



Third Progress Report on Cerrejón's Social Engagement Commitments Following the February 2008 Independent Third Party Review Panel's Report

Letter by León Teicher, President, Cerrejón

October 30, 2009

This is the third public report on Cerrejón's progress implementing the recommendations of the International Panel that reviewed our social engagement in 2007. Much has been accomplished since and corporate cultural change is tangible, especially with regards to the policies and attitudes that guide and shape our interaction with communities and employees in La Guajira. Regarding the 24 action items committed in April 2008, I am pleased to announce that 16 have been completed and 8 are partially finished. The following pages of this letter and the attached table describe and explain achievements and challenges.

A brief overview of progress

Over the past year and a half, Cerrejón defined a new Cerrejon Way based on 11 Commandments that speak about the need for more openness and transparency and the desire to excel on corporate social responsibility; we changed the basis of our relationship with neighboring local communities and are now developing a long-term plan based on the notion of "engagement"; we strengthened our Social Responsibility and Public Affairs Department; we carried out important training programs for local communities, including the Wayuu; we established relations with new local and international actors that care about La Guajira and our conduct; and we designed a new rights-based grievance mechanism. Also, the Cerrejón Foundations System, which addresses the issues of water, the welfare of indigenous peoples, employment and royalties, has definitely taken off and I am confident that it will gradually provide La Guajira, its people and institutions, key tools for them to materialize their dreams and trigger much needed development that can benefit thousands of people. At Cerrejón we have the goal to support civil society in La Guajira in their quest to make a difference by participating in social projects that are sustainable and by holding their leaders accountable.

There are a few projects whose initial scope was reformulated to capture better the realities on the ground, to maximize the impact of our efforts, and to accommodate the time constraints of our teams. I think these changes reflect a more mature understanding by the company on La Guajira's challenges, Colombia's challenges and the role we can play as a private enterprise to manage our impacts and be a catalyst for social advancement.

- We decided not to carry out the "values" program focused on women --a component of the Corporate Culture Change chapter— before the Cerrejon Way internalization process has reached most of the 5144 employees we have now. Instead, we have devoted our time and energy to both the roll out of the Cerrejón Way values and identity model, which includes the so called "11 Commandments", and to the New Leadership training for approximately 430 employees, which emphasizes values such as honesty, transparency, solidarity and efficiency and a strong commitment to health and safety, a company tradition that needs constant reinforcement.
- The panel had rightly identified discomfort in some neighboring Wayuu communities related to the train and 150 km railway that takes coal from the mine to the Puerto Bolívar Port. However, in a rigorous study led by Otto Vergara, the anthropologist that heads the Foundation for Indigenous Guajira, we identified other sources of concern than the ones mentioned by the panel.

Anger towards the train is the result of accidents and risks related to the unsafe crossings on the railway by people and cattle when they search for water supplies, or when they are under the effect of alcohol used in traditional rites. We also identified that many poor communities expressed their frustrations with the inadequate allocation of royalties by their indigenous leaders and local municipalities by blocking the Cerrejón train or demonizing it. In this case, Cerrejón decided to change the scope of one of the original projects concerning the Wayuu, which was focused on small symbolic actions to exalt the Wayuu culture. Instead, we have concentrated on the material issues of safety, welfare and access to water through an integrated program that improves agricultural practices and clean water supply for people and cattle, impacting thereby their mobilization patterns and safety.

- The Foundation for Institutional Strengthening decided not to invest its resources on monthly media advertisements disclosing the amount of royalties paid into the Gobernación of La Guajira and 5 of the 13 municipalities. Rather, they chose to publish more analytical documents with comprehensive statistics and educate local journalists on the issue of royalties so they can identify inappropriate or corrupt spending of royalties and write about it in the local papers on a more permanent basis.
- The revamped Human Rights Program introduced in 2008 really made a mark in the company and was very well received by employees, contractors and communities. The program became a trusted contact point for anybody who believed their rights had been affected and had a claim against Cerrejón, our contractors, state security forces or public officials. This made us realize that it was necessary to improve not just the way in which we registered and processed claims related to possible human rights violations by our private and public security providers -- as mandated by the Voluntary Principles on Security and Human Rights—but to introduce a new corporate-wide grievance mechanism. This new system has been in the making since June and will draw from the new guidelines by the International Council on Mining and Metals, the UN Special Representative on Business and Human Rights and the International Finance Corporation (IFC). A pilot phase will begin next month and the system should be in place no later than June 2010.
- Finally, we decided not to carry out a workshop on international standards to manage the social and environmental impacts of mining, aimed at interested members of the mining industry. We realized that the actual impact of a one-off training session could be minimal compared to other, more public and strategic interventions to encourage the Colombian government and the mining industry to implement policies in line with the notion of Responsible Mining based on the compliance with comprehensive standards such as the IFC Social Performance Standards. Here, I promoted in 2008 and 2009 the active participation of our senior-level staff in more than 10 conferences on corporate social responsibility and the mining industry. In addition, I personally took on speaking engagements with the same purpose. I hope to announce very soon some of the concrete effects of this campaign.

