



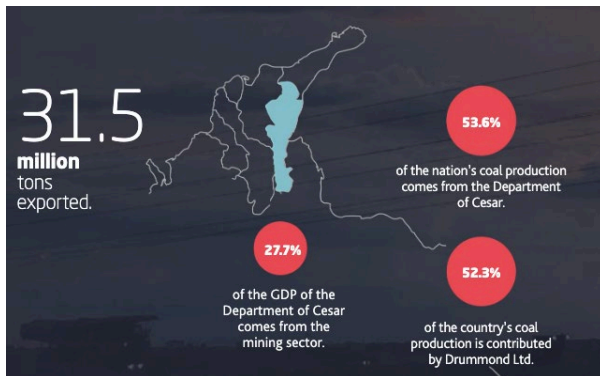
Working towards a
global responsible coal
supply chain

BETTERCOAL SITE VERIFICATION VISIT
DRUMMOND, COLOMBIA – AUGUST 2022
PUBLIC REPORT

Date: June 2023

Introduction

Drummond Ltd. is a mining company that operates solely in Colombia, property of Drummond International LLC, a company based in Alabama, United States.



The mining operations are located in the Department of Cesar, with three mines; La Loma, El Descanso and El Corozo. Additionally, the mining project at El Corozo is now in the production stage. Drummond Ltd. also has a fleet of 14 trains to transport coal from the mining operations to the Port using three car-loading facilities adjacent to the mine pit. The rail lines inside the mines and the port

are connected to Ferrocarriles del Norte de Colombia (Fenoco), in which Drummond owns a 40.96% stake.

Drummond's operations are certified to the following standards:

- ISO 14001 (Environmental Management) – Mining and Port Operations
- OHSAS 45001 (Occupational Health and Safety) – Mining and Port Operations
- BASC (Business Alliance for Security Commerce) for the Port supply chain management system
- PBIP Certification (Protection of Vessels and Port facilities)

Timeline

- January 2019: Reassessment
 - TDi Sustainability conducted an on-site re-assessment of Drummond's Colombia operations.
- 2019-2022: CIP Monitoring
 - Bettercoal and TDi monitored Drummond's Continuous Improvement Plan (CIP) through desktop review of documentation and progress reports submitted by Drummond periodically.
- August 2022: Site CIP Verification
 - TDi conducted an on-site verification of the CIP to review progress on findings where desktop review was not possible or not sufficient.

CIP Site Verification Visit Summary

Approved Lead Assessor	Soledad Mills
Assessment Team	Tito Campos, Kaki Comer
Observer(s)	Tom O’Brien, Assessment and Assurance Coordinator, Bettercoal
Date of Site Verification Visit	August 8-11, 2022
Duration of Site Verification Visit	4 days
Assessment Type	Verification
Bettercoal Standard Assessed	Bettercoal Code v.1
Sites/Facilities Accessed	1) La Loma (Pribbenow) Mine 2) El Descanso mine 3) Puerto Drummond port facility

Site Verification Visit Purpose and Scope

The purpose of the site visit was to conduct a verification assessment against the requirements of the Bettercoal Code 1.1 to close the open items in Drummond’s Continuous Improvement Plan from their assessment in January 2019. A prior assessment was conducted in November 2015.

The assessment included visits to:

- Drummond open pits of La Loma and El Descanso mines in Cesar, Colombia – covering the principal activities and facilities associated with the mining and extraction of coal and all sites and facilities for the management of waste, storing and maintenance of equipment, offices and administration, employee housing, and other auxiliary activities; and
- Puerto Drummond coal export terminal.

Site Verification Visit Methodology

The methodology used for the assessment consisted of site visits to the mines and port facility, meetings in the company’s offices in the Pribbenow Mine, interviews with employees, management and stakeholders, and documentation review. Pre-assessment activities included a review of the previous report, CIP documentation submitted by Drummond and a desktop review of Colombian laws and regulations, NGOs, and news reports and articles about the company.

