2017 COAL SUPPLY CHAIN RESPONSIBILITY

Progress report on the voluntary agreement - Improving corporate responsibility in the coal supply chain
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Preface

Supply chains connect The Netherlands to many other parts of the world, including the hard coal supply chain. Coal is the most polluting of all fossil fuels, yet it remains a key energy source. As long as hard coal is still needed, we need to ensure that it is sourced and traded in a way that respects people and the environment. We do this by promoting responsible business conduct. Transparency about the origin of coal is key in identifying ongoing challenges in the coal supply chain and in working with our partners to resolve them.

To this end, in 2014, five Dutch energy companies and I signed a voluntary agreement on corporate social responsibility in the coal supply chain. The agreement builds on Bettercoal, a global, non-profit initiative started by a group of major European energy companies to promote the continuous improvement of responsible business conduct in the coal supply chain. Before you is the third progress report on the voluntary agreement’s implementation.

Many of the past year’s activities were directed at Colombia and South Africa. The multi-stakeholder approach was at the core of successful visits to these countries. In South Africa, for instance, we had the valuable experience of discussing Bettercoal with relevant companies, government officials, mining communities and NGOs. All participants took the time to visit the communities in question and gained unique insights, connecting both ends of the chain.

In mid-2017 all major Colombian coal mining companies agreed to take part in the Bettercoal assessment programme. This means that the majority of Colombian coal exports will be subject to Bettercoal’s audits from 2018. In addition, as a follow-up to the Sector Wide Impact Assessment (SWIA), a project exploring scope for access to remedy has been launched in several Colombian mining communities. At the same time, the visits showed that there are still many challenges to be overcome in coal production and trade.

This report highlights the importance of all stakeholders making a joint effort to improve the coal supply chain. The parties to the agreement are always keen to join forces and learn from each other. The stakeholder meeting in December will provide an excellent opportunity for discussing this report and for sharing ideas and knowledge. Joining forces enables companies, civil society and governments to have greater impact and move closer to a responsible coal supply chain.

Together we can make a difference!

Liliane Ploumen
Minister for Foreign Trade and Development Cooperation
Working together towards a safe and responsible coal supply chain

In 2014, the energy companies Essent (now RWE), EPZ, Nuon, E.ON Benelux (now Uniper) and GDF SUEZ (now ENGIE) signed a covenant with the Minister for Foreign Trade and Development Cooperation, Lilianne Ploumen and the Minister of Economic Affairs, Henk Kamp, which confirmed concrete agreements on the efforts of the Dutch government and the energy companies that should lead to improvements in the coal supply chain. Bettercoal, the European initiative which aim at improvements in the coal supply chain, plays an important role in this.

Purpose
The purpose of the energy companies and the Dutch government is to improve the social and environmental conditions in the international coal supply chain. Energy companies implement their chain responsibility in terms of corporate social responsibility (CSR) as specified in the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. They do this in the countries of origin of coal used by the energy companies in The Netherlands to:

- prevent or mitigate that their activities cause or contribute to adverse impacts.
- try to prevent or mitigate adverse impacts, in case they did not contributed to this effect, but this effect is directly connected to their activities, products or services through a business relationship.
- encourage business partners, including suppliers and subcontractors, to implement the recommendations of the OECD Guidelines.

The Dutch government supports the energy companies in fulfilling their chain responsibility in the coal supply chain. Where they experience barriers, the government can be of added value to reduce this barrier. The government contributes to a climate in which CSR thrives and actively seeks dialogue with other European governments and governments in coal exporting countries regarding the activities mentioned in this agreement.

Obligations
One of the obligations of the Covenant on the improvements in the coal supply chain is that energy companies and government publish annually an aggregate overview of their efforts regarding the activities mentioned in the Covenant.

This report is the third annual report on the progress of the Covenant. Each year, action points are drawn up regarding the implementation of the Covenant, a progress report is published and a stakeholder meeting is organized.
The activities of the energy companies are listed in Article 2 of the Covenant. The activities of the government can be found in Article 4. This progress report describes the efforts of the Covenant parties per named activity.

Covenant on the improvements in the coal supply chain
On November 17th, 2014, the Covenant on the improvements in the coal supply chain was signed in The Hague by Minister for Foreign Trade and Development Cooperation, Ms. E.M.J. Ploumen, Minister of Economic Affairs, Mr. H.G.J. Kamp and five energy companies: Essent NV (now RWE Benelux holding BV), NV EPZ, NV Nuon Energy, E.ON Benelux NV (now Uniper) and GDF SUEZ Energie Nederland NV (now ENGIE).

Changes
EPZ closed its coal power plant in 2015 and does not use coal anymore. For this reason, EPZ will have no active involvement in the further implementation of the agreements in the coal convention.

Insight
This progress report provides insight into the joint actions and actions of each party separately from September 2016 to August 2017. As in the previous reporting year, the various parties have worked on further implementation of the Covenant and have been re-established (together and individually) to realize a responsible coal supply chain. The efforts of all parties contribute to a coal supply chain which pays attention to working conditions, environment and human rights.
In short

Joint efforts of Covenant parties

- Outreach activities such as the annual multi-stakeholder meeting on coal and participating during OECD and international mining fora.
- 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.

Efforts of energy companies

- The energy companies actively contributed to the development of Country-Priorisation Strategy by Bettercoal.
- In March 2017, the energy companies visited Colombia, together with Bettercoal, to strengthen Bettercoal’s engagement with coal producers, government and other local stakeholders.
- Individual efforts by utilities focus on knowing and influencing suppliers with regard to social and environmental conditions in the coal supply chain.

Efforts of Dutch government

- The government supports, via working visits and its embassy personnel, efforts for a responsible coal supply chain. The Special Envoy for Natural Resources has visited Colombia, South Africa and Kazakhstan to promote the Bettercoal Initiative, the Voluntary Principles on Security and Human Rights (VPs) and responsible sourcing in general. During these visits, the special envoy engaged with governments representatives, CEO’s of mining companies, local communities and civil society organizations.
- Specific activities are undertaken in two coal-exporting countries, namely Colombia and South Africa. Additionally, the government is currently chairing the VPs in which it conducts outreach to other governments and extractive companies to work according the VPs.
- The Dutch government launched a project to implement the main recommendations set out in the Sector Wide Impact Assessment (SWIA). The project aims to ensure access to remedy for citizens living in mining areas. With Dutch funding, the Institute for Human Rights and Business will develop a non-legal complaint mechanism in close cooperation with local communities.
The parties’ joint actions
The parties’ joint actions for corporate responsibility in the coal supply chain

Visit to South Africa
From November 20th to the 23rd, 2016, the Dutch Special Envoy on Natural Resources of the Ministry of Foreign Affairs, led a multi-stakeholder delegation consisting of Bettercoal members (RWE, Vattenfall, Uniper and ENGIE), Associate members (EMO, Port of Rotterdam and Port of Amsterdam), government representatives, ActionAid and Bettercoal in a visit to South African coal mines (Glencore Tweefontein and Canyon Coal Hakhano mine sites) and communities impacted by mining across Mpumalanga. Bilateral meetings between Bettercoal members and the Chamber of Mines and Exxaro were also organized.

The visit enabled the delegation to better understand the challenges and social and environmental impacts of the coal sector in South Africa. They had discussions with key stakeholders and identified areas for improvement and best practice through multi-stakeholder and inclusive approaches. It also provided an opportunity to promote Bettercoal to mining companies, government and civil society stakeholders in South Africa. As a follow up Bettercoal visited South Africa in July and met with companies in the mining sector and civil society.

Preparations are made for a return visit in November 2017 in The Netherlands and Germany. Goal for this meeting is to meet and discuss with stakeholders from South Africa as a follow-up of the visit in November 2016. See also the description of Efforts of Dutch government for improvements in the coal supply chain in this report for more information on South Africa.

Annual multi-stakeholder meeting
In December 2016, the Dutch Covenant parties organized the annual multi-stakeholder meeting to discuss the actions taken and future actions regarding the continuous improvement of social and environmental conditions in the international coal supply chain. During the meeting, approximately sixty stakeholders had the opportunity to provide input for the action plans of the Covenant parties for 2017. For a more comprehensive summary of this meeting, see the description of the Stakeholder meeting (Article 5) at the end of this report.

Preparations are already taken for the annual stakeholder meeting by the end of 2017.

Dialogues
Meetings were organized with Unions, PAX, Action Aid, SOMO to discuss the coal supply chain, due diligence and actions which need to be taken.

Bettercoal members purchase coal from across the globe and therefore connect with mine operators in many different countries. Bettercoal's priority countries are determined annually; The Country-Prioritisation Strategy was approved by the Board of Directors on March 30th, 2017 and is available for download here.
Mutual alignment
The energy companies and the government maintain bilateral contact with their stakeholders and inform each other regularly about those contacts. If necessary they jointly meet with third parties, such as Bettercoal, NGOs and the OECD Responsible Business Unit.

