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responsible coal supply chain



Bettercoal Assessment Public Report: Cerrejón Coal Company



Cerrejón Coal Company, a Bettercoal Supplier since 2017, is committed to a continuous improvement path for their operations in Colombia. The company's operations have been independently assessed against the Bettercoal Code.

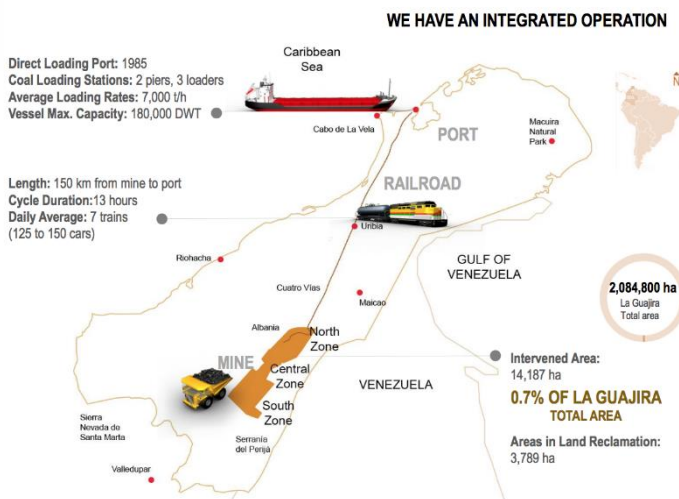
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Disclaimer

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](https://www.bettercoal.org)

A. Company Description

Carbones del Cerrejón Limited, or “Cerrejón”, is one of the largest open-pit coal mining and export companies in the world. It has an office in Bogotá, Colombia, and operates a major mine complex¹ in La Guajira, a department of Colombia on the North-East peninsula of the country, adjacent to the Venezuelan border. It also owns the Puerto Bolívar coal export terminal and the rail system that connects the mine to this port.



Cerrejón is an independently operated, joint venture of Anglo American (33%), Glencore International (33%) and BHP (33%).

In 2017, the company produced and exported approximately 31.9 million tonnes, comprising 37.6% of total Colombian coal exports. The company employs 5,997 direct workers and

6,122 contractors, with 60% of them coming from La Guajira.²

B. Context

Coal industry

In 2017, Colombia produced a total of 90.8 million tonnes (MT) of coal³. 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 2016,⁴ 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.⁵

¹ The complex includes the Cerrejón Central mines, the Cerrejón Sur mines, Cerrejón Zona Norte and Oreganal mines.

² *Ibid.*

³ National Mining Agency: https://www.anm.gov.co/?q=regalias-contraprestaciones-economicas&field_tipo_de_regal_a_y_o_contra_value=ProduccionNacionalMinerales

⁴ World Development Indicators, 2016: <http://wdi.worldbank.org/table/3.14>

⁵ Oxford Business Group, The Report: Colombia 2017, <https://oxfordbusinessgroup.com/colombia-2017/mining-0>



Colombia's economy suffered as result of the 2016 crash in global oil prices, but GDP growth is now experiencing an uptrend⁶ with coal forecast to be a key source of growth in Colombia's mining sector between 2016 and 2020.⁷

Labour and Social Context

Between 2004 and 2011, La Guajira ranked 3rd for poverty out of all Colombia's departments, despite over three decades of royalties and taxes from mining. 65% of the department's population are considered not to have their basic needs met.⁸

Nearly half (44.9%) of La Guajira's population are Indigenous Peoples, primarily comprised of the Wayuu, Colombia's largest indigenous group.⁹

In 2010 Cerrejón commissioned the Social Capital Group to conduct an external technical review of the company's progress in implementing the Third Party Review (TPR)¹⁰. This 2008 Review was led by Professor John Harker from Cape Breton University in Canada and included a site assessment; a report agreed with Cerrejón identified 24 projects to be implemented to enhance performance. The 2010 SCG Report confirmed that Cerrejón had made concrete efforts to improve its strategies in social affairs and, following the TPR, had aligned its resettlement policy with the guidelines of the IFC and the World Bank. This approach led to a widening of the company's definition of community impact, moving from one which considers only environmental impact to a definition which also includes social and economic impact as a result of mining activities. This shift led to communities such as Tamaquito being included within the resettlement program. However, the report also found that, while Cerrejón is upholding the requirements of standards regarding community consultation, there was a continued lack of trust between communities and the company, with considerable levels of disinformation and lack of capacity at the community level to understand all impacts that have been communicated, comprising the credibility of decisions and agreements reached. The report stated that the company needs to further improve consultation and participation processes.

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

⁶ <https://tradingeconomics.com/colombia/gdp-from-mining>

⁷ *Ibid.*

⁸ *Ibid.*

⁹ Cerrejón Company Overview, July 2018

¹⁰ Cerrejón, 2010: <https://www.cerrejon.com/wp-content/uploads/tpr-en/April2010/4SocialCapitalGroupReport-min.pdf>



attract increased investment if the government was able to provide legal security, including improved regulation of public consultation processes around proposed projects.¹¹

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 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.¹² 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.¹³

Under Colombian mining law, pre-exploration activities do not require a concessionary license, providing that those activities do not impact upon ethnic minorities or occur in natural reserves. Exploration can only commence once a concession has been granted by the National Mining Agency and 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 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.

