

MEMO

TO: Júlia Neiva e Mauricio Lazala, Business and Human Rights Resource Center

CC:

FROM: Ed Opitz, *Vice-President Safety and Sustainability*, Kinross Gold Corporation

RE: **Kinross Gold response to recent reports published by Above Ground and Justiça Global regarding Paracatu, Brazil**

DATE: February 2, 2018

I am writing to you today to refute and respond to the inaccurate and misleading reports issued in December 2017 by the Canada-based “Above Ground” and Brazil-based “Global Justice” (“AG-JG reports”) organizations.

The AG-JG reports present numerous unfounded and factually incorrect allegations along with partial, false and misleading information. These reports do a disservice to the community and damage the reputation of Kinross by misinforming the public about the Company’s activities at Paracatu.

Kinross has a long history of transparency on social and environmental matters related to our operations and we are strongly committed to operating to the highest social, environmental and ethical standards across all our global operations, including our Morro do Ouro mine in Paracatu, Minas Gerais, Brazil.

It is important to note that neither Above Ground or Global Justice have shown interest in discussing the allegations they raised. In fact, it was Kinross that reached out to these groups to initiate dialogue after learning that they were preparing reports about our activities. Although they did agree to meet with us, we met only once with each group (with Global Justice in 2015, and with Above Ground in January 2017). It is disappointing that neither group took the time to accept our offer to continue the dialogue. Today, Kinross would like to set the record straight:

- Kinross has a **respectful and constructive relationship with quilombola communities**, and we have supported many local projects with these communities to help preserve their history and culture.
- Two detailed and separate independent clinical studies clearly show that **arsenic from our operations is not a public health concern for the people of Paracatu** and that arsenic concentrations in food, water and dust in Paracatu are normal.
- There are **no “artisanal” miners at the Morro do Ouro mine** and in recent years, criminal trespassers have attempted to steal gold from flotation tails putting themselves and our employees in danger.
- **Kinross is a good neighbour** and maintains a 24-hour hotline. Immediate steps are taken when

complaints about dust or noise are received at our mine. We implement community-based monitoring programs, capacity-building training programs, and numerous other programs that support sustainable community development.

- **Kinross' operations have benefited the local community.** The municipal-level Human Development Index (HDI) data for Paracatu show that since 1990, when modern mining began in Paracatu, the city has outperformed both the state of Minas Gerais and Brazil.

Unfortunately, the AG-JG reports manipulate or ignore the information we provided to them. We would encourage anyone interested in an accurate account of the facts to visit our on-line public disclosures on point. We have summarized key facts in the sections below.

Traditional Communities (Quilombola) – respectful and constructive engagement

- Contrary to the views expressed in the AG-JG reports, under Brazilian law quilombola communities do not hold legal ownership rights over their traditional lands unless and until an administrative and legal process is completed to (a) recognize the traditional lands and (b) convey permanent communal title to the community, with fair compensation to the current owners of the land.
- In the case of our Paracatu operations, neither the administrative nor the legal process has ever been completed, and no legal ownership rights of traditional lands have been established or recognized.
- All our dealings regarding the quilombola land process have followed Brazilian law. The courts in Brazil have repeatedly ruled that Kinross' purchase of lands, and continued use of these lands as mining facilities, are legal and consistent with the Constitution and laws of Brazil. These rulings have analyzed the evidence and concluded that the quilombola land claims in the area of the mine operation have no legal basis. In other words, the lands do not meet the legal definition of quilombola. Facts supporting the court rulings include:
 - The properties in question have not been used as "traditional" communal territory for a very long time (if ever); rather, historical documents show that there was a "high turnover of properties and their owners, as well as that the areas were densely populated and economically exploited, features that are incompatible with the existence of a quilombo in the area...the lands were the object of buying and selling since the 19th century."
 - None of the landowners from whom Kinross purchased land for expansion of mine facilities were participants in the quilombola recognition process.
 - The self-identified associations of quilombolas who did claim these lands did so with no intent to occupy the lands as communal territory.
 - Kinross was not the only party potentially affected by quilombola recognition process – hundreds of other private properties, held by non-quilombolas, including entire villages, other businesses, and private homeowners would also be affected.
 - Despite the legal considerations described above, Kinross has proposed alternative solutions to support the aspirations of the quilombola associations, including offering financial compensation and donation of other lands; however, these proposals have not been supported by the relevant government agencies. Kinross stands ready to follow through on its longstanding offer of a land donation, under the terms of reference agreed to by the parties back in 2011.
- In particular, the AG-JG reports misrepresent the situation with the Amaros community. There is one family participating in the land claim, who holds title to a parcel near Kinross mine facilities. Kinross purchased another parcel for the family that is of greater value, and provided financial support for them

to relocate to their new land. The family still retains full title, access, and use of the original parcel, and one member of the family had moved back to that original parcel. Kinross has also proposed to donate additional lands to the community association, but the relevant governmental agencies have not participated in discussions of the potential donation since 2015.

