

# Final Report

Dutch Coal Covenant

14/19

Final report: 2014-2019

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# Chapter 1

## Executive summary

This is the final report of the 'Covenant in respect of improvements in the coal supply chain' (the "Covenant"). The goal, for both the energy companies using coal and the Dutch government as members of the Covenant, was to improve social and environmental conditions in international coal supply chains. Companies agreed to do this through due diligence as formulated in the OECD guidelines for multinational enterprises, and the government by aiding companies in this endeavor and seeking the dialogue with other governments regarding the activities of this agreement. The specific agreements and their status after 5 years are summarized in table 1.

Five years of the Dutch Coal Covenant has led to significant improvements, both in terms of awareness across the parties' international coal supply chains and amongst relevant stakeholders, but also in terms of the constructive dialogue as well as tangible projects and the implementation of best practices in various coal mining regions. This type of progress is good news. The energy companies have become more aware of the issues relevant to different stakeholders in Europe and in the sourcing countries. The Coal Covenant offered a platform to discuss international RBC standards, how to apply them in business, and how to engage with coal suppliers and governments to improve the situation in coal supply chains. The multi-stakeholder approach has proven time- and resource intensive, and the collaboration in the Covenant has shown that issues in the coal supply chains are complex. For instance, engagement in South Africa has proven difficult, despite various efforts through stakeholder meetings both in South Africa and in the Netherlands. However, with the right resources and stakeholder support, improvements can be made. This is most notable in the mature levels of supplier engagement that were established in sourcing countries, especially in Colombia and Russia. The level of transparency towards stakeholders has also increased, with now 18 Bettercoal suppliers participating in the initiative's Assessment Process, and its members offering more transparency in this process through the Members' Implementation and Reporting Obligations.

Apart from this, the past five years have seen several developments both at national and international levels in the context of coal and energy production. Trading and responsible business conduct by the energy companies is predominantly managed outside of the Netherlands, while energy production in the Netherlands is rapidly phasing out coal. These developments in the sector have led to the decision by the energy companies to conclude the Dutch Coal Covenant after its five year run. However, as long as coal is still used in Dutch energy production, it is necessary to conduct due diligence in the coal procurement processes. Therefore, the parties to the Covenant keep working on responsible procurement of coal in an international context and agree to keep relevant stakeholders in the Netherlands informed about these efforts. Furthermore, from the notion that the significant reduction of coal consumption in the Netherlands and other countries in Europe is already taking place, energy companies wish to support the Just Transition initiative. This project aims to anticipate coal mine closures in certain regions by developing robust economic alternatives and developing policy measures that will guide a transition towards other jobs for workers and that will reduce the negative impact on workers and communities.

Chapter 3 elaborates on these developments and next steps after the conclusion of the Covenant. Chapter 4 covers the results of the agreement in more detail, including the collective and individual actions by the energy companies and the Dutch government.



# Results 2014-2019

The results of the covenant can be grouped along the lines of four key topics: engagement with sourcing regions, individual due diligence, Bettercoal and diplomatic efforts. How these results stack up against the objectives set in the Covenant is summarized in table 1.

**Table 1: Overview and status activities agreements in the Covenant**

Covenant article	Activities from covenant	Status
2.1	Energy companies conduct due diligence in their procurement of coal for the energy production in the Netherlands.	Ongoing. The companies' procurement of coal for the energy production in the Netherlands falls under the same policies as procurement by the parent companies.
2.2	The energy companies, whether or not through their parent company, contribute to improvement in the countries of origin of the coal used by the energy companies in the Netherlands.	Ongoing. The companies gather insight into the effects of their procurement of coal through participation in Bettercoal. They do this by conducting self- and site-assessments, which give insight into the social and environmental performance of Suppliers.
2.3	Every year, the energy companies are individually and publicly accountable for the implementation of art. 2.1 and 2.2, for instance in their annual reports or other communications.	Ongoing. The energy companies communicate on the progress of art. 2.1 and 2.2 through the Bettercoal Members' Implementation & Reporting Obligations (MIRO; see the most recent MIRO report <a href="#">here</a> ) and through the annual progress reports of the Covenant (see 2.11 for links to the progress reports). This report also covers collective and individual implementation of article 2.1 and 2.2, see chapter 4.
2.4	The energy companies, through Bettercoal, perform independent assessments at coal mines, amongst others the mines where Bettercoal members procure their coal. The results from the audits are, if necessary, used to design improvement programs for the mines. Bettercoal monitors the implementation of these improvement programs actively.	Ongoing. Bettercoal independently assesses the performance of coal mining operations against the ten principles of the Bettercoal Code through the Supplier Assessment Process. Find more information on the Supplier Assessment Process <a href="#">here</a> .
2.5	The energy companies inform the coal Suppliers about the content of this covenant.	Completed. Suppliers were informed at the start of the Covenant, and on various other occasions over the last five years.
2.6	An independent third party produces a yearly combined list of all mines or mining regions where the energy companies procure their coal.	<a href="#">Coal origin list 2014</a> <a href="#">Coal origin list 2015</a> <a href="#">Coal origin list 2016</a> <a href="#">Coal origin list 2017</a> <a href="#">Coal origin list 2018</a> <a href="#">Coal origin list 2019</a>

Covenant article	Activities from covenant	Status
2.7	In case it is not possible to trace or make public the origin of (a part of) the procured coal, the principle 'comply or explain' applies.	The above origin lists contain some unknowns. Volumes purchased on the market (screen trading) are listed as originated from the country where the coal is at that time, not where the coal was extracted. For this reason, these volumes are marked as "uncertain origin" in the reporting.
2.8	In case a complaint is made about an alleged violation of the OECD Guidelines in a mine listed in the list under art. 2.6, the energy companies can be jointly approached in the dispute settlement procedure.	Not applicable.
2.9	The energy companies discuss with the National Contact Point for the OECD Guidelines (NCP) how the group-approachability fits into the operation of the NCP.	The energy companies agreed with the NCP in 2015 that in case a complaint about one of the energy companies would be filed, this would be handled as a complaint against all energy companies that signed the covenant.
2.10	In case of a complaint in the context of the dispute settlement procedure, the energy companies will provide insight into those matters that are functional and necessary for the handling of the complaint.	Not applicable.
2.11	The energy companies annually publish an aggregated overview of their efforts related to the activities mentioned in this covenant.	<a href="#">Progress report 2015</a> <a href="#">Progress report 2016</a> <a href="#">Progress report 2017</a> <a href="#">Progress report 2018</a>
2.12	The individual energy companies themselves, or in collaboration with their parent company, pay attention in their own communications to the entire Responsible Business Conduct policy in relation to the coal chain and the activities of this covenant.	All energy companies that signed the covenant share information on their position and activities in the coal supply on their respective websites. Vattenfall updates on its coal supply chain responsibility efforts in Colombia separately: find its September 2019 report <a href="#">here</a> .
4.1	The government will call other governments in the countries of origin of the coal used by the energy companies in the Netherlands to their responsibilities in the coal chain.	Ongoing. See chapter 4.4 of this report for more detail.
4.2	The government encourages other countries where there are safety risks in the mining sector to become familiar with the Voluntary Principles on Security and Human Rights (VPs) and encourages them to become members. In addition, the government supports existing members of the VPs in the implementation of those principles.	Ongoing. See chapter 4.4 of this report for more detail.
4.3	The government supports the energy companies in the development of Bettercoal and will actively bring the initiative to the attention of other governments and other relevant stakeholders and point out the importance of a European and collective approach.	Ongoing. The government has aided in making contacts between the energy companies, Bettercoal, and local governments and stakeholders in producing countries (most notably in Colombia, but also South Africa and Russia). Bettercoal is also a supporting organization to the <a href="#">Agreement for the Metals Sector</a> , signed in 2019.
4.4	The government will put European cooperation in the coal chain explicitly on the agenda during the Dutch Presidency of the EU, in the first half of 2016.	Completed. Action on agenda-setting on coal and initiatives on responsible minerals promoted during and after the Dutch presidency of the EU. Besides this, the government has made progress in advocating for a European Action Plan on Responsible Business Conduct. See chapter 4.3 for more details.

Covenant article	Activities from covenant	Status
4.5	The government ensures enough capacity for the NCP to deal with reports of alleged abuses in the coal chain	Ongoing. In 2019, the capacity of the NCP was expanded. The Government will continue monitoring the NCP capacity to make sure it matches the caseload. At the time of writing, the Dutch NCP had received no complaints about alleged non-observance of the OECD Guidelines by energy companies active in the Netherlands regarding their coal supply chains.
4.6	The Ministry of Foreign Affairs finances a scoping mission in Colombia, which investigates how the Dutch government could contribute to improving the conditions in the Colombian coal chain.	Completed. ' <a href="#">Understanding the Context of the Colombian Coal Sector – Key issues and potential opportunities for collaboration in the producing regions of La Guajira and Cesar</a> ' (2014).
4.7	The Ministry of Foreign Affairs supports programs to improve the situation in and around the coal mines in Colombia and the implementation of the Colombian Law on Victim and Land Restitution. The government explores opportunities to initiate a dialogue between victims of the armed conflict and the Colombian private sector and is prepared to support this dialogue.	Ongoing. Find more details on this in chapter 4.3 of this report.
4.8	From 2015 onwards, the government will annually publish an aggregated overview of its efforts with regard to the activities mentioned in this covenant	Completed, see 2.11.
5.1	On the initiative of the energy companies, the parties to the covenant organize an annual stakeholder round table meeting led by an independent chairperson.	Completed. The parties organized a stakeholder meeting annually to discuss progress of the Covenant. Summaries of the meetings can be found in the respective annual reports (see 2.11).



# Introduction and context

Since the signing of the ‘Covenant in respect of improvements in the coal supply chain’<sup>1</sup> in November 2014, many things have changed. For instance, the signatories: energy company Essent is now RWE, Nuon is now Vattenfall, E.ON Benelux is now Uniper, and GDF SUEZ is now ENGIE. ENGIE recently sold its Dutch coal-fired power plant to Riverstone Holdings LLC. EPZ was also a signatory but closed its coal plant in 2015, Vattenfall closed its remaining coal plant in 2019, and the Dutch Parliament and Senate passed a law in December 2019 on the prohibition of the use of coal in the production of electricity by 2030.

**Since the signing of the ‘Covenant in respect of improvements in the coal supply chain’ in November 2014, many things have changed.**

## 2.1 About this Report

Since 2015, the signing parties annually reported on their main actions and activities in the relevant sourcing regions of coal. The duration of the Covenant was five years, and in November 2019 the Covenant came formally to a close. This final report covers the actions and activities by the signing parties over the full duration of the Covenant and offers a statement on further collaboration after completion. A draft version of this report was shared with stakeholders and the signing parties received joint feedback from PAX, CNV International, ActionAid, and SOMO. The signing parties appreciate the feedback, parts of which have been addressed in this report in chapters 3.1, 3.2, and 4.1. Additionally, an annex has been added to give more insight into the tangible results achieved through Bettercoal in Colombia.

