



AGNICO EAGLE

Agnico Eagle Mines (AEM)

*Annual Report on the Voluntary Principles
on Security and Human Rights 2018*

Introduction

This report is our second Plenary Report as a member of the Voluntary Principles. It details the actions taken in 2018 to comply with the standard. Agnico Eagle Mines (AEM) began adopting the Voluntary Principles (VPs) in 2016 and became a formal member in 2017. AEM acknowledges that operating responsibly and maintaining the trust of our stakeholders requires us to demonstrate that the gold we produce has been extracted in a manner that does not fuel unlawful armed conflict or contribute to serious human rights abuses or breaches of international law. To this end, AEM is committed to implementing the Voluntary Principles in our operations, development properties and at our closed sites.

In 2017, AEM actively participated in the VPs corporate pillar activities and worked with the Mining Association of Canada to include the VPs in its membership requirements. In 2018, AEM started implementing a formal plan to ensure our sites are compliant with the VPs. This process began with a third-party baseline assessment against the VPs at our La India mine site in Mexico. AEM will continue this process in 2019 with assessments at our other higher risk sites. Learnings from each assessment are shared across sites in order to promote best practices in security and human rights.

Highlights of 2018 include:

- Third party independent baseline assessment at the La India mine in Mexico
- Inclusion of UNICEF's Child Rights and Security Handbook in the third-party assessment
- Participation in VPs working groups and seminars in Canada and Mexico
- Implementation of security and human rights related training programs at our mine sites
- Promotion of the VPs with private security contractors

A. Commitment to the Voluntary Principles

1. Public Statement of commitment or endorsement of the Voluntary Principles, engagement in the Voluntary Principles initiative, and transparency.

Our Board of Directors has made it clear that AEM will only conduct business in regions where human rights laws are respected and promoted. As a Canadian company, we maintain our commitment to the Canadian Charter of Rights and Freedoms while operating internationally, ensuring that all of our employees are treated with respect and dignity.

AEM is committed to implementing the VP's across the enterprise where our risk assessment suggests there is an elevated human rights and/or security risk. As part of our commitment to corporate responsibility we expect all of our operations, development properties and closed properties to incorporate the elements of the policy. In 2017, AEM's Board of Directors formally approved the implementation of the VP's.

The Senior Vice-President, Environment, Sustainable Development and People, and the Vice-President Health, Safety and Community are directly responsible for corporate oversight of the management of health, safety, security, environment and community relations and would also be responsible for overseeing the application of the VP's. Both of these positions report to the Health, Safety, Environment and Sustainable Development Committee ("HSESD Committee") of the Board of Directors. The HSESD Committee advises and makes recommendations in accordance with AEM Sustainable Development Policy to the Board of Directors in its oversight role with respect to AEM health and safety, environmental and corporate social responsibility strategy, policies, programs and performance.

In addition, AEM has adopted and implemented the World Gold Council's Conflict Free Gold Standard to provide assurance that gold and gold-bearing materials are produced by AEM in a manner that does not cause, support or benefit unlawful armed conflict, or contribute to serious human rights abuses or breaches of international humanitarian law.

Agnico Eagle publicly commits to adhere to the Voluntary Principles in our [2017 Sustainable Development Report](#) and our [2017 Conflict-Free Gold Report](#). The latter is independently assured by Ernst and Young LLP ("EY"). Their independent limited assurance statement notes that AEM's Conflict Free Gold Report is in "conformance with the standard."

AEM's Corporate Director Health, Safety and Security is a corporate pillar board member and remains actively involved in VPs related meetings and conference calls with member companies and governments. In 2018, AEM representative was also involved in the transition of the new Secretariat.

2. Example of promoting awareness of the Voluntary Principles throughout the organizations or government, including within the value chain.

AEM is a member of the Canada Working Group on the Voluntary Principles, comprised of companies, NGOs and government. Members share lessons learned with one another in regards to what has and has not worked with VPs implementation; experiences and discuss the current and upcoming work of the Voluntary Principles Initiative.

At a site level, the Security departments have actively engaged in communicating the importance of complying with the Voluntary Principles to local private security guards, public security officials and host government officials through meetings and seminars. As an example, La India in Mexico has implemented a human rights and use of force induction training course for all guards who work at the mine. The site has also invited members of the state police to attend a training on human rights by the State Human Rights Commission of Sonora. Public security officials were not able to attend due to other commitments, but they did express interest in attending future trainings.

