

**Bettercoal**

**Bettercoal Members' Implementation and Reporting  
Obligations (MIRO) | Conformity Review Report 2016**



## About Bettercoal

Bettercoal is a global not-for-profit Membership-based organization set up to advance continuous improvement of corporate social responsibility, including social, environmental and ethical practices, in the coal supply chain<sup>1</sup>. Bettercoal's vision is a coal supply chain that protects the environment, respects people's rights and contributes to the livelihoods of employees and communities.

Bettercoal was set up by a group of leading coal buyers as a global initiative striving for continuous performance improvement in the global coal supply chain. Developed as a response to the absence of an international, commonly accepted set of principles and standards in coal mining and other activities throughout its supply chain, it aims for greater assurance that ethical, social and environmental risks and impacts are well managed.

For more information about Bettercoal and its activities: [www.bettercoal.org](http://www.bettercoal.org).

## About this report

The Members' Implementation & Reporting Obligations (MIRO) aims to track 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.

All Regular Members that have completed at least one full year of Membership are subject to the MIRO. Bettercoal collects the MIRO key performance indicators (KPIs) from Members on an annual basis via a Scorecard and Members report on the MIRO KPIs on a comply or explain basis.

The MIRO reporting system is phased and progressive, and the KPIs included in the phases aim to reflect the maturity of Bettercoal and the pace of implementation. In July 2015, Bettercoal published the first Conformity Review Report which was based on the first set of indicators, the Phase 1 Scorecard. This report was published on the Bettercoal [website](#).

On the 11<sup>th</sup> of February 2016, the Bettercoal Board of Directors agreed the second set of indicators as measures for monitoring how Regular Members are meeting their commitment to implement Bettercoal into their coal purchasing practices (Phase 2 Scorecard). The Phase 2 Scorecard builds on Phase 1 KPIs and integrates quantitative KPIs to demonstrate the coverage of the Bettercoal tools and engagement in Members' supply chain. These indicators were consolidated in this report, based on Members responses to the Phase 2 Scorecards. For additional details regarding the indicators, please refer to the template Phase 2 Scorecard in Annex 1 of this document.

Bettercoal will report against Phase 2 Scorecard for at least two years, in order to allow performance tracking over time and consolidate the results. In the meantime, Bettercoal and its Members will work to develop the Phase 3 Scorecard, which will be looking at integrating KPIs to demonstrate the improvement of the mines in the coal supply chain and making these KPIs more responsive to what stakeholders wish to see.

This *Members' Implementation and Reporting Obligations (MIRO) | Conformity Review Report 2016* is a public report that:

- provides insight into how the Members are putting into practice the obligations they committed to when they joined Bettercoal and presents a set of findings and recommendations from Bettercoal on how Members can progress meeting their obligations;
- contains Bettercoal Secretariat's view on how Regular Members have undertaken their obligations and whether there is reason to believe the information is not accurate, consistent, relevant or timely.

The report is part of Bettercoal's commitment to disclosure and transparency.

## Limitation

The information included in this report covers eleven (11) out of the thirteen (13) Regular Members of Bettercoal that were part of Bettercoal on the 31<sup>st</sup> of December 2015. The Regular Members covered in this report are: Dong Energy, Drax, EDF, EDP, Enel, Fortum, Gas Natural Fenosa, ENGIE, RWE, Uniper and Vattenfall. The two (2) Members that have

---

<sup>1</sup> Coal supply chain refers to business activities in the coal supply chain from extraction over cleaning, warehousing, trading and transportation.

joined Bettercoal during 2015, ESB and Iberdrola, have been engaged in the process with the objective to align them to the MIRO reporting requirement, but are not included in this report and will be subject to the MIRO reporting system once they have completed a full year of Membership.

**Disclaimer**

Bettercoal publishes occasional papers as a disclosure of the progress of its activities or the activities conducted by its Members. Bettercoal maintains a policy of not acting as a representative of its Membership. This report has been prepared by the Bettercoal Secretariat and the conclusions and views represented therein are those of the Secretariat.

## Introduction

This Conformity Review Report expresses Bettercoal Secretariat's opinion on how Bettercoal Regular Members meet and implement their reporting obligations. The report consists of two parts, the Conformity Review, and Findings and Recommendations.

## Conformity Review

Upon joining Bettercoal, the Regular Members agreed a set of specific Members' obligations as defined in the Bettercoal [Articles of Association](#). These obligations include: to publicly endorse Bettercoal and to apply the Bettercoal Code and Bettercoal tools in due diligence processes, which includes engaging and collaborating with coal suppliers. Regular Members who own or control coal mines themselves have additional obligations.

