



ANNUAL REPORT 2021



Annual Report 2021
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CONTENTS

01

Foreword from
Chairman

02

Introduction
from Executive
Director

03

About
Bettercoal

04

Bettercoal
Code 2.0

05

Code 2.0 –
Improving
ESG Alignment

06

Reporting and
Assurance

07

Governance

08

Bettercoal
Members

09

Bettercoal
Producers

10

Country
Working
Groups

11

External
Engagement

12

UN Global
Compact - CoE

13

Financial
Statement and
Organisational
Performance

14

Why Join Us

FOREWORD FROM CHAIRMAN

2021 was another year when COVID-19 caused disruption and challenged all of us to review how we work and adapt to the changing global context. Site assessments are central to the work of Bettercoal, and we had hoped to get Lead Assessors back out on site in 2021. While this was not feasible, it has been positive to see the continued engagement from Bettercoal Producers, who have remained committed to the Bettercoal process through their Continuous Improvement Plans.

01

We were pleased to welcome new member Grosskraftwerk Mannheim AG to our organisation this year. As an operator of hard-coal-fired power stations in Germany and generator of electricity and district heat, they have added value to our work, fully engaging in Bettercoal's work programme and encouraging suppliers to go through the assessment process. Our membership has been integral in motivating producers to undergo independent on-site assessments; we have assessed 69 mine sites to-date, over eight countries.

Bettercoal is grateful for the continued strong engagement and support of Members, as evidenced by their involvement in Bettercoal's Country Working Groups, which aim to monitor producers on their CIP progress, build in-depth country knowledge, and engage with local stakeholders. The active commitment of Members in our Colombia Working Group led to a positive virtual engagement programme in Colombia in 2021. We appreciate that so many stakeholders in Colombia met with Bettercoal over the two-month virtual engagement programme, where constructive discussions were held with stakeholders on the CWG's priority issues of fostering dialogue, water stewardship and responsible mine closure.

Bettercoal began 2021 with the launch of the new Bettercoal Code 2.0. The strengthening of due diligence and disclosure provisions were accompanied by the expansion of the Code to include two new principles on water stewardship and responsible mine closure and rehabilitation.

The new Code 2.0 ensures that Bettercoal remains the internationally recognised Standard for assessing, assuring and sustaining stringent ethical, environmental and social performance in the coal supply chain.

Over 2021, Bettercoal also underwent reviews and changes to its processes and structures. We continued the review of Bettercoal's governance and membership structures, with changes approved by Members at the Annual General Meeting. We also commenced a review of Bettercoal's assurance system, with initial changes recommended by the Technical and Advisory Committee and agreed by the Bettercoal Board in December. Bettercoal will be continuing this important work in 2022. These changes will help to ensure that Bettercoal is both strategically organised and sustainably equipped to continue its important work in raising standards in coal mining.

While 2021 posed challenges, I am pleased that Bettercoal has utilised this time to strengthen the Code, to review and update its governance and to start the important process of updating its assurance system.

We look forward to being back onsite in 2022 and, once again, meeting our stakeholders in-person.



Frank Plümacher
Chairman Bettercoal
Board of Directors



02

INTRODUCTION FROM EXECUTIVE DIRECTOR

While we had been hopeful of returning to ‘normal’ in 2021, the COVID pandemic continued to have an impact, and we had to adapt to move our work forward within this new global context.

We started the year with the launch of the new Bettercoal Code 2.0, strengthening our assessment process and better aligning our standard to international best practice on responsible mining. This had been developed following an extensive review and consultation process, guided by our Technical and Advisory Committee. Alongside launching our new Code, we also produced a companion guidance document, which comprehensively covers expectations in the new Code and provides guidance on meeting the 144-provisions of Code 2.0.

Despite the challenges of having to continue to rely on virtual-only engagement, we continued to work with Bettercoal Producers on their Continuous Improvement Plans (CIP). While we were not able to undertake on-site assessments against the new Code 2.0 due to the continuing impact of COVID-19, Bettercoal Producers positively engaged with their CIP process, submitting evidence for Lead Assessors to review and close items and engaging with our Country Working Groups.

We completed a review of Bettercoal’s governance and membership structure in 2021, something that had been driven by a recognition of the importance of positioning Bettercoal for the future. In last year’s Annual Report, we noted that: ‘as long as coal continues to be mined and used – whether that’s for electricity or in industrial uses, such as steel production – it is critical that environmental, social and governance issues are assessed and addressed, and that there is continuous improvement where it is needed’. We remain committed to this mission and have introduced changes to ensure we can continue to drive these improvements.

A stand-out for Bettercoal in 2021 was our Colombia Virtual Engagement Programme. Over two months, we held a series of engagements with our key stakeholders in Colombia, including Bettercoal Producers, government agencies, labour organisations, international organisations and dialogue institutions. Colombia has been critical to the work of Bettercoal since we were formed in 2012 and this engagement programme helped us to continue building our knowledge and understanding of key issues. We are grateful for the time given to us over this engagement programme and have used the feedback and insights we gained to shape the work of Bettercoal’s Colombia Working Group for 2022.

Our mission of ‘continuous improvement’ applies to Bettercoal, as much as it does to the coal producers that have gone through our assessment process. Our work in 2021 was driven by this recognition and the importance of consultation and understanding how we can ‘continuously improve’.

It is a privilege to drive forward our work in responsible coal mining alongside our committed membership and the Bettercoal team.



Katie Warrick

Executive Director
Bettercoal



03

ABOUT BETTERCOAL

Bettercoal is a not-for-profit organisation dedicated to working towards a global responsible coal supply chain.

By using the Bettercoal Code, an internationally recognised standard for assessing the performance of coal mining operations, Bettercoal works to assess and drive continuous improvement in the sustainability performance of Bettercoal Producers. Bettercoal supports its Members in the due diligence monitoring in their coal supply chains, while our Members' Implementation and Reporting Obligations (MIRO) ensures we are reporting on how our Members are using the Bettercoal assessment process in their purchasing decisions.

Bettercoal aims to grow and improve the Bettercoal Standard, driving more sustainable practices in the coal supply chain, recognising this with more business from members, while also engaging stakeholders and communities along the way.

As part of our efforts to raise the Bettercoal Standard, we completed a comprehensive review of our Code that was founded upon an extensive consultation process and public comment periods. The review focused on better aligning the Code to Environmental, Social and Governance (ESG) Principles, resulting in two entirely new principles on water stewardship and responsible mine rehabilitation and closure, as well as expanded provisions throughout the Code to incorporate international best practices on mining. We were pleased to launch the new Bettercoal Code 2.0, and accompanying Guidance document, at the beginning of 2021, which was the culmination of work that began in 2019.

Our purpose

To promote the continuous improvement in the mining and sourcing of coal for the benefit of all people impacted by the industry, workers and coal mining communities.

ABOUT BETTERCOAL CONTINUED

Our values



Continuous Improvement of coal mining through the assessment of Producers and of coal sourcing by working with Members to improve their sustainability practices, and through working with Approved Lead Assessors who engage with Bettercoal Producers throughout the entirety of the assessment process to continually impart their knowledge of best practice.



Transparency through the publication of high-level site-assessment reports, reporting of aggregated CIP numbers, and reporting on our Members' obligations and performance, all on Bettercoal platforms.