<sup>1</sup> <https://zoek.officielebekendmakingen.nl/blg-410799.pdf>

## 2.2 About the Covenant

In November 2014, the Dutch Minister of Economic Affairs, the Minister of Foreign Affairs, and the four energy companies owning coal plants in the Netherlands signed the 'Covenant in respect of improvements in the coal supply chain' (the Covenant). The Covenant was an outcome of the Dutch Coal Dialogue, which was initiated in 2010, involving energy, mining and steel companies as well as trade unions and civil society organizations from the Netherlands and abroad.

The main goal of the Covenant was to improve the social and environmental conditions in the international coal supply chain. The way companies work to achieve this is through implementing their supply chain responsibility in terms of responsible business conduct as outlined in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. By doing so, the aim is to prevent their activities from causing or contributing to adverse impacts, and to be able to address such impacts if they occur. Furthermore, business partners, including Suppliers and subcontractors, are actively encouraged to implement the OECD Guidelines. Although civil society organizations and trade unions are not signatory parties to the Covenant, they were involved through annual stakeholder

meetings where draft reports were shared and developments in the coal chain were discussed.

As part of the Covenant, the companies agreed to conduct due diligence as part of their purchasing policies for coal used in the Netherlands. They aimed to contribute to improvements in the countries of origin of the coal they source. Bettercoal conducts independent assessments at coal mines, the results of which are used to create improvement programs for the coal mines. The implementation of these improvement programs is actively monitored by Bettercoal. As an example of Bettercoal's impact, this report includes an overview of its impact in Colombia in the appendix. It shows the systematic approach of the Continuous Improvement Plans, the results, and the issues where improvement is needed. Apart from this example, in several countries suppliers have become more and more open to assessments of their facilities over the past few years, seeking guidance for improvements based on international standards. They are more open to discussing (possible) impacts of their business. At the same time the parties acknowledge that there are many mining areas and suppliers who are still quite far from starting such an approach.



# Looking ahead

Several developments in the Dutch energy context have influenced the decision to conclude the Coal Covenant. This chapter covers these relevant developments and lists the ways the parties agree to continue collaboration on responsible coal procurement beyond the Coal Covenant in the future. At the time of writing, many planned activities are being postponed in light of travel restrictions around the current outbreak of COVID-19. Therefore, some of the planned activities mentioned in this report may be delayed.

## 3.1 Developments in Dutch coal landscape

### Coal procurement

Coal trading and contacts with all relevant stakeholders has become much more internationally oriented. The trading floors and senior CSR staff of energy companies are all located outside of the Netherlands. Local management in the Netherlands do not generally have the explicit and direct responsibility for the purchase of coal nor the contacts with coal mines, brokers and civil society organizations. Instead they concentrate on maintaining and operating (coal fired) power plants, while the economic exploitation is managed by centralized trading offices. The procured volumes of coal are also decreasing as a result of two developments. First, because of market developments and energy transition, the number of full load hours of coal plants are

decreasing. Second, the operators of the remaining coal plants in the Netherlands are already, or will be, replacing significant volumes of coal with biomass.

### Implications of the Dutch coal phase-out

Due to the global push to address climate change, the position of coal plants is up for discussion in almost all Western European countries. The Netherlands has already set a date for the phase-out of coal, and joined a coalition of 20 countries committing to phase out coal before 2030<sup>2</sup>. Since the start of the Dutch coal covenant in 2014 a significant number of coal fired power stations have been closed in the Netherlands. As a result of the Dutch Energy Agreement (Energieakkoord, 2013) five coal fired power plants [Amer 8, Gelderland, Borssele, Maasvlakte unit 1 and 2] have been closed in 2016 and 2017. Furthermore, the Dutch Parliament and Senate passed the law on the prohibition of the use of coal in electricity production on December 10, 2019.

**...the position of coal plants is up for discussion in almost all Western European countries.**

<sup>2</sup> <https://www.duurzaambedrijfsleven.nl/energie/25903/twintig-landen-beloven-uitfasering-van-kolen-voor-2030>



*“Vattenfall sees no future for coal and in the coal phase-out discussion in the Netherlands we have been clear from the start that we were open to early closure of Hemweg 8.”*

*Alexander van Ofwegen, Director of Heat & Production at Vattenfall Netherlands, press release December 2019<sup>3</sup>*

To compensate for the forced phase-out of coal, the coal power stations are offered a transitional period based on the electrical efficiency. For power stations with an electrical efficiency lower than 44% (and with biomass co-firing and heat production), the ban will apply from 1 January 2025. For coal-fired production installations with an efficiency of 44% or more, the ban will start on 1 January 2030. During and after the transitional period the power stations are free to convert to other fuels than coal. Only the Hemweg 8 power plant (Vattenfall) has not been offered a transitional period but a financial compensation to stop producing before 1 January 2020. Meanwhile this power station stopped production in December 2019 and will be dismantled in 2020.

Energy-plant	Hemweg-centrale	Amer-centrale	Centrale Rotterdam	Maasvlakte-centrale	Eemshaven-centrale
Company	<b>VATTENFALL</b> 	<b>RWE</b>	<b>ONYX</b> POWER	<b>uni per</b>	<b>RWE</b>
End date coal	December 23 <sup>rd</sup> 2019	December 31 <sup>st</sup> 2024	December 31 <sup>st</sup> 2029	December 31 <sup>st</sup> 2029	December 31 <sup>st</sup> 2029

<sup>3</sup> <https://group.vattenfall.com/press-and-media/news--press-releases/newsroom/2019/vattenfalls-last-coal-power-plant-in-the-netherlands-is-closing>

## 3.2 Future collaboration due diligence on coal

With the developments in the Dutch landscape, in combination with the growth in presence and impact of Bettercoal's program in the relevant coal mining regions for companies operating coal plants in the Netherlands, the companies have decided not to prolong the Dutch Coal Covenant. However, the parties to the Covenant wish to ensure the sustainability of the achieved results. They wish to keep working on responsible procurement of coal in an international context and agree to keep stakeholders in the Netherlands informed about these efforts. Therefore, the parties agree to the following actions:

1. Dialogue between energy companies and Dutch government: the energy companies and the Dutch government will meet once a year to discuss the developments on coal and the policies on international responsible business conduct. This will include the activities that the energy companies work on within the Bettercoal initiative.
2. Stakeholder engagement: During the 5 years of the Covenant, the parties held an annual stakeholder meeting to discuss status and progress. The parties to the Covenant will present this report during the final stakeholder meeting in 2020. After the conclusion of the Covenant, the energy companies and the Dutch government will, if so desired, maintain an annual dialogue with Dutch stakeholders.
3. Origin of coal: the companies continue to publish the annual collective list of origins of coal (up to 2029).
4. Support in production countries: the Dutch government will (including through the embassies) keep offering support and bringing to attention Responsible Business Conduct in general and coal in particular through:
  - a. Facilitating engagement by the energy companies / Bettercoal members with local governments, civil society organizations, and partner mining companies.
  - b. Support to the transitional justice-mechanism in Colombia and the multi-stakeholder dialogue in mining region César.
  - c. Bringing to the attention and promoting Bettercoal as sector-initiative for due diligence in the coal sector.
5. Alignment of Bettercoal with the OECD-guidelines: Bettercoal has done a high level gap analysis between the Bettercoal Code and the OECD-guidelines. It is now working on a methodology for a full gap analysis, which will be done by a third party.
6. Just transition policies: the energy companies collectively work towards a proposal to assess the effects that the (Dutch) phase-out of coal will have on the Colombian mining region of Cesar, and how the transition away from coal and towards alternative economic activities can be done in a responsible and effective way.

## 3.3 Just Transition

Due to climate change policies, the coal industry is under increased pressure. Under the Paris Agreement, countries have set targets for a reduction of CO<sub>2</sub> emissions and increased investments in renewable energy. This results in a shift in the global demand for coal and a decline in the use and import of coal especially in Western Europe that will have significant long-term effects on employment, public revenues and investments in regions and countries where coal mining is economically important like Colombia and South Africa. The Royal Tropical Institute, in their Colombia report of the evaluation of the Dutch policy on responsible business conduct, emphasizes the importance of paying attention to the effects of (future) mine closures. They recommend the parties of the Covenant to include in their due diligence processes the development of long-lasting initiatives in light of probable future mine closures<sup>4</sup>.

The energy companies have promoted responsible mining and sourcing of coal as members of Bettercoal and participants of the Dutch Covenant on the Improvements in the Coal Supply Chain. Bettercoal and its member companies also want to encourage responsible mine closure planning, which not only focuses on

the positive impact on the climate and environment but also on the challenging future of workers and communities dependent on and impacted by coal mine closures or production reductions. The goal of these so called 'just transition policies' is to anticipate closure by developing robust economic alternatives and develop policy measures that will guide a transition towards other jobs for workers and reduce the negative impact of job losses and industry phase-out on workers and communities. The development and implementation of such policies is a multi-stakeholder approach between private sector actors (mining companies and buyers), government and civil society actors.

Through this initiative, energy companies RWE, Uniper and Onyx Power seek to develop improved policies and practices related to mine closure and production reduction as part of their responsible sourcing strategies. The various partners within this initiative are preparing a proposal for applying for support by the Dutch State under the "Fund for Responsible Business" (FVO<sup>5</sup>). Parties anticipate a decision to grant this project in the course of 2020.

<sup>4</sup> KIT (Royal Tropical Institute), [Evaluation of Dutch IRBC Policy: Colombia report](#) [\[2\]](#), September 1st 2019 (page 8).  
<sup>5</sup> [www.rvo.nl/subsidie-en-financieringswijzer/fonds-verantwoord-ondernemen-fvo](http://www.rvo.nl/subsidie-en-financieringswijzer/fonds-verantwoord-ondernemen-fvo) [\[3\]](#)



# Results of 5 years Covenant

Since the signing of the Covenant a lot has changed with regard to concrete actions in the coal supply chain and the parties have achieved progress in three main areas: dialogue and engagement with stakeholders in sourcing countries, improvement of due diligence processes by the Dutch energy companies and within Bettercoal, and agenda-setting.

This chapter covers these three areas and individual actions by the Dutch government and the energy companies, and covers the duration of the agreement with a focus on the progress made in the final Covenant year, 2019.

## 4.1 Main developments in key sourcing countries

In 2019 the hard coal used in Dutch coal plants was mainly procured in Russia, Colombia, the USA and South Africa. Energy companies active in NL, also Members of Bettercoal, connect with mine operators in many different countries. While the long-term goal of Bettercoal and its members is to engage with all its members' coal Suppliers and more, the organization developed a country prioritization strategy and established specific country working groups in 2018. Their objectives are to facilitate a more coordinated approach to the monitoring of the Continuous Improvement Plans (CIPs) for Suppliers as well as build knowledge and measure impact. Resulting from the risk-based country prioritization strategy, the first two country working groups that have been set up are for Colombia and Russia. In the USA there

are only two mining companies engaged with Bettercoal, so there is less critical mass than in Colombia and Russia. The market is also more fragmented in the USA, and companies seem to be less engaged in the specific coal chain related topics. In Colombia, the engagement with mining companies that are Bettercoal suppliers is well-established and the focus is on monitoring the Continuous Improvement Plans. In Russia, the Working Group is up and running for a year and the focus is on establishing contact with suppliers, and gathering greater insight into the risks related to the Russian coal supply chain.

