



Twelfth progress report on Cerrejón's social commitments following the 2008 Third Party Review

Letter from Roberto Junguito, CEO of Cerrejón

November 4, 2014

We are pleased to present to our stakeholders our twelfth report on the status of projects pending as a result of recommendations made by the Third-Party Review Panel in 2008 on Cerrejón's social performance. Although today we are reporting on the three pending projects, we are also involved in continual efforts to ensure that the spirit behind the Panel six years ago continues to guide our daily work. That is why we maintain our attitude of openness, of continued improvement in our engagement with our neighbouring communities, our commitment to implementing social standards, the sound management of our impacts, and respect for human rights.

The projects still open are the construction of the community centre at the site for new Tabaco, the finalization of the five resettlements in course, and the improvement of standards of living in the communities of Puerto Bolívar. All these areas are complex and involve the intervention of many actors. Details on the status of each of them can be found in the tables attached. However, in this letter we would like to present some of the most noteworthy recent events.

Prior consultation with the community of Campo Herrera

In order to maintain coal production, Cerrejón designed a project to expand the La Puente Pit in the Bruno Stream area, which would entail a 3.6 km diversion of the stream's natural course. Committed to complying with national legislation and the international standards adopted by the company, we started a prior consultation process with the Wayuu community of Campo Herrera, certified by Ministry of Interior's prior Consultation Group as the only community impacted by the project. The prior consultation was carried out from August of 2013 to May 30 of 2014 and, in accordance with Colombian legislation, it covered five phases: (1) preliminary consultation, (2) launch, (3) workshop on impacts and management measures, (4) signing of preliminary agreements, and (5) notarization of consultation. Compliance with the agreements reached with the Campo Herrera community will depend on obtaining the pending legal permits, which are currently in the hands of the local environmental authorities for a determination of whether the project can go ahead.

Support during the department's drought

At Cerrejón, we worry about every drop of water. This concern has been especially challenging in recent months due to the severe drought. First, we continue to search for ways to use as much industrial water (not suitable for human consumption) as possible in our dust suppression measures during mining and in road wetting. Since 2008, we have been working with the Cerrejón Foundation for Water in La Guajira to offer alternatives to access, use, and manage water for the department's communities. However, due to the severe drought, we have reinforced our dedication to the topic of water and have increased both the funds and the human team to address the emergency. With funds of over COP 3 billion, we have rehabilitated 40 windmill-driven water pumps that can provide nearly one million litres of water a day to almost 7,000 people; we have delivered over 8 million litres of water to 201 Wayuu indigenous communities, including the use of two rail wagons to carry 89,000 litres of water. In addition, we delivered 156 water tankers for storage. These results represent our commitment and solidarity with our neighbours during the state of emergency over the last few months. In addition, we are working together with the national and local governments to find sustainable solutions to the water difficulties in La Guajira.

Fortunately, the resettled communities have not seen a decrease in their access to drinking water at any time since the aqueduct systems and treatment plants operated with no setbacks. In the case of Tamaquito, though, five weekly water tankers were supplied while their treatment plant was repaired. However, the drought has had adverse effects on some of the farming and livestock production projects run by certain families. This difficult situation has affected many communities in the department, and we hope that these projects will thrive with the onset of the rainy season, which started in the second half of 2014.

Tabaco

After several public statements by the mayor of Hatonuevo concerning his disagreement with building the village on the site chosen by the community, we received a written statement in which they state their willingness to accept from Cerrejón additional property to be able to carry on with this process. We have therefore started taking steps to deliver the addition 11 hectares on the La Cruz property, which will make building the settlement at this site viable. If there are any lingering concerns on the construction site, we feel that any decision to change the location should have the community's approval. In the meanwhile, we will meet our commitment to build the community centre once the municipality starts construction.

Media Luna

Several social investment programs are still under way in the Media Luna communities, notably in the areas of healthcare, sports, recreation, culture, business venture, educational support, and more. With the community of Kamüsüchiwo'u, we are making progress in meeting specific commitments including: work opportunities for community members with the company and its contractors, economic support for university students, upgrading the community cemetery with a concrete wall, provision of a launch on lease for artisanal fishing (it will be donated once authorization is received from DIMAR, the maritime authority).