Stakeholder Engagement with a wide variety of stakeholders through actively participating in industry initiatives, in-country workshops, meetings and sector related events, and our Technical and Advisory Committee (TAC). Our Complaints Mechanism is used as a tool for constructive feedback and exchange of information.



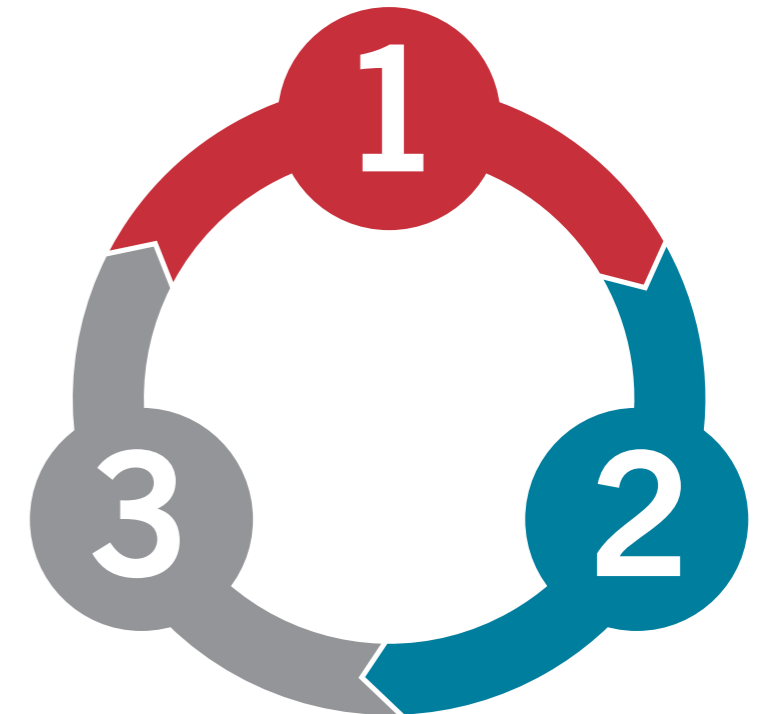
Risk-Based Approach followed in Bettercoal's assurance to increase the efficiency of the Producer Assessment Process and provides pertinent information to Bettercoal Members on responsible mining practices, while reducing the assurance burden for mining companies.

Theory of Change

The Bettercoal Theory of Change, revised in 2020 to define our long-term goals and short to medium-term outcomes, also sets out the impact we aim to have as an organisation, growing and improving the Bettercoal Standard, driving more sustainable practices in our supply chain, rewarding this with more business from members, while also engaging stakeholders and communities along the way.

As captured in our Theory of Change, all the work we do is underpinned by our values, ongoing engagement with our stakeholders and of course, the Bettercoal Code, which is the backbone of our organisation.

- 1 **Responsible Sourcing (Bettercoal Members)**
- 2 **Responsible Production (Bettercoal Producers)**
- 3 **Standard Growth (Bettercoal)**



In March 2021, following our first major Code review, Bettercoal launched the updated Bettercoal Code Version 2.0, the international sustainability standard for assessing, assuring and sustaining stringent ethical, environmental and social performance in the coal supply chain.

04

BETTERCOAL
CODE 2.0

Standard Development

The development of the updated Code 2.0 was founded on an extensive period of formal and transparent stakeholder consultation that included external experts, Members, civil society and representatives from the Bettercoal Producer network, as well as public comment periods aligned with ISEAL good practice guidelines. Consensus on the revised Standard was also overseen by the Bettercoal multi-stakeholder Technical and Advisory Committee (TAC), who provided valuable input and expertise on the review of the Code and Assurance System.



The Bettercoal Code 2.0 is now more comprehensive, more rigorous and has greater alignment with international practices in mining, as well as Environmental, Social and Governance (ESG) principles and the UN Sustainable Development Goals.

The code is the backbone of the Bettercoal Assessment Process. It is available in [English, Spanish, Russian and Indonesian](#).

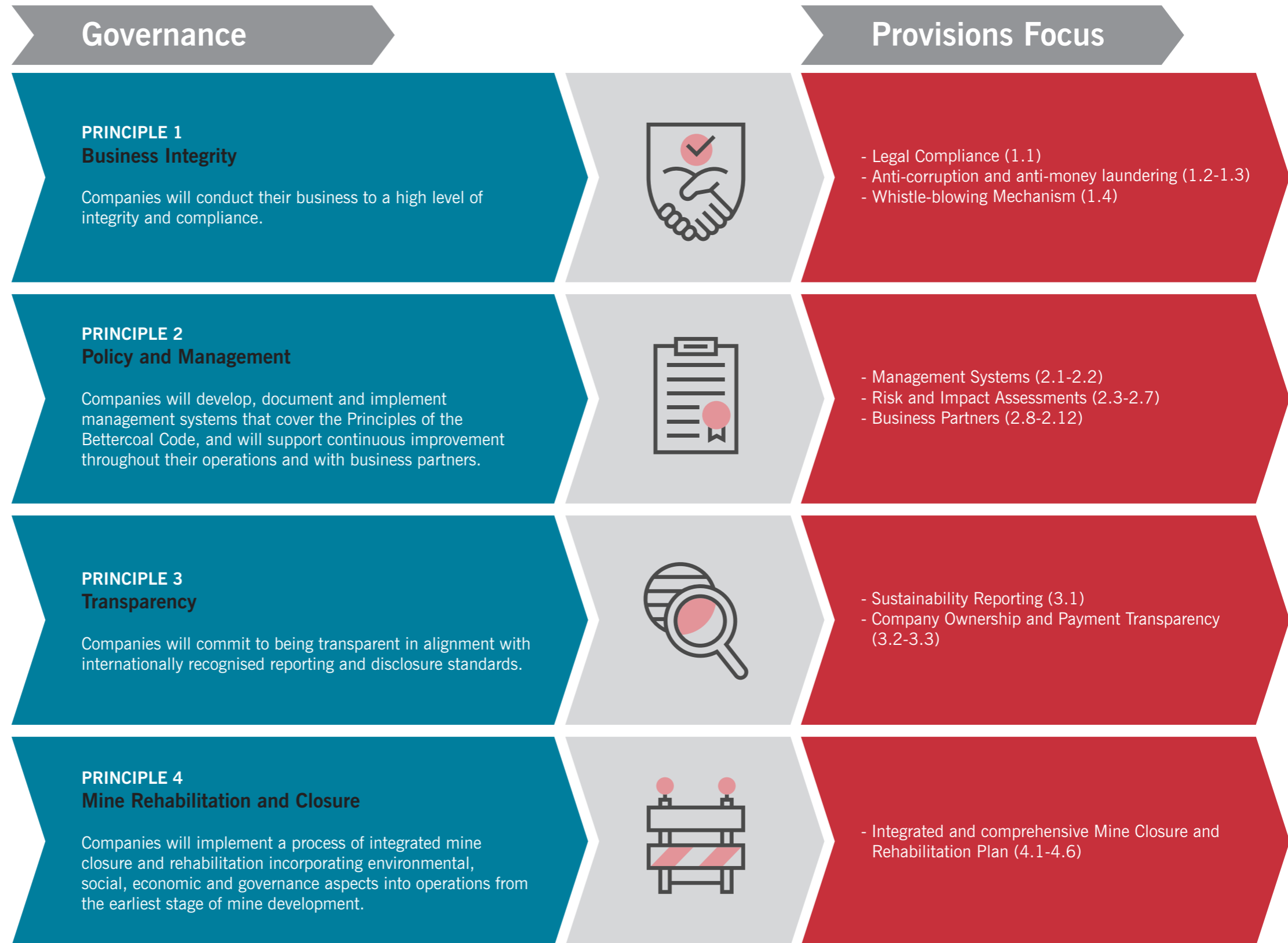
The [Bettercoal 2.0 Guidance document](#) has also been developed to support Bettercoal Producers on their improvement journey, and enable them to better understand the requirements of the new Code 2.0 and the steps needed to implement it. If you want to learn more about the Bettercoal Code Review process, more information can be found [on our website](#).