The implementation of the obligations is key to the success of Bettercoal. These obligations are designed to help achieve Bettercoal's mission. Furthermore, abiding by Bettercoal's obligations is the basis for:

- The credibility of Bettercoal vis-à-vis stakeholders: internal and external stakeholders should be able to understand how Bettercoal Members implement the Bettercoal Code and tools and how this influences their business practices to improve the social, environmental and ethical performance of their coal supply chains.
- The legitimacy of Bettercoal vis-à-vis suppliers: The success of Bettercoal relies on the collaboration of suppliers to complete Self-Assessment Questionnaires (SAQs), Site-Assessments and implement corrective action plans. In the absence of demonstrable progress in Member's implementation, suppliers will be less convinced of the Members' commitment and of the need and value of collaborating with Bettercoal.
- The integrity of Bettercoal: If one Member is found not to honor its obligations to implement the Bettercoal Code, this will affect the integrity of Bettercoal as a whole and its individual Members. Bettercoal must aim to reduce the risk of "free riders."

As a result of the importance of compliance, as well as to provide disclosure and transparency on the performance of Regular Members, the Bettercoal Board of Directors asked the Secretariat to undertake an Annual Conformity Review, as well as to present the findings in a public report.

## Methodology

The basis of the Conformity Review is the completion of the MIRO Scorecard. Each Member fills in a MIRO Scorecard, capturing information on progress against the indicators developed to measure performance. In addition to providing information in the MIRO Scorecard, each Member is requested to provide additional information, including evidence as appropriate to support their answer.

In February 2016, the Bettercoal Secretariat requested each Regular Member to individually complete the MIRO Phase 2 Scorecard (see Annex 1), including information that covers Members' activities for the reporting period 2015. However, activities of Q1 2016 were also taken into account, where deemed relevant. The eleven (11) out of thirteen (13) Members that have completed at least one full year of Membership contributed with information to complete this report.

### Collection and finalization of the MIRO Scorecard

Once the Members shared their completed Scorecards with the Secretariat, the Secretariat reviewed the information provided and sent a request of information to Members individually to:

- ask questions if greater clarity was needed;
- ask for relevant evidence (for example, review a copy of the defined procedure, review the public statement endorsing Bettercoal, etc.);
- align on final responses to the Scorecard if some misalignment or inconsistency was found.

Each of the MIRO Scorecards was considered finalized once the Members completed their own MIRO Scorecard, the review has been conducted by the Secretariat, and follow up aimed at informing the Conformity Review has been done. The Secretariat has not sought to verify the information provided by Members.

### Information gathering and aggregation

The Secretariat gathered information in the following way:

- reviewing the information included in the individual Scorecards to check relevance, accuracy and consistency, in particular for the scope of the commitment, the due diligence procedures and the quantitative indicators;
- reviewing the evidence provided by the Members to check individual processes and performance included in the Scorecards, against the recommended activities;
- spot checking the information with the Bettercoal records (meeting minutes, emails, etc.) and with publicly available information referred to by Members, when relevant;
- comparing the information included in the Scorecard with the same information provided for the previous reporting year wherever possible, i.e. specific KPIs of the MIRO Phase 2 Scorecards did not change with respect to the MIRO Phase 1 Scorecards;
- consolidating and aggregating the information received following the criterion of “genuine aggregation/anonymity of data”, thus ensuring the aggregation won’t result in, even indirectly, the disclosure of confidential and competitive information that is relevant to specific individual Members.

The Conformity Review was undertaken on the basis of the following criteria:

#### 1. MIRO Phase 2 Scorecard (see Annex 1)

This included detailed sections: Instructions, Definitions of Terms Used, Recommended Activities, and Data Entry/ Instructions for each specific indicator to guide the completion of the Scorecard. The additional indicators of the MIRO Phase 2 Scorecard have been marked in ‘Detailed findings’ with an icon.

#### 2. Applicability

Information provided by the Members was reviewed only where applicable. This had impact in the review process of the following KPIs:

- a. KPI 4.4 and 4.5 – these indicators are not considered applicable for Members who have not signed new contracts during the year;
- b. KPI 7.1. and 7.2 – these indicators are not considered applicable for Members that do not own or control coal mines themselves.

#### 3. Comparability

Wherever possible, the information provided by the Regular Members was compared to the data provided for the previous reporting year through the MIRO Phase 1 Scorecards and in order to review progress made to implement commitment. This is the case for KPI 1.1, 2.1, 2.2, 3.1, 4.1, 4.2, 7.1 and 7.2.

#### 4. Data aggregation methodology

- a. Qualitative information is aggregated and anonymized by summarizing findings from the MIRO process and highlighting Regular Members’ practices in anonymous and general form, ensuring that it cannot be traced back to specific Members.
- b. Quantitative indicators are collected and aggregated according to the Data collection and aggregation methodology of quantitative indicators described in Annex 2.