Regarding the request for land presented by the community of Kamüsüchiwo'u, we do not have progress to report. In relation to the housing-improvement project planned for 27 families in the communities of Pioule and Pioula, this project has taken longer than expected due to the strictness of the procedures. Work is expected to start on the pilot house by the end of the year.

Resettlements

We are aware that resettlement processes are difficult and entail strong impacts on communities. However, we believe that, with the application of international standards and the dedication of a professional team, we have been able to considerably improve the standards of living of the five resettled communities. We hold that a serious analysis of these processes must take into account the complete package of benefits offered to all the groups and not just the performance of some of the production projects. We acknowledge that this is an essential component for the sustainability of these families, but it is not the only one. We work hard to have the highest number of successful projects possible, but we would like to point out other factors that affect the general status of the families, such as: access to education and decent dwellings with basic services they did not have before, availability of seed resources and support from experts throughout, skills development to increase their employability, and so on.

The attached tables contain more details on the status of each of the five resettlements. However, it is worth noting certain matters below.

In Roche, six of the last eight families that signed the relocation agreement at the end of last year are now living in the new settlement and beginning their adaptation process. We are having troubles with two families that have returned to old Roche and have refused to accept the property they chose for their livestock activity, claiming that it does not have enough water. It should be mentioned that the property was chosen in 2012 by the two families from among many properties visited, and that Cerrejón is currently supplying water in water tankers, feed, and veterinary care for the 147 heads of cattle that were already moved. We are continuing to talk with them seeking solutions to address their requirement without involving changes to the compensation criteria that would make them different from those received by other families.

In the case of Chancleta, 47 families (one family more than in the last report) out of 57 have signed their relocation agreements and are now living at the new site. We continue to talk with the remaining families. We are working on implementing the production projects, mostly farming and livestock delayed by the severe drought. The 46 Patilla families authorized for relocation have been at the new site since June of 2012. Support continues for the production projects implemented that same year.



Cerrejón

Minería responsable

As concerns the Tamaquito community, we recently received a request to halt activities and programs sponsored by the company due to delays in complying with commitments dating from their relocation one year ago. We hope that the direct dialogue we have maintained with the community will let us keep their trust and continue to provide the programs. We have explained the status of the outstanding issues and have redoubled our efforts to meet them. We are making progress in implementing various livestock projects on the La Liga property and an extra property that 11 families are about to purchase. We are currently working on having the property deed transferred to the indigenous authority in order to aid in the steps to form an indigenous reservation.

In the case of Las Casitas, we hope to begin moving the families that have accepted the compensation package in this last quarter of 2014. To date, we have reached agreements with 11 of the 31 families eligible for relocation. We are continuing to hold talks with the remaining 20 resident families and with pending families (residents and non-residents not eligible for relocation) and advancing in the acquisition of rural properties. Ties continue active with the NGO Indepaz, which is advising the Community Action Committee. Due to the need to relocate the community to prevent environmental impacts on it and given the delays in the process (already five years), in July of 2014 we began an eviction process of the properties and improvements in Las Casitas in accordance with Colombian legislation and international standards. However, we have always expressed to the families that our main interest is to continue with direct negotiations to reach relocation agreements.

Finally, we would like to mention that we continue to participate in the round table with representatives from the resettled communities, Cerrejón, and officials from the Barrancas municipal government to implement some of the agreements included in the compensation packages. This round table has met for over 30 sessions, has reached agreements on the proceedings for the educational components, and we are close to reaching an agreement on employability to provide support in training to improve the work skills of community members. We value this occasion for direct dialogue and respect the time and processes necessary to reach agreements on topics of mutual interest.

We hope this information and that contained in the tables will be useful in letting you know about some of our actions and the challenges we face. We are willing to maintain a constructive dialogue with all our stakeholders, and we are open to any comments or suggestions you would like to offer to help us improve our work. We would like to express our wish to continue working for the people of La Guajira, responding to our impacts responsibly and with respect for our neighbouring communities.

Yours sincerely,

Roberto Junguito

CEO

Cerrejón