The 12 Environmental, Social and Governance (ESG) principles set out in the Bettercoal Code 2.0 are used, alongside the 144 provisions, to assess Bettercoal Producers and inform improvements in their ESG performance, maximise their positive contribution to workers and local communities, and minimise any negative impacts on the environment.

Bettercoal Members use the Bettercoal Code in conjunction with the Assessment Process and Continuous Improvement Plans to understand, manage and mitigate the ESG risks in their coal supply chain, striving to increase year-on-year the percentage of coal purchased from Bettercoal Producers.

BETTERCOAL CODE 2.0 CONTINUED

Bettercoal Code 2.0 Principles and Provisions



Social

PRINCIPLE 5 Human Rights

Companies will respect human rights affected by their operations and take appropriate action to assess, prevent and remedy potential adverse impacts on human rights in a manner that is consistent with international instruments on human rights.



Provisions Focus

- Human Rights Due Diligence (5.1-5.2)
- Indigenous and Tribal Peoples (5.3-5.5)
- Women's Rights (5.6)
- Security Personnel (5.7-5.10)
- Conflict-Affected and High-Risk Areas (5.11-5.15)

PRINCIPLE 6 Labour Rights

Companies will uphold the rights of workers and ensure dignified and respectful working conditions in line with the ILO eight fundamental Conventions and other relevant ILO Conventions.



- Employment Terms (6.1-6.4)
- Child Labour (6.5-6.7)
- Forced Labour (6.8)
- Freedom of Association and Collective Bargaining (6.9-6.12)
- Non-discrimination (6.13)
- Disciplinary Practices & Harassment (6.14-6.15)
- Working Hours (6.16-6.20)
- Remuneration (6.21-6.25)
- Worker Grievance Mechanism (6.26-6.27)

PRINCIPLE 7 Occupational Health and Safety (OHS)

Companies will provide safe and healthy working conditions for all workers, both employees and contractors.



- Management Systems (7.1)
- Workplace Hazards (7.2-12)
- Emergency Preparedness (7.13-7.15)
- Occupational Health and Safety Training and Communication (7.16-7.18)
- Accident and Incident Reporting (7.19-7.20)
- Worker Health and Wellbeing (7.21-7.26)
- Worker Housing (7.27)

PRINCIPLE 8 Communities and Stakeholders

Companies will identify and engage potentially affected stakeholders and contribute to the long-term social, cultural, environmental, economic and institutional development of the communities in which they operate.



- Stakeholder Engagement (8.1-8.5)
- Resettlement (8.6-8.8)
- Community Health and Safety (8.9-8.10)
- Sustainable Development (8.11-8.15)
- Operational-Level Grievance Mechanism (8.16-8.18)
- Cultural Heritage (8.19)

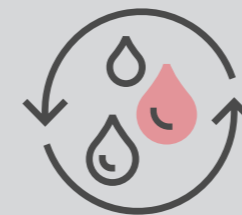
BETTERCOAL
CODE 2.0
CONTINUED

BETTERCOAL CODE 2.0 CONTINUED

Environment

PRINCIPLE 9 Water Stewardship

Companies will have systems in place that enable the efficient and responsible withdrawal, use and management of water in their operations to contribute to good water stewardship in the area of operation.

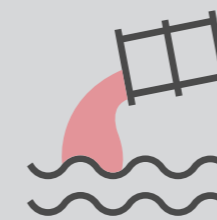


Provisions Focus

- Water Assessment (9.1-9.2)
- Water Management (9.3-9.6)

PRINCIPLE 10 Management of Emissions and Waste

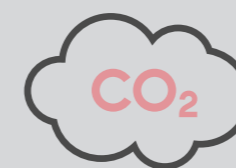
Companies will have systems in place to avoid and minimise potentially harmful emissions and to manage waste in line with the mitigation hierarchy.



- Emissions and Waste Assessment (10.1)
- Emissions and Waste Management (10.2-10.10)
- Tailings Management (10.11-10.13)

PRINCIPLE 11 Greenhouse Gas (GHG) Emissions

Companies will have systems in place to measure, avoid and minimise greenhouse gas emissions at all stages of the mine lifecycle.



- Greenhouse Gas Emissions Assessment (11.1)
- Greenhouse Gas Emissions Management (11.2)

PRINCIPLE 12 Biodiversity and Land Use

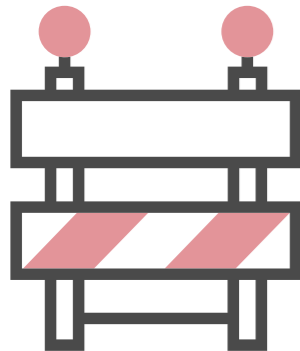
Companies will identify their impacts on biodiversity, protected areas and land use and apply the mitigation hierarchy to the management of their impacts throughout the lifecycle of the mine.



- Biodiversity and Land Use Assessment (12.1)
- Biodiversity and Land Use Management (12.2-12.3)
- Designated and High Conservation Value Areas, Natural Habitats and Threatened Species (12.4-12.8)
- Invasive Alien Species (12.9-12.10)

CODE 2.0 – IMPROVING ESG ALIGNMENT

The review of the Bettercoal Code and launch of Code 2.0 in 2021, following an extensive period of consultation, has ensured that our Standard is more comprehensive, reflecting international best practice on mining, and is linked to the core ESG principles.



05

The Code's principles have updated and widened to number twelve, split equally into three groupings under the core pillars of Environment, Social and Governance. This includes two entirely new principles on mine rehabilitation and closure and responsible water stewardship.

Mine Rehabilitation and Closure

We recognise that the issue of responsible mine closure will only grow in significance over coming decades. The new Code includes a specific principle covering responsible mine closure:

Principle 4, Mine Rehabilitation and Closure: Companies will implement a process of integrated mine closure and rehabilitation incorporating environmental, social, economic and governance aspects into operations from the earliest stage of development.

Water Stewardship

Responsible water stewardship is an integral part of ESG considerations and the UN's Sustainable Development Goals. Managing water usage and mitigating risks to all water users while ensuring efficient use of water to maximise reuse and recycling is a core element of responsible coal supply chains. Under the Bettercoal Code 2.0, there is a standalone principle on water:

Principle 9, Water Stewardship: Companies will have systems in place that enable the efficient and responsible withdrawal, use and management of water in their operations to contribute to good water stewardship in the area of operation.

Expanded Best Practice

The new Bettercoal Code 2.0 not only includes two new principles, but also new provisions within existing principles and new requirements for public disclosure.

