have been proposed to improve understanding of potential impacts on workers and communities
- Additional attention to grievance mechanisms is providing an additional source of information about potential impacts

Next Steps

- Continue stakeholder engagement regarding the findings and recommendations from the 2015 Audit of the HRIA
- Continue targeted auditing activities for Eritrean contractors related to national service and working conditions
- Finalize the hydrology assessment to improve understanding of potential impacts on the human right to water
- Develop a plan for targeted health impact assessments for workers and communities in consultation with the Impact Review Committee and other stakeholders
- Finalize the updated Stakeholder Engagement Plan to ensure that affected stakeholders can participate in ongoing impact assessment activities

INTEGRATING AND ACTING

Operational Principle

In order to prevent and mitigate adverse human rights impacts, business enterprises should integrate the findings from their impact assessments across relevant internal functions and processes, and take appropriate action.

(a) Effective integration requires that:

- (i) Responsibility for addressing such impacts is assigned to the appropriate level and function within the business enterprise
- (ii) Internal decision-making, budget allocations and oversight processes enable effective responses to such impacts

(b) Appropriate action will vary according to:

- (i) Whether the business enterprise causes or contributes to an adverse impact, or whether it is involved solely because the impact is directly linked to its operations, products or services by a business relationship
- (ii) The extent of its leverage in addressing the adverse impact

Observations from initial HRIA Report

- Develop an action plan that sets out the commitments, timelines and actions planned to integrate and act upon the findings of the HRIA
- Integrate the HRIA findings insofar as possible into the Environmental and Social Management Plans in order to avoid dispersion of efforts and multiplication of priorities. Use the HRIA findings to help prioritize actions and budgets for the implementation of the Environmental and Social Plans
- Conduct workshops on the findings of the HRIA with key departments to discuss risks, challenges, opportunities and brainstorm about integration into their responsibilities and workplans
- In addition to an induction training module on human rights, develop more advanced human rights-related training modules for key departments, e.g. training on Voluntary Principles on Security and Human Rights for security department
- Continue dialogue, training and capacity-building initiatives with business partners, suppliers, contractors and subcontractors on human rights issues to complement screening processes and contractual provisions

Progress during 2015 Audit Period

- All HRIA Recommendations were accepted by Nevsun and ENAMCO and have been acted upon, although some will require ongoing implementation
- A series of group and individual meetings were organized with heads of departments to discuss the implementation of the HRIA Recommendations
- Progress is being made on updating management plans and Standard Operating Procedures in accordance with the IFC Performance Standards and human rights considerations are being or will be integrated for SOPs with particular relevance such as the community grievance mechanism and the Stakeholder Engagement Plan

- Human rights induction training is now being provided and a new training initiative related to the Voluntary Principles on Security and Human Rights is being implemented for the BMSC security personnel
- Dialogue on human rights with contractors and suppliers is starting to explore issues beyond the national service program, e.g. road safety and working conditions

Next Steps

- Formalize the cross-department CSR Working Group to ensure ongoing integration and continued implementation of the HRIA Recommendations at site. Ensure that the Chair of the Working Group has adequate time and authority to ensure that regular meetings are held and deliverables are met
- Continue to develop new or updated SOPs in priority areas to ensure systematic and operational implementation of commitments
- Continue dialogue with Eritrean contractors and subcontractors with a view to the development of their own internal policies and procedures that contribute to human rights due diligence (e.g. Transhorn Trucking GPS initiative)
- Continue dialogue with ENAMCO and the Impact Review Committee about broader CSR initiatives that contribute to the development of a responsible mining sector in Eritrea

- Nevsun has ongoing dialogue with external stakeholders related to CSR and human rights issues