Cooperation with OECD
The energy companies formulated action points regarding the implementation of the coal Covenant. One of the earlier actions was to perform a comparison of their internal due diligence processes with the OECD Due Diligence Guidance for Responsible Supply Chains or Minerals from Conflict-Affected and High-Risk Areas. For energy companies, it proved to be difficult to perform this comparison because due diligence did not mention clear examples of coal.

In May 2016, during the 10th Forum on Responsible Mineral Supply Chain (organized by the OECD, the International Conference on the Great Lakes Region (ICGLR) and the UN Group of Experts on the Democratic Republic of Congo) a meeting was organized with the energy companies and the board members of Bettercoal to discuss the opportunities for cooperation. The OECD pointed out that they had begun working out a Mineral Risk Handbook, which also addresses the risks and due diligence in production chains.

The Dutch government supports cooperation between energy companies, the Bettercoal initiative and the OECD Responsible Business Conduct (RBC) unit on a responsible coal supply chain. From May 2nd to 4th, 2017 the Dutch government took part in the 11th Forum on Responsible Mineral Supply Chains, co-organized by the OECD.

Handbook on Responsible Mineral Sourcing
The Dutch government is participating in the advisory group on the OECD Handbook on Responsible Mineral Sourcing and keeps close contact with the OECD RBC unit with regards to responsible value chains. The Dutch government also provides input to the OECD with regards to the program of the Forum on Responsible Mineral Supply Chains.

In 2017, the Dutch government helped to organize a break out session on coal, which was moderated by the Dutch Special Envoy on natural resources. One of the participants in the panel was Maria van der Heide, policy advisor corporate accountability and natural resources at Action Aid, who was and is also closely involved in the actions of the Dutch parties to the coal Covenant in South Africa. Other panelists were Anne-Claire Howard, Executive Director of Bettercoal, Carlos Cante, Vice Minister of Mines of Colombia and France Bourgouin, Head of Responsible Sourcing at Dong Energy.

The Handbook on Responsible Mineral Sourcing wasn’t published during the 11th Forum, though the OECD shared information on the Handbook and the progress of the drafting process. Bettercoal and its members will also contribute to the development of the Mineral Risks Handbook once the first draft for public consultation is released. The Handbook will probably be published in 2018.
Bettercoal is also committed to demonstrate alignment with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (‘Due Diligence Guidance’). The Due Diligence Guidance clarifies how companies can identify and better manage risks throughout the entire mineral supply chain, from miners, local exporters and mineral processors to the manufacturing and brand-name companies that use these minerals in their products. As a first step, Bettercoal has updated the Bettercoal Code - Provision 5.4 (Conflict-Affected and High-Risk Areas) with the policy recommendations as outlined in the OECD Due Diligence Guidance. Over time, Bettercoal will work on aligning other areas of its standards and system with the recommendations in the OECD Due Diligence Guidance.
Energy companies’ joint actions
Energy companies’ joint actions for corporate responsibility in the coal supply chain

Introduction
The energy-producing companies in The Netherlands are accountable for socially responsible business operations. Of course, transparency also applies to the business activities. The demand for clarity about the origin of fuels, in this case coal and the effect of the extraction of this fuel on the environment, is taken seriously by the energy companies.

Coal is generally obtained via international mining companies or purchased on the world commodity trading venues. When purchasing coal Dutch energy companies align with international procurement frameworks, such as the UN Global Compact and the OECD Guidelines. Key aspects like respect for human rights, union freedom and anti-corruption measures are therefore part of the purchasing policy.

Controls
All energy producers in The Netherlands use Counter Party Risk Assessments and/or codes of conduct that apply to the energy producers themselves and the counterparties with whom business is done (see also the description of the individual efforts of energy companies in this report). Should a counterparty fail to meet the set of criteria, actions will be taken to bring about a demonstrable change as quickly as possible. In the event that third-party energy producers are faced with potentially incorrect practices, they will implement the control mechanisms set up for this purpose. Further research will be initiated and, if necessary, discussions will be conducted. The basis of the energy companies’ action is continuous improvement, with Dutch energy companies using their commercial influence, whether or not through their parent companies, to implement improvements.

World market transparency
The energy companies are aware that insight into the origin of coal is not possible in all cases. Coal not directly obtained with a mine supplier, but purchased on the world market, currently does not provide guarantees in the form of those control mechanisms existing within bilateral relations. It should be noted though that these suppliers are often the same suppliers for the world market. Bettercoal focuses on coal mines which are also large international suppliers. This helps in case of coal purchases where only the country of origin is known. In such an event, it is likely that the mine from which the coal is sourced from is already under Bettercoal’s engagement. Bettercoal is working with the World Coal Association and with GlobalCoal to align the trading business.
**Shared responsibilities**

In the coal supply chain each party has its own responsibility. This is recognized and endorsed by the OECD Guidelines. It is not always easy to take responsibility for the whole chain being a party at the end of the chain. However, the urgency and necessity for ensuring responsible coal mining is felt - individually and jointly via Bettercoal - by the energy companies that have signed the Covenant.

**Bettercoal**

Bettercoal is a global, not-for-profit initiative that has been established by a group of major European utilities to promote the continuous improvement of corporate responsibility in the coal supply chain, with a specific focus on the mines themselves.

The Bettercoal vision is a coal supply chain that respects the rights of people and the environment and contributes positively to the social and economic livelihoods of workers, producers, and communities. Bettercoal’s mission is to advance the continuous improvement of corporate responsibility in the coal supply chain by improving business practices through engagement with stakeholders and based on a shared set of standards.

**Bettercoal Principles**

Rather than a typical certifying body, Bettercoal assesses performance of coal Suppliers against the ten principles of the Bettercoal Code and jointly develops a Continuous Improvement Plan, the summary results of which are shared with Bettercoal members. Bettercoal members take into account the results of the Assessments in their purchasing decisions and due diligence processes. The outcome is a re-enforcing loop of improvement and recognition in the coal supply chain.

To guide the design and implementation of Bettercoal’s enabling and participatory system, the following four core Principles have been identified in 2016 and will be integrated into the system as it being further developed and refined.

**Risk-Based Approach**

Bettercoal follows a risk-based approach in its assurance to increase the efficiency of the Bettercoal Assessment Programme and provide pertinent information to Bettercoal members on responsible mining practices, while reducing the assurance burden for mining companies.

**Transparency**

Bettercoal commits to appropriate levels of transparency and disclosure for:

- The procedures and processes of the Bettercoal system (the Assessment Programme and Members’ Implementation and Reporting Obligations (MIRO));
- The content, results and outcomes of the assessment of coal Suppliers;
- How Bettercoal members implement and consider the outcomes of the Assessment Programme in their coal purchasing decisions.

**Continuous Improvement**

Bettercoal advances continuous improvement at mines by working with coal Suppliers to establish a baseline of performance and then working over time to improve sustainability outcomes. Assessors are enablers: they engage Suppliers from the outset of the Assessment Programme and impart their knowledge of best practices to mining operations during the whole process.

*More about Bettercoal on next page >>*
Due diligence in the purchasing policy of coal for use in The Netherlands

Article 2.1 - “The energy companies conduct due diligence in their purchasing policy for coal for use in The Netherlands. They visualize the current and potential effects of the activities of the energy companies on matters specified in the OECD Guidelines. Taken into consideration in these effects are the companies own business management and supply chain(s); companies do not share information, restrict the market and reduce other forms of competition.”

The purchase of coal is an activity that takes place at the parent companies of the energy companies. For example, RWE Generation purchases via RWE Supply and Trading, Nuon via Vattenfall, ENGIE via ENGIE Global Energy Management and Uniper Benelux through its parent company Uniper SE. The due diligence policy for the coal used in The Netherlands is therefore the same as for all coal used in all other power plants of the different parent companies.

This report also mentions the due diligence of energy companies. For more information see the description of the efforts of individual energy companies in this report.

Insight into the effects of activities related to the coal supply chain

Energy companies get insight into the effects of their coal supply chain activities on matters mentioned in the OECD Guidelines. This is done by participating in Bettercoal by conducting Self and Site-Assessments with the suppliers of coal. The results of these assessments provide insight into the ethical, social and environmental performance of their suppliers. This information is part of the due diligence process of the individual energy companies and thus affects the purchasing process. The energy companies also use additional (public) sources as input for their due diligence.

More about the Self and Site-Assessments can be found in the section Audits at coal mines (Article 2.4). The energy companies publish - individually - annual reports that focus on the company’s activities in relation to the OECD Guidelines. More about this can be found in this report in the description of the individual efforts of the energy companies.
Contribution to improvements in countries of origin of coal used in The Netherlands

Article 2.2 - “The energy companies contribute (possibly through their parent companies) to improvements in the countries of origin of the coal used by the energy companies in The Netherlands.”