These new provisions provide stronger alignment between the Bettercoal Code and ESG principles, adding requirements such as alignment with the UN Convention on the Elimination of All Forms of Discrimination against Women, increased worker protections, requirements and processes for preventing child labour, minimising and controlling GHG emissions identified in the assessment, and the integration of the UN SDGs into risk and impact assessments and community development plans and continuous improvement work, amongst others.

06

REPORTING AND ASSURANCE

Bettercoal undertook an initial review of its assurance system in 2021, working with our Technical and Advisory Committee to make updates to our processes, which were approved by the Bettercoal Board of Directors at the end of 2021.

Changes made in 2021 that have been put into practice include changing our 3-5 year re-assessment cycle to four years and changing claims that coal producers can only become a 'Bettercoal Producer' once they have been through the site assessment process and agreed their Continuous Improvement Plan. Details on all the changes agreed can be found on page 23.

Bettercoal will be undertaking a comprehensive review of all the documentation that makes up our assurance system in 2022. This work will ensure that our assessment system not only aligns with international standards but continues to drive continuous improvement across the coal supply chain.

Changes Approved in 2021 Assurance Review

- 1 Change site assessment cycle from 3-5 years to four-years.
- 2 Move Bettercoal Producer claim from after the signing of the Letter of Commitment to after the Producer is assessed and the CIP is agreed.
- 3 Change language from 'Bettercoal Supplier' to 'Bettercoal Producer'.
- 4 Streamline down from three claims to one claim - 'Bettercoal Producer'.

Coal producer signs Letter of Commitment

1

Coal producer completes detailed questionnaire, then reviewed by the Lead Assessor to develop Assessment Plan.

2

Coal producer undergoes an independent Site-Assessment with a third-party Lead Assessor and agrees on CIP

3

Coal producer becomes Bettercoal Producer

4

GOVERNANCE

Board Of Directors

The Bettercoal Board of Directors is the key governing body of Bettercoal whilst the Secretariat manages the day-to-day operations, with the support of the Members Committee and the Technical and Advisory Committee.

The Bettercoal Board of Directors is composed of up to 12 Directors. The Board provides strategic oversight and works closely with the Secretariat to deliver Bettercoal's long term objectives.

Secretariat

The Bettercoal Secretariat, led by the Executive Director, is responsible for the daily management of Bettercoal operations and reports to the Board of Directors. The Executive Director is supported by a dedicated team and together they focus on the implementation of the Bettercoal Code, the Producer Assessment Process and Assurance System Review, Bettercoal Members' Implementation and Reporting Obligations, communications and engaging with stakeholders.

Technical And Advisory Committee

The Technical and Advisory Committee (TAC) is a multi-stakeholder committee composed of up to 16 members from civil society, academia, mining companies, and individual representatives from Bettercoal Member companies. The TAC supports and advances Bettercoal's purpose and values by reviewing, developing and ensuring the quality of the standard, assurance processes, impact assessment and reporting. In the area of standards development and review, the TAC supports the Bettercoal Board by providing expert judgement, analysis and peer review of both the Bettercoal Code and stakeholder comments on the standard.

Members Committee

The Members Committee leads the implementation of Bettercoal Member commitments and any other matters related to Members. Specific areas where it provides support include:

1. Member commitments: Reviewing the Member commitments and reporting obligations (ensuring accountability within the membership).
2. Overseeing CIP progress: Reviewing progress made by Bettercoal Producers in their 'Continuous Improvement Plans' and agreeing actions for not meeting obligations.
3. Supporting member and supplier growth: Acting as a sounding board on membership, alongside supporting expanding Bettercoal's producer base.
4. Issues scanning: Preparing key discussion points on issues relating to the membership and other relevant emerging issues.
5. Supporting on issues identified by Board: Providing support to the Secretariat on any specific issues as highlighted by the Board.

Governance Review

In 2021, Bettercoal completed a review of its governance and membership structure, which had been launched in 2020. We looked at other supply chain membership organisations, initiatives, standards and certifications, to better understand their governance structures and benchmark them to our own. We consulted with our Technical and Advisory Committee to ensure that changes would support the work of the Bettercoal Code and ensure an organisation that speaks for responsibility across the entire coal value chain.

At the October 2021 Annual General Meeting, our Members approved changes to our governance and membership structure, approving all associated governance documentation. This material is available on the Bettercoal website and includes:

- [Updated Articles of Association](#)
- [New Membership Code](#)
- [New Governance Manual](#)

07

BETTERCOAL MEMBERS

08

Our members recognise the importance of driving change at coal mining operations and actively addressing key ESG issues in their coal supply chains. They use the Bettercoal Code and assessments in their due diligence processes and to inform their purchasing decisions. Our members also participate in our committees, working groups and country-specific initiatives, helping drive the collective action of Bettercoal to work towards a global responsible coal supply chain.

Members



Associate Members



“

GKM New Member

GKM joined the Bettercoal Membership in 2021. Grosskraftwerk Mannheim AG operates in Mannheim-Neckarau and generates electricity for around 2.5 million people, trade and industry, as well as district heat for around 120,000 households. GKM also produces more than 10% of German railway power, making it one of the largest energy suppliers to the rail sector.

We welcome them to our organisation and look forward to engaging with them in our committees and working groups.

GKM Commentary

1. Why did you become a Bettercoal Member?

“We are aware of our responsibility towards a sustainable coal supply chain. We have followed the development of Bettercoal for many years and have seen continuous positive developments. After thorough consideration, GKM decided to become a Bettercoal Member in 2021. We are convinced of the importance of collaborating with other companies in this area, engaging in dialogue with the affected producers and working on an increase of Bettercoal coal. The Ukraine crisis is confronting us all with major challenges and greatly shows the necessity of an interaction with all relevant stakeholders on the basis of a credible and reliable network.”

2. Why is MIRO reporting important to GKM?

“Constantly increasing the share of Bettercoal coal in our hard coal procurement portfolio is our motivation to live up to our responsibility for sustainable coal procurement. We will continue to work and will not let up. For us, the MIRO Scorecard is the compass that shows us the way. Even though the challenges ahead are very demanding, our trade in coal procurement will always be shaped by the principles of continuous improvement of sustainability and transparency in coal procurement.”

3. How does the work of Bettercoal help you make improvements in your due diligence of your supply chain?

“We understand the Bettercoal Code and CIPs as a Guideline against which we constantly align and measure our procurement process for the purchase of imported hard coal. Our aim is to make our contribution to positively influencing the conditions in the international mining companies, the environmental standards and the compliance with international guidelines and laws in a positive sense through constant improvements of this process. Especially against the background of the current Ukraine crisis and the associated need to develop alternative sources of supply, the importance of transparency in supply chains is of paramount importance.”