**In 2019 the hard coal used in Dutch coal plants was mainly procured in Russia, Colombia, the USA and South Africa.**



## Russia

Russia is the third largest exporter of coal in the world. Since 2016, Bettercoal's presence in Russia has grown significantly with most of the country's largest coal Suppliers going through the Bettercoal Assessment Process. The Russian Working Group (RWG) is formed of Bettercoal members Enel, ESB, Fortum, RWE, Uniper and Vattenfall. The Russia working group has detailed their purpose in the Terms of Reference<sup>6</sup>, including addressing the following: develop a coordinated approach to the monitoring of Continuous Improvement Plans (CIPs), grow country and context expertise, communication and other related activities. Since the end of 2018, the Russia Working Group has made significant progress. The primary targets have been to engage new stakeholders and raise the profile of the Bettercoal organization as a whole.

The RWG met each of the Bettercoal Suppliers to discuss and monitor their CIPs and relevant risks related to the Russian coal supply chain. This has led to a greater focus from Suppliers on reporting their improvements in line with their improvement plans<sup>7</sup>.

In September 2019 the RWG organized an in-country workshop in Russia to officially launch the Working Group and engage with key local stakeholders. As well as gaining greater contextual understanding through visiting Suppliers and their operations, the group gathered more information on the significant legislative reform in relation to environmental protection and occupational safety, to increase the level of security, and eliminate the administrative burden on business entities.

Additionally, during 2019 the RWG worked on the mapping of environmental, social and governance (ESG) risks related to the Russian coal supply chain, in order to understand these risks and set a clear expectation on the topics we intend to address. This report will be a useful tool for giving the RWG the contextual understanding to present risks in the coal supply chain and allow the group to communicate the focus topics for their future work. The executive summary of this report was published in Q1 2020 as it served to guide some of the objectives of the RWG<sup>8</sup>. The first year of work of the RWG has been enriching and provided learnings that have been strategically reviewed at the closing of the year to determine the best appropriate goals and activities for the group in 2020. Key objectives for 2020 include publishing the "Environmental and Social Issues and the Coal Industry in Kuzbass" executive summary report as well as all public reports for Russia Suppliers, increase the number of Bettercoal Russia Suppliers, capitalize on knowledge-sharing opportunities with counterparts in Russia and raise awareness of Bettercoal through active participation in events in Russia.

<sup>6</sup> Bettercoal Country Working Group Russia – Terms of Reference ([https://bettercoal.org/wp-content/uploads/2018/10/Bettercoal-Country-Working-Group\\_ToR\\_Russia.pdf](https://bettercoal.org/wp-content/uploads/2018/10/Bettercoal-Country-Working-Group_ToR_Russia.pdf))

<sup>7</sup> Examples of supplier reporting: SUEK JSC (<https://bettercoal.org/producers/suek-jsc/>), SDS-Ugol (<https://bettercoal.org/wp-content/uploads/2018/07/Bettercoal-SDS-Ugol-Case-Study.pdf>), KRU (<https://bettercoal.org/wp-content/uploads/2018/07/Bettercoal-KRU-Case-Study.pdf>)

<sup>8</sup> Bettercoal Russia Working Group ESG risk mapping ([https://bettercoal.org/wp-content/uploads/2020/03/Bettercoal-in-Kuzbass\\_ESG-risks-in-the-Russian-coal-mining-sector\\_EN.pdf](https://bettercoal.org/wp-content/uploads/2020/03/Bettercoal-in-Kuzbass_ESG-risks-in-the-Russian-coal-mining-sector_EN.pdf))

## Colombia

There have been clear developments and in some cases improvements over the last years in the way the mining companies in Colombia are willing to address issues raised by workers, communities and other relevant stakeholders. However, it is also clear that for many stakeholders, living and working in the Colombian mining regions is challenging and sometimes dangerous. Six social leaders' lives were threatened after participating in a round table meeting on coal with the Dutch parliamentary delegation on international trade and development in May 2019. Such threats and violent incidents are unfortunately not exceptional. In this case, the mining companies condemned the threats in a public statement and called on Colombian authorities to take appropriate measures. The mining companies and the Dutch embassy liaised with Colombian authorities and assisted the social leaders in applying for protection through the Colombian protection unit, as well as called for a thorough investigation into the threats.

*Lesson learned: Addressing systemic challenges.* The goal that the parties formulated at the start of the Coal Covenant was to improve social and environmental conditions in international coal supply chains. The leverage that buyers have on their suppliers is not to be underestimated – but neither is the context of systemic challenges in which the suppliers operate. A clear lesson learned for the parties of the Covenant is that expectations on what concrete social and environmental improvements can be achieved in five years must be managed – especially in a context where paramilitary armed groups operate. Other common systemic challenges across the geographical areas include mistrust

between governments, companies, and communities; lack of institutional presence and enforcement at the local level, and lack of benefit sharing between mines and communities. Generally, more frequent and open dialogues between some of the companies and communities, more focus on process safety and occupational health and the condemning of violence in the Cesar region by companies, aim to contribute to improving the situation. These and other impacts and the role of each stakeholder in trying to improve the standard of living is on the agenda of the talks between Bettercoal, its members, suppliers and stakeholders, including NGO's. The same applies for the regional implementation of the peace process in Colombia. It took several years into the Coal Covenant for the companies to get a grasp of the issues at hand, and what role they could and needed to play in these initiatives. An important lesson is that continuous dialogues with the different stakeholders is very important in establishing these roles and understanding how to use leverage effectively.

As Bettercoal works with Continuous Improvement Plans, the secretariat and members, have regular follow up meetings with suppliers. In addition the Bettercoal CWP Action plan hopes to address some of those systemic issues and is currently looking for avenues of collaboration. The combination of these CIP talks, with visits to the region and talks with several other stakeholders on regional, national and international level bring opportunities for new initiatives and bridge gaps between stakeholders.

### NCP Case

On 29 July 2016, the Colombian NCP received a submission by the trade unions SINTRADEM, CGT Cesar and CGT Colombia, alleging the non-observance of the Guidelines by Drummond Ltd., a Bettercoal supplier. In November 2018, the NCP concluded the case and published a final statement [\[3\]](#).

The Unions argued that Drummond failed to respect the right of free association because the company filed a lawsuit which requested the liquidation of Sintradem. Drummond argued that it acted in accordance with national law by using legal way for raising claims on legality of the union.

Additionally, Sintradem qualified certain actions of Drummond as "hostile actions" against members of the trade union association. This was denied by the company.

In short the National Contact Point advised Drummond to implement the OECD Guidelines for Business Multinationals in the framework of daily operation activities and be more open to organized workers and labor unions. The company was advised to take a closer look at process safety and be open for dialogue on this issue. Furthermore Drummond was advised to keep in contact with and guide sick or disabled workers.

Sintradem was advised to raise health and safety issues in talks with Drummond and raise suggestions for improvements.

Improvements made should be communicated broadly among the people working at Drummond, and Sintradem should promote the adherence to safety regulation.

Both parties should have a more open attitude to each other, develop a monitoring system and jointly work to improve working conditions and the situation of sick or disabled workers.

The covenant partners reached out to the parties involved to make clear that they followed the case closely and hoped they would all contribute to a good outcome. The parties offered support where needed.

The covenant partners mark here that the relationship between unions on the one hand and the company on the other is often tense. This has a negative impact on the progress of conversations and the constructive business relationship that should exist between company and unions.

The covenant parties call upon all parties once again to continue efforts to improve the mutual relation in a sustainable manner, so that discussions on important topics such as safety, working conditions, illness and all other topics that are essential for the good position of employees are carefully discussed and followed.

### *Continuous improvement*

Bettercoal has been working with Colombia coal companies since the inception of the organization and is proud to be working with 3 of the 4 large coal exporters in the country. Only CNR is not yet engaged in Bettercoal. See the appendix for an overview of Bettercoal's work and impact in Colombia.

Bettercoal has established country specific working groups, including a Colombian Working Group. One of the aims of this group is to foster better relationships with all stakeholders involved in this complex environment, from business to government, to international NGOs and local communities. The Colombia Working Group consists of Bettercoal members Enel, ESB, RWE, Vattenfall, chaired by Uniper.

The purposes of the Colombia Working Group (CWG) are developing a coordinated approach to the monitoring of Continuous Improvement Plans (CIPs), develop country and context expertise, communication and the identification of complex/systemic issues related to mining in Colombia that go beyond the individual CIPs and require specific action. In 2019, the CWG had set ambitious goals and activities to develop throughout the year<sup>9</sup>.

The Group successfully engaged with all three Colombian Bettercoal Suppliers -Cerrejón, Drummond Ltd, and Prodeco-, having individual calls to follow up on progress on their CIPs and addressing additional topics relevant to Bettercoal members. The CWG also worked on the mapping of the relevant stakeholders related to the Colombian coal supply chain, which will provide a valuable base for external engagement in the future.

Throughout the year, the CWG worked on identifying priorities and form an action plan to address complex/systemic challenges related to mining in Colombia that require specific action. The output of this process was a prioritization of issues based but not limited to the topics revised on the Suppliers' CIPs. The document was circulated amongst relevant Colombian stakeholders for feedback, which will be considered for the final version, that will be published in Q1 2020.

Although an in-country visit was planned for Q3/Q4 2019, it was decided that, given the Colombian context and institutional changes at the time, it was going to be more productive to postpone the trip for Q1 2020. The visit was planned for March 9 – 13, but was cancelled in light of travel restrictions around the current outbreak of COVID-19. New dates for the visit have yet to be decided on. The program includes meetings with mining companies, Colombian ministries, ambassadors of both Germany and the Netherlands, labor unions, civil society organizations, and a visit to Cerrejón in LaGuajira.

The work plan for 2020 is not final yet. Based on the feedback from stakeholders in Colombia, the final version will be published on the Bettercoal website.

Among others, the goals as described in the draft Action plan for 2020 are the individual monitoring of CIP progress with all three Bettercoal Colombian Suppliers, engage with local Colombian stakeholders and organizations to develop and/or support projects relevant to Bettercoal Suppliers and their area of influence and develop and implement the action plan based on the Issues Prioritization for 2020 to address complex/systemic challenges related to mining in Colombia.

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## **South Africa**

In recent years Bettercoal members tried jointly, as well as on an individual basis, to connect more with mining companies in South Africa and with Eskom, the main energy supplier in South Africa. A delegation of the Dutch government, Bettercoal and some of its members visited the mining region of Mpalange in South Africa in 2016. Mining sites were visited as well as communities in the region, the latter organized by ActionAid South Africa. A year later, a multi-stakeholder delegation visited the Netherlands and also the lignite mining region of RWE in Germany. The aim was to continue exchange of information and discussing (possible) impacts of mining in South Africa.