The energy companies use a supplier code of conduct which includes the standards that suppliers must meet. Based on different sources of information (including Bettercoal), energy companies evaluate whether their suppliers are comparing their code. If, on the basis of factual information, there is reason to believe that suppliers of coal used in The Netherlands do not meet the demands of the energy companies on the suppliers, then the energy companies are working to improve the situation at mine level. They are always looking for a dialogue with the supplier via Bettercoal, but also through bilateral contacts with the relevant supplier. In these contacts, they point out the code

Bettercoal in action

Workshop for mining companies
On September 28th, 2016 Bettercoal organized a workshop for mining companies in Moscow, Russia. The workshop was an opportunity for Bettercoal members (ENGIE, Fortum, Uniper, RWE and Nuon/Vattenfall) and coal mining companies from Russia and Kazakhstan to take part in an informative session about the Bettercoal initiative and the Bettercoal Assessment Program.

There were representatives from the following coal companies: Kuzbassrazrezugol Coal Company JSC, SUEK, Open-Pit Mine Arshanovsky, RUTEK, Taldinskaya Fuel & Energy Company CJSC, KAPROBEN Handels and Gamma LLP. The objectives of the workshop were firstly, to create a suitable environment for an open debate about the requirements and benefits of engaging in the Bettercoal Assessment Program and secondly, to learn from companies like Kuzbassrazrezugol JSC about their experience of being the first Russian coal company to complete a Self and Site-Assessment with Bettercoal. Click here to read more.

Visit to Colombia
Between March 6th and 10th, 2017 Bettercoal organized a visit to Colombia, one of the major thermal coal exporting countries in the world. The purpose of the visit was to strengthen Bettercoal’s engagement with coal producers, government and other local stakeholders, as well as to build the foundations for Bettercoal’s Colombian Country Strategy.

Thanks to the mediation of the Dutch Ambassador in Colombia and the participants from the Bettercoal members, all major mining companies expressed their support for the Colombian Peace Process, stating that they are ready to cooperate for its implementation.

Because of Bettercoal efforts, one mining company agreed to have an on-site assessment in Q4 2017 and another will start the Self-Assessment phase before end of 2017. Considering the decline of coal sector and the exploitation of some key Colombian mines within 10-15 years, the mining companies asked for support in decoupling the social and economic development of the local communities from the coal industry. European utilities could support new projects, e.g. focused on tourism, young entrepreneurship, decarbonization of the energy mix and nature conservation through a dedicated international fund. All parties agreed to follow up with this topic in 2017.
of conduct of energy companies, the OECD Guidelines, the UN Global Compact and information they receive in the civil society dialogue. When a supplier is unwilling to enter dialogue, to cooperate in continuous improvement and if there has been insufficient improvement after a certain period of time, the bilateral relationship will stop for short or longer periods.

**Accountability for activities**

Article 2.3 - “Every year the energy companies render individual and public account regarding the implementation of the process mentioned under 2.1 and 2.2 and its consequences for their (purchasing) policy, for example, in their Annual Reports and/or other communications.”

The energy companies account for the effects of their coal supply chain activities and their contributions to improvement in the countries of origin of coal used in The Netherlands through individual communication messages (see the description of the individual efforts of energy companies in this report), through this progress report and through the joint report from Bettercoal.

The energy companies account for Bettercoal via Members' Implementation and Reporting Obligations (MIRO). The annual report is also available on the website of Bettercoal.

**Audits at coal mines**

Article 2.4 - “Through Bettercoal, the energy companies conduct independent audits at coal mines, including the mines from which the Bettercoal members obtain their coal. If necessary, the results of these audits are used to create improvement programmes for the coal mines. The implementation of these improvement programmes is actively monitored by Bettercoal.”

The Assessments are conducted by independent third parties mandated by Bettercoal. The results are shared with the energy companies.

**Participating coal suppliers list**

There are currently 25 suppliers engaged in the Bettercoal Assessment Process. Several of them have completed Self-Assessment Questionnaire as a first step within the Assessment process and Site-Assessments were completed in Colombia, Russia, Poland, South Africa, Indonesia and the United Kingdom. The most up to date list of participating suppliers can be found here.

Transparency on the information and the results of the coal suppliers participating in the Bettercoal Assessment Programme is part of the Assurance System review that is taking place throughout 2016-2018. Bettercoal is also improving its assessment process as part of the Assurance System review: every supplier that participates in the Assessment Programme will need to commit to five steps: Supplier Commitment, Desktop Review (including a Self-Assessment), Site-Assessment, Continuous Improvement and Re-Assessment. The renewed Assessment Programme will be launched in 2018. More information can be found here.
Sharing information about the Covenant to coal suppliers

Article 2.5 - “The energy companies will inform the coal suppliers about the content of the Covenant.”

The Covenant is and will be discussed in (bilateral) contacts that energy companies have with their coal suppliers. Also, the emphatic call to participate in Bettercoal's Self and Site-Assessments is and will be mentioned herein.

Publication of the joint list of all mines or mining regions

Article 2.6 - “At the request of and based on information provided by the energy companies, each year an independent third party publishes a joint list of all mines or mining regions where they purchase their coal. This relates to the sourcing of coal for the production of electricity in Dutch electric power plants. This list is published in the second quarter and concerns the use during the preceding year. This list fulfils the requirements in the recommendations issued by the ACM, dated October 28th, 2014.”

Article 2.7 - “If it is not possible to trace the origin or to disclose a (part of) the coal used in the preceding year, this will be explained outlining the reasons for this. The “comply or explain” principle applies.”

As agreed in the Covenant, energy companies within the strict competition law framework in The Netherlands and the EU give openness about the origin of coal for the Dutch market. The content and format of this report were based on the advice of the Consumer and Market Authority (ACM) on the legal possibilities for providing more transparency in the coal supply chain.

Mining areas or ports where the coal is coming from are mentioned, while prices, terms and volumes are not disclosed. The information is displayed aggregated and ‘historically’ (which means not current). DNV GL publishes the information as an independent third party in the report on the origin of coals used in Dutch power plants.

This report was published in the second quarter of 2017 on the websites of the energy companies concerned. All energy companies therefore link to the same report: RWE | ENGIЕ | Uniper | Nuon

Verification of data joint list of all mines or mines region

DNV GL states in the report: "For the clients it is important that publicly reported data is trusted by all stakeholders. For this purpose, DNV GL performed a limited verification of the submitted data which included the following information:

- Information about the delivered freight from the companies.
- Historical information about used coal at Dutch coal plants.
- Information on the composition of coal in relation to the origin.
- Information used in environmental reports.

Results

The list has been established based on information supplied by the energy companies on types of coals which were used. This analysis has reported the best-known level of detail. This means that if the specified data indicates a particular mine or region by the energy producers, this mine or region will be retained."
Complaints regarding alleged infringement of the OECD Guidelines

Article 2.8 - “If a complaint is filed regarding an alleged infringement of the OECD Guidelines in a mine that is included in the list mentioned under 2.6, the energy companies shall be jointly accountable for the dispute resolution procedure. Within this framework, the energy companies will provide insight into any operational elements that are required in order to deal with a complaint under the complaints procedure. This information is made available in a confidential manner to the administrator of the dispute resolution mechanism mentioned in section 2.9.”

Through independent investigation, the National Contact Point (NCP) has been identified as the most appropriate complaint mechanism for alleged violations of the OECD Guidelines in the coal supply chain (see Article 2.9).

At the time of compilation of this report, no complaints were submitted to the NCP in The Netherlands about alleged violations of the OECD Guidelines involving Dutch energy companies.

In 2016 three Colombian stakeholders submitted a complaint to the NCP in Colombia against the Drummond mining company and the energy companies were informed accordingly. The complaint was declared partially admissible and is to be processed further in 2017. The energy companies will collaborate as necessary. The energy companies will continue to encourage Drummond to cooperate with the investigation by the NCP.

Investigation to the functioning of existing complaints mechanisms

Article 2.9 - “The energy companies arranged for independent consultancy firm BSR to perform an evaluation into the functioning of existing complaints mechanisms. During this evaluation, relevant stakeholders were also consulted. This evaluation revealed that the National Contact Point (NCP) for the OECD Guidelines is best suited to dealing with disputes regarding alleged wrongdoings at the mines where the energy companies source their coal. The NCP offers access to redress and remedy. The energy companies will discuss with the NCP how the group accountability will fit in with the procedures of the NCP.”

In 2014, BSR investigated existing complaints mechanisms. Based on an evaluation of these complaints mechanisms and interviews with relevant stakeholders, they identified the complaint mechanism that would be most appropriate for complaint handling in the coal supply chain and the intended use of the complaint mechanism. BSR concluded that the NCP is the most suitable for this purpose.

Bettercoal is developing its own complaint mechanism system, open to any external stakeholder. Approval of the policy is expected by the end of 2018.