### **Opinion of Conformity**

Based on the data and information provided by the Regular Members and after the Conformity Review process, the Bettercoal Secretariat concludes there is no reason to believe that the MIRO Phase 2 Scorecards assertions are not accurate, consistent, relevant or prepared in accordance with the criteria for the Conformity Review.

In general, the Secretariat believes that the information provided is:

- a fair representation of Members’ implementation of the Bettercoal commitments, and
- a good reflection of the progress made since the Bettercoal inception and, in particular, with respect to the information provided for the previous reporting year through the MIRO Phase 1 Scorecards, where the comparison was possible with the MIRO Phase 2 Scorecards.

Nonetheless, it is worth noting the following:

#### 1. Review of the procedures of the Regular Members

In two (2) cases the Secretariat has not performed a review of the procedures of the Members because the procedure was work in progress and not shared with the Secretariat. This has impacted KPI 4.1 and KPI 4.2 in the Scorecards of the Members.

#### 2. Overall data accuracy

During the reporting process, in three (3) cases data was not communicated to the Bettercoal Secretariat according to the request included in the data entry (volumes for nominator and denominator), but already calculated (%). This has impacted KPI 5.1 and KPI 5.2 in the Scorecards of the Members.

## Findings and recommendations

### Overall Findings

All Regular Members of Bettercoal have taken actions towards abiding by the Members' obligations. There are many examples of good practice and some progress from the previous reporting year. Progress has been made especially towards integrating Bettercoal into the coal purchasing due diligence processes through formalization of procedures, integration of the Bettercoal tools as a source of information to screen suppliers and through increased promotion of the Bettercoal Code in the public debate with engagements at local level, during conferences and increasingly during business meetings.

The Secretariat has found that some Members have made more progress than others towards meeting their obligations. The Secretariat has also found that Members may interpret the obligations laid out in the Articles of Association in different ways, and there are areas for improvement where Members can further work as outlined in the Secretariat recommendations below.

After the publication of this report, the Secretariat will engage individually with Members, providing tailored feedback about their Scorecards and the implementation of their obligations. Part of this process will also entail discussing shortcomings from the conformity review as noted above in the 'Opinion of Conformity'.

The Secretariat recommends that Bettercoal clarifies minimum requirements for abiding by Members' obligations as included in the Articles of Associations.

### *Secretariat Recommendations for Members*

The Secretariat identified recommendations for improving compliance. These recommendations are:

- Members that implement the Bettercoal Code in only part of their coal supply chain should clarify the scope of their commitment in the public statement.
- Members should continue frequent and active attendance and make constructive contributions to the Board meetings, working groups and taskforces.
- Members should define and implement a process for assessing/screening suppliers on their ethical, environmental and social performance, integrating the results thereof in their coal purchasing due diligence process.
  - This due diligence process should be formalized in a written procedure.
  - Information provided in the Bettercoal Assessment Database and other Bettercoal tools (e.g. dashboard) should be considered in the due diligence process.
  - Members should define clear roles and responsibilities for staff accountable to implement the due diligence process and this staff should be trained to implement Bettercoal.
  - Members should also integrate into new contracts with direct suppliers the Bettercoal contract clause to set the expectation to participate in the Bettercoal Assessment Program and providing information in the Bettercoal Assessment Database.
- Members should continue to actively engage suppliers to adopt and implement the Bettercoal Code, including:
  - Follow-up with mines that have non-completed Self- and Site-Assessments to request that they complete such assessments in order to increase the share of coal covered by the Bettercoal Assessment Program.
  - Communicate to all new suppliers the requirements of Bettercoal and the Bettercoal Code through written communication, including formalizing the Bettercoal contract clause into new contracts or requesting suppliers to complete a Self-Assessment Questionnaire and be available for a Site-Assessment if requested.
  - Present Bettercoal in supplier engagement events (e.g. supplier days, visits, etc.).
- Members that have majority participation in coal mines should consider carrying out Self-Assessment Questionnaires, Site-Assessments for mines, and develop Continuous Improvement Plans based on the Bettercoal Code.

Bettercoal also invites Members to implement the following actions:

- Strengthen the public statement by explicitly stating that they “embrace the Bettercoal Principles,” and that they will implement Bettercoal in their coal supply chain management and coal purchasing due diligence.
- Take a leadership role to drive specific Bettercoal work-streams or taskforces, thereby increasing ownership and providing additional resources.
- Proactively promote Bettercoal and the Bettercoal Code amongst key stakeholders.
- With regards to the Members’ individual due diligence processes, Bettercoal also invites Members to consider:
  - Establishing a procedure to review existing suppliers on a regular basis, thus accounting for changes in suppliers’ performance and/or presentation of new information available in the Bettercoal Database.
  - Defining a clear escalation procedure in the case critical information arises on a supplier.
  - Separating the roles of those conducting the due diligence and those purchasing the coal.
  - Regularly reviewing the effectiveness of the due diligence process.
  - Establishing mechanisms including performance Scorecards that promote the effective and efficient implementation of the Bettercoal Code and tools.
- Members that have minority participation in coal mines can consider establishing a dialogue with joint venture partners to promote the Bettercoal Code and tools.