Holger Weiß

Head of Materials Management, GKM

”

MEMBERS' IMPLEMENTATION AND REPORTING OBLIGATIONS (MIRO)

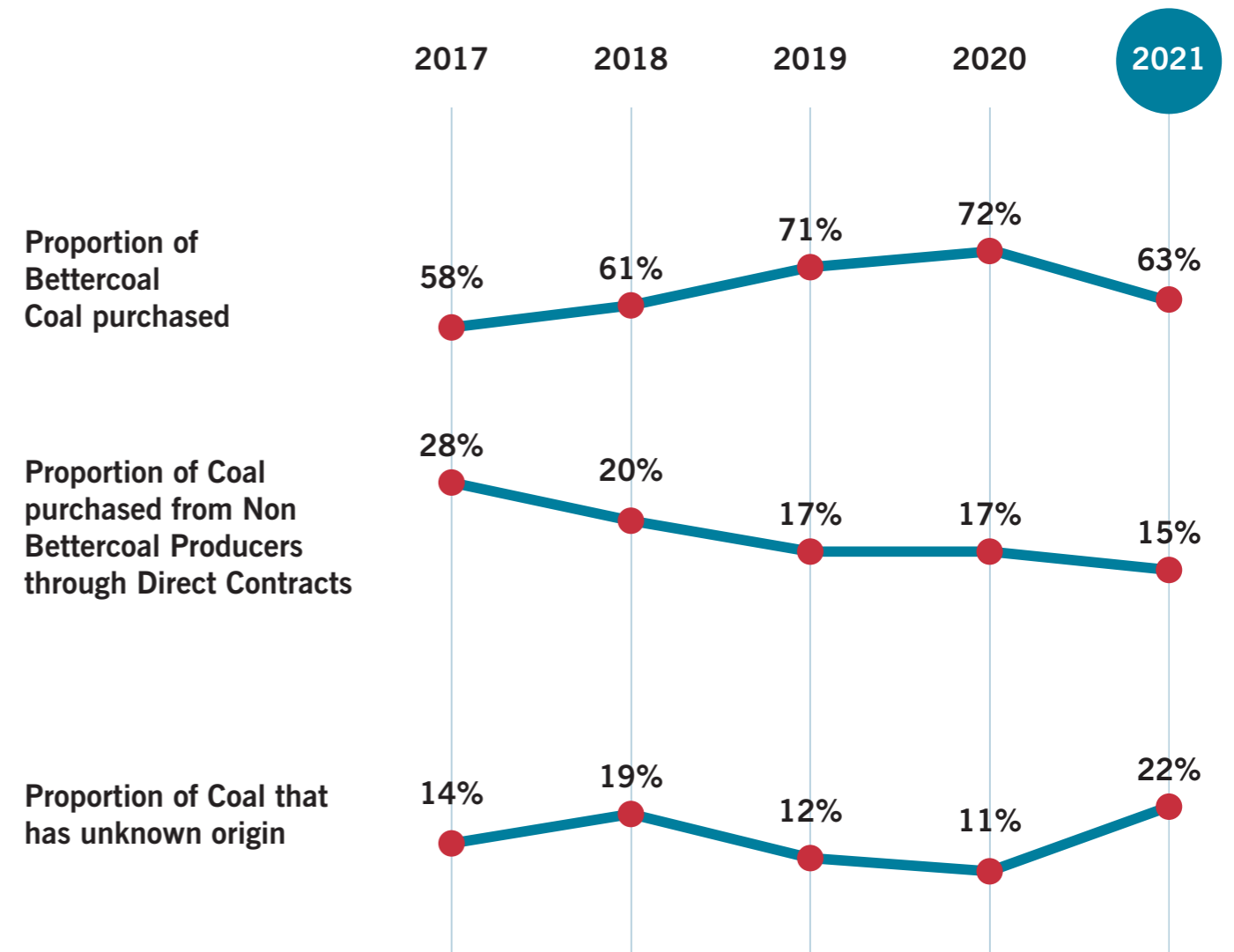
The Members' Implementation and Reporting Obligations (MIRO) aims to monitor what Bettercoal Regular Members are doing to implement their obligations and to disclose to stakeholders how Bettercoal is progressing in positively impacting the coal supply chain.

Bettercoal Members have reported against three different iterations of the MIRO scorecard. Each version of the MIRO has aimed at increasing the level of disclosure to stakeholders on how Members use the data from the Bettercoal Assessment in their due diligence processes and purchasing decisions.

Our Members demonstrate commitment to the responsible sourcing of coal, recognising the importance of implementing the Bettercoal Code and making use of the Bettercoal Assurance System in their due diligence processes. According to the Bettercoal Membership Code, Members commit to "reporting annually on coal purchasing activities, proactively engaging with their Bettercoal Suppliers to follow their progress on their Continuous Improvement Plans and promote the use of the Bettercoal Contract Clause in their direct purchasing agreement". Bettercoal Members are committed to demonstrating their commitment through their purchasing decisions, either by committing to increase their share of Bettercoal coal purchased over a three-year basis or by committing to purchase a substantial share of Bettercoal coal.

Market dynamics in 2021 placed challenges and pressures on our Members and, as a result, the proportion of coal purchased from Bettercoal Producers through direct contracts decreased. We continue to work with Members to ensure that Bettercoal is a key part of their purchasing decisions.

Bettercoal Members purchases of Bettercoal coal as percentage of total purchases



BETTERCOAL PRODUCERS

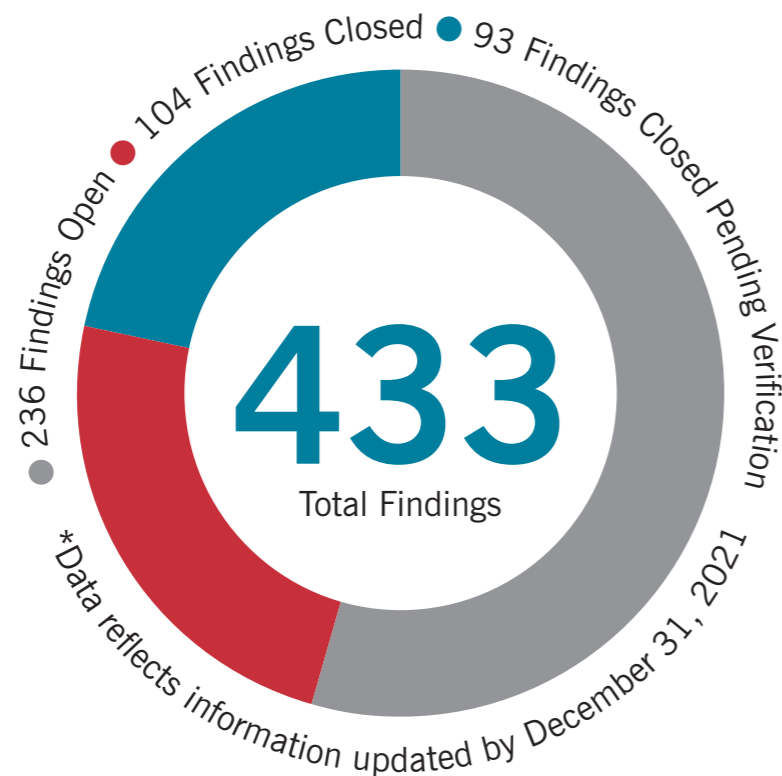
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Bettercoal Producers in 2021: 14