Editorial error

An editorial error has been made in the drafting of the Covenant. Article 2.10 had to be modified and posted prior to Article 2.9. Article 2.8 as appointed in the Covenant is the custom 2.10, only by mistake 2.10 has not been removed.
Report of efforts regarding the Covenant

Article 2.11 - “As from 2015, every year in the third quarter, the energy companies will publish an aggregated overview of their efforts regarding the activities mentioned in this Covenant.”

This progress report summarizes efforts regarding the activities mentioned in the Covenant.

Attention to Corporate Sustainability Report policies

Article 2.12 - “In their own communication statements (annual reports, newsletters, etc.), the individual energy companies, or in cooperation with their parent company, will give attention to the entire CSR policy in relation to the coal supply chain, and into this Covenant’s activities.”

The energy companies publish their CSR policy and due diligence in their purchasing policy in the annual and/or CSR reports, on their websites or via other communication channels. If relevant during the year, the energy companies update, where necessary, the information on their websites about CSR and the due diligence process.

More about this can be found in this report in the description of the individual efforts of the energy companies.
Energy companies’ individual actions
Individuval actions

RWE

Due diligence

The trading division of RWE’s parent company, RWE Supply & Trading, procures the coal for power plants around the world. All business relationships and business activities of the company are governed by the RWE Code of Conduct. RWE makes this code available to its business partners, suppliers and customers, and insists that they comply with this. This Code of Conduct is based on the UN Global Compact.

Large quantities of coal are purchased through the wholesale market and several suppliers. Of this, RWE cannot always verify the origin and thus the conditions under which they are won. Together with Bettercoal, RWE aims to motivate the most important mines and mining areas around the world to participate in the audit and continuous improvement process.

The role of Bettercoal

The Bettercoal Code was implemented at RWE in the purchase process. RWE is a founding member of Bettercoal and one of the leading members, contributing a lot to its development. Nikolaus Valerius – director hard coal, gas and biomass for RWE is chairman of the board of Directors of Bettercoal. Next to this RWE is present in both the Members Working Group and the Technical & Advisory Committee (TAC) of Bettercoal.

Especially the Technical and Advisory Committee is very important to RWE, because among its members are both suppliers and representatives from civil society. These stakeholders help Bettercoal and its members to improve the program with an outside view.

As a member of Bettercoal, RWE has access to the Bettercoal database with the results of assessments and other relevant documents. RWE includes this information in its decision-making process. In the direct contacts RWE has with coal suppliers the role of Bettercoal is discussed and RWE stimulates them to take part in the Bettercoal program. Besides, RWE started a project in 2017 to look for the gaps between their current due diligence process and the programme of Bettercoal and also the international standards applicable to the coal supply chain. RWE also looked at the performance of companies in other sectors with respect to responsible business conduct. This is a way to reflect on RWE’s own policies and to define where’s room for improvement.

Procurement

When procuring goods, services and plant components through Group Procurement, all suppliers of RWE must take account of the relevant international environmental, social and compliance standards. Where necessary they should also consider other detailed requirements. Therefore, RWE includes information about how their suppliers comply with sustainability requirements in their purchasing decisions. The ten principles of the UN Global Compact, the RWE Code of Conduct and other detailed guidelines form the basis for these requirements.
Attention and accountability
In cooperation with their suppliers, RWE intends to comply with and promote international environmental and social standards. This is an obligation defined by the RWE Code of Conduct and the principles of conduct. Before RWE enters any business relationships with suppliers, all potential trading partners are reviewed. The review takes place in a standardized and multistage process. RWE uses international databases and information systems in order to see whether there is any potential misconduct. Since 2014, RWE has also had access to the information garnered in the Bettercoal initiative. All trading partners are checked in this way. The number of RWE’s licensed trading partners varies and is generally more than 1,000.

Accountability
RWE aims to go beyond international standards on environment and human rights, where possible. Therefore, it is expected from suppliers that they at least comply to these international standards. Furthermore RWE offers knowledge and expertise on mining operations and supply chain issues to suppliers and stakeholders. In Germany RWE operates its own (lignite) mines and therefore has a lot of knowledge on all aspects of mining operation, including long lasting relations with stakeholders.

Collaborations with other energy companies are absolutely essential. It allows RWE to exert more pressure in order to meet the requirements for sustainable production and transport conditions in view of the fact that direct delivery relationships are usually lacking. In 2012, RWE therefore joined forces with other large purchasers of hard coal to launch the Bettercoal initiative.

RWE is in continuous dialogue with partners in the coal supply chain and stakeholders who are involved in issues concerning the coal supply chain. These stakeholders are governments in all countries where RWE operates, NGOs such as PAX, Urgewald, Misereor, labour unions in The Netherlands and Germany and in Colombia and South Africa as well. RWE is an active participant in multi-stakeholder events on both national and international level.

“South Africa is one of the exporting countries for coal to Europa. It was therefore very valuable to discuss the current status of the South African coal sector with the relevant companies, government officials, people living in neighboring communities and NGOs. Because all these stakeholders took the time to meet us we got the chance to see the situation through their eyes. We hope this visit contributes to even stronger relations with the coal mining sector in South Africa, so we can learn from each other and jointly work on improvements in the coal supply chain.”

Adriaan van der Maarel - Public Affairs - RWE

Future developments
RWE expects that the amount of coal that they will procure for use in The Netherlands will decline in the next years. Main reason for this is that RWE will gradually replace coal by biomass in the plants. The coal power station Amercentrale in Geertruidenberg will ultimately replace 80% coal by biomass and for now the power station Eemshaven has a permit for 15%. RWE is in discussion with the Province of Groningen for a permit for replacing 30% of coal by biomass.
Besides this RWE is working on the development of a bio based economy chain in The Netherlands with several partners. Nevertheless, RWE believes that coal will play a significant role in the energy supply for the years to come. Because wind and solar are intermittent, conventional power generation will be needed for years to come. This conventional power can be delivered by coal (with biomass co-firing), gas or nuclear. All three are important. For that reason, RWE will also keep on contributing to discussions in Europe and abroad on responsible business conduct in the coal supply chain.

**External reporting**

Next to regular consultation with government and civil society organizations, RWE addresses the coal supply chain. RWE wants to share its view on coal with stakeholders as open and transparent as possible. This is done by publications on the website and in the annual *Corporate Responsibility Report*. The report is published as a Global Reporting Initiative report.

RWE regularly publishes updates on developments regarding the coal supply chain on its website. For instance, on the Dutch Coal covenant on the RWE Generation website in the Netherlands.
Individual actions

**Nuon/Vattenfall**

The procurement of hard coal and the associated chain responsibility are part of the activities and responsibilities of Nuon’s parent company Vattenfall. Nuon/Vattenfall has a code of conduct that all suppliers are expected to comply with. Vattenfall purchases its hard coal directly from hard coal mining companies, from intermediary suppliers (i.e. companies that are not mine owners) and through trade on the spot market. Nuon/Vattenfall constantly strives to improve corporate responsibility in the hard coal supply chain. Nuon/Vattenfall has implemented a risk screening process for coal suppliers to make a sound and fact-based decision on whether to buy coal from a supplier or not. Next to reporting on the country origin of the coal, Vattenfall publishes a list of its direct coal suppliers. Nuon/Vattenfall is also one of the founders of Bettercoal to enforce improvements in the coal supply chain through this sector organization.

**The role of hard coal**

In the transition to more sustainable consumption, sustainable production and sustainable financial performance, Nuon/Vattenfall has defined a number of sustainability focus areas in which the company is to strive for continuous improvement. The transformation of the production portfolio is one of them. Nuon/Vattenfall wants to be completely fossil free within one generation. Therefore Nuon/Vattenfall is actively phasing out the role of hard coal in its portfolio. Following the divestments of Polish and Danish hard coal assets in previous years, Nuon/Vattenfall currently still operates one hard-coal fired power plant in The Netherlands and six combined heat and power plants (CHP) and power plants in Germany. For usage in own plants and to supply customers, Nuon/Vattenfall procures hard coal on the global market.

**Transparency on origin of hard coal used in power plants**

The global coal market is not as mature as other commodity markets in terms of transparency. Due to the relatively low number of suppliers, insights into the coal supply chain are commercially sensitive information.

On the other hand, European consumers are increasingly interested to understand where the coal that is used to generate their electricity comes from. This is why Nuon/Vattenfall has looked for ways to increase transparency without creating a competitive disadvantage for itself. For several years Nuon/Vattenfall already reports on the origin of hard coal on a country level. In Nuon/Vattenfall’s push for more transparency in the coal supply chain, Nuon/Vattenfall published in July 2017 a full list of direct coal suppliers.
The list compiles all mining companies from which Nuon/Vattenfall has directly sourced coal for power plants during the past three years. This list will be updated on a yearly basis. The list does not comprise the coal that is sourced indirectly via intermediaries and the trading platform GlobalCoal. The majority of Nuon/Vattenfall’s hard coal deliveries is sourced directly.

