



Working towards a global
responsible coal supply chain



DRUMMOND LTD.
COLOMBIA

Bettercoal Assessment Public Report: Drummond Ltd.



Drummond Ltd, a Bettercoal Supplier since 2014, is committed to a continuous improvement path for their operations in Colombia. The company's operations have been independently assessed against the Bettercoal Code.

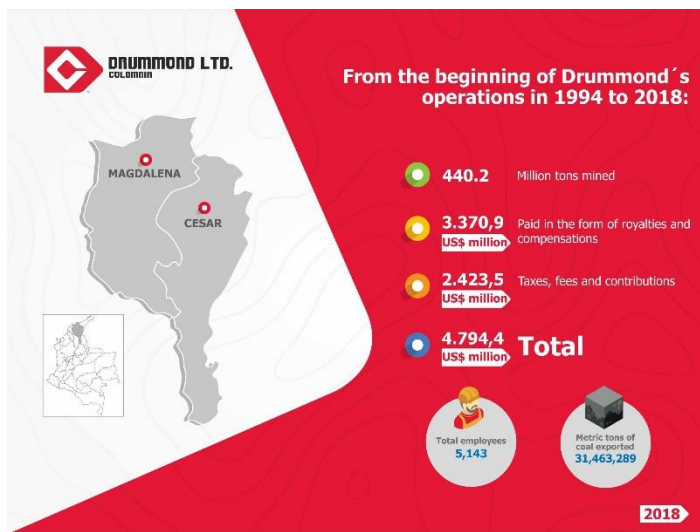
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Disclaimer

This report is a summary of the Bettercoal Assessment. The full document is confidential and available only to Bettercoal Members. This is a live document and the latest version can be found on Bettercoal.org

A. Company Description

Drummond Ltd. is a mining company that operates solely in Colombia, property of Drummond International LLC, a company based in Alabama, United States. The company is owned by Drummond Company, Inc. and its affiliates (80%) and ITOCHU Coal Americas Inc. (20%).



The mining operations are located in the Department of Cesar, concentrated in two centres: La Loma and El Descanso. It also includes the Rincón Hondo, Similoa and Cerrolargo projects, which are currently in the environmental licensing process. Drummond Ltd. also has a fleet of 13 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), which Drummond owns a 40.96% stake.

B. Context

Coal industry

In 2018, Colombia produced 84.2 million tonnes (MT) of coal¹, 94% of which was exported. Colombia ranked eighth in the world for coal production in 2017, after China (1747.2 MT), the U.S. (371.3 MT), India (294.2 MT), Australia (279.4 MT), Indonesia (271.6 MT), Russia (206.3 MT) and South Africa (143 MT). The coal-mining sector in Colombia contributed 0.5% of the country's GDP in 2016,² and the vast majority of this revenue came from three very large coal-mining projects: the Cerrejón mine in La Guajira department, the coal mines in Cesar operated by the Prodeco Group and owned by Glencore, and the Drummond-owned La Loma mine in Cesar department.³

Colombia's economy suffered as result of the 2016 crash in global oil prices, but GDP growth is now experiencing an uptrend⁴ with coal forecast to be a key source of growth in Colombia's mining sector between 2016 and 2020.⁵

¹ National Mining Agency: <https://www.anm.gov.co/?q=content/produccionC3%B3n-nacional-de-carbon-acumulado-2018-del-i-al-iv-trimestre>

² World Development Indicators, 2016: <http://wdi.worldbank.org/table/3.14>

³ Oxford Business Group, The Report: Colombia 2017, <https://oxfordbusinessgroup.com/colombia-2017/mining-0>

⁴ <https://tradingeconomics.com/colombia/gdp-from-mining>

⁵ *Ibid.*



Reassessment

Drummond were the first company to undergo a full Bettercoal site-assessment in 2014 and have been following and reporting on their agreed Continuous Improvement Plan which identified a number of areas which could strengthen existing processes and lead to higher levels of performance. In November 2015, an assessment team from ERM-CVS visited Drummond Ltd. again, to independently verify the improvements that were made. There was evidence of:

- greater engagement of both employees, unions and external stakeholders on company business and sensitive issues;
- an improved policy framework with employee training on, for example, occupational health and safety, human rights, bribery and corruption;
- progress towards the implementation of the Voluntary Principles on Security and Human Rights;
- improved waste and recycling management;
- water conservation.