## Detailed findings

### **Commitment 1 | To publicly endorse Bettercoal including its vision, mission and standards upon admission to Membership and thereafter as appropriate**

#### *KPI 1.1 | Public statement endorsing Bettercoal*

All Members have issued a public statement endorsing Bettercoal. The public statement features on the Members’ websites or annual publications such as the Annual Report or the Corporate Responsibility Report. In general, in their public statement, Members state that they are Members of Bettercoal and explain the mission and the objectives of Bettercoal. Some of them explicitly mention that they expect suppliers to act responsibly. Three Members explicitly state their commitment to implement Bettercoal into their coal supply chain management or coal purchasing due diligence.

In 2015, eight (8) out of eleven (11) Members reported a commitment to implement Bettercoal in all their coal operations, while three (3) Members reported a commitment to implement Bettercoal in some of their operations. For those Members that made a limited commitment, usually focus is on coal imported into Europe/seaborne, or excluding coal that is burnt outside Europe. However, these Members do not explicitly clarify this limited scope of their commitments into their public statements.

#### *Changes from previous reporting year*

No changes from previous year.

#### *Recommendations for improvement*

Members can strengthen their public statement by explicitly stating that they “embrace the Bettercoal Principles” and that they commit to implementing Bettercoal in their coal supply chain management and coal purchasing due diligence.

Members that implement Bettercoal in part of their operations should clarify the scope of their commitment in a public statement.

## **Commitment 2 | To participate and contribute to the collective action of Bettercoal**

### ***KPI 2.1 | Attendance at Bettercoal meetings (in %)***

At the end of 2015, the Board of Directors counted for nine (9) Members and held four meetings during the year. The Members Working Group<sup>2</sup> counted for the participation of all Members and there were four meetings held in 2015. The average rate of attendance at the Board of Directors and the Members Working Group meetings stood at 87.6%. This rate takes into account participation in the Members Working Group of Members' representatives and participation of elected Board Members representatives as well as their Alternate at the Board of Directors meetings.

### ***KPI 2.2 | Number of working groups in which the Members participate***

There were five working groups and taskforces in 2015. On average, Members participated in 3.2 working groups or taskforces.

### ***Changes from previous reporting year***

No changes from previous year.

### ***Recommendations for improvement***

Members should continue strong attendance and constructive contributions at meetings in the Board of Directors, working groups and taskforces.

Members are reminded that they have the opportunity to take a leadership role to drive specific Bettercoal work-streams or taskforces, thereby increasing ownership and providing Bettercoal with additional resources.

## **Commitment 3 | To recognize and promote the Bettercoal Code as a standard for social, environmental and ethical performance in the coal supply chain**

### ***KPI 3.1 | Support Bettercoal and promote the Bettercoal Code in public debate***

In 2015, ten (10) of the eleven (11) Members promoted Bettercoal in the public debate. The promotional activities were often linked to specific local public debate focused on corporate responsibility in the coal supply chain in Members' countries, but also in the countries of origin of coal. When Members had the opportunity to participate in dialogues with stakeholders such as governments, advocacy NGOs and journalists on ethical, social and environmental conditions in the coal supply chain, Members highlighted Bettercoal as the solution to advance corporate responsibility in the coal supply chain.

### ***Changes from previous reporting year***

One more Member with respect to the previous year promoted Bettercoal in the public debate. The level of promotion and the type of activities were greater, especially with engagements at local level, during conferences and increasingly during business meetings.

### ***Recommendations for improvement***

Members can continue promoting Bettercoal and the Bettercoal Code on a proactive basis with their key stakeholders.

---

<sup>2</sup> The Members Working Group is made up of Bettercoal Members the leads the implementation of the Member commitments and any other matter related to Regular Members.

## **Commitment 4 | To implement the Bettercoal Code and Bettercoal tools in the due diligence processes in the coal supply chain**

### ***KPI 4.1 | Bettercoal Code and tools are included in coal supplier due diligence written procedure***

Of the eleven (11) Members, eight (8) have explicitly included the Bettercoal Code and tools in a relevant due diligence written procedure and only two (2) Members have not, while one (1) is in the process of doing so.

