

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

**Letter by León Teicher, CEO and President of Cerrejón**

October 29, 2010

Cerrejón continues to report progress on the implementation of the actions committed following the 2008 Independent Panel Review recommendations. We have completed 16 of the 24 projects and activities announced in 2008 and are working to finalize the rest. This time we present to you a Short Progress Brief focused on those activities we are still developing. The long table will still be available for those who want to examine the 24 items.

The Third Party Review (TPR) process has been extremely important for Cerrejón, its employees and contractors and local communities, and much has changed since then. By now, we believe we are on the track the Panel hoped for back then: we have a deeper understanding of our impacts; we have set in motion corporate cultural change; and we have developed good foundations for a new rights-based social impact management system. The Short Progress Brief includes links to additional information on our programs beyond the specific TPR commitments.

### **Engagement with Local Communities**

In September Cerrejón began a systematic round of information and engagement meetings with local communities and authorities, beginning with those close to the mine, the railway and the port. During dialogue meetings we have provided updated information on the operation, opportunities to grow and increase coal production, our social and environmental standards, our impacts, prevention and mitigation measures as well as social programs. Around 240 indigenous communities in the area participated, including 107 traditional authorities, 43 community leaders and 111 public administrations and municipal councils. Communities viewed the 30-year old mining operation as an opportunity to join forces in calling the State to fulfill its role and pay more attention to the development needs of La Guajira, traditionally a peripheral rural border zone.

Communities expressed concerns over access to public goods and services (water, electricity, education); expected employment opportunities and proposed solutions and shared tasks to address the loss of cattle in connection to the transit of the train. Additional engagement sessions begun in October with other communities in nearby areas.

### **The Complaints Office**

Cerrejón announced in 2008 its commitment to setting up a complaints register for potential security and human rights cases. In 2009, the company decided to embark on the design of a larger, more comprehensive complaints mechanism following John Ruggie's guidelines, which are founded on a rights-based approach to issues and process. John Ruggie is Special Representative of the United Nations Secretary General for Business and Human Rights and his mandate focuses on clarifying the roles of States and businesses on human rights.

The new Complaints Mechanism was created with the input of employees, contractors and community members. It underwent a pilot phase to test the software and management systems, and was launched during the systematic round of meetings described above. This Complaints Mechanism is not meant to replace judicial remedy, but to provide parties an accessible tool to solve problems in a just and practical way, taking into account local needs, resources, culture and knowledge.

Implementing the Ruggie guidelines to manage grievances has helped us internalize better international social standards and provided communities improved tools to interact with Cerrejón. There is still much to learn about the so called Remedy Pillar of the Ruggie Framework and joint problem solving with communities. A key challenge will be avoiding perverse incentives that may lead opportunists to vexatious claims. The success of the mechanism will depend on both the company's ability to respond timely, fairly and consistently and on the transparency of employees and communities.

### **Resettlements**

Approximately 930 people from nearby rural villages are being resettled. Cerrejón is committed to following World Bank and IFC Social Performance Standards, which provide guidelines for a participatory process whereby communities choose the new land where they will be relocated, design the new towns and prepare for better livelihoods into the future.

During the first half of 2010, Social Capital Group, the experts the International Panel used for the Cerrejón social review two years ago, examined the resettlement processes in depth and identified opportunities for improvement to align Cerrejón practices with international standards. We have now reviewed the social baselines for each of the 5 communities being resettled and Indepaz, a Colombian NGO, has been advising the communities of Tamaquito and Roche on whether compensation is fair and consistent with the goal of promoting community sustainable economic development. Indepaz has been a positive and constructive party in this process.

We are now approaching an important phase in the resettlement of Roche, one of the towns. Continuing with transparent dialogue will be indispensable for a successful resettlement. A key meeting took in September to review an updated Social Impact Assessment. Further meetings will take place throughout the next months.

The other 4 communities, Patilla, Tamaquito, Chancleta and Las Casitas, are also approaching important steps. As mentioned before, Cerrejón is optimistic that an open and transparent process based on shared information will be very helpful in reaching a successful resettlement. But we strongly oppose pressure tactics by external observers or community members that sully the good names of any party involved in this process.

### **Tabaco**

In December 2008, Cerrejón and Tabaco reached an agreement to address outstanding issues related to community relocation. After overcoming legal and administrative hurdles, Cerrejón began in April 2010, the purchase of La Cruz farm, the property where the town of Tabaco will be rebuilt by the townspeople. Corpoguajira, the local environmental agency, is still reviewing the requirements and modifying the land use plan together with the district of Hatonuevo so that the property can be assigned for urban use.

In the meantime, the Relocation Committee and the Tabaco Endogenous Network, the two key groups within the Tabaco community, are now working together towards reconciliation and are part of the committee guiding the physical and social reconstruction of Tabaco. A major challenge ahead will be the distribution of land and identifying how many members of the community want to live in the new town. So far there are 440 households that have been presented as potential beneficiaries. The exact date of completion of the reconstruction of Tabaco and therefore the construction of the symbolic sites depends on several factors.

### **Next Steps**

Specific next steps related to pending actions are outlined in the Short Report Brief. Cerrejón will carry on honoring its commitments and improving its approach to social impact management and sustainability.

Sincerely,



León Teicher  
President  
Cerrejón