Progress in 2015 Audit Period

- The 2015 Audit has a primary objective of tracking BMSC's responses to the HRIA Recommendations and identifying emerging human rights issues, and the methodology drew upon feedback from internal and external sources, including affected stakeholders
- Internal tracking was heavily focused on the implementation of the HRIA Recommendations and the assessing progress for disclosure in the annual CSR Report
- There has been extensive engagement with international and Eritrean stakeholders about the HRIA recommendations and proposed follow-up actions. This engagement contributed to the prioritization of some of the emerging human rights issues for the 2015 Audit
- Dialogue in respect of the implementation of the HRIA Recommendations has begun with the Impact Review Committee with a view to their engagement as part of their ongoing monitoring efforts

Next Steps

- Continue dialogue with international and Eritrean stakeholders about follow-up on the HRIA Recommendations
- Develop a template for internal reporting on implementation of the HRIA Recommendations to facilitate tracking and data collection for future internal or external audits
- Continue dialogue with Eritrean contractors and suppliers about strategies to make ongoing auditing as effective as possible
- Continue to monitor grievance mechanisms for issues and trends that can help identify human rights impacts
- As part of the update of the Stakeholder Engagement Plan, ensure the effectiveness of the mechanism for tracking information from ongoing community liaison activities

TRACKING RESPONSES

Operational Principle

In order to verify whether adverse human rights impacts are being addressed, business enterprises should track the effectiveness of their response. Tracking should:

- Be based on appropriate qualitative and quantitative indicators
- Draw on feedback from both internal and external sources, including affected stakeholders

Observations in Initial HRIA Report

- Indicators have been developed for the Environmental and Social Management Plans, which can be supplemented by human rights indicators that are relevant to tracking and reporting according to the GRI
- BMSC has dedicated Community Liaison Officers and has a Stakeholder Engagement Plan for ongoing consultation with surrounding communities, as well as various informal and formal mechanisms exist for consultation with employees
- BMSC has templates and processes for various forms of internal and external reporting, including weekly, monthly, quarterly and annual reports
- BMSC has various external review and audits that can help track relevant issues and validate company responses. These include the ongoing monitoring and dialogue with the Eritrean Impact Review Committee and external social and environmental performance experts

COMMUNICATING EXTERNALLY

Operational Principle

In order to account for how they address their human rights impacts, business enterprises should be prepared to communicate this externally, particularly when concerns are raised by or on behalf of affected stakeholders. Business enterprises whose operations or operating contexts pose risks of severe human rights impacts should report formally on how they address them. In all instances, communications should:

- Be of a form and frequency that reflect an enterprise's human rights impacts and that are accessible to its intended audiences
- Provide information that is sufficient to evaluate the adequacy of an enterprise's response to the particular human rights impact involved
- In turn not pose risks to affected stakeholders, personnel or to legitimate requirements of commercial confidentiality

Observations from initial HRIA Report

- Nevsun provides formal reporting on human rights issues in its annual CSR Report, which is prepared in accordance with the GRI Sustainability Reporting Framework
- BMSC operational policies commit to external reporting to communities, and the Stakeholder Engagement Plan plans structured stakeholder engagement activities that provide a good opportunity for ongoing external communication on progress
- BMSC has committed to publish a summary of the HRIA report. The HRIA report will be prepared in a manner to protect stakeholder identity and commercial confidentiality

Progress during 2015 Audit Period

- A summary of the HRIA Report was published and the full report was subsequently made available on the Nevsun website
- A case study on the HRIA and a self-assessment of progress made on the implementation of the HRIA Recommendations was included in the 2014 CSR Report
- There has been extensive and ongoing engagement with international and Eritrean stakeholders about the HRIA recommendations and proposed follow-up actions. This engagement provided opportunities to further explain the HRIA methodology and the follow-up at site
- The engagement with the Canadian Parliament's Subcommittee on International Human Rights has provided an important opportunity for external communication and accountability within the Canadian context
- External communication regarding human rights has been exceptionally transparent while ensuring that confidential information about affected stakeholders who participated in the HRIA has been safeguarded

Next Steps

- Nevsun has committed to publishing the 2015 Audit report and to ongoing engagement with international and Eritrean stakeholders about the HRIA process
- Continue to publish information about the HRIA process and implementation of the HRIA Recommendations in the annual CSR Report. To meet emerging best practices for human rights reporting, consider using the UN Guiding Principles Reporting Framework to frame future human rights reporting
- Translation of a summary of the CSR report, including information about the HRIA process, would help support ongoing stakeholder engagement with local workers and community members

6.3

REMIEDIATION

REMIEDIATION

Operational Principle

Where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes.

