

## **Seventh progress report on Cerrejón's social commitments following the report by the Third-Party Review Panel in 2008**

### **Letter from León Teicher, President of Cerrejón November 2, 2011**

This is the seventh progress report we present on the commitments Cerrejón accepted in 2008 as a result of the recommendations by the Third Party Review Panel on the company's social programs. This is also the last one I will present as President of Cerrejón given my decision to retire from Cerrejón on December 31, 2011, as has already been publicly announced. It is therefore a great satisfaction for me, and for the entire Cerrejón team, to once more demonstrate the achievements and efforts made to carry out the general recommendations and specific actions the Third Party Review made in order to make Cerrejón a business that is not only dedicated to efficient coal production, but also committed to the sustainable well-being of the communities in our area of influence.

Since the 2008 report, much has changed at Cerrejón. Working on the 24 projects that the Third Party Review recommended made us look inwards and embark on a serious reflection on principles, social standards, and corporate culture. Today, after four years, we have closed 19 projects. Although we are getting closer to the closure of the five remaining projects, we are aware that there is always more to do. Some of the pending projects require actions from official institutions. Nevertheless, we will continue to invest all our efforts to jointly attain them.

Specifically, we have challenges in the successful completion of our part of the commitment to enable the reconstruction of the Tabaco village, in certain aspects of the five resettlement processes under way, as well as in achieving better living conditions for the Kamüsichiwo'u community, located near our ship-loading port. A short summary is provided below on progress made in recent months and the main challenges we face. The attached tables contain detailed information.

### **Community Engagement Plan and Announcement of Impacts**

In 2011, we developed the first integrated Community Engagement Plan, one of the points proposed by the TPR. In it we defined the principles, standards, strategies, and social programs to be undertaken with our stakeholders in the area of influence. In the second half of 2011, we presented it to approximately 476 people comprising community representatives, local authorities, healthcare and educational institutions. This five-year plan, to be updated annually, also considers the outcomes of the operation's first integrated social and human rights impact assessment that we performed at the beginning of the year, as well as the lessons learned from the projects and initiatives carried out by our field teams. As part of this process, we have begun planning a strategy to discuss our impacts with the communities in our area of influence that we hope to start by the end of the year. This initiative seeks to broaden even more the dialogue with communities, presenting our actions to prevent and mitigate impacts, and listening to their concerns and proposals. We believe that sincere, transparent dialogue is the best way to create trust.

### **Due Diligence in Human Rights and the Complaints Office**

The afore-mentioned actions are part of our commitment to increase due diligence in human rights following the recommendations of the United Nations' Protect, Respect and Remedy framework. In addition, we have adjusted our Human Rights policy to reflect these new international



developments which clearly define the responsibilities of the State and of businesses, and our commitment with identifying impacts to employees, contractors, and communities and developing measures to prevent or mitigate them.

As mentioned in previous reports, we continue to strengthen the Complaints Office, an initiative we undertook with the participation in the worldwide pilot project proposed by the United Nations special representative John Ruggie in 2008. This office is now better equipped to address complaints about impacts, and it has managed to respond to them by creating compensation policies or solidarity support measures in some cases. We will continue working so that next year the Complaints Office will be more solidly established within the organization.

### **Tabaco**

In May 2011, Cerrejón signed the public deed of for the La Cruz property, which was acquired to allow the community the potential reconstruction of Tabaco. Currently, the notary arrangements are under way to finalize the donation that will physically hand over the property to the community and to the municipality of Hatonuevo by year's end. The land survey and zoning study of the property were both finished in September 2011, determining the allocation of environmental areas and which area may be used for the physical construction of the village. A major challenge will be the distribution of the land and identifying how many community members wish to live in the new village. The symbolic site that Cerrejón committed itself to build will need to be defined by the community through a participatory process. Despite this progress, we are aware that the start of construction still depends on various factors, and so we cannot yet know a specific start date for the works.

The resettlement and construction of the new Tabaco is a direct task of local and regional institutions, which are responsible for building the housing, power grids, the aqueduct and sewage system, and the provision to equip the Community Centre.

### **Resettlements**

Since the April report, the five resettlements in course have made progress. In all of them, we are following the recommendations of the Performance Standard No. 5 of the International Finance Corporation (IFC). Roche is the most advanced resettlement. Currently, 16 families have relocated to the new settlement and are working on their various productive projects. We hope to soon reach agreements with the remaining nine families. We are aware of the implications of a segmented resettlement and are working to resolve the specific concerns of each family. We are keeping communications channels open in order to reach agreements very quickly and thereby prevent the temporary community division.

During 2011 we presented the impact studies to the communities of Patilla, Chancleta, and Tamaquito. We are currently socializing the study with the people of Las Casitas. In January 2011 we began the construction of the housing and infrastructure for Patilla and Chancleta. We expect these works to be finished early in 2012. In Patilla, 40 of the 46 relocation agreements have already been signed and in Chancleta, 40 of the 57 families have shown interest in participating in the collective relocation.

### **Media Luna**

There are differences among some members of the community of Media Luna and Cerrejón regarding the titles in Puerto Bolívar where they live. This circumstance has prevented us from proceeding with the housing-improvement project we committed to in the TPR. This land was given



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to Cerrejón by Ingeominas since the beginning of the operation which allowed an industrial use of storage, transportation, and export of coal. We are now designing a new social engagement strategy for these communities and working on strengthening our relations.

In the case of the communities of Pioule and Pioura, known as Malla Sur, we had hoped to begin housing construction work in the second half of 2011. However, due to the necessity of requesting several tenders, contractor selection has been delayed until the end of this year. Therefore, start of the works is planned for the first quarter of 2012.

We are working hard through dialogue and ongoing, transparent work to maintain close relations with these communities in our area of influence. Our efforts are not limited to TPR. The work of the four Cerrejón foundations has advanced and matured delivering specific results, accompanied by the external members of their board of directors. We will soon be inaugurating important projects that will promote income generation opportunities not related to mining and projects that support undergraduate studies in La Guajira. It has been an honour for me to have been part of this important process, and to have contributed to promoting a more open, honest, and transparent attitude in Cerrejón's relations with our stakeholders. I am convinced that these principles will continue to define the attitude of Cerrejón shareholders and employees in undertaking all its social and mining programs.

Sincerely,

**León Teicher**  
President  
Cerrejón