Stakeholder Meetings

Stakeholder meetings included meetings with employees (9), contractor workers (11), contractor company representatives; and mayors and local government representatives from El Paso (11), Chiriguaná (16), La Jagua (24) and Codazzi (16).

Site Verification Limitations

The scope of the assessment did not include Drummond’s El Corozo mine, which came online in 2021. The stakeholder meetings were organized by the company at Bettercoal’s request and the schedule did not allow for additional stakeholder interviews. Regarding COVID-19, there were some residual COVID-19 protocols in place such as the use of masks in working areas, however, this did not impact the assessment.

2019 CIP Performance Table

Below are Drummond’s ratings against the Bettercoal Code from their 2019 assessment:

	Meets	Substantially Meets	Partially Meets	Misses
General Implementation Expectations				
Principle 1	1.1			
Principle 2		2.1 2.2, 2.3		
Business Ethics				
Principle 3	3.1			
Principle 4		4.1		
Human Rights and Social Performance				
Principle 5	5.3, 5.4	5.1		
Principle 6	6.1 - 6.7	6.8, 6.9		
Principle 7		7.1		
Environment				
Principle 8	8.1			
Principle 9	9.3	9.1, 9.2		
Principle 10	10.4, 10.7	10.1 – 10.3, 10.5, 10.6		

CIP Performance Comparison Table

The following table shows Drummond’s current CIP performance compared to 2019, showing that Drummond have closed 28 out of the original 29 open findings and now have 2 remaining findings open, including 1 new finding related to lighting storm

events that was identified by the independent assessors during the site verification visit.

Principle		Number of Original Findings	2019 CIP Performance	Number of Current Findings	2022 CIP Performance
2	Policies and Procedures; Grievance Mechanism, Mine Closure	6	2.1.1	6	2.1.1
			2.1.5		2.1.5
			2.2.1		2.2.1
			2.2.1		2.2.1
			2.2.2		2.2.2
			2.3.2		2.3.2
4	Business Ethics – Bribery and Corruption	1	4.1.1	1	4.1.1
5	Human Rights	1	5.1.1	1	5.1.1
6	Worker’s Rights	7	6.8.1	8	6.8.1
			6.9.1		6.9.1
			6.9.2		6.9.2
			6.9.4		6.9.4
			6.9.7		6.9.7
					6.9.8 - New Finding Added
			6.9.10		6.9.10
			6.9.11		6.9.11
7	Community Engagement and Development	4	7.1.2	4	7.1.2
			7.1.4		7.1.4
			7.1.5		7.1.5
			7.1.9		7.1.9
9	Pollution Presentation; Waster, Air Emissions	4	9.1.2	4	9.1.2
			9.1.5		9.1.5
			9.2.1		9.2.1
			9.2.7		9.2.7
10	Biodiversity and Ecosystem; Cultural Heritage	6	10.1.1	6	10.1.1
			10.1.2		10.1.2
			10.1.4		10.1.4
			10.5.1		10.5.1
			10.6.2		10.6.2
			10.6.2		10.6.2



Summary of Findings Closed Via Online Evidence (Prior to Site Verification)

Principle		Item			
2	Policies and Procedures; Grievance Mechanism, Mine Closure	2.3.2			
4	Business Ethics – Bribery and Corruption	4.1.1			
5	Human Rights	5.1.1			
7	Community Engagement and Development	7.1.4	7.1.5		
10	Biodiversity and Ecosystem Services; Cultural Heritage	10.1.1	10.1.2	10.1.4	10.5.1

Finding	2.3.2 Drummond’s closure plan does not include social components.
Analysis of evidence	In June 2020, Drummond provided a presentation that detailed the social aspects that will be included in the closure plan of La Loma. The presentation was reviewed and the closure plan social component that was included meets at least the minimum requirement.
Finding	4.1.1 Employees identified as high risk and targeted for additional anti-corruption training do not include maintenance staff, superintendents, or supervisors.
Analysis of evidence	Drummond trained all employees including the maintenance staff (supervisors and superintendents), on corruption, ethics, and anti-bribery. The training material provided showed that the topics on corruption, ethics, and anti-bribery were covered in detail.