Of the eight (8) Members that have explicitly included the Bettercoal Code and tools in their relevant due diligence procedure, five (5) Members are including it in their overall due diligence procedure such as their *Know Your Customer* or *Counterparty Risk Assessment Procedure*, and three (3) Members are including it in a standalone procedure focused on social, environmental and ethical due diligence.

### ***KPI 4.2 | Process for assessing/screening direct suppliers of coal on environmental, social and ethical performance, is established with relevant procedures, roles, responsibilities, and training***

#### **Process to assess and screen direct suppliers of coal**

All Members established a process, with defined procedures, roles and responsibilities, to assess and screen direct suppliers of coal on their environmental, social and ethical performance. Ten (10) out of the eleven (11) Members have already included Bettercoal as a mean of assessing/screening direct suppliers and one (1) of the Members is starting now.

In their due diligence process, Members may consider information in the Bettercoal Assessment Database in addition to other sources of information, such as other informational databases, websites or general web searches. In general, the environmental, social and ethical performance of the supplier is assessed alongside other information such as financial and credit information.

#### **Roles and responsibilities**

The responsibility for assessing suppliers on their ethical, social and environmental performance and reviewing the results of the Bettercoal assessments may lie with the sustainability or corporate responsibility team, the compliance office, or the coal trading team. In some cases, the coal trading team only receives the final decision of approval/rejection of the supplier, but it is not involved in the assessment phase. In other cases, the coal trading team is responsible for assessing the ethical, social and environmental performance of the supplier.

Five (5) out of eleven (11) Members have established a multi-disciplinary or high level committee tasked to review any critical information or 'red flag' what may emerge from the initial supplier due diligence and provide a final decision on the course of action that the company will take with the supplier. These Members have defined a clear 'escalation' process, escalating the decision on the course of action that the Member will take with the supplier to the committee.

#### **Awareness raising & training**

To raise awareness of staff accountable for implementing Bettercoal, Members generally rely on periodic activity reports, regular updates, and articles in intranet, etc. Ten (10) out of the eleven (11) Members have conducted training activities of staff involved through dedicated formal training sessions, specific meetings and workshop series. Of the ten (10) Members that have conducted training activities three (3) have conducted formal training sessions.

Some of the Members have been using training materials provided by the Bettercoal Secretariat.

#### **Other activities to implement the Bettercoal Code and tools in their due diligence processes**

One (1) Member is looking at integrating Bettercoal into other supplier engagement processes and communications, such as incorporation of Bettercoal tools into Modern Slavery Statement to recognize human rights policies and performance of mines into Modern Slavery due diligence procedures.

**Evidence of how the process for screening suppliers of coal on environmental, social and ethical performance influences the coal buying process and decision-making**

According to the evidence provided such as their *Know Your Customer* or *Counterparty Risk Assessment Procedure* and the information included in the scorecards, in most cases, Bettercoal Members screen their suppliers against e.g. codes of ethics, legal and fiscal criteria and exercise their due diligence procedures to determine ‘high-risk’/red flag counterparties. The resulting information together with the data extracted from the Bettercoal database is used to assess if a supplier can be “approved” or “rejected” as part of the coal procurement procedures. Therefore, availability of information in the Bettercoal Database is considered critical for the coal buying and decision-making process.

**+ KPI 4.3 | Percent of staff accountable to implementing Bettercoal that has been trained**

Percent of staff accountable to implementing Bettercoal that has been trained	%	79.1%
---	---	-------

In 2015, on average 79.1% of the staff accountable to implementing Bettercoal has been trained. See Annex 2 for specific description of calculation methodology.

For the purpose of this indicator, staff accountable to implementing Bettercoal are representatives of Members’ staff that are accountable to implementing the Bettercoal Code and tools in the due diligence processes in the coal supply chain or to engaging and collaborating with coal suppliers and the use of Bettercoal tools.

**+ KPI 4.4 | Share of new contracts with direct suppliers that is covered by the Bettercoal clause**

Share of new contracts with direct suppliers that is covered by the Bettercoal clause	%	42.4%
---	---	-------

In 2015, on average 42.4% of new contracts with direct suppliers was covered by the Bettercoal contract clause. Some Members reported that also existing contracts were amended during the reporting period to include the Bettercoal contract clause. See Annex 2 for specific description of calculation methodology.

For the purpose of this indicator, the contract is considered as “covered by the Bettercoal contract clause,” if:

- The Bettercoal clause is included in the contract, by way of a schedule or appendix.
- The contract includes an acknowledgement by the seller of the Bettercoal Code as a standard for continuous improvement in the coal supply chain.
- The contract includes at a minimum a request by the buyer to complete an SAQ.