¹¹ Reuters, 2017: <https://www.reuters.com/article/us-colombia-mining/colombias-mining-sector-could-receive-1-5-billion-annually-over-five-years-idUSKCN18C2KR>

¹² US Office on Colombia, 2013, <https://reliefweb.int/sites/reliefweb.int/files/resources/large-scale-mining-full-report.pdf>

¹³ Mining.com, 2017: <http://www.mining.com/heres-colombias-mining-sector-losing-shine/>

C. Assessment Information

Assessment Scope & Country	Colombia: <ul style="list-style-type: none"> ▪ Cerrejón office in Bogotá ▪ Cerrejón open pit in La Guajira ▪ Puerto Bolivar coal export terminal and coal transportation by railway to the port
Site-Assessment Scope	<ul style="list-style-type: none"> ▪ Cerrejón office in Bogotá ▪ Cerrejón open pit in La Guajira ▪ Puerto Bolivar coal export terminal and coal transportation by railway to the port
Step 1: Supplier Commitment	Completed in September 2017
Step 2: Desktop Review	Completed in December 2016 ¹⁴
Step 3: Site-Assessment	Completed in July 2018
Step 4: Continuous Improvement Plan	Agreed in December 2018 ¹⁵
Step 5: Re-Assessment	Planned for July 2023 ¹⁶
Assessment Team	Julija Menise (Lead Assessor), Sebastián Pérez, Paula Uscátegui, Yudy Hernández

Stakeholders

The following organisations were interviewed as part of the Assessment:

- Non-governmental organizations, academic institutions and think tanks: INDEPAZ, Instituto Alexander von Humboldt – lavH, Guajira 360°, Guajira Regional Ombudsman, Civil Society Organization focused on human rights
- Trade unions: Sintracarbón and Sintracerejón
- Community representatives from Kamusuchiwou, Julimakat and Piskit, Resguardo 4 de noviembre, Resguardo San Francisco, Resguardo Provincial, Tabaco, Aronshin, Orrokot, Aruatachon, Los Remedios, Campo Herrera, Tamaquito, Patilla, Roche, Chanqueta
- Governmental institutions and agencies: Regional Autonomous Corporation of La Guajira, Government of District of Riohacha, Departmental Government of Riohacha, National Apprenticeship Service, Municipal Health Office Hato Nuevo, Municipal Mayor of Barrancas,

¹⁴ Cerrejón started its participation in Bettercoal before the [new Bettercoal Assessment Process](#) was formally implemented in 2018. That is the reason why the Desktop Review was completed prior to the Supplier Commitment as this step was not a requirement in the previous process.

¹⁵ Timeline according to the previous Bettercoal Assessment Programme procedures.

¹⁶ The Assessment cycle is five years. See the [Assessment Manual](#) for more details.



Municipal Planning Office of Uribia, Albania, ANM (Agencia Nacional de Minería)/ National Mining Agency (NMA)

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.

Overall performance

Below are Cerrejón’s ratings against the Bettercoal Code:

	Meets	Substantially Meets	Partially Meets	Misses
General Implementation Expectations				
Principle 1	1.1			
Principle 2		2.2, 2.3	2.1	
Business Ethics				
Principle 3	3.1			
Principle 4	4.1			
Human Rights and Social Performance				
Principle 5	5.1, 5.3, 5.4	5.2		
Principle 6	6.2 - 6.5, 6.8	6.1, 6.6, 6.7, 6.9		
Principle 7		7.1		
Environment				
Principle 8		8.1		
Principle 9	9.1		9.2, 9.3	
Principle 10	10.1 – 10.3	10.4 - 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 Cerrejón.