3. Example of promoting and advancing implementation of the Voluntary Principles internationally.

AEM is transparent in its commitment to advancing the VPs. We promote the principles in our dealings with government, nongovernmental organizations, financial agencies and within the industry. In May 2018, Agnico Eagle participated in the “Buenas Practicas en el Ámbito Empresarial y de Derechos Humanos para el Sector Minero.” This seminar was sponsored by the Canadian Embassy in Mexico and included presentations by industry and government institutions on the implementation of the Voluntary Principles in Mexico.

B. Policies, Procedures, and Related Activities

4. Relevant policies, procedures, and/or guidelines (or any changes thereto from the previous reporting year) to implement the Voluntary Principles

The Voluntary Principles on Security and Human Rights are not a stand-alone entity and need to be integrated throughout all our business processes. The principles tie together many of the elements within our Responsible Mining Management System (RMMS). Agnico Eagle has developed the RRMS to assist our sites continuously improve performance and ensure they meet compliance requirements and industry standards related to health, safety, environment and community relations (e.g. Conflict Free Gold Standard, TSM Initiative, International Cyanide Management Code). AEM is committed to ensure that its activities in relation to security align with the VP’s.

In our [Sustainable Development Policy](#), we commit to uphold fundamental human rights as defined in the United Nations Universal Declaration of Human Rights. This includes providing assurance that our operations will not support, benefit or contribute to unlawful armed conflict, serious human rights abuses, or breaches of international humanitarian law.

All AEM sites must adopt and comply with corporate policies and procedures but sites have autonomy to go beyond and implement additional policies relevant to their own operating environments. At the site level, La India has implemented a Policy to Promote and Respect Human Rights (June 11, 2018). This policy applies to all security personnel, including contractors. The objective is to ensure all security personnel, including contract security, are trained on and understand how to respect human rights.

In 2018 AEM considered how Security may impact the rights of the child by incorporating UNICEF's Child Rights and Security Handbook in our third-party assessment against the VPs at La India. As outlined in our Sustainable Development Policy, AEM does not in any way support or facilitate child labour or forced labour practices. This applies to mining operations, exploration and other development activities in which we are directly or indirectly engaged. It also applies to all outsourced or subcontracted activities across the entire supply chain. We do our best to ensure that none of our activities result in direct or indirect support of such practices. We will take action to terminate any such arrangement should we become aware that such practices are being supported by one of our outsourced suppliers.

Agnico Eagle Mexico was recognized with the Mexico Without Child Labour Award, which is presented annually by the Secretaria del Trabajo y Previsión Social Department of the Mexican government. The award recognizes workplaces that design and implement employment practices aimed at preventing and eliminating child labour and protecting its employees and young workers in Mexico by ensuring that no child labour, or any form of forced or compulsory labour, is permitted in the workplace.

5. Company procedure to conduct security and human rights risk assessments, and integrate findings

AEM has contracted third party Avanzar LLC to conduct independent assessments against the VPs at our operations. Their assessment includes an analysis of the social, political and human rights risk factors associated with the site's operating environment as well as compliance with the Voluntary Principles. Avanzar evaluates the site's relationship with the surrounding communities, the potential for violence and conflict, the overall respect for the Rule of Law, and the strength of institutions that enforce the law (i.e. public security, the judicial system) in the mine's host country. The methodology is based on the AA1000 Principles for assurance and includes interviews with external stakeholders. Avanzar completed an assessment at La India in 2018 and is scheduled to conduct an assessment at Pinos Altos in 2019.

Agnico Eagle is in the process of developing a standardized process for conducting security and human rights risk assessments at our mine sites. The plan is to incorporate security and human rights in the annual risk assessment process carried out as part of Agnico Eagle's Responsible

Mining Management System. The 2018 independent assessment against the VPs at La India revealed that despite the absence of a standardized process, the site was conducting a comprehensive analysis of the security risks and political and social context on a monthly basis. Recommendations were made to analyze and incorporate additional human rights and security related risks in the 2019 site risk assessment.

6. Company procedure or mechanism to report security-related incidents with human rights implications by public/private security forces relating to the company's activities

Agnico Eagle's Sustainable Development Policy commits to: "Provide a confidential complaint reporting mechanism to report unethical, illegal or irresponsible behavior."