This independent re-assessment of Drummond's performance against the Bettercoal Code is the first full re-assessment of a Bettercoal Supplier.

Risks

Colombia's most prominent internal conflict, against the FARC guerrilla group, ended in a peace deal in November 2016. The deal drew to a close over 50 years of armed struggle and, although ELN and other paramilitary forces remain active, the overall de-escalation of conflict taking place in Colombia today may represent a significant opportunity for the country's mining sector, as previously insecure territories become more attractive for mining exploration and exploitation. According to the Colombian Mining Association, a representative body for the industry, mining would attract increased investment if the government was able to provide legal security, including improved regulation of public consultation processes around proposed projects.⁶

Law

Government participation in coal-mining has decreased since the year 2000 when the state-owned company Colombia Coal (Carbocol) sold its stake in the Cerrejón mine. This sale marked a shift from a centralised national approach to economic development to one that attempted to incentivise private investment, both domestic and foreign.

A new mining law passed in 2001 led the government to focus instead on regulating the mining industry through the Ministry of Mines and Energy. The mining law also lowered impediments to

⁶ Reuters, 2017: <https://www.reuters.com/article/us-colombia-mining/colombias-mining-sector-could-receive-1-5-billion-annually-over-five-years-idUSKCN18C2KR>



large-scale mining by classifying all subsoil resources as national assets owned by the state, meaning that national interests took precedent over local interests. At the same time, there were increasing incidences of protests and mobilizations against extractive projects. Further amendments to the mining law in 2010 exacerbated the situation by setting timelines for community consultation procedures that were considered by some to be too short, and by creating loopholes for environmental licensing.⁷ A representative of the Colombia Mining Association (ACM) cites this anti-mining activism and legal uncertainty in the mining sector as key factors that have reduced the attractiveness of the sector to foreign investors.⁸

Under Colombian mining law, pre-exploration activities do not require a concessionary license, providing that those activities do not impact ethnic minorities or occur in natural reserves. Exploration can only commence once a concession has been granted by the National Mining Agency, registered in the National Mining Registry, and once the concession holder has acquired the necessary environmental permits. To begin mining, the concession holder must obtain authorisation from both the National Mining Agency (ANM) and the National Environmental Licensing Authority or relevant Autonomous Regional Corporation, following completion of a Works and Installations Program and an Environmental Assessment Study. Any changes to mining activities, including volumes of mine output, are subject to further authorisation. Royalties are paid according to the contract terms, usually monthly or quarterly, and technical information is required periodically by the ANM to aid supervision of company operations. Policy and regulation vary between mining projects of different scale (small, medium and large).

It is worth noting that Colombia is a member of the Extractive Industries Transparency Initiative (EITI), the global standard for promoting open and accountable management of oil, gas and mineral resources.

C. Assessment Information

Assessment Scope & Country	Colombia: <ul style="list-style-type: none"> ▪ La Loma (Pribbenow) mine ▪ El Descanso mine ▪ Puerto Drummond port facility ▪ Bogota offices
Site-Assessment Scope	<ul style="list-style-type: none"> ▪ La Loma (Pribbenow) mine ▪ El Descanso mine ▪ Puerto Drummond port facility ▪ Bogota offices
Step 1: Supplier Commitment	Completed in October 2018
Step 2: Desktop Review	Completed in December 2018

⁷ US Office on Colombia, 2013, <https://reliefweb.int/sites/reliefweb.int/files/resources/large-scale-mining-full-report.pdf>

⁸ Mining.com, 2017: <http://www.mining.com/heres-colombias-mining-sector-losing-shine/>



Step 3: Site-Assessment	Completed in January 2019
Step 4: Continuous Improvement Plan	Agreed in April 2019
Step 5: Re-Assessment	By Q1 2024 ⁹
Assessment Team	Soledad Mills (Lead Assessor), Luis (Tito) Campos, Beatriz Helena Giraldo, Ana Isabel Benavides

Stakeholders

The following organisations were interviewed as part of the Assessment:

- Non-governmental organizations, academic institutions and think tanks: Asamblea Campesina; ACM -Asociación Colombiana de Minería (Colombian Mining Association); CME -Comité Minero Energético (Mining and Energy Committee); CREER -Centro Regional de Empresas y Emprendimientos Responsables (Regional Centre for Responsible Business); Genesis Foundation; DIS Foundation -Sustainability Consultants
- Trade unions: Sintramienergetica; Sintradrummond; Sintramined; Sintramineros; Sindtradem; Sinenpromi; Ased
- Community representatives and local leaders: Agustín Codazzi; Becerril; La Jagua; Chiriguaná; El Paso; Boquerón; Ciénaga.¹⁰
- Governmental institutions and agencies: Corpocesar; Corpamag; ANM (Agencia Nacional de Minería); Ministry of Mines and Energy; ANLA (National Environmental Authority)

A more detailed list of the stakeholders interviewed can be found in Annex 3.

D. Supplier Performance

Supplier Performance is assessed against the 10 Principles of the Bettercoal Code and associated Provisions (1.1-10.7). The ratings are explained in Annex 2.

⁹ The Assessment cycle is five years. See the Assessment Manual for more details.

¹⁰ Further details of the stakeholders engaged are listed in Annex 3



Overall performance 2019

Below are Drummond’s ratings against the Bettercoal Code in 2019:

	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		

Overall performance 2014

In the interest of comparison and demonstrating continuous improvement, below are Drummond’s ratings against the Bettercoal Code in 2014. It is important to note that the Bettercoal Assessment Process and ratings changed in 2018 and that the 2014 assessment was not performed under the same guidelines as the re-assessment. Nevertheless, these results present a sense of the general progress made by Drummond against the Bettercoal Code.

Additional information on the new Assessment Process can be found in the [Assessment Manual](#).



	Excellent	Satisfactory	Needs Improvement	Unsatisfactory
General Implementation Expectations				
Principle 1			1.1	
Principle 2		2.3	2.1, 2.2	
Business Ethics				
Principle 3		3.1		
Principle 4		4.1		
Human Rights and Social Performance				
Principle 5		5.1, 5.3, 5.4		
Principle 6	6.3, 6.8	6.1, 6.2, 6.6, 6.7	6.4, 6.5, 6.9	
Principle 7		7.1		
Environment				
Principle 8			8.1	
Principle 9		9.1, 9.2, 9.3		
Principle 10		10.1, 10.2, 10.5, 10.6 10.7		

Immediate Resolutions

An ‘Immediate Resolution’ is an action taken to address such eventualities and are different from other improvements identified by the Bettercoal Assessment Process as they are prioritised for completion in the Continuous Improvement Plan.

There were no immediate resolutions found during the Assessment of Drummond.

Continuous Improvement

For each Provision that the Assessors identify a need for improvement, the Supplier will be responsible for implementing the steps recommended by the Assessors to ensure that it is continuously improving its systems, processes, procedures, and practices with the goal of full alignment with the requirements of the Code.

Drummond’s Continuous Improvement Plan identified a number of Findings against each Principle of the Bettercoal Code.

It is important to note that the Bettercoal Assessment Process allows the assessors to determine performance of the Supplier through multiple means outlined in the assessment manual. We expect assessors to draw on their own technical expertise, utilising all 134 sub-provisions of the code in their relevant principles to measure the performance of the assessed Supplier. The number of