Tabaco

The process to plan and design the reconstruction of Tabaco needs to be led by its former inhabitants. Cerrejón has committed to accompany the process and is about to hire a new full time person for this purpose. We acknowledge that progress since December, when we signed the agreement, has been slow, largely because we had not fully understood the time and resources this next phase would require from us. We had been too concentrated on reaching a fair agreement last year and had not

reflected enough on the future. The Boston and London meetings with the leaders of the Tabaco Relocation Committee and interested NGOs helped us realize the great amount of work that was to come. We will carry on reporting on progress until Tabaco is reconstructed.

Resettlements

The resettlement processes of Chancleta, Patilla, Roche and Tamaquito have taken on new dynamics: the communities have asked us to stop or slow down the processes until we reformulate some of the terms of engagement. They have requested external expert advisors paid by Cerrejón, to which we have agreed, and we now have meetings with the communities where the four elected leaders of these towns are present at the same time and can support each other in their interaction with Cerrejón. These meetings will not replace the participatory processes required by World Bank and IFC standards on resettlement, which are based on direct contacts with all resettling families and explicit efforts to hear the voices of vulnerable members of the communities. We hope that communities take full advantage of these new elements. Cerrejón is committed to improving its communication with these communities to avoid misunderstandings. We have asked Social Capital Group to closely examine our performance on resettlement and we expect to have an improvement action plan in place soon.

Taking local Development seriously

I have accepted the invitation of the Guajira Competitiveness Council to preside it. This will allow Cerrejón to lend its know-how, and to be active and constructive in concrete ways, to ongoing debates and planning with regards to the near and long-term future of La Guajira. I invite Colombian and foreign interest groups to roll up their sleeves too and join us!

A key week for La Guajira's Sustainable Development will happen in mid-November. On the 18th Cerrejón and other organizations will host the forum, called *Building a Future: Perspectives on the Sustainable Development of La Guajira*, which will gather around 150 national and local-level authorities, experts and local communities to dialogue on poverty reduction, local institutional capacity, competitiveness, managing the resource curse, and illegality and security issues and their negative impact on development. We have taken measures to make sure that the voices of the Wayuu are present and heard. The event has been preceded in October by two local workshops, one in Barrancas and Uribia, facilitated by the NGO Redepaz and aimed at local communities and grass roots organization. Moreover, the forum will be followed on November 19 and 20 by international donor round tables, organized by the Colombian government and the Gobernación of La Guajira. We have worked closely with the Gobernación to help it make the most out of this week in order to benefit all of the province.

All of these efforts will only make sense if the millions of dollars that La Guajira receives in royalties are invested transparently and efficiently. On October 21 and 22, the Foundations for Institutional Strengthening held a key conference that clearly spelled out the nature of the problem: corruption, clientelism and lack of local capacity to administer wealth and reach the poorest tiers of the region. I personally delivered a frank speech. Vigorous debate by the local civil society and its political representatives has ensued. Cerrejón will continue its efforts to respectfully help citizens and local authorities find ways to address such challenges.

Next steps

As with the previous reports, this text is a draft and we are open to comments and questions by stakeholders and interested parties. Please email them to alexandra.guaqueta@cerrejon.com. The



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cycle of these TPR-related projects will soon come to an end in December 2009. We will issue in January a final report with an overview and assessment of these past two years. The completion of the TPR process does not mean that the company's work is over. Cerrejón is developing its Community Relations Plan for 2010-2014 and will ensure that any commitments that were made in response to the TPR, and are still outstanding at the end of 2009, are incorporated into the Plan. We will continue improving its social performance and reporting publicly on progress.

Sincerely,

León Teicher
President
Cerrejón