Observations from initial HRIA Report

- BMSC has grievance mechanisms for employees and communities to raise concerns. In the Stakeholder Engagement Plan, there are actions planned to develop new standard operating procedures, provide training and develop awareness materials on the grievance mechanism
- BMSC has developed a specific grievance mechanism procedure to address allegations of force labour or concerns about working conditions, and is in the process of consulting with Segen workers and managers on the implementation of the mechanism
- Nevsun has clarified that its Whistleblower Policy is available to external stakeholders and was recently amended to include non-financial Code of Ethics matters

Progress in the 2015 Audit Period

- A number of actions have been undertaken to strengthen the implementation and coordination of various grievance mechanisms at the Bisha Mine
- Promotion of the various grievance mechanisms at site has begun through the human rights module in the induction training
- There has been dialogue with Segen workers and the National Confederation of Eritrean Workers related to a specific grievance mechanism for BMSC contractors
- While it denies the specific allegations in the lawsuit brought in the British Columbia Supreme Court, Nevsun has publicly stated that it is willing to compensate and remediate any past, present, or future human rights impacts that it caused or contributed to

Next Steps

- Continue to promote the various grievance mechanisms at site, including during the roll out of the new BMSC Workers' Rights Policy
- Ensure that communities are informed and consulted when the updated community grievance mechanism SOP is ready to be implemented
- Continue to track the use of the various grievance mechanisms, including through the proposed cross-departmental CSR Working Group
- Ensure that all promotional messages about the grievance mechanisms emphasize the principles of anonymity, confidentiality, and non-retribution
- If any of the grievance mechanisms are not being used after additional promotional efforts, consider an evaluation and redesign if necessary



SECTION
SEVEN

CONCLUSIONS AND SUMMARY OF
RECOMMENDATIONS AND NEXT STEPS

CONCLUSIONS AND SUMMARY OF RECOMMENDATIONS AND NEXT STEPS

From the HRIA activities conducted over the past two years, it is clear that there is a strong program for corporate social responsibility (CSR) at the Bisha Mine and that this program is increasingly focused on the requirements for human rights due diligence according to the UN Guiding Principles on Business and Human Rights.

During the audit period, solid progress has been made on the implementation of the recommendations of the HRIA report in a relatively short time frame. As with any remote operation, it takes time to fully integrate new human rights due diligence requirements and processes at site—but there currently is support and positive momentum on human rights from the relevant managers.

There are now more explicit references to and understanding of human rights at site. The adoption of a stand-alone Human Rights Policy by Nevsun and the development of a stand-alone Workers' Rights Policy by BMSC leadership are contributing to this more explicit focus on human rights as an operational issue. This builds upon the existing policies and procedures for CSR and environmental and social management, which have been the main framework for addressing potential impacts on the human rights of workers and community members during the mine's operations.

Furthermore, BMSC managers understand that most of the HRIA recommendations require sustained effort—for example for training, screening and dialogue with suppliers and coordination of grievance mechanisms. In the audit period, the necessary internal Standard Operating Procedures, capacity, and resources were being marshaled for the ongoing implementation of the initial HRIA recommendations at site, and there was an openness to consider next steps that could strengthen these efforts.

Moreover, the continuation of the HRIA as an ongoing and transparent process, rather than a one-time exercise, is an innovative practice that can help build capacity for ongoing human rights due diligence at site. In this regard, the identification of emerging human rights issues related to exploration, staff turnover, road safety and security has provided an opportunity for dialogue with managers and affected stakeholders about a more proactive approach to assessing and addressing potential human rights impacts.