AEM uses a corporate wide reporting process for High Potential Incidents (HPI) that incorporates incident severity ratings for all Community Relations (CR) related incidents, including security and human rights incidents. All reported CR incidents are reviewed to determine the level of risk. A web-based system has been developed to record all incidents that meet these criteria. These incidents require detailed investigations and are reported up through the organization.

AEM has a whistleblower policy in place and has established a toll-free ethics hotline for anonymous reporting. Full details of the policy and the ethics hotline are posted on the company website under our Sustainability Governance report and Governance Ethics Hotline.

In addition to the "whistleblower" policy and hotline, Agnico has implemented a formal grievance mechanisms and processes at each of our mines; following the guidelines established in "A Practical Design and Implementation Guide for Site-Level Community Response Mechanisms in the Resource Development Industry." These guidelines, developed jointly by the Mining Association of Canada and the Office of the Extractive Sector CSR Counsellor for the Government of Canada, provide a mechanism to tailor the development of processes to the individual needs of the communities in which we operate.

La India's Human Rights Policy requires personnel to report immediately to their supervisor if they detect any potential violation of human rights (including children's rights). Verbal reports must be followed by a written report. Once information is gathered, it can be brought to the National Commission on Human Rights. The site has recently begun training guards on this process to ensure they know how to report human rights violations and collect the information necessary for the Human Rights Commission. La India also has a formal grievance procedure in place to respond to community and stakeholder complaints, including those related to human rights.

7. Company procedure to consider the Voluntary Principles in entering into relations with private security providers

AEM utilizes both external (private) and internal security personnel at its operations. For the operations in Pinos Altos and Mascota, the security function is in-house. This approach provides us with control and flexibility over the hiring, retention and training of security personnel for these mines. Within our procedures we conduct background checks with relevant authorities and our own internal assessments to assure ourselves of the quality, attitude and values of individuals we consider hiring for the security function. All security personnel undergo comprehensive training that includes specific topics relating to Human Rights.

For the Abitibi and Finnish operations, AEM uses external security contractors. For Nunavut operations, AEM uses a mix of internal and external security services.

For La India, we have retained the services of an external contractor to provide high quality personnel under very specific criteria. Even though the security is conducted under contract, we do retain a measure of control in terms of the personnel assigned to the mine. For example, the contract states that the contractor must provide the site with a list of candidates one week in advance of assigning them to site so that that site may check their backgrounds and their training to ensure they comply with site requirements.

The contract for private security at La India came up for renewal mid-2018 and the ability of the security provider to comply with international security and human rights related standards was considered in the selection process for a security contractor. The new contract includes required compliance with the site's Security and Human Rights Policy and international law enforcement principles, and outlines specific training requirements related to human rights and the Use of Force.

8. Company procedure or mechanism to investigate and remediate security-related incidents with human rights implications by public/private security forces relating to the company's activities

At AEM sites, it is expected that all security and/or human rights-related incidents are reported, assessed, investigated and remedial action taken. Incidents are registered through on-site incident reporting process or through the community feedback mechanism for external incidents.

There were no allegations of security-related human rights violations reported at AEM's mine sites in 2018.

C. Country Implementation

9. Overview of country operations selected for reporting

For this report we profile AEM's implementation of the Voluntary Principles at our La India mine site in Mexico since a thorough external assessment of its compliance with the Voluntary Principles was conducted in 2018.

10. Engagement with stakeholders on country implementation

Agnico Eagle works to promote the Voluntary Principles with other companies and government bodies in the jurisdictions in which we operate. As mentioned in section A3, Agnico Eagle participated in the Canadian Embassy sponsored seminar "Buenas Practicas en el Ámbito Empresarial y de Derechos Humanos para el Sector Minero" in México City.

Our mine sites in Mexico actively engage with human rights organizations to educate our workforce on human rights related issues. For example, over the past two years, La India has invited the Sonora State Human Rights Commission to facilitate courses with mine employees and contractors on human rights culture, abuse in the workplace, discrimination, gender equality, and vulnerable peoples. In 2018 AEM's La India mine signed an agreement with the State Commission on Human Rights (Sonora) to conduct ongoing training on human rights with security guards and external stakeholders of the mine. La India has invited police to attend the training but thus far they have not been able to participate due to other police duties.

11. Voluntary Principles considerations in the selection of private security providers and formulation of contractual agreement with private security providers, as well as arrangement with public security forces.