This proved to be rather complicated for various reasons, mainly through lack of interest from main mining companies to join Bettercoal, and a decreasing volume of coal shipped to Europe. For more reflection on the reliance on Bettercoal for due diligence, see the lesson learned under heading 'due diligence reporting'. Currently two South African Suppliers are participating in the Bettercoal Assessment Process: Canyon Coal and Kangra Coal.

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<sup>9</sup> Bettercoal Colombia Working Group – [Work Plan 2019](#) 

## 4.2 Collective action on due diligence

### Origin of coal used in coal plants

The energy companies provide an aggregate list of their coal imports each year, see table 1 art. 2.6 for the links to all the lists. In addition, Vattenfall discloses a list of their coal Suppliers and countries of import<sup>10</sup>.

### Due Diligence reporting

The Government and the energy companies participated in two workshops on due diligence facilitated by Shift. The first workshop covered due diligence practices in coal sourcing in general, the second (held in January 2019) focused on communicating on due diligence practices. The companies received individual feedback from Shift on how their disclosure on due diligence in the coal supply chain performed against the UN Guiding Principles Reporting Framework and on how to improve on their due diligence reporting, and each had individual follow-up calls with the government to discuss this feedback. The energy companies also discussed the recommendations internally. For instance, the feedback report was discussed with Shift on the ENGIE group level. The energy companies will take the recommendations into account in future reporting and in some cases have already done so.

### *Lesson learned – collective organization of due diligence*

At the company level, the Coal Covenant has relied on organizing due diligence processes and in-country engagement through sector initiative Bettercoal. Although Bettercoal is an important platform for the companies in working on more responsible coal supply chains, it of course has its limitations when it comes to suppliers that participate in Bettercoal. In Colombia, 3 out of 4 suppliers to Bettercoal members do so; but it has not been embraced in South Africa. In Russia, it took at least three to four years to have relevant Russian coal exporters signed up to Bettercoal, and even so the environmental and social concerns reported in the Russian region of Kuzbass relate to the cumulative impact of hundreds of mines which are – as of yet – outside the scope of Bettercoal. This comes to show that although a collective organization conducting assessments and facilitating dialogue is very valuable, but does not replace the individual responsibility of companies to conduct their own due diligence.

### Bettercoal activities

Bettercoal is a global standards initiative established by major coal buyers striving to promote continuous improvement of sustainability performance in their coal supply chain. Bettercoal assesses, through independent Assessors, the performance of coal mining operations against the ten principles of the Bettercoal Code (the Code). Coal mining operations participating in the Supplier Assessment Process are known as Bettercoal Suppliers. Bettercoal does not provide a certification of performance to Bettercoal Suppliers. Bettercoal members use the information from the Assessments in their due diligence processes and purchasing decisions. Vattenfall has representatives in: Board of Directors (Vice Chair); Members Working Group (MWG), Technical and Advisory Committee (TAC), Russia Working Group (RWG) and Colombia Working Group (CWG). RWE holds positions in the Bettercoal Board of Directors, the TAC, the two Country Working Groups and the MWG. Currently Uniper's Frank Plümacher is the chairman of Bettercoal, Uniper chairs the CWG and participates in the RWG and MWG. Furthermore, to support the Bettercoal's staff in the assessment program and processes, an Uniper employee has been seconded, supporting the monitoring of the Suppliers' Continuous Improvement Plans implementation.

Over the past five years, Bettercoal has matured, with a strong presence in Colombia, Russia and the US, and to a lesser extent in other countries where coal is sourced. Also the structure of Bettercoal, the assessment of the performance of mining operations and membership obligations have improved: there are better guidelines on how to implement assessment manual which has led to more detailed reports and consistency between providers. Between October 2018 and January 2020, three new Suppliers committed to Bettercoal (RWE Lignite, PT Bayan, and KTK Overseas) and six site-assessment took place, some of which were reassessments of existing Bettercoal Suppliers. Bettercoal has also started country focus activities in Russia and Colombia through the respective Country Working Groups. Additionally, Bettercoal started the Bettercoal Code Review process, which will continue throughout 2020.

### *Bettercoal progress November 2018- December 2019*

The progress of Bettercoal is mapped according to the number of participating companies, as well as participation in the assessment exercises. Bettercoal has also disassociated with several suppliers, in part because they no longer sell coal in Europe.

<sup>10</sup> The origin of Vattenfall's hard coal 2017-2019 can be found [in this report](#) 

# Bettercoal Suppliers

Number of Suppliers who have committed to Bettercoal between October 2018 and January 2020

3

RWE Lignite, Germany  
PT Bayan, Indonesia  
KTK Overseas, Russia

Total number of Bettercoal Suppliers participating in the Assessment Process as of Jan 2020 compared to 6 in 2014<sup>11</sup>:

18

see table below

Bettercoal had to disassociate from a number of Suppliers for the first time in 2018. Suppliers which we are no longer associated with, are Peabody and Shubarkol. Peabody left Bettercoal as they were no longer selling coal into Europe whilst Shubarkhol stated they could not put in place the actions required from their CIPs due to insufficient funding.

**Table 2: Bettercoal Suppliers participating in the Assessment Process**

Step	Supplier	Country	Comments
1: Supplier Commitment	1		
	Taldinskaya Fuel & Energy Company JSC	Russia	
2: Desktop Review (includes an SAQ)	3		
	RWE Lignite	Germany	
	PT Bayan	Indonesia	
	KTK Overseas	Russia	
3: Site-Assessment	0		
4: Continuous Improvement	15		
	Canyon Coal Pty (Ltd),	South Africa	
	Cerrejon Coal Company	Colombia	Site assessment took place in July 2018
	Consol Energy	USA	Site assessment took place October 2019
	Drummond	Colombia	Site reassessment took place January 2019
	Foresight Energy	USA	Site reassessment took place December 2019
	HJ Banks & Co. Ltd	UK	
	Kangra Coal Pty (Ltd)	South Africa	Site assessment took place in January 2018
	Kuzbassrazrezugol Coal Company OJSC	Russia	
	Maikuben Komir	Kazakhstan	Site assessment took place May 2019
	Prodeco	Colombia	Site assessment took place August 2018
	PT Adaro Indonesia	Indonesia	
	PT Bhumi	Indonesia	Site assessment took place July 2018
	Siberian Business Union Coal	Russia	Site assessment took place in September 2017
	SUEK JSC	Russia	Site assessment took place in February 2018
	Taldinskaya Mining Company	Russia	Site assessment took place November 2018
Re-Assessment	1		
	Foresight Energy	USA	Reassessment agreed in June 2019
	Drummond Company, Inc, Itochu Corp	Colombia	Reassessment agreed in October 2018

<sup>11</sup> [Bettercoal Annual Review 2015](#), page 6

### New Assessment Process

Since July 2018, Bettercoal has been implementing its fully revised Assurance System which supports the delivery of the Bettercoal Code. The Assurance System has two components: the Supplier Assessment Process and the Members' Implementation and Reporting Obligations (MIRO). It may be apparent in the significant progression of Suppliers through the Bettercoal Assessment Process as laid out in the table above, that this was a very successful implementation. Targeted timelines for Supplier assessments have been widely complied with and the CIP feedback loop as well as public reporting have demonstrated the key successes of the revision of the assurance program.

The documents that support the revised Assurance System include:

- Assessment Manual
- Updated Preface of the Bettercoal Code
- Bettercoal Code Review Procedure
- Claims & Logo Use Guide
- Country Prioritization 2018
- Lead Assessor Application Form
- Lead Assessor Allocation Procedures
- Lead Assessor Approval Process & Criteria
- Policy of Association

### Bettercoal Code Review

In 2019, Bettercoal commenced its review of the Bettercoal Code, our internationally recognised Standard for assessing, assuring and sustaining stringent ethical, environmental and social performance in the coal mining supply chain. This Code Review follows Bettercoal's Code Review Procedure<sup>12</sup> and ISEAL Alliance best practice to review the Code every five years. This review was recommended by the Bettercoal Technical Advisory Committee (TAC) based on an internal review and feedback that the Code Review will help identify opportunities to strengthen the Standard itself and ensure its interoperability and cross-recognition with other standards and initiatives.

The objective of the Code Review is to refine and strengthen the robustness of the Bettercoal Code, the Assessment and Assurance Process, and Continuous Improvement Process. Bettercoal is also seeking to align, where applicable, with the OECD Due Diligence Guidance for Responsible Supply chains of Minerals from Conflict Affected and High-Risk Areas and the Sustainable Development Goals.

The Code Review process can be divided into four key steps: planning and disclosing the process publicly (STEP 1); undertaking initial interviews with key internal Bettercoal stakeholders and carrying out desktop benchmarking to six relevant sustainable mining standards and initiatives (STEP 2); holding a 60-day Public Consultation period in April and May 2020 (STEP 3); and then reviewing, updating, finalizing and launching the new Code in 2021 (STEP 4).

<sup>12</sup> Bettercoal, 2018, [Bettercoal Code Review Procedure Version 1.0](#), viewed 16 Oct 2019.

### Members' Implementation and Reporting Obligations (MIRO)

In 2018, Bettercoal reviewed the Members' Implementation and Reporting Obligations, aiming at increasing the level of disclosure to stakeholders on how members, including the Dutch energy companies, use the data from the Bettercoal Assessments in their due diligence processes and purchasing decisions. As a result, the Bettercoal Secretariat in consultation with members, Suppliers, the Technical & Advisory Committee and other key stakeholders, developed the MIRO Phase 3 key performance indicators, which were implemented in 2019.

The purpose of the MIRO Phase 3 is to:

- Demonstrate transparency;
- Enable Bettercoal members to make stronger claims regarding their membership and their respective responsibility in the coal supply chain;
- Improve the credibility of Bettercoal and its membership;
- Contribute to Bettercoal's communication about its role in working towards a global responsible coal supply chain.

Although the definition of a Bettercoal Supplier has evolved through the different iterations of the MIRO, Bettercoal Members have been increasingly purchasing from Bettercoal Suppliers (see Image 1). In 2015-17, this means a Supplier who has conducted at minimum a self-assessment against the Bettercoal Code. Since 2018, this means a Supplier who has conducted a full Bettercoal Assessment including a site-assessment.

In 2018, Bettercoal Members (excluding Iberdrola) purchased over 85 million tons of coal. Of this, 60% came from directly or indirectly from Bettercoal Suppliers. This marks a continued trend of improvement with Members increasingly purchasing volumes from Bettercoal Suppliers.

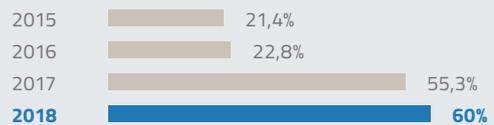


Image 1- Percentage of coal purchased from Bettercoal Suppliers purchased by Bettercoal Members

At the end of 2018, Iberdrola left Bettercoal as it was no longer burning coal. Naturgy left at the end of 2019 having closed down its coal-fired power plants. ENGIE also left the initiative, having sold their European assets to Riverside Holdings but retained coal-fired generation assets in Latin America. ENGIE has discontinued its membership given the ongoing worldwide phase-out of coal-fired assets by the group. This is in line with ENGIE's strategy to gradually close or dispose of its coal assets. See chapter 4.4 for further details.