**+ KPI 4.5 | Share of directly purchased coal agreed in new contracts with direct suppliers that is covered by the Bettercoal clause**

Share of directly purchased coal agreed in new contracts with direct suppliers that is covered by the Bettercoal clause	%	55.6%
---	---	-------

In 2015, on average 55.6% of directly purchased coal agreed in new contracts with direct suppliers was covered by the Bettercoal contract clause. See Annex 2 for specific description of calculation methodology.

For the purpose of this indicator, the contract is considered as “covered by the Bettercoal contract clause,” if:

- The Bettercoal clause is included in the contract, by way of a schedule or appendix.
- The contract includes an acknowledgement by the seller of the Bettercoal Code as a standard for continuous improvement in the coal supply chain.
- The contract includes at a minimum a request by the buyer to complete an SAQ.

**Changes from previous reporting year**

Two (2) more Members have included the Bettercoal Code and tools into their due diligence written procedures and use that for assessing/screening suppliers.

Two (2) more Members have established a multi-disciplinary or high level committee tasked to review any critical information or 'red flag' that may emerge from the initial supplier due diligence and provide a final decision on the course of action that the company will take with the supplier.

Two (2) more Members have conducted formal trainings on Bettercoal.

### **Recommendations for improvement**

All Members should define and implement a process for assessing/screening suppliers on their ethical, environmental and social performance, integrating the results thereof in their coal purchasing due diligence processes.

- This due diligence process should be formalized in a written procedure.
- Information provided in the Bettercoal Assessment Database and other Bettercoal tools (e.g. dashboard) should be considered in the due diligence process.
- Members should define clear roles and responsibilities for staff accountable to implement the due diligence process and this staff should be trained to implement Bettercoal.
- Members should also integrate into new contracts with direct suppliers the Bettercoal contract clause to set expectation to participate in the Bettercoal Assessment Program providing information in the Bettercoal Assessment Database.

Members should also consider to:

- Establish a way to review existing suppliers on a regular basis, thus regularly checking for new information available in the Bettercoal Database.
- Define a clear escalation procedure in case critical information arises on a supplier.
- Separate the roles of those conducting the due diligence and those purchasing the coal.
- Review the effectiveness of the process after a defined period of time.
- Include a specific target in personal scorecards of staff accountable for implementing Bettercoal.
- For existing contracts with suppliers, engage suppliers to review the existing contract and integrate the Bettercoal clause.

## **Commitment 5 | To implement the Bettercoal Code in the coal supply chain through engagement and collaboration with coal suppliers and the use of Bettercoal tools**

### **+ KPI 5.1 | Share of directly purchased coal that is covered by an SAQ**

Share of directly purchased coal that is covered by an SAQ	%	31.8%
--	---	-------

In 2015, on average 31.8% of the directly purchased coal by the Bettercoal Members was covered by an SAQ. See Annex 2 for specific description of calculation methodology.

For the purpose of this indicator, directly purchased coal is defined as coal bought during the Reporting period via direct contracts regardless of whether coal was supplied for end-use to the Member or sold to a third party and regardless of whether it was physically delivered or used during the reporting period.

### **+ KPI 5.2 | Share of total coal supplied that is covered by an SAQ**

Share of total coal supplied that is covered by an SAQ	%	21.4%
--	---	-------

In 2015, on average 21.4% of the total coal supplied to Bettercoal Members was covered by at least a Self-Assessment Questionnaire. It is worth noting that this indicator is calculated using data provided by Members – volumes of total coal supplied by country of origins - and by a Bettercoal estimation of % of coal covered by an SAQ per country of origin. To estimate these country figures, Bettercoal has used the most recent coal production data available in a third party mine inventory database (2012) for mining operations that have submitted an SAQ and the total production of commercial coal for the same year from a publicly available source of information. See Annex 2 for specific description of calculation methodology.

For the purpose of this indicator, total coal supplied is defined as all coal that is supplied for end-use to the Members (not sold to a third party). This is defined as the coal physically delivered to the power station, during the reporting period and includes coal purchased through direct contracts as well as through standard contracts.

### **Recommendations for improvement**

In order to increase the share of coal covered by the Bettercoal Assessment Program, Members should:

- Follow-up with the mines that have not completed Self- and Site-Assessments to request that they complete these.
- Communicate to all new suppliers the requirements of Bettercoal and the Bettercoal Code through written communication, including request to complete a Self-Assessment Questionnaire and be available for a Site-Assessment if requested.
- Present Bettercoal in supplier engagement events (e.g. supplier days, visits, etc.).

### **Commitment 6 | To provide information for the purposes of the Bettercoal's annual report**

There is no KPI defined for this commitment.