During the audit period, there have been further external reports and legal developments that highlight allegations about past practices of subcontractors at the Bisha Mine. While these do not align with the findings of the HRIA process over the past two years, continued screening and dialogue with the Bisha Mine's Eritrean business partners is required.

Attention to the human rights situation at the Bisha Mine by external stakeholders is understandable and will continue. The Bisha Mine plays a significant role in the economic development of Eritrea, and BMSC has an important role and responsibility to set a positive benchmark for the Eritrean mining sector. Therefore, it is important for there to be continued transparency, stakeholder engagement, and accountability for the CSR and HRIA efforts at the Bisha Mine.

To the extent possible, it is also important for BMSC to contribute to dialogue and cooperation about the responsible development of the broader mining industry in Eritrea. As new mines are developed, there will be occasions to engage on broader issues related to mining policy and human rights standards that cannot be addressed by the Bisha Mine alone. In this regard, the experience of the Bisha Mine should be leveraged to contribute to human rights due diligence at other mines.

A number of recommendations about next steps have been provided throughout this report. For ease of reference and tracking purposes, the following table compiles the main recommendations for continued strengthening of ongoing human rights due diligence at the Bisha Mine. Some additional next steps related to specific human rights issues are included in Section Five of the report, and should be cross-referenced.

NEXT STEPS FOR IMPLEMENTATION OF INITIAL HRIA RECOMMENDATIONS

1. POLICY

- Formalize the cross-departmental CSR Working Group to ensure effective implementation of the policy commitment and follow-up on HRIA Recommendations
- Finalize the BMSC Workers' Rights Policy and roll it out at the Bisha Mine through coordinated promotion and training activities. Some of the next steps include:
 - Leadership from ENAMCO and the General Manager at site in communicating the commitment of senior management to the new policy
 - Develop supporting materials (posters, etc.) to promote awareness about the new policy at site
 - Align the human rights training initiatives at site with the new policy
 - Ensure that the new policy requirements are communicated to Bisha's contractors, subcontractors and suppliers to drive the on-going engagement with them on human rights
 - Ensure that communities are informed of the new policy through the on-going engagement of the community liaison officers and distribution of promotional materials in the CLO offices

2. TRAINING

- Ensure that all employees (who have previously received induction training) get training on the new human rights module. This can be coordinated with the roll out of the forthcoming BMSC Workers' Rights Policy so that the training serves to embed the specific commitments contained in the new policy
 - Ensure that the human rights training is included in each employee's training and personal development plan for the next year, and verify that it has been completed when the employee's plan is reviewed
 - Provide opportunities to deliver the human rights training module during other training sessions so that employees do not need to go to the Training Centre on additional occasions
- Continue to implement the Voluntary Principles on Security and Human Rights training initiative, including:
 - Training workshops for security managers on integrating human rights into ongoing risk assessment and standard operating procedures
 - Development of a customized training package covering human rights, the Voluntary Principles and the relevant standard operating procedures for security guards
 - Delivery of the training for security personnel at the Bisha Mine
- Conduct an independent third-party audit on the implementation of the Voluntary Principles after the training initiative has been completed.

3. IFC PERFORMANCE STANDARDS

- Prioritize the development or updating of environmental and social management plans and SOPs that are most relevant to human rights as identified in the section about HRIA Recommendation #3
- In particular, ensure that human rights considerations and standards are taken into account in the update of the following SOPs:
 - Stakeholder engagement
 - Grievance mechanism
 - Water-related plans and SOPs
- Continue dialogue with Impact Review Committee on updated management plans and SOPs

4. ENGAGEMENT WITH CONTRACTORS AND SUPPLIERS

- Continue audits of Segen and Transhorn and continue to expand topics from national service to other human rights issues
- Voluntary Principles initiative provides a framework for screening, auditing and engagement with Binae Security
- Fill the position of Contract Manager to assist in coordination of engagement with contractors, sub-contractors, and suppliers with respect to human rights
- Develop a code of conduct for business partners which consolidates the contractual provisions and various policies that are intended and/or required to apply to contractors, and suppliers
- Provide further encouragement, requirements, or incentives for strengthening the record-keeping systems of the Eritrean contractors, subcontractors, and suppliers