Finding	5.1.1 Although Drummond receives and processes claims in accordance with the established procedure, it is not clear what concrete mechanisms are available for effective remedy to those affected by adverse human rights impacts.
Analysis of evidence	Drummond drafted a complaints policy that was shared with stakeholders. The complaints policy referenced remedies in line with the UN Guiding Principles. The Manual for the Grievance System includes a commitment to human rights and states that in the case of a human rights violation, the grievance will be escalated and prioritised accordingly to provide a solution and an adequate response.

Finding	5.1.1 Drummond PQR System does not show a Human Rights-related category that would allow to disaggregate data related to this topic.
Analysis of evidence	The portal was reviewed virtually in June 2020. The portal allows Drummond to receive complaints from cell phones, emails, etc. Complainants can choose an option to remain anonymous. The interface invites users to create an account to receive follow-up information and a unique number is assigned. On Drummond's side, the portal allows Drummond to categorise the complaint, assign responsibility, and assign a priority. Drummond is also able to add a designation on the type of complaint e.g. human rights.

Finding	7.1.4 Drummond's current recruitment and hiring policy that includes a commitment to local hiring does not include the signature of the person in charge and the date in order to indicate that it is part of a formal policy.
Analysis of evidence	Drummond provided a link to their Recruitment and Hiring policy. The hiring policy now includes the signature of the person in charge and the date, thus demonstrating that it is part of a formal policy.

Finding	7.1.5 Gender criteria are not explicitly included in the social baseline or the risk assessment.
Analysis of evidence	Drummond provided a baseline assessment of gender equity. The baseline assessment was done through the participation of the Advisory Committee of the Ministry of Mines and Mining-Energy Alliance for Gender Equality. Workshops in this regard were held with the Advisory Committee of the Ministry of Mines and Mining-Energy Alliance for Gender Equality. Contractors were also included in the baseline assessment. Drummond provided training records for the baseline assessment workshops.

Finding	10.1.1; 10.1.2 & 10.1.4 Drummond Environmental Management Plans (PMAs) for the mines and the port include a biodiversity programme. However, the PMAs do not specifically include a programme for identification, management, and mitigation of impacts to ecosystem services.
Analysis of evidence	Drummond provided documents outlining the process which ensures that analysis and evaluation of ecosystem services are included when pursuing future environmental licenses. The document considers the identification, management, and mitigation of impacts on ecosystem services.

Finding	10.5.1 Current Drummond's revegetation procedure does not include measures to avoid the potential for accidental or unintended introductions of alien species to the environment.
Analysis of evidence	Drummond provided a revegetation procedure which includes measures to avoid the potential for accidental or unintended introductions of alien species to the environment. The procedure includes all the minimum required elements.

Summary of Findings Closed Via Site Verification Visit

Principle		Item						
2	Policies and Procedures; Grievance Mechanism, Mine Closure	2.1.1	2.1.5	2.2.1	2.2.2			
6	Workers' Rights	6.8.1	6.9.1	6.9.2	6.9.4	6.9.7	6.9.10	6.9.11
7	Community Engagement and Development	7.1.2	7.1.9					
9	Pollution Prevention; Waste, Air emissions	9.1.2	9.1.5	9.2.1	9.2.7			
10	Biodiversity and Ecosystem Services; Cultural Heritage	10.6.2	10.6.2					

Finding	2.1.1 Drummond has not fully released, communicated and implemented the recently updated environmental policy and procedures including Bettercoal requirements for Biodiversity and Ecosystem Services.
Analysis and key findings	Drummond has used different mechanisms to provide access to the Environmental policy and procedures to workers and contractors.