For information on the selection process of private security contractors and the formulation of contractual agreements between our mine sites and security providers, please see section B7.

La India follows a thorough screening procedure for all mine site employees during the hiring process. Employees must submit official documentation (e.g. military records, personal and workplace references, family information, identification to verify age). All employees must also provide a criminal background check before beginning work. Security employees cannot have any criminal incidents on their background checks. All guards must renew their criminal background checks from the State police every six to twelve months.

La India's private security contractor also conducts rigorous screening for all guards, including criminal background checks, socio economic studies, psychometric testing, anti-doping tests, and national identification checks.

La India does not have any formal contractual relationship with public security, nor does it pay public security to protect company assets. However, from time to time the site donates petrol

to police and military personnel who patrol near the mine site. The site also provides temporary accommodation and food to SEDENA (military) personnel who patrol the public roads for organized crime. The patrols are conducted as part of SEDENA's normal duties, not at the request of the company and the site has no control over who and when SEDENA send patrols to the area. When SEDENA personnel comes to site, they discuss security in the area with La India's Security Coordinator.

12. Examples of supporting outreach, education and/or training of (i) relevant personnel, (ii) private security, (iii) public security, and/or (iv) civil society.

La India's private security contractor conducts induction training on the use of force with all of its guards. In 2018 the private security contractor also arranged for the Sonora State Commission on Human Rights to conduct training with its guards on human rights on an annual basis.

When guards begin work at La India, they must complete a site induction training module on Human Rights. It includes an overview of human rights, how are they are protected in Mexico, how Agnico Eagle promotes human rights and how one can report a human rights violation to the National Human Rights Commission. The training also includes an overview of the use of force procedure.

See additional information on general human rights training at La India and training of public security in Section C10.

13. Company procedure to review progress on implementing the Voluntary Principles at local facilities

AEM contracted third party Avanzar LLC to conduct an independent assessment against the VPs at La India in 2018. The assessment revealed a strong foundation of security and human rights policies, procedures and practices in place to support the implementation of the Voluntary Principles. Avanzar also found that guards interviewed demonstrated a good to excellent understanding of human rights, how to report human rights impacts, and the use of force procedure. Additionally, Avanzar noted the following good practices:

- Sound screening procedures for guards;
- Training for guards on human rights and the use of force;
- Promotion of the VPs with the private security provider;
- Comprehensive monthly analysis of the security, political and social risks to the operation; and
- Strong commitment to respecting children's rights and adoption of UNICEF's checklist on Security and Children's Rights.

Avanzar found the following opportunities for improvement:

- Conducting an analysis of the risk of public or private security impacting human rights while managing security incidents related to the mine site and potential risks associated with donating fuel to the military/police;
- Providing guards with a range of use of force options as guards currently only carry firearms;
- Ensuring that all donations to public security forces are documented to explicitly state their intended purpose and use;
- Communicating the mine site's Security and Human Rights Policy and Agnico Eagle's commitment to the VPs to public security who are accommodated on site; and
- Increasing engagement with the community on security related issues and training on human rights.

D. Lessons and Issues

14. Lessons or issues from this reporting year, as well as plans or opportunities to advance the Voluntary Principles for the organization.

The third-party assessment of VP compliance at La India in 2018 shed light on a number of areas for improvement, as outlined in section C13. The site is committed to closing gaps in VPs implementation and will be considering the following for 2019:

- Developing a new procedure on the treatment of minors trespassing on site;
- Incorporating child rights and protection into their existing training for employees and contractors on the Voluntary Principles on Security and Human Rights. There is also the possibility of expanding this to public security providers through an existing arrangement with a government agency in Mexico;
- Providing guards with additional use of force options (e.g. less than lethal weapons);
- Increasing engagement with the community on security and human rights related issues;
- Clarifying the conditions under which donations will be provided to public security; and
- Incorporate elements of the VPs such as security risk assessment into the RMMS.

In 2019, as we continue to roll out our updated RMMS, we will provide training throughout our operations, development projects and closed sites with the intent to socialize the VPs, as well as create the business alignment. Part of this socialization will include a baseline assessment against the VPs at another one of our high risk sites. A third-party onsite assessment is scheduled for Pinos Altos in September 2019. AEM also commits to remain actively involved in Voluntary Principles working groups at a Secretariat level and promote the VPs in our countries of operation.