**Code of conduct for suppliers**

Nuon/Vattenfall is governed by a number of policies to ensure the sustainability of its business operations. The [Vattenfall Code of Conduct for Suppliers](#) defines the basic requirements in the areas of human rights and working conditions, environment and business integrity that suppliers have to meet.

The Code is based on the UN Global Compact (of which Vattenfall is a [participant since 2008](#)), the UN Guiding Principles, the OECD Guidelines as well as other international norms, conventions and guidelines in the area of sustainability. Nuon/Vattenfall expects its suppliers to implement the principles described in the Code of Conduct for Suppliers in their own business or to have at least equivalent standards adopted, and to conduct their business in accordance therewith. Nuon/Vattenfall continuously monitors compliance with the Code of Conduct for Suppliers and asks suppliers to provide relevant information and conducts audits and evaluations.

**Due diligence for hard coal suppliers**

For several years Nuon/Vattenfall uses a risk screening process for hard coal suppliers to make a fact-based decision on whether to buy hard coal from a supplier or not. In this screening, information is collected on the performance of coal suppliers on social, environmental and human rights issues. The information is, among others, collected from independent research companies based on publicly available information and Site-Assessments conducted through Bettercoal. This helps to assess whether a supplier is compliant with Vattenfall’s Code of Conduct for Suppliers and to identify any areas of improvements.

**Dialogues**

Part of the screening process are also the ongoing dialogues with stakeholders about chain responsibility. Over the past year, Nuon/Vattenfall has regularly been in contact about developments in the coal supply chain with stakeholders such as politicians, ministries and embassies in various countries, international experts and with national and international NGOs, also from coal exporting countries, including ActionAid, SOMO, PAX, CREER, Misereor, ForumSyd, Urgewald, Swedwatch, CENSAT and with representatives of local communities. The relevant NGOs have also been consulted in the country visit to Colombia (see below) and some NGOs took part in Nuon/Vattenfall meetings.

Nuon/Vattenfall is also in direct contact with all current and potential future suppliers to inform them about its requirements, pointing to responsible mining and supporting them in complying with the Code of Conduct for Suppliers and the Bettercoal Code. Part of this direct dialogue includes meetings between Nuon/Vattenfall’s senior management and mining companies, participation in Bettercoal workshops in the countries of origin of coal and participation in round table discussions organized by mining companies or governments.
Screening and assessments
A cross-functional Board (Responsible Sourcing Board) within Nuon/Vattenfall decides whether or not to do business with a supplier based on the evaluation of the screening or the results of Bettercoal assessments. The board meets monthly and consists of representatives from Legal, Risk, Sourcing desk, Sustainability, and Operational performance and compliance.

In 2016, Nuon/Vattenfall conducted seven desktop assessments of current and potential future suppliers with a direct relationship with one or multiple mines. These assessments did not lead to a decision to suspend the relationship with any of the suppliers, but areas of improvement were identified. When Nuon/Vattenfall sees the need for improvement at a supplier, the initial approach is to see whether in cooperation the supplier can improve the situation. Nuon/Vattenfall believes in the continuous improvement approach and does not support a strategy of disengagement as a starting point. 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. So far, the relationship with a coal supplier has been suspended once.

Colombia
Nuon/Vattenfall is one of the European energy companies buying hard coal from Colombia. By some NGOs coal from Colombia is criticized for past and present violations of human rights that are said to be associated with coal mine operations. Nuon/Vattenfall is strongly committed to use its commercial leverage to push mining companies to improve the situation. During the past few years, Nuon/Vattenfall has intensified its work to influence the development of human rights in the country. In 2016 Nuon/Vattenfall implemented additional requirements for Colombian suppliers. Nuon/Vattenfall requires that Colombian suppliers support the Colombian government in its efforts for reconciliation for victims of past human rights violations. Therefore Nuon/Vattenfall has stated that as a minimal requirement the suppliers should; (i) publicly condemn any human rights violations in the past which took place in the region where they operate currently, (ii) publicly support the Colombian Peace Process and (iii) publicly support a reconciliation procedure for the victims of past human rights violations. Nuon/Vattenfall does not engage in a direct sourcing relationship with companies operating in the region that have not met these minimal requirements.
For more information read this article on the situation in Colombia or this article on how Colombian mining companies meet Vattenfall’s minimal criteria.

Country visit and risk analysis Colombia
In March 2017, Nuon/Vattenfall visited Colombia with the goal to receive first-hand information on the situation in and around the mines and to conduct an analysis of the impact Vattenfall’s sourcing of coal in Colombia has on human rights. Based on this, Vattenfall will, in dialogue with the coal mines, be able to contribute and push for improvements on location. This country visit is an important part of Nuon/Vattenfall’s improved due diligence procedure.
During the three-week visit, two experts from Nuon/Vattenfall interviewed different stakeholders. Civil society stakeholders were selected by consulting several experts on Colombia, such as the NGOs Forum Syd, Pax and CREER. The experts visited four mining companies and a selection of impacted communities in northern Colombia. The coal mines are located in Cesar and La Guajira, where the coal industry is a very important employer. Nuon/Vattenfall’s experts also met representatives from the mining companies, central government, local authorities, civil society, lawyers, collective trade unions and the local communities. The discussions touched upon several topics, such as the relocation of villages affected by coal mining, how to address water pollution and access, and coal dust impacting the health of nearby residents. The NGOs PAX, Forum Syd and Civil Rights Defenders, and the Amsterdam local department of political party Groen Links were observers during parts of the visits.

The mining companies were assessed based on the Code of Conduct for Suppliers and the additional criteria for Colombian suppliers, but also on areas such as health and safety at mining operations, the impact of local emissions on people and the environmental performance in general, as well as whether companies live up to regulations. Another focus area was the continued threats to community leaders and unionists in the mining region by paramilitary organisations.

In the second half of 2017, Nuon/Vattenfall will finalise its report describing the main impacts Nuon/Vattenfall has on human rights through the sourcing of coal in Colombia. The recommendations will be directed to mining companies, local communities but also to the Colombian government. Also, single reports will be issued on the various mining operations with suggestions for improvement that will be discussed with the mining companies. Nuon/Vattenfall will use the reports as input to its due diligence process and in meetings with Colombian mining companies and other stakeholders to advance continuous improvements on the ground. Nuon/Vattenfall will publish a summary of its assessment.

The role of Bettercoal
The above-mentioned efforts and requirements are in addition to the membership of Bettercoal. Nuon/Vattenfall is co-founder of Bettercoal, contributes actively to the organization and plays a leading role in accelerating progression. For example, Nuon/Vattenfall has a seat on the board of Bettercoal and in the Technical & Advisory Committee, which also includes members of NGOs and unions.
Nuon/Vattenfall lets Bettercoal perform Self and Site-Assessments by independent Assessors. In 2016, two Site-Assessments took place with a supplier of Nuon/Vattenfall. Three suppliers have carried out a Self-Assessment. Nuon/Vattenfall has access to the results of the assessments and uses this information in its decision-making process.

Bettercoal, like all sector initiatives, consists of a group of companies with different ambitions and internal decision-making mechanisms. From the founding of Bettercoal, Nuon/Vattenfall has called for and worked towards more progress and transparency. Nuon/Vattenfall welcomes the increasing number of Self and Site-Assessments. Nuon/Vattenfall believes in the joint approach of energy companies to continue continuous improvements in the coal supply chain and therefore remains committed to Bettercoal. However, Nuon/Vattenfall also takes on this responsibility to drive continuous improvement on its own and is committed to do so as e.g. shown with the visit in 2017 to Colombia.

More information on the role of Bettercoal in Nuon/Vattenfall's due diligence process can be found here.

**External reporting**

Nuon/Vattenfall publishes information about its activities and efforts in the field of supply chain responsibility in the coal supply chain on its website. Nuon/Vattenfall also presents information on CSR and the coal supply chain in the Vattenfall Annual and Sustainability Report 2016 (page 31 and page 156 onwards), and other annual reports. These reports can be found on Nuon's website.
Internal Compliance Management System
Effective January 1st, 2016, Uniper SE has a Compliance Management System (CMS) in place to ensure that Uniper mitigates compliance risks. The CMS sets uniform minimum standards for compliance topics based on processes of the E.ON Group’s CMS. Due to the reorganization of the Uniper Group and especially the establishment of Uniper SE as its parent entity, a CMS that reflects Uniper’s specific compliance risks was developed and installed.

The Management Board has appointed a Chief Compliance Officer, who reports to the CEO, the Management Board, and the Supervisory Board’s Audit Committee. The Chief Compliance Officer is responsible for Uniper’s groupwide CMS and is supported by the Senior Vice President for Compliance & Regulation. Business areas and other legal entities have appointed Compliance Officers, who are responsible for implementing the CMS in their respective entities.