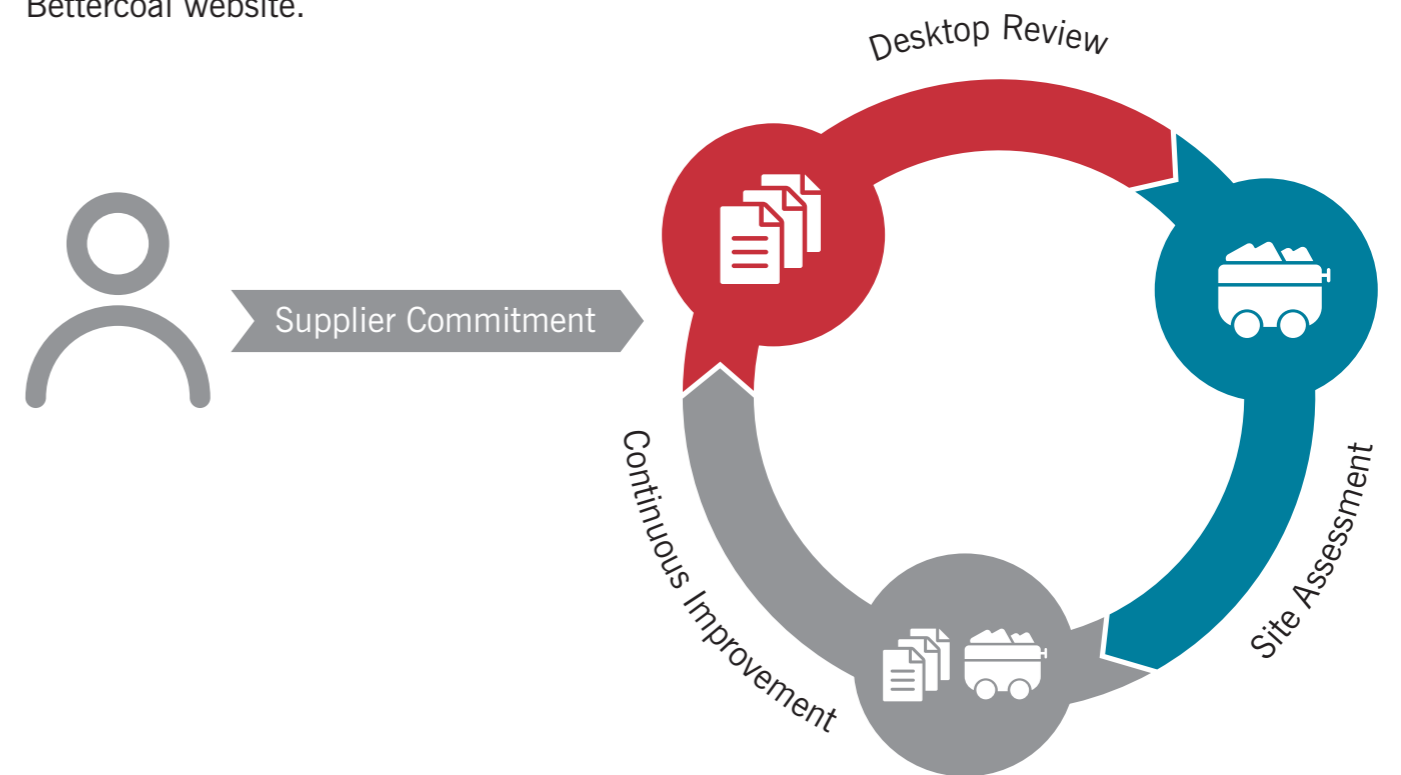
Producers at CIP Stage in 2021: 11



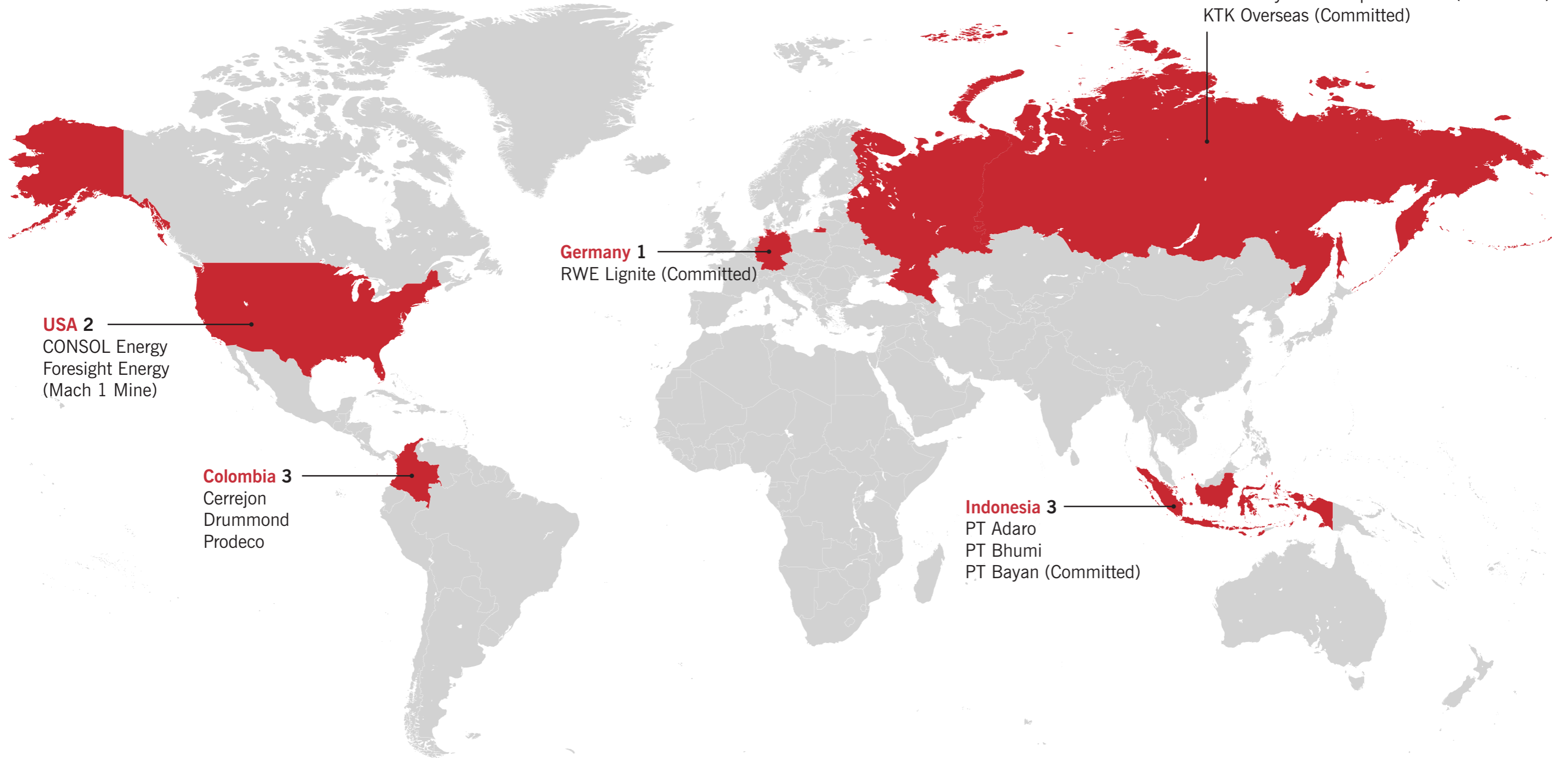
Bettercoal Producers are coal mining companies that have committed to improving their ESG performance by assessing their operations against the principles of the Bettercoal Code.

The focus is on promoting international standards in coal mining, through the 144 thorough and comprehensive provisions of our Standard, the Code. Mine sites are now assessed every four years, after which Producers **commit to improving their operations in line with our custom-built Continuous Improvement Plan (CIP)**. Every three months, each Producer submits evidence to show how it is working towards meeting the expectations of its CIP and this progress is publicly disclosed on the Bettercoal website.