Finding	2.1.5 Drummond does not have adequate oversight of contractor working conditions.
Analysis of evidence	Drummond has augmented its oversight of contractors through a number of processes including due diligence screening, contract provisions, and audits of contractors.

Finding	2.2.1 Drummond has not completed implementation of the recommendations to improve the Grievance Mechanism from all stakeholders, including processes, software, and roles and responsibilities in the current organisational structure.
Analysis of evidence	Drummond has completed implementation of its updated grievance mechanism for stakeholders to raise concerns, complaints or requests. The system identifies types of concerns and provides tracking and follow up of the company's response to and closure of the complaint. There is a classification process for human rights-related complaints. The system has been communicated to internal and external stakeholders.

Finding	2.2.2 Drummond does not have a comprehensive mechanism to receive feedback on the effectiveness of the grievance mechanism.
Analysis of evidence	Drummond allows for real-time feedback from users of its PQR system as well as meetings with stakeholders to get feedback on the system during community meetings and socialisation sessions.

Finding	6.8.1 Some Drummond employees face challenges in accessing disability benefits due to delays in classification of illnesses or injuries by the Colombian health authorities.
Analysis of evidence	Drummond has created a portal for employees to report work-related health and safety risks and general health issues online and increase their awareness of the health infrastructure. The government social security agencies (EPS for injuries and ARL for illness) make the classification decision in case of disability leave due to illness or injury and determine if the illness or injury is work-related. Once classified, Drummond pays 66-100% of the wages, depending on whether the illness or injury was determined to have been work related.

Finding	6.9.1 & 6.9.2 Despite Drummond’s efforts to implement a values-based safety programme, the company has experienced accidents involving fatalities in the past 3 years.
Analysis of evidence	Drummond published six live-saving rules; evaluated the roles and competencies of management; started a mentoring program for supervisors; and provided updated training for all employees. Managers and supervisors conduct safety walkthroughs of operations on a monthly basis. Drummond launched a program of safety observations and established a Process Improvement Team (PIT) to address observations and manage risks. Drummond has strengthened the involvement of workers including contractors in the process of improving the safety systems. Drummond is migrating from OHSAS 180001 to ISO 45001.

Finding	6.9.4 Contractors’ safety systems are not fully aligned with Drummond safety systems and requirements.
Analysis of evidence	Drummond communicates safety goals to contractors and establishes safety terms and conditions in contracts. Contractor companies are also evaluated by the Colombian RUC system. Drummond also evaluates contractor safety performance through lost time injury rate (LITR).

Finding	6.9.7 One sampled investigation of a contractor fatality lacked a separate investigation by the company and did not include actions beyond the specific function or an investigation of broader root causes.
Analysis of evidence	Drummond has incorporated a procedure to conduct its own investigation in addition to the investigation conducted by the contractor company in case of a contractor fatality.

Finding	6.9.10 Drummond does not include environmental scenarios in mock emergency drills at the mines.
Analysis of evidence	The Environmental department has developed a plan to conduct 2 environmental emergency drills per year at the mines and at the Port. Drills are also conducted at the Port. Drills are critiqued to identify opportunities for improvement. Corrective actions are defined and followed up until closure.

Finding	6.9.11 Safety issues identified during the field visit are an indication of gaps in the implementation of the safety system. Although some of them are easily correctable, the nature of the findings needs to be better understood by Drummond, corrected, and prevented.
Analysis of evidence	Drummond has improved its overall safety systems (see finding 6.9.1 & 6.9.2). With regard to the specific issues identified in the original assessment, Drummond has implemented corrective and preventive actions.

Finding	7.1.2 Drummond does not have an effective systematic, formalised company stakeholder strategies for implementing ongoing engagement with affected communities and all stakeholders through the project's life cycle. The company's Stakeholder Engagement Strategies are not effectively disseminated.
Analysis of evidence	Drummond has updated its social management system and is actively implementing stakeholder engagement and social investment plans with local communities. Within the social management system manual, Drummond has identified different types of stakeholders and specific outreach strategies for each type.