- Kinross maintains respectful and constructive relations with the quilombola community. We have a particularly close relationship with São Domingos. Together we have developed numerous community projects:
 - Kinross has consistently supported the preservation of culture through programs unique to the quilombola community – including arts, music, dance, and sports;
 - Kinross helped São Domingos establish a biscuit factory – including a sales relationship with mine’s catering group to help kick-start this local business program;
 - Kinross helped the community construct the Association building, and supplied electrical junction boxes and control panels for 100 houses built with federal funds as part of a housing project;
 - Kinross maintains an environmental monitoring station in the community, including community residents as monitors;
 - Kinross has conducted stream repair projects on Rapadura Creek, which runs through São Domingos and was heavily impacted by artisanal mining – including remediation of artisanal mining areas just upstream of the São Domingo waterfall mentioned in the AG report.

“Artisanal Mining” – there is no “artisanal mining” at the Morro do Ouro Mine

- The AG-JG reports attempt to portray invasions of the mine territory by armed individuals as “artisanal mining”, or “clandestine mining.” In reality, there has been no “artisanal” mining in Paracatu since 1989, when the State Government of Minas Gerais launched “SOS Paracatu” to stop artisanal mining in the area due to the significant health, safety and environmental impacts in rivers in the area. This was followed by a formal resolution of COPAM (State environmental policy agency) in 1990 to suspend the activity.
- Since then, there have been occasional incidents involving trespassers attempting to steal gold from the flotation tails. This is not “mining,” rather it is groups of armed and sometimes violent individuals moving in to take control of portions of the industrial facility. In attempting to access the site, they ignore signs and barriers placed to secure industrial areas that are extremely unsafe to access. These groups often fire lethal weapons at mine employees, and occasionally at each other.
- Our approach has been to improve fencing, lighting, patrols, and other measures to limit access to the target areas, and to co-operate closely with local law enforcement officials.
- Kinross supports the Voluntary Principles on Security and Human Rights and has implemented an extensive Human Rights Adherence and Verification Program. As part of this program, staff receive training in human rights annually. All actions taken by security personnel at Paracatu, including working with the military police in Brazil, have been conducted in accordance with the Kinross Global Security Standardization Program.
- In 2015, we also implemented a public education program to raise awareness of the health and safety issues associated with these activities as well as common concerns among neighbours over trespassing and respect for private property. Kinross is supporting community efforts to tackle the underlying problems of crime in Paracatu.

Environment and Public Health – years of studies demonstrate that the mine does not contaminate and that arsenic is not a public health concern at Paracatu

- World-renowned experts in arsenic toxicology have conducted extensive studies over many years, and found there is no increase in employee or community health risk from arsenic due to Kinross mining activities.
- In early 2016, the final result of a six-year research program coordinated by the National Institute of Science and Technology on Minerals Resources Water and Biodiversity (INCT), with the support of researchers from federal universities in Brazil and the University of Queensland, Australia was published, including a complete Human Health Risk Assessment. The scientific studies concluded that exposure to arsenic in Paracatu is low and that the risk to human health is low and that total arsenic exposure from food, water, dust and soil in Paracatu is ten times lower than the benchmark dose for daily arsenic intake established by World Health Organization and the Food and Agriculture Organization of the United Nations.
- These scientific studies were published in the proceedings of the 4th International Congress on Arsenic in the Environment (July 2012), and the results and conclusions have been shared with Kinross employees, contractors and the local community.
- Separately, the municipality of Paracatu released the results of its own study in early 2014, finding that the health risk from arsenic in the community is low. The study was led by Centro de Tecnologia Mineral (CETEM), a federal government research institute, and was conducted over three years with the support of more than 70 researchers, including epidemiologists, biochemists and environmental geologists from five partnering institutions.
- As well, more than 7,000 employee tests over five years (2012 - 2016) have not found a single result that is above the Brazilian occupational exposure guidelines for arsenic.
- For more information, including full versions of the scientific reports, CVs of the scientists involved in the studies, and other information please see <http://arsenio.kinross.com.br/en/>

Access to Clean Water – Kinross sources water from basins that do not serve the city

- There is no conflict between Kinross and domestic water users as Kinross gets its water from a different basin, outside the area that serves as the water supply for the city.
- All water users were affected by the multi-year drought in Paracatu and the surrounding area. Kinross worked in coordination with local authorities to provide support to affected communities near the mine site through the use of Company water trucks and supplying water to Copasa, the municipal water agency.
- Kinross has also undertaken extensive efforts to protect springs, restore streams, and otherwise remediate water pollution around the Morro do Ouro mine resulting from decades of uncontrolled garimpeiro mining prior to the ban in 1989. Since our operations began, there has been a significant improvement in stream water quality all around the mine, due to our environmental controls and efforts to recover the damage and pollution caused by the garimpeiros. This work was recognized in an environmental reclamation award in 2015. (<http://paracatu.net/view/1481-kinross-recebe-selo-benchmarking>).

