

**Fifteenth report on progress in Cerrejón's social commitments subsequent
Third-Party Review Panel 2008 report**

**Letter from Roberto Junguito, CEO of Cerrejón
April 30 of 2016**

We are pleased to present the first report of 2016 on the status of the last three projects arising from the recommendations by the Third-Party Panel that reviewed Cerrejón's social performance in 2008. Of the 24 projects we agreed to undertake eight years ago, just the following remain to be concluded: the upgrading of the houses in the Media Luna communities neighbouring Puerto Bolívar, the conclusion of the five resettlements, and the construction of the symbolic site on the property where the new Tabaco village is being built.

With this report, we reaffirm our commitment not only to these projects, but also to the spirit of openness and transparency that inspired the report. We hope that the information summarized in this letter and the detailed data in the attached tables are useful.

Media Luna

Since the last report, significant progress has been made in building the houses in the Media Luna community of Pioula. In December 2015, the first house was handed over to the traditional authority. This house was built as a pilot for the community to verify that the quality and area built complied with the agreement reached. Once the community accepted the final result, Cerrejón selected the contractor that would build the remaining 20 houses. The works started in February 2016 and to date 16 houses are being built advancing ahead of schedule (16% progress to 12% planned at the moment). In addition, 13 young community members, who were trained by Cerrejón and the National Apprentice Service (SENA, for its acronym in Spanish) continue to work for the contractor in the building of the houses. Construction is expected to conclude in October of 2016.

Resettlements

In the last six months, the resettlements have seen both achievements and challenges. In the last report, we noted the agreement reached in October of 2015 with the last two Roche families (out of a total of 25 families). However, one of these families failed to meet their commitment to hand over the property on the agreed date (December 17 of 2015). This circumstance (in addition to new, unjustifiable demands by the family) led the company to request the expropriation process be re-opened. The Barrancas judge set February 24 of 2016 as the day to conclude the property handover. On that day, the legal proceedings were carried out in the presence of the Public Ombudsman, the Colombian Institute of Family Welfare, and the Barrancas Municipal Ombudsman.

As usual in these procedures, the judge requested the presence of the anti-riot Police (ESMAD, for its acronym in Spanish) to perform security duties and ensure compliance with the proceedings. Unfortunately, during the legal activities, some of the community members supporting the family started a disturbance. As a result, four people were injured (two community members, one police officer, and a Cerrejón employee) and another four were detained, including a foreign journalist on the scene. As we have already publicly stated, Cerrejón regrets these events and has requested that the authorities perform an independent investigation.

Since that day, the family has been living in their house at New Roche and participating in the post-resettlement support activities like the rest of the relocated families. Cerrejón maintains the willingness to work jointly with this family to close pending issues such as moving the cattle; there have been some approaches.

In the indigenous community of Tamaquito II (completely relocated in 2013), we have made progress in the last six months in improving both access to water and quality of water. We have installed a water pipeline between the well drilled at the end of 2014 and the water treatment plant. This change to the water source in response to the community's request is currently being tested and fine-tuned for operation to kick off shortly. Furthermore, in December of 2015, we signed a memorandum of understanding with the Governing Council that included a jointly prepared timeline to conclude pending commitments, which are currently being met.

In Las Casitas, agreements have been reached with 26 of the 31 families eligible for relocation, and talks continue with the other families. As previously reported, in July of 2014, after assessing the commitments subscribed to in contracts with the State, Cerrejón initiated an expropriation process of the properties and improvements in Las Casitas. The National Mining Agency (ANM, its initials in Spanish) approved the requests, performed technical visits to the properties, produced the assessments and delivered the administrative expropriation document. We are currently awaiting the decision over the reversal appeals presented by some land holders. Cerrejón notified the families in a timely fashion of this process, and we have emphasized that direct negotiations remain our preferred option.

In Patilla, the 46 families eligible for resettlement have been relocated since June of 2012, and in Chancleta, 38 of the 47 eligible families have relocated since 2012. The families remaining at the site of origin (both eligible and not eligible for resettlement) filed a *tutela* action (lawsuit for the protection of fundamental rights) against Cerrejón in March of 2014. In order to reach an agreement with these families, in mid-2015, we began negotiations with the plaintiffs' attorney. These negotiations resulted in an agreement signed via a memorandum of understanding in December of 2015. However, in March of this year, as the agreement began to be implemented for the relocation of all of the families and the acquisition of 95% of the uninhabited lots, the Constitutional Court issued the *tutela* ruling, ordering a prior consultation be held with the community and the immediate participation of the Barrancas Mayor, the Governor of La Guajira, the Ministry of Housing and the Regional Environmental Agency (Corpoguajira) in the process. Therefore, execution of the agreement was halted, and planning started on the consultation process in conjunction with the Ministry of the Interior.