Continuous Improvement

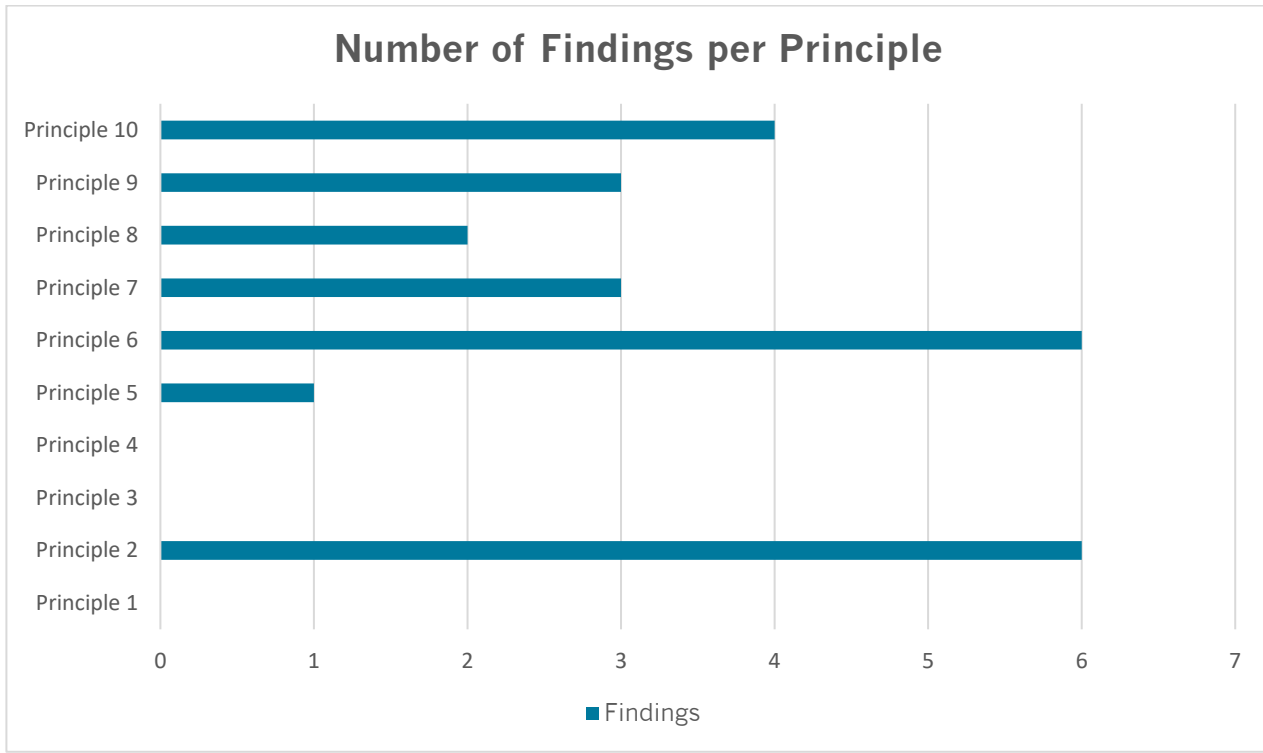
For each Provision that the Assessors identify a need for improvement, the Supplier will be responsible for implementing the steps recommended by the Assessors to ensure that it is



continuously improving its systems, processes, procedures, and practices with the goal of full alignment with the requirements of the Code.

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

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 Cerrejón report on their progress.

E. Additional Supplier Information

Summary of good practice

Community engagement on Security and Human Rights: Since 2011, Cerrejón has organised over 20 working groups with communities on Security and Human Rights to verify the implementation of the company’s security plan within communities and obtain feedback with respect to Human Rights in Cerrejón’s security activities, including those performed in alliance with the public forces.



Considering that the majority of the communities surrounding Cerrejón and its operations are indigenous or afro-descendants, and that 87% of the security personnel hired by contractors is indigenous, the community working groups help the company implement activities in a cultural appropriate manner, in constant consultation with local communities.

Water well maintenance and provision in Wayuú communities: The Department of La Guajira is one of the driest parts in Colombia. Wayuú communities depend on deep wells, reservoirs, access to superficial water from creeks and rivers and on water distributed by Cerrejón. Communities along the railroad are particularly vulnerable, since the areas closer to the pits are also closer to river streams and underground deposits.

Cerrejón covers the construction costs of deep wells or maintenance, filling the gaps in the local government's budget and capacity. The company also donates 3,000 litres of water every 15 days to communities further North the railroad and has established a social investment strategy to reduce community water access vulnerabilities in the mid to long term.

International standards team: As part of the company's compliance priorities with international standards, Cerrejón has structured a dedicated team to establish internal protocols for standards planning, implementation and assurance. Third party assurance and assessment has been established as a strategic objective of sustainable management, including external evaluations of the application of the Voluntary Principles on Security and Human Rights, the UN Guiding Principles, the IFC PS, the GRI and the AA1000 systems. Although not all standards have gone through an independent assurance yet, the company plans to complete the cycle by 2019.

Environmental Management:

- Cerrejón has aligned rehabilitation within mine closure activities.
- The company has a comprehensive compensation plan based on qualified studies from which the consolidation of a biological and genetic corridor of the Jaguar species has been identified and targeted. Although the presentation of a compensation plan corresponds to an environmental obligation, the approach taken by Cerrejón is very comprehensive and integrated, which stands out from other plans presented and carried out by industry peers.
- Cerrejón reuses treated water and handles runoff water, which lead to the use or consumption of much less volumes of water flows allowed by Corpoguajira.
- Cerrejón re-uses approximately 60% of its waste, which leads to a small volume of waste disposed in the landfill and prolongs the life of the disposal site, as well as the economic benefits derived from waste re-use.

Health and safety: Cerrejón have carried out significant efforts to improve its effectiveness in terms of prevention and attention, such as the case of periodic employee and contractor examinations, the prevention of health risks, and in self-care. The company implements health prevention programs



and actions that target workers and their families. Cerrejón promotes and applies international standards in health and safety which in many ways exceed the Colombian requirements.

Cerrejón Coal Company is certified against:

- Accreditation NTC-ISO 17025
- ISO 14001 (Environmental Management)
- OHSAS 18001 (Occupational Health and safety)
- Healthy Organization, granted by “Fundación Colombia del Corazón”

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](#).