### **Commitment 7 | For Members who own or control coal mines themselves**

- **Recognize the importance of maintaining standards that align with the Bettercoal Code in owned or controlled coal mining operations;**
- **Recognize the importance of using the Bettercoal Code and tools in the process of continuously improving the social, environmental, and ethical performance of owned or controlled coal mining operations;**
- **Recognize the importance to the overall success of Bettercoal of maintaining social, environmental and ethical performance in owned or controlled coal mining operations aligned with the Bettercoal Code.**

#### **KPI 7.1 | Share of hard coal produced in owned or controlled mining operations that have undergone a Bettercoal assessment**

Share of hard coal produced in owned or controlled mining operations that have undergone a Bettercoal assessment	%	66.7%
--	---	-------

There are three (3) Members that own or control a hard coal mine and two (2) out of these three (3) Members have completed a Bettercoal Self-Assessment Questionnaire of their hard coal mines.

For the purpose of this indicator, ownership or control of a mining operation is defined as:

- Direct or indirect ownership or control (alone or pursuant to an agreement with other companies) of 50 percent or more of the voting equities/rights (or equivalent) of the controlled business or operation; and/or,
- Day-to-day or executive management of the controlled business or operation; or
- Any legally recognised concept of "Control" analogous to those described above in a relevant jurisdiction.

#### **KPI 7.2 | The Member has implemented the Bettercoal Code and tools in its owned or controlled lignite mining operations**

There are two (2) Members owning or controlling lignite mining operations. Of these two (2) Members one (1) has implemented the Bettercoal Code and tools and the other one has not done that yet.

### **Changes from previous reporting year**

Two (2) more Members with respect to the previous reporting year have reported that they own or control hard coal mining operations, making a total of three (3) Members and two (2) of them having undergone a Bettercoal assessment.

***Recommendations for improvement***

Members that have majority participation in coal mines should:

- carry out Self- and Site-Assessments (where needed) for mines;
- develop Continuous Improvement Plans based on the Bettercoal Code.

Members that have minority participation in coal mines can consider establishing a dialogue with joint venture partners to promote the Bettercoal Code and tools.

## ANNEX 1 | Phase 2 Scorecard

Bettercoal   Member Implementation & Reporting Obligations Scorecard		bettercoal defining standards.refining practice
Phase 2   Reporting period 2015		
Scorecard		
Key Performance Indicator	Metric	
<b>SECTION 1: MEMBERS DEMONSTRATING SUPPORT TO BET indicators include in the Phase 2 scorecards</b>		
To publicly endorse Bettercoal including its vision, mission and standards upon admission to membership and thereafter as appropriate		
Public statement on endorsing Bettercoal	Y/N	
	Scope of the commitment   free text	
To participate and contribute to the collective action of Bettercoal;		
Attendance at Bettercoal meetings	%	
Number of working groups in which the member participates	#	
To recognize and promote the Bettercoal Code as a standard for social, environmental and ethical performance in the coal supply chain;		
Support to Bettercoal and promotion of the Bettercoal Code in the public debate	free text	
<b>SECTION 2: MEMBERS INCORPORATING BETTERCOAL INTO BUYING DECISIONS</b>		
To implement the Bettercoal Code and Bettercoal tools in the due diligence processes in the coal supply chain;		
Bettercoal Code and tools is included in coal supplier due diligence written procedure	Y/N	
Process for assessing/screening direct suppliers of coal on environmental, social and ethical performance, is established with relevant procedures, roles, responsibilities, and training	Process to assess/screen direct suppliers of coal   free text	
	Roles and responsibilities   free text	
	Awareness raising and training   free text	
	Others   free text	
	Evidence of how the process for screening suppliers of coal on environmental, social and ethical performance influences the coal buying process and decision-making   free text	
Percent of staff accountable to implementing Bettercoal that has been trained	%	
Share of new contracts with direct suppliers that is covered by the Bettercoal clause	%	
Share of directly purchased coal agreed in new contracts with direct suppliers that is covered by the Bettercoal clause	%	
To implement the Bettercoal Code in its coal supply chain through engagement and collaboration with coal suppliers and the use of Bettercoal tools		
Share of directly purchased coal that is covered by an SAQ	%	
Share of total coal supplied that is covered by an SAQ	%	
To provide information for the purposes of the Bettercoal's annual report		
No KPI		
<b>SECTION 3: MEMBERS INTEGRATING BETTERCOAL INTO THEIR OWN MINING PRACTICES (WHERE APPLICABLE)</b>		
For members who own or control coal mines themselves		
Recognize the importance of maintaining standards in owned or controlled coal mining operations that align with the Bettercoal Code		
Recognize the importance of using the Bettercoal Code and tools in the process of continuously improving the social, environmental, and ethical performance of owned or controlled coal mining operations		
Recognize the importance to the overall success of Bettercoal of maintaining social, environmental and ethical performance in owned or controlled coal mining operations aligned with the Bettercoal Code		
Share of hard coal produced in owned or controlled mining operations that have undergone a	%	
The member has implemented the Bettercoal Code and tools in its owned or controlled lignite mining operations	Y/N	