Responsibility in the coal supply chain and due diligence process
Abiding the law and acting ethically are not just the highest priorities within Uniper’s organization. Uniper needs to prevent possible violations and early spot Environmental, Social and Governance-related (ESG) risks posed by the suppliers. Uniper runs a global commodity trading business and offers consultancy services to third parties in developing new energy and infrastructure projects. As such, the risk of corruption and money laundering must be managed with the utmost attention. Consequently, business partners and their affiliates are subject to a comprehensive risk assessment and sanctions check. In 2018 further strengthening of this ESG due diligence procedure is expected.

Due to its trading business, the group purchases coal partly directly from the mining companies and partly on the world market. As the company itself owns no coal mines, the direct influence over the coal extraction sector is limited.

Since Uniper has taken over the Bettercoal membership of E.ON in 2016, is however supporting a broader and proactive action of the initiative, to make it more effective and internationally recognised. Since September 2016 Uniper participates in the Bettercoal Technical & Advisory Committee, to achieve a sound review of the current supplier assessment cycle.

During the reporting period, Uniper SE appointed a board member as Chief Sustainability Officer, to oversee all the various measures related to ESG risk mitigation, particularly in terms of health, safety, security and environment protection.
Attention and accountability

Uniper continuously negotiates with its coal suppliers and traders. Emphasis is placed on timely and correct reporting of their environmental, safety and social performance. The goal is to do business with companies that can provide their employees with a safe and healthy workplace. At a minimum, they must ensure that their employees have access to drinking water and sanitary facilities and take adequate steps to maintain a safe working environment. They must not tolerate child and forced labour.

Uniper is willing to have an open dialogue with non-governmental organizations (NGOs) about the conditions in and around coal mines worldwide. In addition, Uniper actively seeks dialogue with institutional and local stakeholders. These conversations give Uniper a better view of what is happening in the field and contribute to the exploration of possibilities of different projects.

During the reporting period, Uniper:

- supported Bettercoal engagement with mine suppliers, urging a Russian coal producer to complete the Bettercoal assessment program in 2017 (October 2016).
- had a dialogue with the Colombian Ambassador in Berlin on concerns about water scarcity and new violence in Colombia, raised by some NGOs and the German Green Party (November 2016).
- went on the mission to Colombia as part of Bettercoal (meetings with all major coal producers, Dutch Embassy, NGO, mine and local community visit).
- organized the Uniper Sustainability Roundtable 2017 (first edition). A series of meetings with international NGOs, including anti coal ones (August 2017).
- participated to a round table hosted by the German Institute of Human Rights, with several NGOs and other utilities involved (September 2017).

Uniper Benelux in particular:

- had stakeholder dialogues, for example with CNV & FNV International (March and June 2017).
- participated in the OECD Global Forum on Responsible Business Conduct (June 2017).
- facilitated a series of NGO meetings with Uniper’s Chief Sustainability Officer in Düsseldorf headquarters (as of August 2017).

Uniper also expects their suppliers to address the environmental impact of their business operations. They need to maintain high standards for business ethics, to obey applicable laws, and not to tolerate corruption, bribery, fraud, or extortion. A similar restructuring is expected in 2017 for the commodity trading segment, to protect business from the key compliance risks related to anti-competitive behaviour, corruption, or money laundering.
Sintracerejon information to Uniper

At the end of 2017, Colombian mining company Cerrejón and one of its (minority) trade unions Sintracerejon, will begin a collective bargaining process with the company. Sintracerejon, in its next plea of demands, specifically seeks to prevent occupational safety and health problems in the mine, want to protect the working conditions of the sick workers in the mine, wants to make joint proposals for an increase of formalization of outsourced workers, advocates for respect for established working hours and of course in general requests fulfillment of the commitments already agreed upon.

One of its main concerns as a minority union is the effective guarantee of the right to collective bargaining. This concern is based on what happened in the last negotiations between unions and company, whereby the company indicated that it must first have a collective agreement with the majority union, to be able to proceed negotiations with the minority union. This resulted in the fact that currently the collective agreement of Sintracerejon is an only annexe of the collective agreement of the majority union, not taking into account the specific demands related to occupational safety and health issues; key to the mission of Sintracerejon.

The coming up bargaining process hopefully results in a collective agreement between Sintracerejon-Cerrejón, taking into account the specific health and safety challenges of the workers, in the end leading to a sound and positive working environment with better profits.

Initiative for a better coal supply chain

Being a global energy and commodity trading company, it is important for Uniper to conduct robust fuel supply management, that enables to identify early and minimize all the risks arising from daily operations. This includes the risk of negative impacts on people and the environment in the coal supply chain. Uniper believes the best way to do this is to actively participate in a joint effort aimed at increasing transparency and promoting the reduction of the negative impacts of poor environmental, social, and governance practices along the entire coal value chain.

External reporting

Uniper discloses the volumes of coal purchased annually for its own consumption, divided by country of origin, on its online sustainability Report. Uniper also publishes the sources of coal used for power generation in The Netherlands together with the other Dutch utilities. Additionally, reporting is provided regarding the due diligence process, the risks along the value chain (not only coal) and the measures taken. Due to its recent restructuring process, no definitive group-wide targets are defined yet.
Individual actions

ENGIE

Due diligence

In 2017 ENGIE continued their strategy according to their “Human rights: commitments and implementation”. It has formalized a due diligence process, in line with the requirements of the United Nations Guiding Principles. Each Business Line and each Business Unit has to ensure compliance with the Group’s commitments at local level.

The governance of the environmental and societal responsibility is a top priority within the Group and therefore directly managed by the Ethics Committee, the Group’s Executive Committee and the Environmental and Societal Responsibility Executive Committee. This includes the coal supply chain. On regular basis, employees of ENGIE have bilateral meetings with coal suppliers in which human rights are an important topic.

ENGIE places responsible growth at the centre of its business model. ENGIE has pursued its ambition and standards in ethics and compliance on the basis of several major international guidelines, such as the:
- Universal Declaration of Human Rights and additional protocols
- International Labour Organization conventions
- OECD Guidelines for Multinational Enterprises
- UN Convention against Corruption

As a signatory to the UN Global Compact, the Group has undertaken to comply with its principles in the areas of human rights, labour standards, the environment and anti-corruption.

Purchasing strategy

On corporate level ENGIE has adopted a responsible purchasing strategy that aims to promote ethics in supplier relations.

To learn more about responsible purchasing, gain a better understanding of ENGIE’s efforts in this area, and determine the best way to contribute to the Group’s commitments, an online training program was developed for all purchasing teams. The program notably includes modules on sustainability, CSR, responsible purchasing, the Group’s efforts in these areas, and the integration of corporate social responsibility into each step of the purchasing process by considering needs, life cycles, certifications, etc.

All agreements with suppliers include mandatory ethical, environmental and social responsibility clauses (including coal suppliers). ENGIE is also looking to develop a regular Group-wide measurement system covering the performance of its “strategic” and “preferred” suppliers as part of a continuous improvement program.
These efforts include a supplier Corporate Social Responsibility agreement that represents the Group’s values and commitments, notably in terms of diversity and disability policy, and the development of close relationships with small- and medium-sized businesses. ENGIE encourages suppliers to join the UN Global Compact and asks them to join Bettercoal.

**Traders and buyers**

European coal traders and buyers notice a substantial increasing awareness of the importance of Bettercoal in their relationship with coal suppliers. Nevertheless, European coal buyers face an oligopolistic supplier market and are an increasingly less important market for suppliers because the Asian coal demand growth is significant. All our coal suppliers have accepted ENGIE’s ethics clause and purchasers are visiting suppliers and mines on a regular basis to follow up on all contractual aspects. The human rights aspects are an important point of our governance in relation to our coal suppliers. In addition, ENGIE supports initiatives on increasing transparency on the origin of coal. The increase of transparency of origins for physical coal that is purchased via electronic platforms is a next, complex step that will take time and efforts to be implemented.

**Bettercoal**

ENGIE is an active member of Bettercoal. Through Bettercoal, ENGIE has visited both South Africa and Colombia. They talked to communities and afterwards discussed their conclusions in bilateral meetings (ENGIE/supplier). Last year ENGIE has noticed an increased proactive attitude among the coal suppliers in Colombia, to inform their stakeholders on issues regarding to human rights. The awareness of the suppliers is notably improved.

**Human rights**

The monitoring of the Human Rights commitments is included into ENGIE’s processes of ethics compliance, especially:

- Human rights risks are specifically identified as a Group ethical risk and so are annually assessed.
- Criteria linked to the deployment and the application of the Human Rights Referential are integrated into the annual compliance procedure and into the internal control.
- The internal ethics incident procedure covers human rights incidents.