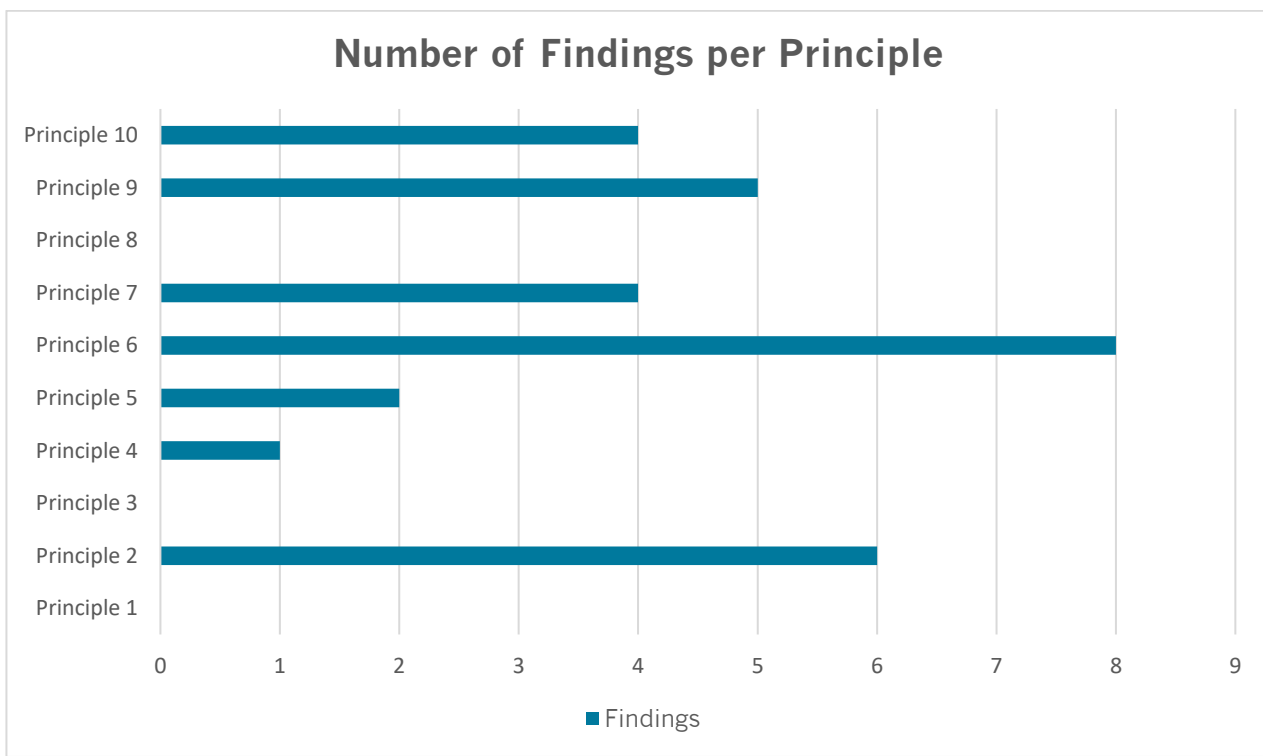


findings per principle, and the subsequent actions in their improvement plans, are therefore not always directly indicative of performance in that principle. For example, a large number of findings per principle may not indicate poor performance. Equally, one finding may represent a large gap in Supplier performance.

The principle purpose of Bettercoal and our assessment process is to encourage improvement in the socio-environmental performance of the coal supply chain through each assessed Supplier. Therefore, the metric of findings per principle is the most effective way of demonstrating progress over time of our Suppliers as they complete actions to close out findings.

For more information about the Bettercoal assessment process, please see the [Assessment Manual](#).

a. Number of Findings identified per Principle



b. Supplier progress against the findings

Process is monitored at least on a bi-annual basis. This section of the document will be updated as Drummond report on their progress.



E. Additional Supplier Information

Example areas identified for improvement at Drummond

Community engagement and Grievances: Drummond will enhance its grievance mechanisms by implementing recommendations from further stakeholders. A third-party assessment of the effectiveness of the grievance mechanism and engaging consultants they already work with will improve the efficacy of their grievance mechanisms.

Enhancing oversight of contractors and promoting safety culture: Safety systems of some of Drummond's contractors are not quite in full alignment with Drummond's. The Company is identifying opportunities to strengthen its safety culture and methods to accelerate a cultural change following past fatalities. Drummond and its contractors can benefit from a separate Drummond-led investigation into contractor safety incidents.

Progression in mine-closure planning: Drummond will enhance its mine closure planning by developing a social component to their mine closure plans, as well as define their success criteria for reclaimed areas in terms of environment and biodiversity.