## 4.3 Action by government

The signing of the Covenant in 2014 was not the starting point of collaboration for working towards improvements in the coal supply chain. The Dutch Coal Dialogue (DCD) preceded it: a multi-stakeholder dialogue between 2011 and 2013 of energy, mining and steel companies, trade unions, and civil society organizations. The DCD paved the way for better industry collaboration on an international level through Bettercoal, and a more coordinated approach between industry and the Dutch government. From its own perspectives and responsibilities, the Dutch government has used its leverage to support the energy companies' efforts in the coal supply chain and to put responsible sourcing on the international agenda. This chapter looks at the actions the Dutch government has undertaken on the global stage and in countries where the energy companies procure coal.

### On the global stage

Within the time span of the Coal Covenant, the Dutch government has attempted to engage other (European) governments in responsible coal supply chains specifically, but has proven more successful in putting responsible supply chains in general on the global agenda. Conversations with for instance Germany, Switzerland, and Denmark proved that those countries either do not use much coal for their energy production or still mine their own coal, making responsible coal procurement less of a priority in those countries. However, the Netherlands has contributed to agenda setting on transparency and social and environmental issues in responsible sourcing in other ways. At international fora, such as the annual OECD Forum on Responsible Mineral Supply Chains, the Netherlands organized and attended various sessions on the topic, where the coal supply chain was cited during interventions.

To support increased transparency and action on responsible mineral supply chains, the Dutch government has funded the development of the Responsible Mining Index<sup>13</sup>, a ranking of 30 major mining companies operating more than 780 mine sites in 49 countries. The index serves to measure the behavior of companies when it comes to social and environmental risks, and support companies in improving approaches to addressing those risks, including through due diligence.

### EU

Over the past five years, the Netherlands has become active in many different sectors through the international RBC Agreements, and has broadened its RBC policy approach, aiming to cover all Dutch companies with international supply chains, and calling for action on RBC in the European context. Even though a coordinated European approach on coal has not been realized, the Netherlands has been active in calling for a

harmonized framework on Responsible Business Conduct in the European Union. The Dutch government has called for this in bilateral contact with the European Commission, and aims to form a coalition with other Member States to work towards a level playing field. The past year, 2019, has seen rapid developments in this regard. The Dutch Minister for International Trade and Development called for an EU RBC Action Plan during the Foreign Affairs Council Trade in November 2019<sup>14</sup>. Luxemburg is explicitly developing this Dutch idea further in its call for due diligence requirements on human rights and environmental impacts in the Council on March 12th, 2020<sup>15</sup>. Furthermore, Finland publicized a paper proposing coherent actions on business and human rights during their EU presidency<sup>16</sup>, the European Parliament has published a Shadow Action Plan<sup>17</sup> on the topic, and the European Commission is making its mark by having recently published a study on due diligence requirements through the supply chain<sup>18</sup>.

### In sourcing countries

Support from the Dutch embassies has been essential in actions in source countries, especially when it comes to the broad local network and agenda-setting with local government and stakeholders. This is especially the case in Colombia, where the embassy has played an important role in implementing Covenant article 4.7 on improving situations around coal mines and seeking dialogue between victims of the armed conflict and the Colombian private sector. This chapter covers the results on responsible business conduct in sourcing countries in general and coal (from Colombia) in particular.

### Bilateral contacts

The Dutch government is active in several international industry standards and initiatives and has encouraged other governments to adhere to them. The Dutch government has reached out bilaterally to several governments over the duration of this agreement to join the Voluntary Principles on Security and Human Rights (Nigeria, China, South Africa, and the Philippines) and lends support to implementation in several other countries (Colombia, Peru, Nigeria, DRC). For more detail on the actions in Colombia, see the section below. The Netherlands acted as chair of the Voluntary Principles Initiative in 2017, and as such has been deeply involved with its implementation and outreach activities. Find more information on the efforts by the government on the Voluntary Principles in its 2018 annual report<sup>19</sup>.

When it comes to bilateral contacts and promoting industry-specific tools and initiatives, the Special Envoy for Natural Resources has proven a valuable resource. The Special Envoy has over the years visited Colombia, South Africa and Kazakhstan to discuss responsible sourcing and the coal sector in particular.

<sup>13</sup> Responsible Mining Index: <https://2020.responsibleminingindex.org/en>

<sup>14</sup> Explanatory note: [Towards European Ambition on Responsible Business Conduct](#) (12 November 2019).

<sup>15</sup> Explanatory note: [Due diligence requirements on human rights and environmental impacts – explanatory note by the Luxembourg delegation](#) (4 March 2020).

<sup>16</sup> [Agenda for Action on Business and Human Rights](#) (2 December 2019)

<sup>17</sup> [Shadow EU Action Plan on the Implementation of the UN Guiding Principles on Business and Human Rights within the EU](#)

<sup>18</sup> [Study on due diligence requirements through the supply chain](#) (EU publication, 20 February 2020).

<sup>19</sup> Voluntary Principles: [Government of the Netherlands annual report 2018](#)

### South Africa

In November 2016, a joint multi-stakeholder visit was organized to South Africa to better understand the challenges and social and environmental impacts of the coal sector in South Africa. In November 2017, the Influential Visitors Program (IVP) of a South-African delegation on Bettercoal visited the Netherlands. The delegation consisted of representatives from the government (department of water and mining), mining companies Canyon Coal, Glencore and the chamber of mines, civil society (Action Aid) and the two biggest labor unions (AMCU and Num). During this mission, a session was organized by Shift, in which the foundations of the 'protect, respect, remedy' framework as well as due diligence were explained and discussed. In July 2018 the Embassy in South Africa participated in a roundtable discussion on Coal and the Sustainable Development Goals coordinated by the World Coal Association. The outcomes of the discussions focused on both the positive and negative contributions and role of coal to the Sustainable Development Goals (SDGs).

Despite the efforts of the energy companies and the Dutch embassy, through organizing visits, brokering knowledge and facilitating dialogue with local stakeholders and government, and despite the return visit from the South African delegation, it has proven difficult to developing lasting collaboration and to motivate South African mining companies to commit to Bettercoal.

### RBC for missions

With the maturation of the RBC policy towards a coherent policy for all companies with international supply chains, the Dutch government's focus on sector-specific initiatives on the global stage has somewhat decreased, but efforts for and from embassies on RBC in general have developed over the past years. In April 2019, the Dutch government presented improved guidelines<sup>20</sup> for embassies and missions when it comes to responsible business conduct, and mitigating possible negative effects in supply chains. In response, the Dutch embassy in Moscow reviewed its RBC activities and has been active in the area of responsible mining over the past year. In May 2019, the ambassador met with the CEO of the Responsible Mining Foundation and visited several Russian companies that will be covered in the 2020 Responsible Mining Index<sup>21</sup>. The embassy will contribute to the discussions regarding responsible mining in Russia where possible. On behalf of the Bettercoal Russian Working Group, for instance, Uniper and Vattenfall visited the embassy Moscow in September 2019 in preparation for a first dialogue with stakeholders, including the Russian government, civil society, and mining companies. See chapter 4.1 for more details on the Russian Working Group.

### Colombia

Colombia has been the focus of the Coal Covenant from its inception, and it is not difficult to understand why. As underlined by the scoping mission to Colombia in 2014<sup>22</sup>, funded by the Dutch government, the country's coal industry faces numerous challenges, from environmental protection to social issues,

including the rehousing of people living near coal mines. Trade union members face challenges throughout Colombia, including in mining region Cesar. The Dutch embassy in Colombia has been instrumental in addressing these challenges on various different levels. It was a driving force behind the bilateral memorandum of understanding on mining and on environment signed in 2015, provided support to the development of the Colombian National Action Plan on Business and Human Rights, participates in and supports the multi-stakeholder dialogue in mining region Cesar, organized by CREER, the Colombian institute for Human Rights and Business, and supports the Colombian government in implementing the peace agreement with FARC through the transitional justice mechanism, which is where justice and truth-finding for the victims of paramilitaries in Cesar must take place. The Dutch government supports the Truth Commission, the Peace Tribunal and the Special Unit for Finding Missing Persons, and pays particular attention to the participation of victims and supports alliances of victim organizations. Over the years, the embassy has organized trade missions, round tables, field visits, and initiated dialogue with all levels of government, civil society, and private sector to discuss the human rights situation in Colombia and the mining regions in particular. Please see the previous annual reports for more details on all actions over the past five years. The following section outlines the additional actions over 2019.

The parliamentary commission for International Trade and Development Cooperation visited Colombia in May 2019. Part of the program was a meeting with human rights defenders and a round table discussion on coal, with representatives from the Colombian government, coal companies Drummond, Prodeco, Cerrejon and CNR, the Institute for Human Rights and Business CREER, social leaders and trade union activists of the coal companies. The social leaders and trade union activists outlined the challenges facing the coal region, ranging from the quality of the environment, working conditions, safety, and the consequences of phasing out coal mining in the future. The mining companies indicated that they are working on improving their practices, including in the context of Bettercoal and, with the support of the Netherlands, participate in the multi-stakeholder dialogue, with which trust between communities and actors in the region must grow and residents gain access to remedy.

In October 2019, mayor Aboutaleb of Rotterdam paid a visit to Colombia. The embassy hosted a meeting on coal with management of mining companies Drummond and Prodeco, as well as social leaders from the farming communities in Cesar, moderated by CREER. During the session, mayor Aboutaleb emphasized the importance and inevitability of the energy transition towards renewable energy sources, and the consequences this will have for the Colombian mining regions. The energy companies, together with local stakeholders in Colombia, are working on a proposal to research the effects of the coal phase-out in the mining region of Cesar. See more information on this in chapter 3.3 of this report, 'just transition'.

<sup>20</sup> Factsheet [\[20\]](#): richtlijnen internationaal maatschappelijk verantwoord ondernemen voor Nederlandse Ambassades

<sup>21</sup> Responsible Mining Index: <https://2020.responsibleminingindex.org/en> [\[21\]](#)

<sup>22</sup> Report [\[22\]](#): 'Understanding the Context of the Colombian Coal Sector – Key issues and potential opportunities for collaboration in the producing regions of La Guajira and Cesar' (2014).

## 4.4 Individual actions by energy companies



ENGIE has sold its Rotterdam coal-fired power plant to Riverstone Holdings LLC. As of December 1, 2019, ENGIE no longer owns any coal-fired power plants in the Netherlands. This is in line with ENGIE's strategy to gradually close or dispose of its coal assets. As a result, coal only represents 4% of ENGIE's global power generation capacities, down from 13% at the end of 2015.