Our human rights referential requires to include in every Group contract with suppliers, service providers, subcontractors and partners a clause requiring these contracting parties to respect the Group’s commitments in terms of human rights. This provision is also reminded in ENGIE’s Code of conduct in supplier relations.

**Attention and accountability**

As part of its responsibility to help build a future that combines high quality of life with responsible economic growth, the ENGIE group strives to develop special and sustained relationships with all its stakeholders.
In order to ensure the longevity of its activities, ENGIE strives to satisfy stakeholders expectations in all aspects of social responsibility (as defined by ISO 26000). It does this by listening to them and establishing a structured dialog with every one of its stakeholders.

**Dialogues**
ENGIE is continuously in dialogue with NGOs, ministries, politics and other relevant stakeholders to discuss the developments and further improve the coal supply chain. On the basis of intensive consultation with its global stakeholders, ENGIE has established a so-called 'materiality matrix' in 2015.

This matrix is identifying its priorities according to their importance to the Group and its stakeholders. This matrix, which covers environmental, social, societal, economic, financial and governance issues in the short, mid and long-term, is an integral part of ENGIE’s approach to responsible performance.

The materiality matrix highlights the very high expectations shared both by ENGIE and its stakeholders as regards the Group’s basics, i.e. business conduct, facility safety, health & safety, local acceptance, greenhouse gas emissions and reputation. These issues are intimately linked with the Group’s activities.

**External reporting**
Each year ENGIE publishes an integrated report in which ENGIE reports e.g. about her stakeholder engagement and CSR strategy. Regarding the coal supply chain, no specific issues are addressed.
Dutch government’s actions
Dutch government’s actions for corporate responsibility in the coal supply chain

Appeal to governments on their responsibilities in the coal supply chain

Article 4.1 - “The government will call on other governments in the countries of origin of the coal used by the energy companies in the Netherlands to fulfil their responsibilities in the coal supply chain.”

Memorandum of Understanding

In connection with the Memorandum of Understanding (MoU) on mining between the Netherlands and Colombia, the Dutch Special Envoy for Natural Resources visited Colombia in March 2017. The visit included a meeting with the Colombian Ministry of Mines to discuss implementation of the MoU. The countries agreed to cooperate on the following concrete topics:

- Follow-up to the Sector Wide Impact Assessment (SWIA), published in autumn 2016 by the Regional de Empresas y Emprendimientos Responsables (CREER), an affiliate of the Institute of Human Rights and Business (IHRB). More information on the follow-up can be found under ‘Improving conditions in the Colombian coal supply chain’ in this report.
- A mission on water and mining in May 2017. In November 2016 the Dutch engineering company Witteveen+Bos carried out a fact-finding mission in Colombia to map opportunities for Dutch companies to provide solutions to the Colombian mining industry in the field of water management. A subsequent trade mission on this topic was scheduled for May 28th to June 3rd, 2017, but was cancelled due to the results of the fact-finding mission and the lack of interest among Dutch companies.
- Cooperation on formalising small-scale mining in the gold sector.
- Building links between activities under the responsible mining MoU and the renewable energy MoU that was signed on December 21st, 2016. In March and June 2017 policy officers from the Ministry of Mining took part in workshops with Dutch renewable energy experts, organised in the framework of the renewable energy MoU. More information can be found here.

Missions abroad and working visits

Where appropriate, the Dutch government instructs Dutch missions abroad to include the coal supply chain subject in their dealings with other governments.

- The Dutch diplomatic missions in Colombia and South Africa are familiar with the voluntary agreement on corporate responsibility in the coal supply chain and mission staff raise concerns about the coal supply chain in their contacts with local governments. The government believes the best and most effective way of broaching these issues is within the context of collaboration or topics of mutual interest. The MoU with Colombia and the trade missions to and from South Africa provided such opportunities.
The subject is also raised during working visits by members of the government to the countries in question, for instance in bilateral talks.

- The Dutch Special Envoy on Natural Resources has visited Colombia, South Africa and Kazakhstan. More information about the visit to Colombia can be found under ‘Improving conditions in the Colombian coal supply chain’ in this report.

**South Africa**

Since coal is an important export product from South Africa to the Netherlands and other European countries, the Dutch Ministry of Foreign Affairs visited that country in November 2016 with a business delegation including CEOs and other representatives from European energy companies that import coal, Dutch port authorities and NGOs.

- Following up on that visit the Dutch Special Envoy for Natural Resources, Dirk-Jan Koch, energy companies and Bettercoal participated in a conference call with representatives of the South African Department of Mineral Resources in March 2017 to discuss opportunities for joining forces on responsible mining.
- In order to continue the dialogue with the South African counterparts (government, companies, NGOs/CBOs), the parties to the voluntary agreement are arranging a follow-up multi-stakeholder visit by South African counterparts to the Netherlands and Germany. The Dutch government believes such a visit will offer an opportunity for all parties to share knowledge and identify scope for cooperation on making coal mining better for the people involved and the environment.
- Orange Corners South Africa: Orange Corners (OC) is a knowledge and networking platform that aims to link South African entrepreneurs and start-ups with Dutch companies. The Dutch embassy brokers these knowledge exchanges, which provide South African entrepreneurs with opportunities for training, mentoring and networking. The Dutch government has considered a partnership with energy companies, but this is not currently feasible as the OC initiative is not actively involved with communities in mining areas. However, opportunities for partnerships in the longer term will be explored in the future.

**Kazakhstan**

The Special Envoy visited Kazakhstan from October 27th to 28th, 2016 to explore the scope for trade in rare earth metals, and promote the Dutch Water and Mining Platform, the Bettercoal Initiative and the Extractive Industries Transparency Initiative (EITI). The mining company Shurbarkol expressed interest in the Bettercoal Initiative. Since the visit, contacts between Bettercoal and Shurbarkol have been stepped up. Bettercoal is planning a Site-Assessment with Shurbarkol in either the fourth quarter of 2017 or the beginning of 2018.

**Colombia**

The Special Envoy’s visit to Colombia is described in detail under ‘Improving conditions in the Colombian coal supply chain’, below.
Voluntary Principles on Security and Human Rights (VPs)

Article 4.2 - “The government encourages other countries where safety risks exist in the extractive sector to familiarise themselves with the VPs and encourage them to join. The government also supports existing members of the VPs, such as Colombia, in the implementation of these Principles.”

Bilateral contacts
The Dutch government has conducted various outreach activities in the past year. During visits to Colombia, South Africa and Kazakhstan importance of the initiative was raised by the Dutch Special Envoy for Natural Resources, Dirk-Jan Koch.

- The Dutch government conducted various outreach activities in the past year. The Dutch Special Envoy for Natural Resources, Dirk-Jan Koch, called attention to the VP initiative during visits to Colombia, South Africa and Kazakhstan.
- In South Africa, Mr Koch underscored the importance of the VPs in meetings with mining companies and with the Department of Mineral Resources. Mr Koch also discussed the VPs and the Dutch chairmanship of the VPI during his visit to Colombia, which is already participating in the initiative. He expressed his disappointment that Colombia had not attended the VPI Annual Plenary Meeting in Ottawa, Canada, and sought closer collaboration in implementing the VPs. Embassy staff paid the Colombian government a follow-up visit to discuss this further. The Colombian Mining and Energy Committee (CME), a multi-stakeholder partnership including Colombian government agencies, to which the Netherlands is an observer, is active in the VPI.
- In separate bilateral meetings with the French Ambassador for Corporate Social Responsibility and the Chilean Vice Minister of Economy and her delegation, the Netherlands explained and promoted the initiative.
- At the 2016 annual general meeting of the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development, Jan Pieter Barendse of the Inclusive Green Growth Department of the Ministry of Foreign Affairs represented the VPI’s government pillar in a panel session on the VPI. Click here for the report.

Promoting the VPI among business contacts
The Dutch government has chaired the VPI since March 2017, in which position it promotes the VPs with other governments, businesses and civil society organisations, and helps increase the positive impact of businesses on human rights. VPI participants have jointly decided to focus more strongly on in-country implementation, and have launched a pilot approach in four countries: Ghana, Myanmar, Nigeria and Peru.

- The focus of the Dutch chairmanship of the VPI is on the In-Country Implementation Pilot Groups in Ghana, Myanmar and Nigeria. These pilot groups seek to facilitate activities that promote in-country implementation of the VPs and address local security and human rights challenges. Dutch embassies are actively participating in these pilots and are encouraging host governments to join the VPI.
- As VPI chair, the Dutch government also aims to improve transparency and the sharing of information and best practices among participants and with the public. The government publishes a six-weekly newsletter, which is distributed to all participants and contains VPI news, outreach efforts and other relevant information.
- In addition, the Dutch government aims to address governance and will look into opportunities for improving governance structures.
Focus on impact on the local human rights situation

If a mining company declares that it wants to join the VPI, the Netherlands will look closely at the company’s action plan regarding its impact on the local human rights situation.