Examples of good practices at Drummond

Community engagement on Security and Human Rights: Drummond has established a Human Rights Risk Management System that includes a complete Human Rights context analysis and assessment, and the corresponding management measures. They also engage a permanent external consultant to implement their human rights strategy. Finally, they actively participate in and support multi-stakeholder initiatives to promote Human Rights, such as CME and Grupo de Trabajo de Derechos Humanos y Carbón (Working Group on Human Rights and Coal).

Local community development: Drummond actively favours local suppliers and provides support for capacity building to enable local businesses to qualify as suppliers. For example, Drummond has an "In-house" programme for promoting local employment and training of men and women from the area of influence. It has also established a recent partnership with local suppliers of fruits and vegetables through the project VITAL, among others. Finally, it also has implemented environmental compensation programmes with a social development focus. For example, Drummond operates a plant nursery that employs local contractors including one (Funplanb) from the resettled community of Plan Bonito.

Sustainability Reporting: Drummond publishes its CSR performance in various formats, such as summaries and short reports. They have also established a senior management-level CSR Committee where strategic and operative issues are discussed and addressed by members of the company's Management Team. They have also conducted a robust materiality analysis to define sustainability report's content.



Environmental Management:

- Drummond manages the volatilization pad for soils contaminated with hydrocarbons. Soils contaminated with hydrocarbons are transported to a dedicated facility, where the soils are located in cells, treated and monitored until hydrocarbon levels reach acceptable levels for removal and reuse in other locations at the mines. The condition of the facility during the site visit and the management practices were outstanding.
- Waste dump closure designs include water impoundments that enhance establishment of wildlife and biodiversity.
- Its water suppression system is based on the reuse or recycling of rainwater.
- The Paujil water reservoir regulates water availability for communities during the dry season.

Drummond's operations are certified to the following standards:

- ISO 14001 (Environmental Management) – Mining and Port Operations
- OHSAS 18001 (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)

Annex 1: Bettercoal Assessment Process

Step 1: Supplier Commitment

The coal mining company signs the Letter of Commitment and becomes a Bettercoal Supplier.

Step 2: Desktop Review

An Approved Lead Assessor is allocated to the Bettercoal Supplier. The Supplier completes the Self-Assessment Questionnaire, which is reviewed by the Lead Assessor. The Assessment Scope is finalised and an Assessment Plan for the Site-Visit is developed and shared with Members.

Step 3: Site-Assessment

A Site-Visit is planned at the Supplier's mine site(s). A detailed Assessment Report is developed and once finalised, in consultation with the Supplier, is then shared with Bettercoal Members.

Step 4: Continuous Improvement

The Continuous Improvement Plan (CIP) is finalised and shared with Members. Monitoring the CIP takes place according to timelines identified in the CIP. Verification methods include Desktop Review and Site-Visit. A public report will be uploaded on the Bettercoal website.

Re-Assessment

A full Re-Assessment is due within maximum five years from the coal mining company becoming a Bettercoal Supplier. The process starts from the beginning.

For more detailed information, see the [Assessment Manual](#).





Annex 2: Assessment Rating Options

Rating	Explanation
Meets	<p>Supplier's operating practices are fully aligned with the Code.</p> <p>There is strong evidence of implementation of the Suppliers' policies, systems, procedures and processes that enable alignment with the Code, and of a thorough understanding of the requirements of the Code Provisions.</p>
Substantially Meets	<p>The Supplier's practices are aligned mostly, but not fully, with the Code.</p> <p>The Supplier has policies, systems, procedures, and processes in place to enable alignment with the Code, but there are isolated incidents of gaps in implementation.</p>
Partially Meets	<p>The Supplier is demonstrating efforts to put in place the policies and practices to align with the Code, but implementation is at its early stages and is incomplete.</p> <p>For example, the Supplier has published a policy that aligns with a requirement of the Code, but the Assessment concludes that the policy is not being implemented fully or that the scope of the policy falls short of the coverage required by the Code.</p>
Misses	<p>The Supplier has not begun to put in place practices to align with Code, or there is systemic failure of the practices resulting in total misalignment with the Code.</p>

For more detailed information, see the [Assessment Manual](#).