The social and environmental risks related to the ENGIE group's energy supply (coal, biomass, natural gas and LNG) have been identified as a specific issue of vigilance for the ENGIE Group. They are managed directly by the Global Energy Management (GEM) BU, which has identified the risks specific to each of its activities (by energy source, by country, etc.) as well as the relevant players and the responses to address these risks, particularly through existing sector initiatives. A Corporate Social Responsibility (CSR) strategy was formalized to meet these challenges, with specific action plans per energy source. Within the GEM BU, the governance structure was strengthened to ensure that the duty of vigilance is included in decision-making processes and the supply chain risk assessment approach was systematized. A new strategy focused on the social and environmental aspects was also developed.

### Implementation of the agreement

The coal covenant has especially been important for the cooperation between the different covenant partners. It gave the possibility to work together with the other energy companies and the government which stressed towards coal suppliers and government representatives of the coal mining countries that they have to improve the situation on the ground. We also learned that these kind of processes takes a lot of time and that issues in our supply chain are often very complicated and that many stakeholders at international, national, regional and local levels need to be involved to improve. Issues addressed in the

agreement are in line, and therefore automatically implemented, with ENGIE's vigilance plan and its implementation, taken in accordance with the French law on the duty of vigilance of parent companies and ordering companies. This vigilance plan<sup>23</sup> aims to identify and prevent the risks of negative impacts on people and the environment related to the Group's activities.

The plan is based on the Group's various risk identification and management approaches specific to each issue or area of vigilance, which have already been in place for several years: Human rights policy, the health, safety and security vigilance approach, the CSR policy and purchasing policy. Environmental and societal risks are taken into account in the selection and regular evaluation of Suppliers. Supply chain activities which are e.g. analyzed are environmental damage, infringement of international rules, human rights violations, impact on local populations, etc. These risks are reflected in ethical clauses incorporated into contracts to ensure that they are properly taken into account by Suppliers. If necessary, the Group enters into a dialogue with them to support this process.

### Sale of Rotterdam coal-fired power plant

On April 26, 2019, ENGIE announced the signing of an agreement with Riverstone Holdings LLC, a global energy-focused investment firm, for the sale of its shares in coal-fired power plants in the Netherlands and in Germany. ENGIE has informed Riverstone LLC/Onyx Power on a working-level of the coal covenant and Bettercoal, and introduced them to the Dutch Ministry of Foreign Affairs.

On December 1, 2019, the sale of the coal-fired power plant in Rotterdam was finalized. This means that ENGIE no longer owns any coal-fired power plants in the Netherlands. After this sale, coal will represent 4% of ENGIE's global power generation capacities, down from 13% at the end of 2015 when the Group announced that it would gradually close or dispose of its coal assets and no longer build any new coal plants. In the past 3 years, ENGIE has reduced its coal-based electricity generation capacity by approximately 75%.

Since ENGIE is no longer holds legal ownership over the coal-fired power plant in Rotterdam, or anywhere in the Netherlands, it will not commit to specific actions or reporting requirements regarding coal-fired generation in the Netherlands following the end of the covenant.

<sup>23</sup> <https://www.engie.com/en/ethics-and-compliance/vigilance-plan>

# RWE

## General

From the start of the Dutch Coal Dialogue and the Coal Covenant RWE is an active partner in the discussions on responsible business conduct in the coal supply chain. We are also among the founding members of Bettercoal. RWE has an active participation in discussions not only in the Netherlands, but also in Germany and other relevant markets. We are in regular contact with important stakeholders, including governments, NGO's and Suppliers.

In Bettercoal RWE holds positions in the Board of Directors, the Technical and Advisory Committee, the two Country Working Groups and the Members working group. Until now, RWE always participated in specific country visits to Colombia, Russia and South Africa.

The volumes of coal procured in 2019 for the Dutch power plants of RWE are lower than before because of the switch to biomass. In its two coal fired power plants, RWE is switching to 80% (Amercentrale) and 15% (Eemshavencentrale) biomass. And as a result of the coal phase out law, the use of coal is no longer allowed for the production of electricity as from 2030.

RWE intends to stay a member of Bettercoal for at least as long as we have coal in our portfolio. As mentioned earlier in this report, we feel Bettercoal has proven to be a success. A lot of progress was made during the last five years. This is reflected in the number of mining companies that now taking part in the program, the way impacts of mining operations are addressed, as well as the way CIP's are executed and monitored. And the growth continues. More companies are showing interest in Bettercoal and as an example of the ongoing organizational improvements, this year (2020) the Bettercoal Code is being revised.

The Dutch Coal Covenant has been of great relevance to RWE. It made RWE more aware of the issues relevant to different stakeholders in Europe and in the countries where RWE sources coal from. It also offered a platform to discuss international standards, to what extent they apply to RWE's business and how RWE works with them. The covenant also led to more indebt discussions on roles and responsibilities in the coal supply chain.

However, the role of the Netherlands on the international coal market is already insignificant and will further decrease as a result of the coal phase-out law. So even more than five years ago it

is relevant for companies, to join forces and work on improving the coal supply chain collectively. For that Bettercoal is well positioned, as described before in this report.

Therefore RWE believes there is no relevance in prolonging the coal convent. But since it is highly relevant for RWE to align with the Dutch government, NGO's and other energy companies on developments related to the coal supply chain from a Dutch perspective, RWE supports the idea of an annual round table.

## On RWE's CSR Policy

RWE is helping to shape the sustainable future of the world's power supply. As part of society and a key player in the worldwide energy market, we are aware of the responsibility that goes with our role. We exercise that responsibility every day by applying clear principles to our corporate and social actions. Every single person at RWE – from Executive Board members and managers to colleagues and line staff – contributes by acting responsibly towards others and the environment.

For RWE, taking responsibility means taking socially relevant issues into consideration in our corporate decision-making processes, keeping an eye on the consequences of our actions beyond our own area of responsibility and considering corporate activities from an ecological, social and ethical standpoint as well as from a business perspective. Corporate Responsibility is part of the contribution RWE makes to sustainable development and responsible business management. Everything from environmental protection and climate-change mitigation, social concerns and human rights through to responsible corporate governance is taken into account – as RWE does justice to its responsibility in every sense.

RWE has committed itself to clear principles: Personal responsibility, Honesty, Loyalty and respect for others and for the environment. The underlying principles of the RWE Code of Conduct form the foundation for the activities of RWE, both as a business and as a corporate citizen. We want to encourage our employees to take responsibility for their actions, and the RWE Code of Conduct has the purpose of giving them clear guidance in their daily work.

The Code of Conduct specifies the conformity of our activities with laws and regulations and also with social, cultural and community standards and values. It is based on the Global Compact of the United Nations, which we joined in 2004, and the OECD principles for multinational companies.

For RWE it's Code of Conduct is the guideline for all procurement transactions. In the Code, the compliance rules and principles that have to be applied and maintained are described. This is also applicable for the procurement of coal.

The integrity of all our activities is an essential requirement for sustained and successful growth. We are aware of our role in the community and our responsibility towards customers, business partners, shareholders and employees.

The Code of Conduct already adopted initially in the autumn of 2005 and last revised in the middle of 2016 establishes rules of behavior in compliance with the principles of corporate governance for RWE staff throughout the Group.

Each supplier is also screened through the RWEST Counterparty Approval Process (CAP). Information from different external sources is considered during this assessment, e. g. the World Bank "black list", adverse media checks and so on.

Final procurement decisions are taken by the Imported Fuels Steering Committee. Ultimately, potential contract partners may be rejected on the basis of a due diligence assessment which indicates a violation of our RWE code of conduct prompting a re-examination of the business relationship with us and resulting in any appropriate measures that we deem necessary, as has been the case in the past.

Representatives of RWE meet with coal producers independently to discuss a range of topics, from concrete supply relations to whether they are in the focus of civil society in order to identify additional initiatives for generating positive development.

RWE reviews business relationships with business partners if it becomes known that they have breached the principles of the UN Global Compact and OECD Guiding Principle for Multinational Enterprises. We then identify appropriate measures and put them into action. For example, when using subcontractors, it is important to observe the aspects of local labor law in the individual country. A risk assessment for specific product groups is used as a basis for the regulations to be observed by Suppliers. These regulations are then explicitly agreed in separate contractual clauses. Supplier management is a key building block within the strategic procurement process for group-wide procurement.

### Bettercoal and Individual actions

As a founding member of Bettercoal, RWE believes the approach of continued improvement is the right way forward. We see a growing number of Suppliers seeking alignment with Bettercoal, with the number of Suppliers committing to the program growing steadily. Next to the obligations linked to the Bettercoal membership, RWE promotes Bettercoal in its contacts with Suppliers.

Source	Percentage in 2018
Hard coal procured from Bettercoal supplier (as % of total volume procured for end use)	66%
Lignite produced as Bettercoal supplier (as % of total volume produced at RWE)	100%
Overall share of Bettercoal-audited coal at RWE	97%

Bettercoal provides essential input for the hard coal procurement process. The Bettercoal Code forms the basis for assessments of coal mining sites (using self-assessment questionnaires and independent third-party site assessments). We take the results of such assessments into account when making purchasing decisions and within the scope of due diligence processes. Should a potential contract partner not be a Bettercoal Supplier, then available information is collected on a case by case basis. And additionally the partner is informed and encouraged to join the Bettercoal initiative.

### External reporting

The position of RWE with regard to responsible business conduct in the coal supply chain is reported in the annual CSR Report. The framework of the report is based on the principles of the Global Reporting Initiative. RWE publishes also the annual aggregated overview mines where the Covenant parties procure coal.





### General

In February 2019 Uniper launched its Sustainability Strategic Plan 2019-2022, "Generating Change". Through this important document Uniper confirms its commitment to legal compliance, but also emphasized that it needs to do more. Uniper acknowledges the fact that it needs to operate with the highest ethical standards and put them into practice every day, in everything Uniper does and everywhere Uniper does business.

Uniper's sourcing and trading of coal and gas may indirectly have an impact on human rights issues and potentially expose Uniper to risks. Uniper has defined a number of commitments and targets for the 2019/22 period:

- Have zero tolerance of forced labor, child labor, modern slavery, and human trafficking.
- Continue to strengthen Uniper's compliance culture and protect the business from corruption risks.
- Train 100% of all employees on compliance and Uniper's Code of Conduct by 2021.
- Assess 100% of counterparties<sup>24</sup> according to Uniper's social screening system (ESG due diligence) by 2022.

In line with its Code of Conduct<sup>25</sup>, Uniper selects its Suppliers, service providers, and other business partners using a predetermined procedure and on the basis of objective and numerous criteria, including their integrity. Following a risk based approach, Uniper's Know-Your-Counterparty processes cover the legal and regulatory requirements related to international sanctions, connection to terrorism financing, money laundering and corruption.

### Uniper ESG Due Diligence

To address the increasingly important issue of Environmental, Social and Governance (ESG) risk assessments along multinational enterprises' supply chains, Uniper has a process to enhance Uniper's risk identification, mitigation and monitoring capabilities. In addition to Bettercoal assessments, further key tools such as analysis software, new standard Human Rights and Sustainability clauses have been implemented during negotiations with counterparties operating in developing countries and for other types of commodities.

This ESG Due diligence process is aligned with the latest international standards. Notably, it follows the recommendations of the OECD Due Diligence Guidance for Responsible Business Conduct a pilot phase has been rolled-out in 2019.