Access to water in the resettlements and production projects

Although the resettled families have had water (from groundwater wells or delivered by water tankers) water quality has been challenging. To address this situation, at the end of 2015, work was finished on a water uptake structure to transport water from the Ranchería River to the water treatment plant supplying the resettlements of Roche, Patilla, Chancleta, and Las Casitas as well as providing water for the production projects. By August of this year, this solution is expected to resolve the drawbacks concerning water quality and ensure water availability for families both for drinking and for use in farming and livestock projects. Currently, 129 of the 175 resettled families have a production project. Of these, 20 are inactive due to several reasons.

Leaders Roundtable

After more than 87 meetings between members of the resettlement Leaders Roundtable (leaders of relocated communities, Cerrejón representatives, and the Barrancas Municipal Ombudsman), results include the definition of new rules for educational aids, agreements on consulting for production projects, house maintenance, and comprehensive drinking water solutions. However, at the start of 2016, the communities of Patilla and Chancleta requested that Cerrejón halt the Leaders Roundtable sessions as they felt the members were not representative of all the families. After several talks, the leaders from Patilla and Chancleta appointed the members of their Community Action Board to work with Cerrejón on the solution to their concerns while the community of Roche selected three representatives for the same purpose. Once the representatives of each community were validated a new working group was reinstalled. The group has met twice and is currently defining a working methodology and schedule.

Tabaco

The new Mayor of Hatonuevo, who has the responsibility of fulfilling the ruling from the Constitutional Court to rebuild the town of Tabaco that would facilitate the construction of the Tabaco symbolic site, was appointed in January 1, 2016. Once in office, Cerrejón has had the opportunity to inform him about the status of the project and the reasons for the multiple difficulties experienced over the past years.

The Mayor expressed his serious commitment to lead the project and carryout a high level control over its progress. As a result, he appointed a manager that reports directly to him and who will request the Mayor's personal participation in sessions that require him to do so. As a result of this the Tabaco Social Relocation Board and the Control and Oversight Committee have reassumed their roles. In addition, these organizations and other Tabaco representatives are participating in the oversight to the community social baseline that is currently being made. The new manager has achieved an agreement over the choice of the La Cruz property as the best site to rebuild the village. This property had been chosen by the community for the reconstruction of Tabaco, purchased by Cerrejón, and donated to the Mayor's office in 2012.

In addition, the Constitutional Court continues to review the *tutela* action presented by the Hatonuevo Ombudsman requesting that Cerrejón's license be suspended, that the community be once more compensated, and that the negotiating process be restarted with the Tabaco community, retroactively applying current standards and jurisprudence. This case has already been found in favour of Cerrejón in two (2) prior rulings (Riohacha Higher Court and the Supreme Court). Cerrejón is awaiting the court's ruling.

Agreement with the indigenous community of Provincial

After reaching an agreement with the indigenous community of Provincial in 2015, the NGO Colectivo de Abogados José Alvear Restrepo (CCAJAR), former representatives of the community, sent a letter to Cerrejón shareholders in October 6, 2015 expressing their concerns over the pre-judicial agreement reached between the company and the community in light of the lawsuit demanding compensations due to the environmental, social and economic impacts caused by the mining operation. In the letter they also claimed that there were corruption acts committed by Cerrejón during the negotiations with the community. In addition, the NGO presented additional accusations stating asymmetry of power between Cerrejón and Provincial.

As a result, it was agreed with Cerrejón shareholders to conduct an independent investigation while authorizing to continue the necessary engagement activities with the community to jointly define the schedule that would allow implementing the commitments reached. The investigation, carried out by the Washington DC firm Miller & Chevalier Chartered, did not find any evidence of the accusations stated by the NGO, as stated in their January 2016 report.

In February 2016 Cerrejón formally reinstalled the agreed actions looking to fulfill the commitments; all of them progressing satisfactorily with permanent oversight from the Community and Cerrejón, but understanding that the schedule had to be revised do to the months taken by the investigation. Both parties are fully committed to completing the agreed schedule.

La Puente Pit project

In January of 2016, Corpoguajira granted the streambed occupation permit that was lacking in order to start the engineering works in the La Puente Pit. This project has been part of the company's Comprehensive Environmental Management Plan since 2005 and approved by the National Permitting Agency in 2014. In addition, as required by the Ministry of the Interior, a prior consultation process took place with the Campo Herrera indigenous community. With the start of the works, we are working very closely with the contractors to ensure priority is given to hiring local labour. Dialogue continues with all the stakeholders, especially those



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that have expressed concerns and objections. Cerrejón is convinced that this project is socially and environmentally viable.

Status of the coal market

As stated several times recently, the challenges facing the coal industry due to low market prices have led the company to review its processes in order to maintain the competitive levels allowing us to keep the business sustainable. Even in these complex circumstances, Cerrejón reiterates its commitment to operate at the highest environmental and social standards and to the well-being of the communities neighbouring our operation.

We appreciate any comments or suggestions on these and other topics of interest.

Sincerely,


Roberto Junguito
CEO
Cerrejón