Annex 3: Stakeholder Engagement full list

Non-governmental organisations, academic institutions, think-tanks

- Asamblea Campesina
- ACM - Asociación Colombiana de Minería (Colombian Mining Association)
- CME - Comité Minero Energético (Mining and Energy Committee)
- CREER - Centro Regional de Empresas y Emprendimientos Responsables (Regional Centre for Responsible Business)
- Genesis Foundation
- DIS Foundation - Sustainability Consultants

Trade Unions

- Sintramienergetica
- Sintradrummond
- Sintramined
- Sintramineros
- Sintradem
- Sinenpromi
- Ased

Interviews with the community:

- Local Leaders – Agustín Codazzi
 - a. Mayor of Codazzi (in charge)
 - b. Secretary of Planning
 - c. Ombudsperson
 - d. Hospital Manager
 - e. Police Inspector
 - f. President of Asojuntas (Association of Communal Boards)
 - g. Principal of Educational Centre Las Flores
 - h. Local Town Council member (Junta de Acción Comunal - JAC) Casacará
 - i. Local Town Council member (Junta de Acción Comunal - JAC) Candelaria
 - j. Former Mayor of Codazzi
 - k. Former Secretary of Education and Community Leader
- Local leaders – Becerril
 - a. President of Junta de Acción Comunal - JAC Veredal
 - b. Secretary of Government and Education
 - c. Ombudsman
 - d. President of Asocomunal
 - e. Director of the local Orchestra
 - f. Secretary of Planning
 - g. Coordinator of Youth Programmes
 - h. Principal of Becerril School
 - i. President of Municipal Council
 - j. Representative of Sports Organisation
- Local leaders - La Jagua
 - a. Major of La Jagua

- b. Secretaries of Government
 - c. President of Junta de Acción Comunal – JAC
 - d. Secretary of Government
 - e. Secretary of Education
 - f. Ombudsman
 - g. President of Asocomunal
 - h. Secretary of Environment
 - i. Secretary of Planning
- Local leaders – Chiriguaná
 - a. Major of Chiriguaná
 - b. Ombudsman
 - c. President of local association ASOJUNTAS
 - d. Secretary of ASOJUNTAS
 - e. President of JAC la Aurora, Chiriguaná, El Cruce or Arenas Blancas
 - f. Secretary of Planning
 - g. Secretary of Public Infrastructure
 - h. Black communities’ Council
- Local leaders - El Paso
 - a. Mayor of El Paso
 - b. Secretary of Government
 - c. Secretary of Planning
 - d. Secretary of Mines and Agricultural Development
 - e. Political and Social Advisor
 - f. Representative of the Active Organisations Network of El Paso
 - g. President of Asocomunal
 - h. President of the Peasants Association
 - i. Parish priest
 - j. President of Local Town Council (Junta de Acción Comunal - JAC)
- Local leaders – Boquerón
 - a. Rural Police Inspector
 - b. President of Local Town Council (Junta de Acción Comunal - JAC)
 - c. Prosecutor of Local Town Council (Junta de Acción Comunal - JAC)
 - d. Secretary of the Resettlement Committee
- Local leaders – El Hatillo
 - a. Legal representative of Coomultraha (a local cooperative)
 - b. President of Local Town Council (Junta de Acción Comunal - JAC)
- Local leaders – Ciénaga
 - a. Mayor of Ciénaga
 - b. Ombudsman of Ciénaga
- Visits and meetings to social investment projects in areas of influence
 - a. Rural School La Loma and Palmitas
 - b. Cobrecol - recycling plant
 - c. Representatives from Asamblea Campesina and a Lawyer
 - d. Boquerón Recicla Project - waste management
 - e. Coorambiental - livelihood restoration for Plan Bonito resettlement
 - f. Donde Majua - local restaurant
 - g. Semipac - local contractor for revegetation and reforestation



- h. Funplanb - local organisation
- i. Golombiao Project - peace construction
- j. Fundemicromag - business training
- k. Fishermen representatives of Ciénaga
- l. Sembrando Futuro Project - agricultural productive project

Governmental institutions and agencies

- Rural School La Loma and Palmitas
- Corpocesar - Local Environmental Authority for the mines
- Corpamag - Local Environmental Authority for the port
- ANM (Agencia Nacional de Minería/National Mining Agency)
- Ministry of Mines and Energy
- ANLA (National Environmental Authority)