5. COORDINATION OF GRIEVANCE MECHANISMS

- Continue to track the use of the various grievance mechanisms, including through the proposed cross-departmental CSR Working Group
- Continue to promote the various grievance mechanisms at site, including during the roll out of the new BMSC Workers' Rights Policy. Ensure that all promotional messages about the grievance mechanisms emphasize the principles of anonymity, confidentiality, and non-retribution
- Ensure that communities are informed and consulted when the updated community grievance mechanism SOP is ready to be implemented
- While continuing dialogue with National Confederation of Eritrean Workers, roll-out a separate grievance mechanism for Segen and all contractors and suppliers
- If any of the grievance mechanisms are not being used after additional promotional efforts, consider an evaluation and redesign if necessary
- Ensure that focus on operational grievance mechanisms does not prevent barriers to access to judicial or non-judicial remedy

6. CAP

- Expedite the implementation of the proposed pilot projects
- Plan for external evaluation of CAP pilot projects to assess the potential positive impacts, any unintended negative impacts and lessons learned for future CAP projects
- Ensure an equitable distribution of CAP projects between affected communities over time

CONCLUSIONS AND NEXT STEPS TO PROACTIVELY ADDRESS EMERGING ISSUES

1. EXPLORATION

- Continue to collaborate with the Environmental Department and other relevant departments to ensure that environmental and social due diligence is conducted in advance of exploration activities
- Ensure appropriate consultation and consent is obtained from local communities and authorities if exploration activities result in potential impacts on land or cultural heritage

2. STAFF TURNOVER

- Conduct formal exit interviews to understand the reasons that employees are leaving
- Continue to strengthen the internal grievance mechanisms and communications channels for workers to raise concerns proactively
- Prioritize future human resource initiatives and dialogue on topics that have been identified with potential human rights impacts
- If workforce turnover results in greater reliance on expat workers – prioritize induction training on human rights and cultural sensitivity

3. ROAD SAFETY

- Continue dialogue with Transhorn to ensure the effective GPS monitoring of the BMSC fleet – including through having a computer monitoring terminal at Bisha
- Consider the possibility of using the GPS monitoring infrastructure for the BMSC light vehicle fleet
- Engage in discussions with community leaders and police in communities along transport route about road safety

4. SECURITY

- Ensure that Voluntary Principles training and implementation initiative includes updated risk assessment and SOPs regarding emergency procedures
- Ensure that security incidents are properly investigated and appropriately reported – including to workers and community members
- Conduct a 3rd party audit for the Voluntary Principles when the training initiative has been completed

RECOMMENDED NEXT STEPS FOR STRENGTHENING ONGOING HRDD AT SITE

1. POLICY COMMITMENT

- See HRIA Recommendation #1

2. IMPACT ASSESSMENT

- Continue stakeholder engagement regarding the findings and recommendations from the 2015 Audit of the HRIA
- Continue targeted auditing activities for Eritrean contractors related to national service and working conditions
- Finalize the hydrology assessment to improve understanding of potential impacts on the human right to water
- Develop a plan for targeted health impact assessments for workers and communities in consultation with the Impact Review Committee and other stakeholders
- Finalize the updated Stakeholder Engagement Plan to ensure that affected stakeholders can participate in ongoing impact assessment activities