Dust, Noise, Vibrations – Kinross is a good neighbor

- Paracatu was originally founded when gold was discovered here in the 18th century, and as such, the city arose directly on and around the deposit. With the advent of modern mining techniques, there have been drastic improvements in water quality around the area, uncontrolled use of toxic substances such as mercury have been eliminated, and the city has been able to grow and diversify its economic base. The proximity of the city to the mine, however, does create specific challenges. Kinross takes this very seriously and have been very transparent about the measures we take, in conjunction with the community, to address issues. This includes community-based monitoring, which is globally seen as best practice, and the recent successful and constructive mediation through the Brazil NCP resulting in a housing risk study that will be completed in 2018.
- Kinross maintains a 24-hour hotline and takes immediate steps when complaints about dust or noise are received.
- There is a robust body of evidence that shows issues raised by the communities are resolved in a constructive and collaborative manner. Importantly, there is also strong evidence that communities have access to effective remedy in the rare event a situation is not resolved to mutual satisfaction.

Other unfounded assertions

- The AG-JG reports note a lawsuit against Kinross by Federal authorities regarding payment of royalties on silver by-product. We note that the Courts have recently ruled in favour of Kinross on this issue.

To conclude, we feel it is important to highlight some of the positive aspects of the contributions that our mining operations has made to the city of Paracatu over the years in light of the AG-JG report.

Community Well-Being: Paracatu is better off to have the mine, than it would be without

- While there are multiple contributors to the economic health of Paracatu, such as agribusiness and education, we believe contributions from the Morro do Ouro mine, including wages and benefits, local procurement, and taxes, have been beneficial to the city's development.
- Municipal-level Human Development Index (HDI) data for Paracatu show that since 1990, when modern mining began in Paracatu, the city has advanced more rapidly than the country of Brazil itself, and more rapidly than the state of Minas Gerais, where it is located.
- As a result of this improvement, the city of Paracatu now ranks above national and state-wide averages in a number of key social indicators.

2010 DATA	Paracatu	Brazil	Minas Gerais
Infant mortality	13.5	16.7	15.08
Under 5 mortality	15.7	18.8	17.3
Life expectancy at birth	76.22	73.94	75.3
Households with water (%)	95.16	92.72	94.44
Households with sanitation (%)	95.04	87.16	94.91
Households with garbage collection (%)	99.12	97.02	97.85
Households with electricity (%)	99.58	98.58	99.35
Households with adequate walls (%)	99.54	96.58	99.03
Gini ¹	0.51	0.60	0.56
Population – poor (%)	9.34	15.2	10.97
Population – extremely poor (%)	2.37	6.62	3.49
Children – poor (%)	15.82	26.01	20.48
Children – extremely poor (%)	3.94	11.47	6.35

1. *Gini is a measure of income distribution – higher scores reflect more unequal distribution*

This contribution, along with our world-class corporate responsibility and environmental programs, have been recognized by numerous independent third parties, including a wide variety of awards for our operations in Brazil:

- 2017 international award for Best Practices in Acid Rock Drainage Prevention at a mining site, International Network for Acid Prevention (INAP)
- 2015 “Company of the Year”, Precious Metals and Mineral Category, Brazil Mineral Magazine
- “Gold” safety ranking, Brazil’s top rating for Health and Safety Management, by Brazil’s national safety agency (2015)
- 2015 “Sustentabilidade Stamp” by the Brazil Sustainability Benchmarking program, in recognition of innovative approach to restoring vegetation to mine impacted areas
- 2014 Green Mine Award, Environmental Indicators – Water category for Spring Recovery Project, Brazil’s In the Mine magazine
- The United Nations, in partnership with Government of the State of Minas Gerais and João Pinheiro Foundation, recognized the mine’s community program (“Integrar”) for its contribution to Millenium Development Goals Minas Gerais
- 2014 – the “Integrar” program was ranked by State and Federal Governments as one of the 15 best social initiatives in Minas Gerais (2014) in all sectors

Each of these recognitions provides independent verification of Kinross’ solid track record at Paracatu. We take our environmental and social obligations seriously, and are always ready to work with stakeholders to address concerns they may have about our operations. It is unfortunate however that a significant amount of unscientific and unsubstantiated misinformation continues to be propagated about the impact of mining activity in Paracatu, which does a disservice to the community.