For Uniper's coal Suppliers, Bettercoal is the main source of information. The Bettercoal Assessments, as part of the whole Due Diligence Assessment process, help Contract Owners identify mitigation measures, while the Bettercoal Continuous Improvement Plans ensure a regular monitoring of the measures' effectiveness.

As part of its support to the UN 2030 Sustainable Development Agenda, Uniper publicly pledged to:

- Have zero tolerance of forced labor, child labor, modern slavery, and human trafficking.
- Continue to strengthen our compliance culture and protect the business from corruption risks.
- Foster the development of effective, accountable, and transparent institutions at all levels.

Uniper has held periodic discussions with several NGO's focused on ESG issues, particularly those relating to human rights along the coal supply chain. This group-wide campaign to meet, and engage with, relevant international NGOs and local groups active in Europe.

<sup>24</sup> within the know-your-counterparty policy scope

<sup>25</sup> [www.uniper.energy/company/procurement/procurement-information](http://www.uniper.energy/company/procurement/procurement-information)



### Coal Supply Chain

For coal procurement, Uniper seeks to mitigate ESG risks by participating in Bettercoal. Currently Uniper's Frank Plümacher is the chairman of this initiative. Furthermore, to support the Bettercoal's staff in the assessment program and processes, a Uniper employee has been seconded, supporting the monitoring of the Suppliers' Continuous Improvement Plans implementation. This is part of a more active engagement of Bettercoal Members into the organization's efforts.

As part of Bettercoal's country prioritization strategy, Uniper contributed to the design of the country working groups mentioned before. They aim to facilitate a more coordinated approach to the monitoring of Continuous Improvement Plans (CIP) as well as to build knowledge and measure impact on the ground. Uniper is chair of the Colombia Working Group.

As part of our SDG commitment to foster the development of effective, accountable, and transparent institutions at all levels, great attention has been given to the socio-economic developments in Colombia. To support the fragile, but still ongoing Peace Process Uniper has played an active role in facilitating the dialogue between NGO's, Colombian mining companies and institutional stakeholders. In 2018 Uniper took part in the set-up of an in-country visit, when several high-level meetings were held with mining companies, the Dutch and German ambassadors, and representatives of the Colombian government involved in the Peace Process.

Similar to its efforts in Colombia in 2018, in September 2019 the Bettercoal Russian Working Group conducted a stakeholder engagement campaign in Moscow and the Kuzbass area in south-west Siberia (including towns heavily affected by coal operations such as Kiselovsk). As a follow-up, Bettercoal members will meet with representatives of Russian coal companies and engage in dialogue with local communities in 2020. Key topics will include mine closure, health and safety, human rights, biodiversity and stakeholder engagement.

### Reporting

Uniper tracks the percentage of coal purchased via direct contract from Bettercoal Suppliers with a view to increase this number year on year. At year-end 2019, the coal purchased via direct contract from Bettercoal increased to 55% (2018: 49%). Uniper also discloses the origins of its coal purchases by country (or other similar criteria) on its sustainability report.

In 2019, Uniper continued its Sustainability Round Table discussions with several international non-governmental organizations. Discussions at the four meetings in 2019 focused on human rights issues along the coal supply chain, reductions in carbon emissions through the phase-out of coal-fired power generation and the environmental impact of gas exploration. Uniper has committed to conducting, at the corporate level, at least three new trust-building dialogues with civil society organizations each year through 2022. This target was achieved for 2019 as Uniper conducted four trust-building dialogues with civil society organizations.



Vattenfall's goal is to make fossil free living possible within one generation and that means that it does not see a long term future for coal at all in its business. Vattenfall has a CO<sub>2</sub>-roadmap for how to phase out fossil fuels and wants to be a leader in the renewables transition through construction and operation of onshore and offshore wind power and to achieve a leading position in solar power in the near future.

In 2019, the company closed the Hemweg 8 coal-fired power, Reuters C in Berlin and divested two hard coal plants to the city of Hamburg. There is an agreement in place with the city of Berlin to phase out coal in the company's Heat operations by 2030. As a result of these phase out actions, Vattenfall's coal sourcing volumes have declined steadily. However, as long as Vattenfall needs coal, the company aims to source in a responsible way and has therefore put a range of processes in place that it is constantly strengthening.

Vattenfall acknowledges that the company has a responsibility to respect all internationally recognized human rights and that it is in a position to make a positive impact on human rights issues. Vattenfall bases its work on the UN Global Compact, the International Labor Organization's (ILO) eight fundamental conventions, the OECD's guidelines for Multinational Enterprises, and the UN's Guiding Principles for Business and Human Rights. Vattenfall's commitment to respecting human rights is included in its Code of Conduct and Integrity, its Code of Conduct for Suppliers, and in its statement on slavery and human rights in accordance with the UK Modern Slavery Act. Further, ensuring social responsibility throughout the value chain is a key focus area of Vattenfall's overall strategy. Vattenfall's Code of Conduct and Integrity defines how the company is to act with integrity within the company in the course of its business. A whistleblowing function is in place for employees to report suspected violations of this Code.

Vattenfall strives to work with others who are committed to doing business in an ethically sound manner. The company's Code of Conduct for Suppliers<sup>1</sup> (CoCfS) defines the basic requirements and expectations for suppliers with respect to sustainability. This includes requiring that Vattenfall suppliers agree with the

ten principles laid out in the UN Global Compact. The CoCfS was updated in 2017 and explicitly addresses modern slavery and forced labor. Embedded in the CoCfS are specific clauses regarding community engagement and development, child labor and young workers, modern slavery and forced labor, working hours, wages and benefits, health and safety, freedom of association and collective bargaining, non-discrimination, protection of third-party rights, and information security. Vattenfall suppliers shall respect the rights of indigenous and tribal peoples and their social, cultural, environmental, and economic interests, including their connection with lands and other natural resources

Vattenfall strives to conduct due diligence by regularly and systematically identifying and assessing human rights, environmental and business ethics-related risks and impacts in its value chain, and to use this information to avoid, mitigate or remedy the impacts. This means that all the company's coal suppliers are screened on an annual basis and approved by its Responsible Sourcing Board (meetings occur once a month).

Between 2017 and 2019, Vattenfall discussed all current and potential future Suppliers that have a direct relationship with one or multiple mines. These discussions were based mainly on Bettercoal site-assessments. In case Vattenfall identifies areas of improvement, the company follows these up with the Suppliers, either directly or via Bettercoal. To support these efforts, Vattenfall includes hard requirements into contracts with Suppliers, in line with Bettercoal and the Suppliers' specific continuous improvement plans.

When Vattenfall sees the need for improvement at a supplier, the initial approach is to see whether, in cooperation, the supplier can improve the situation. Vattenfall believes in the continuous improvement approach and does not support disengagement as a default strategy. Ultimately, the conclusion could be not to buy coal from a certain supplier until the situation has improved satisfactorily. As the global coal mining industry is a very diverse industry with issues varying per country, such a decision will always be made on a case-by-case basis. Vattenfall has suspended relationships with coal Suppliers on several occasions.



As part of its approach to supply chain responsibility and its screening process, Vattenfall has ongoing dialogues with stakeholders about supply chain responsibility. As in previous years, Vattenfall has regularly been in contact about developments in the coal supply chain with stakeholders such as politicians, ministries and embassies in our core countries as well as in Colombia (see below); international experts; national and international NGOs, also from coal exporting countries, including ActionAid, SOMO, PAX, CREER, Misereor, ForumSyd, Urgewald, Swedwatch, CENSAT; and representatives of local communities.

Vattenfall's commitment to Bettercoal continues in a number of ways. The company holds the Vice Chair Position at the Board of Directors and also representatives in the Technical Advisory Committee and the Members Working Group. Vattenfall has also been deeply involved in advancing action plans for the Colombia and Russia Working Groups.

Key achievements during 2019 include:

- Together with Bettercoal and other Bettercoal members, Vattenfall established country working groups for Colombia and Russia to facilitate direct dialogue with mining companies regarding improvements in the mines. The company also aligned its efforts in Colombia with Bettercoal and together paid a follow-up visit to Colombia to start a conversation with mining companies on the recommendations in Vattenfall's Colombia report<sup>26</sup>, to obtain updates from Colombian

stakeholders, and to offer an update<sup>27</sup> to our Colombian stakeholders of developments since the publication of the Colombia report.

- Continued to increase transparency surrounding Vattenfall's fuel sourcing activities by publicly reporting on its direct coal suppliers over the last three years<sup>28</sup>. The list comprises all mining companies from which Vattenfall has directly sourced coal for its plants during the past three years. This list is updated on a yearly basis. The list does not comprise the coal that is sourced from intermediaries or indirectly through the trading platform GlobalCoal. The majority of Vattenfall's hard coal deliveries is sourced directly. In addition, Vattenfall publishes coal volumes that it purchases for its operations per country of origin. Following the discussion with Shift, Vattenfall implemented additional transparency recommendations in our external reporting.
- Vattenfall is currently conducting an internal benchmark of Know Your Counterparty (KYC) requirements and ways of working across its purchasing streams to identify best practices, gaps, and potential synergies and opportunities for standardization.

#### External reporting

Vattenfall publishes information about its activities and efforts in the field of coal supply chain responsibility on its website. Vattenfall also presents information on CSR and the coal supply chain in the Vattenfall Annual and Sustainability Report 2019, and other annual reports.<sup>29</sup>

<sup>26</sup> [Vattenfall's Efforts on Coal Supply Chain Responsibility – Colombia update September 2019](#)

<sup>27</sup> [Vattenfall Annual and Sustainability Report 2018](#)

<sup>28</sup> [Vattenfall's Hard Coal Procurement Explained, Origin of hard coal 2018](#)

<sup>29</sup> [Vattenfall's Sustainability Report 2017](#)

## Appendix

# Bettercoal's Impact in Colombia



Bettercoal works with three of the biggest Colombian coal producers: Cerrejón, Drummond Ltd, and Prodeco. Combined, they are responsible for over 80% of Colombian coal exports.

There are two types of impacts Bettercoal's work has had in Colombia. Those directly linked to the work Bettercoal does through the site-assessments and continuous improvement plans (CIP). And the work we do with these companies and other stakeholders on the ground through engagement, dialogue and the work of the Colombia working group.

## Continuous Improvement Plans

Following a site-assessment, each Supplier agrees to a CIP which outlines clear actions against all aspects of the Bettercoal Code along with timeframes for completion. Many actions require time and both human and financial investment from the company and therefore can take some time to be completed.

Figure 1 below highlights the current status at the end of 2019. For interpretation of these results, it is important to note that:

- Cerrejon and Prodeco's CIPs were finalised in December 2018 and Drummond's in April 2019.
- Latest CIP follow ups with Assessors were done in the second half of 2019

The following Progress Status definitions apply:

- **'Open'** – the action has not been completed.