3. INTEGRATING AND ACTING	<ul style="list-style-type: none"> Formalize the cross-department CSR Working Group to ensure ongoing integration and continued implementation of the HRIA Recommendations at site. Ensure that the Chair of the Working Group has adequate time and authority to ensure that regular meetings are held and deliverables are met Continue to develop new or updated SOPs in priority areas to ensure systematic and operational implementation of commitments Continue dialogue with Eritrean contractors and subcontractors with a view to the development of their own internal policies and procedures that contribute to human rights due diligence (e.g. Transhorn Trucking GPS initiative) Continue dialogue with ENAMCO and the Impact Review Committee about broader CSR initiatives that contribute to the development of a responsible mining sector in Eritrea
4. TRACKING	<ul style="list-style-type: none"> Continue dialogue with international and Eritrean stakeholders about follow-up on the HRIA Recommendations. Develop a template for internal reporting on implementation of the HRIA Recommendations to facilitate tracking and data collection for future internal or external audits Continue dialogue with Eritrean contractors and suppliers about strategies to make ongoing auditing as effective as possible Continue to monitor grievance mechanisms for issues and trends that can help identify human rights impacts As part of the update of the Stakeholder Engagement Plan, ensure the effectiveness of the mechanism for tracking information from ongoing community liaison activities
5. COMMUNICATING	<ul style="list-style-type: none"> Nevsun has committed to publishing the 2015 Audit report and to ongoing engagement with international and Eritrean stakeholders about the HRIA process Continue to publish information about the HRIA process and implementation of the HRIA Recommendations in the annual CSR Report. To meet emerging best practices for human rights reporting, consider using the UN Guiding Principles Reporting Framework to frame future human rights reporting⁹⁶ Translation of a summary of the CSR report, including information about the HRIA process, would help support ongoing stakeholder engagement with local workers and community members
6. REMEDIATION	<ul style="list-style-type: none"> See HRIA Recommendation #5
7. ENGAGEMENT WITH GOVERNMENT OF ERITREA	<ul style="list-style-type: none"> Offer to provide human rights training to ENAMCO and Impact Review Committee (as well as to state-owned contractors and suppliers as part of ongoing auditing and dialogue) Engage with Eritrean security forces as part of Voluntary Principles training and implementation Provide leadership on CSR for mining sector—including through continued discussions about the rationale for a sector-wide impact assessment and/or the potential formation of employers and employees associations for the sector

⁹⁶ From a preliminary analysis of the external reporting on human rights about the Bisha Mine through the annual CSR Reports and the transparent reporting about the HRIA process, there is already sufficient public information available for Nevsun to respond to the core questions and many of the advanced questions in the UN Guiding Principles Reporting Framework.

ASSESSMENT TEAM

The Human Rights Impact Assessment of the Bisha Mine in Eritrea 2015 Audit was prepared by LKL International Consulting Inc. The assessment team included:

LLOYD LIPSETT is the founder and principal of LKL International Consulting Inc. Lloyd is an international human rights lawyer with over 16 years of experience working with leading companies, governments, national human rights institutions, civil society organizations, and indigenous peoples. He has developed a niche in the field of human rights impact assessment with a focus on extractive industry projects and free trade agreements. Lloyd began his career as a corporate litigator and previously served as the senior assistant to three Presidents of Rights & Democracy from 2003 to 2008. His education is from Queen's University in philosophy and politics, and subsequently McGill University in law. He is a member of the Law Society of Upper Canada.

MICHELLE HOHN is the Principal of Akashic Communications, a consultancy specialising in sustainability and social performance initiatives for the extractive sector. Michelle's clientele over the past 17 years has been almost exclusively in mining and metals, where the majority of her expertise and advisory services have included stakeholder engagement, identifying developing and integrating CSR priorities and sustainable strategies, assisting in the design and development of governance and social performance policies, and providing guidance as to the presentation and communication methods that best reflect these multi-stakeholder, continuous improvement efforts. She is Global Reporting Initiative (GRI) G4 Certified and has a Masters degree in Professional Communications.

Nevsun has made the following commitments with respect to the 2015 HRIA process

- Publishing the HRIA and audit on its website
- Providing a public response
- Developing an action-plan for follow-up on recommendations
- Ongoing engagement with stakeholders about the HRIA process
- Reporting on implementation of HRIA recommendations in its annual Corporate Social Responsibility (CSR) Report



LKL INTERNATIONAL
CONSULTING INC.