Finding	7.1.9 Drummond does not have a policy to avoid conditions that could lead to uncontrolled settlements.
Analysis of evidence	Drummond has incorporated a provision to avoid uncontrolled settlements into its Resettlement Policy. Drummond has implemented this provision through working with local stakeholders, specifically the mayors' offices, to discuss the process and implications.

Finding	9.1.2 Some of the procedures and guidance documents of the environmental management system that were released recently, have not yet been disseminated and implemented in the field.
Analysis and key findings	Drummond has used different mechanisms to provide access to the Environmental policy and procedures to workers and contractors.

Finding	9.1.5 Drummond’s current evaluation process for approval for the use of chemicals on site does not include the identification of chemicals and hazardous substances subject to international bans.
Analysis and key findings	Drummond’s Policy for Chemical Risk Management includes a determination and classification of chemical risks and verification of incoming chemicals against Annex III of the Rotterdam Convention. Drummond has a system in place to approve the use of chemicals on site. This system includes a filter to verify if the products that will be purchased are listed in the Rotterdam Convention.

Finding	9.2.1 The 3 underground tanks used for storage of used oil at El Descanso maintenance workshop do not have means to allow for inspection of integrity of the tanks or the presence of leakages.
Analysis and key findings	The underground tanks were inspected during the site visit to verify the improvements reported during the desktop review of the CIP. The underground tanks operate as transfer tanks only and are inspected on a daily basis to ensure they have enough capacity at all times.

Finding	9.2.7 Drummond has not yet finalised the implementation of the upgraded sediment control management system to achieve new water quality standard for Total Suspended Solids – TSS (50 mg/l), which will be applicable to Drummond starting June 2019.
Analysis and key findings	Drummond finalised the implementation of improvements to the sediment control system, including the use of two mined-out pits to help control sediment in case of heavy storm events and meet 50 mg/l TSS at the discharge points. Flocculants are also used when necessary.

Finding	10.6.2 Closure success criteria for reclamation areas have not been defined. Drummond indicated this closure success criteria will be considered for development in the 2019 update of the closure plan.
Analysis and key findings	Drummond has established closure success criteria based on the # of trees / Ha that achieve more than 1 meter height. Drummond will start applying this criterion to reclaimed areas revegetated in previous years to define if additional trees need to be planted. The revised criteria for water drainages was applied at a waste rock dump in reclamation.

Summary of Findings That Remain Open

Finding	2.2.1 The majority of employees and contractors sampled for interviews stated that they are not aware of the PQRs system.
Recommendations	Drummond should continue to communicate the PQR system to employees and contractors to raise awareness of the system. It is recommended to post the PQR system information in work areas for workers' and contractors' easy reference.

Finding	6.9.8 There are no protocols in place on how to protect workers when lightning storm events occur. Based on statistic data from other mines in South America, this is a critical risk for workers that could result in fatalities.
Recommendations	Conduct a risk assessment of lightning storm events, define actions to alert the workforce, define protocols and provide safe refuge areas for workers (mine and port).

Conclusion

Overall, based on documentary evidence, and on visits to Drummond's open pit coal mines in La Loma and El Descanso and to the Drummond coal export terminal, observations and interviews with company management, employees, contractors, and stakeholders, the site verification assessment showed that Drummond has actively worked to implement the improvement actions and recommendations made during the initial assessment in January 2019. Drummond has implemented a comprehensive grievance mechanism for employees and stakeholders, and during COVID established an employee care system to support employees with health and other issues. Drummond worked closely with local authorities to respond to the pandemic and bring workers back to work safely.

Since the initial assessment, it is evident that the company has made good faith efforts to continuously improve its business practices and to implement the recommendations from the CIP. The company shared all requested information and remained open to constructive feedback from the assessment team.

In most areas, the company's operating practices have improved and align with the requirements of the Code. However, in two instances there are opportunities for Drummond to continue improving its practices in line with international good practice and the Bettercoal Code requirements.