- **'Pending verification'** – the Supplier has submitted all the requested information, the Assessor considers that the evidence submitted is enough to consider action closed, though the final verification must be done on site. Therefore, until the in-person revision is done, the action is considered 'pending verification'.
- **'Closed'** – There are two ways an action can be closed:
  1. When an action is only to be revised through a desktop review methodology, and the Supplier has submitted all the requested evidence;
  2. When an action requires on-site verification, and the Supplier has submitted all the requested evidence, the Assessor considers the information is sufficient and carries an on-site assessment to revise the implementation of the action and finds it satisfactory.

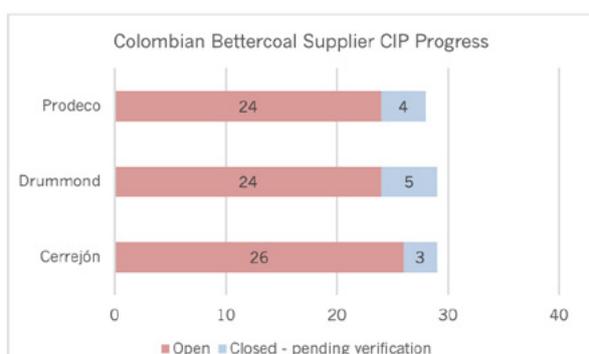


Figure 1 - CIP progress end 2019



If we take a closer look at the aggregated findings for the three Suppliers, it is interesting to note that key issues arise around three main provisions of the Bettercoal Code:

- 6.9. Health and Safety
- 7. Community Engagement and Development
- 9.2. Waste and Effluents

This distribution can be seen in Figure 2 below.

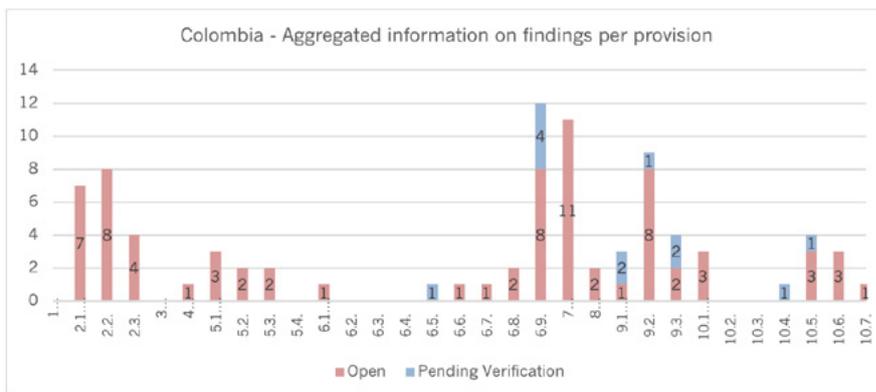


Figure 2 - Findings per provision of the Bettercoal Code

For instance, some of the findings under the Provision 6.9. that have been closed and now are pending verification are related to re-certifications with international organisations -eg: International Standard OHSAS 18001 for Occupational Health and Safety Management Systems-, lack of effective programme to reduce risk of fatigue, particularly in drivers, and safety issues identified during the site-assessment that are easily correctable but should be prevented by the company.

Some findings in Principle 7 revolve around open issues and management of grievance mechanisms and engagement and management of resettled communities. Other findings refer to the role of the company in the promotion of local development

and engagement with key local stakeholders in consultation and project development processes.

On the Provision 9.2., findings focus on insufficient storage infrastructure, lack of implementation or non-compliance with waste management standards. Some of them have been reverted and are pending verification for full closure.

Bettercoal has been an integral part of the three Suppliers demonstrating and enacting their commitment to ESG performance on the ground in Colombia and regular monitoring as well as regular engagement ensure that progress keeps being made.

# Engagement & Dialogue

The work done through the assessments is the most direct impact Bettercoal has with each individual Supplier. But a lot of work has also been done to engage all stakeholders and encourage action through “softer” mechanisms.

Over the course of 2019, the Colombia Working Group and Bettercoal mapped relevant stakeholders related to the Colombian coal supply chain and engaged with some of them to gather information on contextual issues, their specific work, exploring potential avenues of collaboration and promoting an open channel for dialogue and feedback.

Based on but not limited to addressing the topics in the CIPs, the CWG also defined priorities and drew up a roadmap to address complex and systemic challenges related to mining in Colombia that require more long-term and pointed action. A document highlighting some of these issues was circulated amongst stakeholders for feedback including coal producers, NGOs and international organisations.

Below are some of the issues we have been working on with Suppliers:

## **Environment**

Carrejón, a Bettercoal Supplier, received a complaint regarding its environmental permit to operate. Despite the fact that this issue was raised after the Bettercoal Site-Assessment was completed in July 2018, it is on the agenda of the CWG and part of the Bettercoal Continuous Improvement Plan (CIP). Bettercoal maintains an open dialogue with the mining company, asking for information and updates on this issue during regular calls. Another issue which was part of the Bettercoal Site-Assessment was Carrejón’s compliance with Autoridad Nacional de Licencias Ambientales (National Authority for Environmental Licences) resolutions. Those that were relevant were included in the CIP of the company with specific actions and agreed timelines for implementation. The Assessment also considered the diversion of the Bruno Creek. Bettercoal was provided with evidence that showed that Carrejón was conducting the expected environmental impact assessment regarding this project and the process of deviation was done in compliance with the law.

## **Social**

One of the most complex and systemic issues that affect the Colombian society is resettlements. It not only requires the mining companies to take action but also the coordinated action of local and national government, which presents an additional challenge, were trust between all concerned actors is a must. One of the key issues highlighted in the Bettercoal assessment was that complaints emanating from the resettled communities were not part of the formal grievance process. This is addressed

as part of Carrejón CIP. At the same time, we appreciate that some Suppliers have an ongoing contact with the villagers and that open issues are being tackled. Bettercoal Members are aware of these difficulties and that some resettlements have not been realised successfully and that some others remain unresolved. Nevertheless, Bettercoal follows up this through the CWG and encourages mining companies to investigate these issues. Individual Members also have an open communication with mining companies and local stakeholders, staying up to date with news and discussing risks. Based on the information received in combination with the local situation, the role and responsibilities of the different levels of government, companies take their decisions. In the case of the El Hatillo community, it is the understanding of Bettercoal and its Members that the Resettlement Action Plan (RAP) was signed in 2018. The issues surrounding Boquerón are more complex and mainly political. The community is divided, and the companies have presented the ANLA with a study that tries to present evidence that Boquerón is not being impacted by the mining companies.

## **Political**

Colombia is heavily affected by paramilitary violence, which has risen lately. On this aspect, Bettercoal also keeps an open communication with different local and international stakeholders, closely following issues that impact or are related to our Suppliers and their area of influence. In 2019, a rise in death threats from Águilas Negras (Black Eagles) was seen against Colombian social and union leaders. This issue triggered a rapid joint reaction from Bettercoal and its Members, making a public statement strongly rejecting the threats, published in Bettercoal website and Twitter account. At the same time, Bettercoal kept communication channels with its Colombian suppliers open for updates on the development of the issue locally and engaged with other stakeholders, such as relevant Embassies and NGOs, asking for and providing information on the issue. From their side, Bettercoal Colombian Suppliers also issued a joint reply, in which they stated their coordinated work and the protocol they follow on these matters, involving not only the people endangered but also the proper governmental authorities to act upon so they can in turn take any preventive measure that is needed. Mining companies promote the implementation of the National Action Plan on Human Rights and Business, and the four major ones are members of multi-stakeholder initiatives like Comité Minero Energético (Mining Energy Committee) and the Working Group on Human Rights and Coal, which, in 2018, signed a declaration rejecting all forms of threats and violence. In Cesar, the mining companies are currently participating in a Trust Building exercise with CREER (Colombian chapter of the IHRB) and Harvard University’s Consensus Building Institute (CBI), with communities in their area of influence.

More specifically, in the Cesar region, Bettercoal and some Members, such as Uniper, are encouraging the mining companies to participate in the reconciliation process. Support to the CREER project is central to this. This project includes both the protocol for the protection of leaders and the dialogue plan aiming to provide a permanent platform for collaboration and consensus building for all relevant stakeholders including victims in the peace building process; and having regular engagements with Padre Le Roux and The Truth Commission. Other members, as Vattenfall, made their own on-site visits and produced the public report "A human right risk assessment in Colombia", which is updated periodically and used as input for the CWG.

As a transparent and engaged organisation, Bettercoal also regularly publishes statements responding to current issues in Colombia. In 2019, we published a number of statements which resulted in engagement on these topics with the Suppliers:

- Bettercoal Public Statement on Blanco Maya Case in Colombia
- Bettercoal public statement rejecting death threats against social leaders in Colombia. This called upon the Colombian authorities to take these threats seriously and do everything in their power to find the perpetrators as well as keep those targeted and their families safe. It also asked mining companies to continue joining efforts "[...] for the development of actions and mechanism around the protection and respect of people's physical integrity, with special emphasis on social leaders and human rights defenders [...]" as stated in the joint declaration signed 7 June 2018.

During its first year of work, the Colombia Working Group accomplished most of the goals and activities it had set for 2019. A report on its progress can be found here.

Taking on the experiences and learnings of its first year of work and looking forward to building up from the work and stakeholder engagement commenced in 2019 and gain more in country experience to explore and develop actions where Bettercoal can add value to the local issues, the CWG develop a set of objectives to pursue in 2020, which include:

- a) Monitoring of the Continuous Improvement Plans (CIP) of Bettercoal Colombian Suppliers (Drummond Ltd, Prodeco and Cerrejón)
- b) Engage with Colombian mining companies that are not part of Bettercoal
- c) Develop a list of prioritised contextual issues
- d) Delegation visit to Colombia

The global Covid-19 pandemic context has forced us to adjust the planning and implementation of the Work Plan 2020, particularly with the organization of the delegation visit to Colombia.

Originally planned for March 2020, the CWG intended to engage in individual meetings with Governmental organisations, mining companies, dialogue institutions, international organisations, communities and unions. During these meetings we expected to discuss in depth the prioritised issues defined, identifying opportunities for developing specific actions where Bettercoal can add value and have impact on the ground, also addressing other contextual topics relevant to the Colombian mining context. After the trip, an updated version of the Work Plan 2020 document would be published with specific actions resulting from the insights gathered during the visit.

Despite the impossibility of making the trip to Colombia – and the uncertainty at this stage on when it could be rescheduled for – the CWG is organising virtual meetings with the local stakeholders to keep the engagement and updated with current local developments until a new date for the visit delegation can be arranged.

In line with this commitment and as part of the implementation of the Work Plan 2020, we are pleased to announce that members of the CWG have agreed to support the Regional Center for Responsible Businesses and Entrepreneurship (Centro Regional de Empresas y Emprendimientos Responsables or CREER) multi-stakeholder dialogue project "Building Trust in Cesar", one of the most important coal mining regions in Colombia. This support is part of Bettercoal's commitment and activities to promote continuous improvement in the mining and sourcing of coal for the benefit of all people impacted by the industry, workers and coal mining communities.

As done the previous year, the CWG is committed and engaged with local developments that are affect related to coal mining in Colombia and can potentially affect the stakeholders the group has mapped out.