The effects of the COVID-19 pandemic continued to create challenges in 2021. The effort made by the Producers not only to keep active communication and engagement with Bettercoal but also to continue making progress against their CIP has been positive to see. In line with the Bettercoal Policy of Association, Bettercoal disassociated from three coal producers in 2021. Details can be found on the Bettercoal website.



BETTERCOAL PRODUCERS AROUND THE WORLD



COUNTRY WORKING GROUPS

10

Colombia Working Group

Bettercoal has been working with Colombian coal companies since the inception of the organisation and we are pleased that in 2021 we have worked with two of the three large coal exporters in the country.

In 2021, the objectives of the Colombia Working Group (CWG) were to:

1. Monitor of the Continuous Improvement Plans (CIP) of Bettercoal Colombian Suppliers (Drummond and Cerrejón).
2. Develop and implement actions on prioritised contextual issues.
3. Virtual engagement with Colombian stakeholders.

Progress Made In 2021

Monitoring of CIP of Bettercoal Colombia Suppliers

CIP monitoring continues to be a key part of the CWG's agenda. In 2021, the CWG held a webinar with the Lead Assessors of Bettercoal's Colombian Producers to better understand progress and issues in the CIPs.

The CWG also met with Colombia producers as part of our 2021 'Colombia Virtual Engagement Programme', using discussions as an opportunity to understand specific issues on their CIPs and action being taken to make progress. Bettercoal continues to engage with Prodeco since it relinquished its mining licenses.

Prioritised Contextual Issues

One of the aims of the group in 2021 was to develop and implement actions on the agreed prioritised contextual issues. These three issues are: (1) fostering increased dialogue in the peace building process (2) access to clean water, and (3) mine closure.

These contextual issues had been identified based on key risks that were highlighted during the Bettercoal Assessment Process, other relevant sources of information and input from stakeholders during engagement programmes.

COUNTRY WORKING GROUPS CONTINUED

1. Fostering increased dialogue in the peace-building process.

Bettercoal has been working to engage with producers and external stakeholders with the aim of building trust and encouraging relevant parties to continue or enter the dialogue about the past armed conflict.

CREER – Trust Building Projects in Cesar and La Guajira.

Bettercoal and its members continued to support the Trust Building Initiative, a multi-stakeholder dialogue project by the Regional Center for Responsible Business and Entrepreneurship (**El Centro Regional de Empresas y Emprendimientos Responsables or CREER**).

Phase 1 of the Trust Building Project in Cesar worked to generate trust and build agreements between different actors to establish collective processes in support of development and coexistence of the region. This was organised in four strategic interventions, constructive conversation methodology, thematic rounds of agreement building, management and dissemination of knowledge, and capacity building. The previous focus on issues of security was shifted in 2021 to regional development challenges, concentrating on an inclusive, sustainable and just development approach for the Colombia mining regions.

In 2021, the Trust Building project expanded into La Guajira, one of the most important coal regions in Colombia.

2. Access to clean water

The CWG has identified access to clean water as a key issue and one that is linked to trust building in Colombia. It has identified a pilot water stewardship scheme and is working with stakeholders to explore whether the project can be funded and progressed.

3. Mine closure

The updated Bettercoal Code 2.0 includes a standalone principle and associated provisions on responsible mine closure and implementing best practice. Responsible mine closure is integral to ensuring the environmental and social sustainability of the mining area after ceasing operations, and the issue of mine closure and economic diversification is expected to increase in the coming years.

Some members of the CWG already support a project on economic diversification with CREER, and are looking to launch phase 2 of the project in 2022

Virtual Engagement with Colombian Stakeholders

Bettercoal and the CWG successfully organised a virtual engagement programme, meeting with a variety of stakeholders and receiving valuable input that helped identify further specific areas and actions which Bettercoal and the CWG can look to focus on in the future.

COUNTRY WORKING GROUPS

10

Russia Working Group

Bettercoal's Russia Working Group focused on developing a coordinated approach to the monitoring of Continuous Improvement Plans, and growing country and context expertise.

Facilitating the understanding of the Bettercoal Code and Guidance

As the foundation of our work, understanding and applying the Bettercoal Code and accompanying Guidance document to work towards continuous improvement in coal operations is key. Bettercoal translated and published the Bettercoal Code 2.0 and accompanying Guidance in Russian in 2021.

Biodiversity Management

Bettercoal aimed to engage in Member and Producer knowledge and expertise sharing around ESG challenges and best practice in coal mining. The RWG organised a webinar focused on Biodiversity Management, with topics including Biodiversity Conservation in Russia. Bettercoal Producers shared their perspective on challenges and their work on biodiversity management, while Bettercoal Members shared their experience of recultivation and biodiversity.

Helping Bettercoal Members Monitor and Mitigate Risk

In December 2021, Bettercoal held a webinar with the independent Lead Assessors, to go through the status updates on the Continuous Improvement Plans for all Bettercoal Russian Producers. This aimed to help Members understand the specific ESG issues identified, and the performance improvements being worked towards in specific coal operations to align with the Bettercoal Code.

In 2022, the work of the RWG and Bettercoal's engagement with Russian coal producers was paused. Bettercoal's statement can be found [here](#).

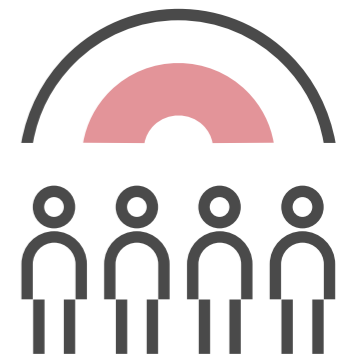
EXTERNAL ENGAGEMENT

11

Bettercoal focused on virtual engagement programmes in 2021 due to the restrictions of the COVID-19 pandemic, successfully hosting webinars and participating in dialogue events that contributed to knowledge sharing on sustainability improvements across the coal supply chain, biodiversity management, Just Transition, and how the Bettercoal Code and assessment process can help organisations make ESG improvements in their coal supply chain.

Bettercoal continued to share content on its platforms, covering mining issues in Colombia, the UN Global Compact, and the importance of promoting a responsible coal supply chain.

Looking ahead to 2022, Bettercoal will continue to expand its work with stakeholders to hold an in-person engagement programme as well as foster dialogue and contribute on key topics, such as the Just Transition.



UN GLOBAL COMPACT - COE

Bettercoal has been a signatory to the UN Global Compact (UNGC) since 2017, which provides a framework that guides businesses, civil society organisations, academic institutions, and others in corporate sustainability.

As a part of this commitment, we submitted our second Communication of Engagement in August 2021. This report outlined our activities that are in support of the Ten Principles of the UNGC in the areas of human rights, labour, environment and anti-corruption. We discussed how the Bettercoal Code, the backbone of our Assessment Process, addresses the relevant topics of the Ten Principles of the UN Global Compact in relation to impacts in the coal mining industry.

We took specific actions to implement the principles in the work we do across our organisation, such as engaging Members in collective efforts on UN Global Compact related issues. This informed the work of our Members' Committee and Country Working Group, engaging Producers on their Continuous Improvement Plans and further involvement in local issues where Bettercoal Members can have a positive impact. We also organised learning and dialogue events, workshops and training for our Members on specific topics relevant to corporate sustainability and the Ten Principles.