## ANNEX 2 | Data collection and aggregation methodology of quantitative indicators

Quantitative information	Metric	Data Collection and Aggregation
To publicly endorse Bettercoal including its vision, mission and standards upon admission to Membership and thereafter as appropriate		
Attendance of Bettercoal meetings	%	<p><b>Collection:</b> Each Member provides attendance in # of Board of Directors meetings and Members Working Group meetings. If a Member is not represented at the Board, then Board meetings are not applicable. The scorecard calculates the % of meetings attended for each regular Member</p> <p><b>Aggregation:</b> Exact average of % attendance of each Regular Members, wherever applicable</p>
Number of working groups in which the Members participate	#	<p><b>Collection:</b> Each Member provides attendance in # of working group and taskforces in which the Member participates</p> <p><b>Aggregation:</b> Exact average of # of working groups attended by each Regular Members</p>
To implement the Bettercoal Code and Bettercoal tools in the due diligence processes in the coal supply chain;		
Percent of staff accountable to implementing Bettercoal that has been trained	%	<p><b>Collection:</b> Each Member provides # of staff accountable to implement Bettercoal and # of staff that has been trained on Bettercoal. The scorecards calculate the % of staff trained for each Member</p> <p><b>Aggregation:</b> Exact average of % of staff of each Regular Members accountable to implementing Bettercoal that has been trained</p>
Share of new contracts with direct suppliers that is covered by the Bettercoal clause	%	<p><b>Collection:</b> Each Member provides % of new contracts covered by the Bettercoal clause. If no new contracts have entered on a binding basis during the reporting period indicator is not applicable for the Member.</p> <p><b>Aggregation:</b> Exact average of % provided by each Regular Members, wherever applicable</p>
Share of directly purchased coal agreed in new contracts with direct suppliers that is covered by the Bettercoal clause	%	<p><b>Collection:</b> Each Member provides % of volumes included in new contracts covered by the Bettercoal clause. If no new contracts have entered on a binding basis during the reporting period indicator is not applicable for the Member.</p> <p><b>Aggregation:</b> Exact average of % provided by each Regular Members, wherever applicable</p>
To implement the Bettercoal Code in its coal supply chain through engagement and collaboration with coal suppliers and the use of Bettercoal tools		
Share of directly purchased coal that is covered by an SAQ	%	<p><b>Collection:</b> Each Member provides volumes of directly purchased coal covered by SAQ and volumes of total directly purchased coal. The scorecards calculate the % of directly purchased coal for each Member. If no volumes of coal have been bought during the Reporting period via direct contracts indicator is not applicable for the Member.</p> <p><b>Aggregation:</b> Exact average of % of each Regular Members, wherever applicable</p>

Share of total coal supplied that is covered by an SAQ	%	<p><b>Collection:</b> Each Member provides total volumes of coal supplied per country of sourcing. Bettercoal provides an estimation of the % of coal covered by an SAQ by calculating the following % per country: total coal production from mines that have submitted an SAQ in the country (Y)<sup>3</sup> / total coal produced in the country (Y)<sup>4</sup>. Bettercoal then estimates the % of total coal supplied for each Member by calculating the weighted average for all countries where the Member has sourced coal.</p> <p><b>Aggregation:</b> Exact average of % if total coal supplied for each Member</p>
<p>For Members who own or control coal mines themselves</p> <p>Recognize the importance of maintaining standards in owned or controlled coal mining operations that align with the Bettercoal Code</p> <p>Recognize the importance of using the Bettercoal Code and tools in the process of continuously improving the social, environmental, and ethical performance of owned or controlled coal mining operations</p> <p>Recognize the importance to the overall success of Bettercoal of maintaining social, environmental and ethical performance in owned or controlled coal mining operations aligned with the Bettercoal Code</p>		
Share of hard coal produced in owned or controlled mines that have undergone a Bettercoal assessment	%	<p><b>Collection:</b> Each Member provides volumes of hard coal produced in total and volumes from owned or controlled mines that have undergone Bettercoal assessment. The scorecards calculate the % hard coal produced on owned or controlled mines for each Member. If the Member does not own or control hard coal mines this indicator is not applicable for the Member.</p> <p><b>Aggregation:</b> Exact average of % of each Regular Members, wherever applicable</p>

<sup>3</sup> Source: SNL mine inventory database and Bettercoal Assessment database: coal production of mines that have submitted an SAQ (production data 2012, excluding lignite mines with submitted SAQ, Members owned mines and three mines with missing production data for 2012)

<sup>4</sup> <http://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-coal-section.pdf> (production data of commercial solid fuels 2012)