12

Statement of Continued Support for the UN Global Compact

13 August 2021

I am pleased to confirm that Bettercoal reaffirms its support to the United Nations Global Compact and its Ten Principles in the areas of Human Rights, Labour, Environment and Anti-Corruption.

Bettercoal was founded in 2012 by a group of European companies to ensure that the coal they purchase comes from responsible mines committed to enhancing their operations on Environmental, Social and Governance (ESG) issues. Bettercoal's purpose is to promote continuous improvement in the mining and sourcing of coal for the benefit of all people impacted by the industry, workers and coal mining communities. We are currently the only organisation which measures the ESG performance of coal sites throughout the world with over 17 mining companies engaged and over 69 individual mine sites. We believe that as long as coal is being used we must ensure it is mined, transported and used responsibly, no matter the end use.

Since becoming a participant in August 2017, we have not only promoted the incorporation of the Ten Principles of the UN Global Compact in our work, but also encouraged our stakeholders to participate as well, and engaged the Bettercoal Secretariat in events and meetings organised by the UN Global Compact in different parts of the UK as well as online.

This is Bettercoal's second Communication on Engagement (COE). In this report, we describe the actions that Bettercoal has taken to support the UN Global Compact and its relevant Principles for an organisation such as ours. We also commit to sharing this information with our stakeholders using our primary channels of communication, and welcome feedback on its content.



Katie Warrick

Bettercoal Executive Director

FINANCIAL STATEMENT AND ORGANISATIONAL PERFORMANCE

13

Bettercoal is currently financed exclusively through the contributions of Members and Associates who pay an annual fee for the running of the Secretariat, which includes engagement and activities of the Country Working Groups, and the costs linked to the Bettercoal Assessments, monitoring of Continuous Improvement Plans, and the Bettercoal Standard development.

| | |
|---|-----------------|
| Secretariat | £395,000 |
| Assessments, CIP Monitoring, Online Platform, Bettercoal Standard* | £143,000 |
| Internal Governance | £19,000 |
| Communications | £14,000 |

*Bettercoal did not carry out any site assessments in 2021, so assessment programme costs have been merged with the costs of the Bettercoal Standard, reviews of our assurance system, the development of the new assurance platform and CIP monitoring.

Secretariat Operations

Secretariat operations covers the running costs of the Bettercoal Secretariat (3 FTEs) including salaries, benefits, office costs as well as all costs related to Member engagement and growth, conferences and other public engagements of the Secretariat (such as travel and accommodation). This also includes all our Country Working Group activities, which are dedicated to the progress and actions of the Colombia and Russia Groups, organising roundtables and other Bettercoal events, specific sector studies and other activities relevant to Bettercoal's work in those countries.

Communications

Communications covers all of Bettercoal's communications activities including reports, our online platforms and stakeholder engagement.

Governance

Governance is the budget line allocated for all meetings required by Bettercoal's Governance such as the Board of Directors, Members Committee, Technical and Advisory Committee, as well as the external support needed on Bettercoal's governance review.

Assessment Process & Bettercoal Standard

The Assessment Process covers all costs related to the assessment of Bettercoal Producers. While Covid-19 prevented us from on-site assessments, we spent additional budget and effort ensuring in-depth follow-up of the Continuous Improvement Plans of Bettercoal Producers. Bettercoal has also developed a new online platform to operate its assurance system, which is included in this budget area and is due to launch in 2022.

The Bettercoal Standard and M&E has also been included in this budget area and covers all costs related to the development of the Bettercoal Code. There were less costs in this area in 2021, as we covered the costs of the extensive Code review process in 2020. However, this also covers all the documentation relating to the Bettercoal Code, which includes the production and translation of the Code guidance document. It also covers work related to data gathering and assessing our impact against the Bettercoal Theory of Change.

In 2021, Bettercoal changed to an operating model of producers paying for site assessment activity.

Bettercoal is committed to operating efficiently, to running a robust Standard and Assessment process, actively engaging with our stakeholders and ensuring we are bringing value to our Members.

WHY JOIN US

14

Why Become A Bettercoal Member?

To join Bettercoal is to join a global effort to drive change at coal mining operations and throughout the coal supply chain. The work of Bettercoal supports Members in the due diligence monitoring in their supply chains, helping them to meet increasing governmental regulation and stakeholder demands for ESG improvements.

Value of Becoming a Bettercoal Member

Due Diligence

Bettercoal is the internationally recognised Standard for assessing, assuring, sustaining and continually improving stringent ethical performance across the coal mining supply chain. By joining Bettercoal, you demonstrate your support for the raising of standards in coalmining.

The Bettercoal Code is an internationally recognised standard which gives buyers confidence and helps producers identify and manage their risks.

ESG Performance

Bettercoal supports ESG performance to international expectations, specifically tailored to the coal supply chain. The 12 principles of the Bettercoal Code 2.0 are split equally under the three pillars of ESG.

By working together, Bettercoal can act as one voice for all its Members, having more impact on producer practices.

Demonstrate Impact

Bettercoal promotes the continuous improvement in the mining and sourcing of coal for the benefit of all people impacted by the industry, workers and coal mining communities. Every coal producer in our network has a tailored Continuous Improvement Plan, with actions that need to be taken to meet expectations of the Bettercoal Code.

Compliance

Bettercoal allows you to evaluate and monitor your coal supply chain in line with guidelines on responsible supply chains.

Continuous Monitoring

Bettercoal enables Members to evaluate and monitor their coal supply chains in line with guidelines on responsible supply chains.

Valuable Data

Members get access to credible data about their coal suppliers' operations to help understand the risks in their supply chain and enable them to make purchasing decisions.

Cost-Efficiency

Bettercoal conducts assessments on behalf of its Members. This reduces their costs and creates efficiencies.

Country Expertise

Bettercoal has a country focus approach, providing in-depth analysis and experience on relevant contextual information for coal suppliers' operations. Through our country-specific working groups Members can build in-country knowledge and expertise.

If you are interested in learning more about becoming a member of Bettercoal, please email members@bettercoal.org for more information.

WHY JOIN US CONTINUED

Why Become a Bettercoal Producer?

Bettercoal Producers are committed to making continuous improvements in environmental, social and governance performance in their coal operations to align with the Bettercoal Code.

Value of Becoming a Bettercoal Producer

Credible Information

Bettercoal conducts credible assessments, which are third-party validated, which can be used to provide information to future customers.

Identifies Risks

Our Assessment Process uses expert assessors to identify ESG gaps in producers performance, which can be addressed in a custom Continuous Improvement Plan.

Build Trust and Drive Growth

Independent disclosure of ESG performance helps foster trusting relationships with stakeholders. Performing better in these areas is an essential part of modern business.

Demonstrate High Performance

Our thorough assessment will highlight good practices as well as areas for improvement. Producers can demonstrate their high performance to their industry and peers through our reports.

Tell their SDG story

Our Continuous Improvement Plan can be linked to the Sustainable Development Goals to help demonstrate positive, sustainable impact through the operations of producers.

Demonstrate your commitment

To actively addressing key sustainability issues in the coal supply chain.

If you would like to learn more about the assessment process, the Code, or discuss your participation as a Producer, email suppliers@bettercoal.org



www.bettercoal.org

✉ info@bettercoal.org

🌐 [@bettercoal](https://www.linkedin.com/company/bettercoal)