Since the previous report on the voluntary agreement on the coal supply chain, two mining companies have been admitted to the VPI – Vale S.A., a Brazilian mining company, and Agnico Eagle, a Canadian gold mining company – after examination of their human rights record.

- The Dutch government asked about Vale’s operations in various high-risk countries and noted that Vale S.A. would have to implement the Voluntary Principles in all its operations. Furthermore, Vale was asked to explain how it exercises due diligence with regard to human rights and to describe its performance assessment processes. Vale’s answers to these questions were satisfactory, and the company was admitted to the VPI after a positive vote by VPI participants (NGOs, companies and governments). The Moatize mine in Mozambique, which is owned by Vale, is one of the mines on the joint list of mines or mining regions where Dutch utilities purchase their coal.

Bettercoal

*Article 4.3 - “The government supports energy companies in the development of Bettercoal and undertakes to actively bring the initiative to the attention of other governments and other relevant stakeholders, and to explain the importance of a European and collective approach to them.”*

The Dutch government openly expresses its support for and trust in Bettercoal, the international initiative to improve the coal supply chain, in talks with other authorities, companies and organisations such as the OECD. The Dutch Special Envoy on Natural Resources discussed and promoted the Bettercoal initiative during his visits in Colombia, Kazakhstan and South Africa. The Dutch government also brings the Bettercoal Initiative to the attention of EU missions, EU member states and participants of the Voluntary Principles Initiative.

During his visit to Colombia, the Dutch Special Envoy on Natural Resources discussed Bettercoal with the Colombian government. The Colombian government now recognises the importance of the initiative and is proud to be the first country whose major coal exporting companies are all participating in Bettercoal, as noted by the Colombian Vice Minister of Mines during a panel discussion on responsible coal at the ICGLR-OECD-UN GoE Multi-stakeholder Forum in May 2017.

The Dutch government, together with the other parties to the voluntary agreement, involves Bettercoal in visits and facilitates contact with the embassies.

Constructive criticism

The government welcomes Bettercoal’s efforts to ensure alignment with the OECD Due Diligence Guidance and increase transparency and reporting. The Bettercoal Members’ Implementation and Reporting Obligations (MIRO) Progress and Conformity Review Report 2017 has been well received. All regular members that have completed at least one full year of membership are subject to the MIRO, which monitors their efforts to implement their obligations and informs stakeholders of Bettercoal’s progress in achieving positive impact on the coal supply chain. Bettercoal collects the MIRO key performance indicators annually using a scorecard. Members report on these indicators on a comply-or-explain basis. The progress and conformity review report is part of Bettercoal’s commitment to disclosure and transparency.
Bettercoal engages in ongoing dialogue on transparency with its members and stakeholders, including the Dutch government. The points mentioned in the action plan were shared with Bettercoal. The government considers MIRO an appropriate format for sharing aggregated results.

At milestone events like the Bettercoal annual meeting or the stakeholder meeting in the fourth quarter, the Dutch Ministry of Foreign Affairs and the secretariat of Bettercoal discuss problems and whether and how the government can contribute to solving them.

Where suitable, the government presents Bettercoal as an example of a collective approach that, by identifying problems through audits, helps improve the situation on the ground. Bettercoal has been referred to in this way in several bilateral and multilateral meetings during this reporting period, but not in official speeches.

**European cooperation**

*Article 4.4 - “The government will explicitly put the European cooperation in the coal supply chain on the agenda during the Dutch presidency of the EU in the first half of 2016.”*

The Swiss guideline for commodity traders has not yet been finalised. A public consultation on the draft version of the guideline will take place in autumn 2017. The Dutch government is exploring possibilities for exchanging knowledge with the Swiss government. The Swiss guideline may be presented at the annual stakeholders’ meeting in 2017.

In May 2017, the Dutch government spoke with the French Ambassador for Corporate Social Responsibility to discuss due diligence in the extractive sector. While the Ambassador expressed interest in being kept up to date, no concrete follow-up actions were agreed.

The incoming visit of a South African delegation (from November 5th to 9th, 2017) will be an outstanding opportunity to explore collaboration with Germany on responsible coal supply chain. The itinerary will probably include a visit to a mine in Essen, Germany.

**Effective implementation of the sustainability chapter in trade agreements**

In autumn 2016, the Dutch government commissioned a study on dispute settlement with regard to the sustainable development chapters in trade agreements. Around the same time, the signing of the trade agreement between the EU and Canada (CETA) generated vast momentum for a discussion on the implementation and enforcement of these chapters.

After the study was completed in February 2017, the government hosted several sessions with representatives of the private sector, trade unions and civil society to hear their views on how implementation of the trade and sustainable development chapters could be improved. At the time of writing, the discussion at EU level was still ongoing. This discussion will probably lead to a reform of the EU approach to implementing chapters on trade and sustainable development, which will also apply to agreements that are already in force, such as the trade agreement between the EU and Peru/Colombia.
National Contact Point (NCP) for OECD Guidelines

Article 4.5 - “The government ensures that the NCP has sufficient capacity for dealing with reports of alleged wrongdoings in the coal supply chain, as described in article 2.8.”

The capacity of the NCP is sufficient. At the time of writing, the Dutch NCP had received no complaints about alleged non-observance of the OECD Guidelines by Dutch energy companies.

Improving conditions in the Colombian coal supply chain

Article 4.6. ‘The Ministry of Foreign Affairs will finance a scoping mission to Colombia to investigate how the Dutch government could contribute to improving conditions in the Colombian coal supply chain.’

The scoping study concluded that interventions by the Dutch government to tackle social, environmental and labour challenges in the mining areas are both feasible and desirable. The report was published on October 1st, 2014 on the government’s website.

Article 4.7. ‘The Ministry of Foreign Affairs supports programmes to improve the situation in and around the coal mines in Colombia and to implement Colombia’s Victims and Land Restitution Law. The government will explore scope for starting a dialogue between the victims of armed conflict and the Colombian private sector and is prepared to support this dialogue.’

Support for Colombia

As shown by the government-funded scoping mission to Colombia in 2014, the country’s coal industry faces numerous challenges, from environmental protection to social issues, including the rehousing of people living near coal mines. Life is difficult for trade union members throughout Colombia, including in Cesar. Civil society organisations and trade unions keep the ministry and the embassy in Bogotá informed of the situation. The ministry and embassy discuss any concerns and developments with utilities and mining companies.

▪ On October 24th, 2016 the CEO of Prodeco, Mark McManus, visited the Dutch Ministry of Foreign affairs to discuss best practices and challenges in the coal supply chain.
▪ On November 17th, 2016 a delegation from Drummond Company Inc. and Drummond Ltd. Colombia – including CEO Mike Tracy and the President of Drummond Ltd., José Miguel Linares – met with the Dutch Minister for Foreign Trade and Development Cooperation, Lilianne Ploumen. Key topics were the improvements to Drummond’s CSR policy and challenges in Colombia. Both companies were present at the stakeholder meeting on December 9th, 2016.
▪ The Dutch Ambassador to Colombia visited the Cerrejón mine in La Guajira and Drummond’s Pribbenow mine in Cesar on December 19th and 20th, 2016. The Ambassador discussed improvements in the areas of security, labour conditions and environmental protection. He also visited union leaders and representatives of communities near the mines, as well as victims of violence in the Cesar mining region. Drummond explained its new CSR policy and highlighted the implementation of the Voluntary Principles on Human Rights and the company’s intention to participate in the multi-stakeholder Mining and Energy Committee (Comité Minero Energetico). Cerrejón explained its focus on job creation in La Guajira, including in the tourism sector.
In March 2017 the Ambassador hosted a meeting at his residence between the Dutch Special Envoy on Natural Resources and the CEOs of Colombian coal companies. The Special Envoy underlined the importance of participating in the peace process in Colombia, including in reconciliation activities.

The parties to the voluntary agreement on corporate responsibility in the coal supply chain had a breakfast meeting with the major coal mining companies in Colombia – Drummond, Cerrejón, Glencore and Colombian Natural Resources (CNR) – and CREER (Regional de Empresas y Emprendimientos Responsables, an affiliate of the Institute of Human Rights and Business (IHRB)). This was CNR’s first dialogue with the Dutch parties. Participants discussed the mining companies’ contribution to sustainable development through various projects. The Dutch embassy emphasised the importance of mining companies working together with Bettercoal and using the Bettercoal assessment process and improvement plans. The embassy also asked the mining companies to take an active role in the peace process. The mining companies welcomed the peace process, but were somewhat hesitant in responding to this delicate request, as few details had yet been announced (especially concerning the proposed Tribunal and Truth Commission). The individual companies said they are conducting projects that support the peace process. For example, Drummond works with the Colombian Agency for Reintegration on the reintegration of former combatants into society.

Implement recommendations of Sector Wide Impact Assessment

The Dutch government launched a project to implement the main recommendations set out in the Sector Wide Impact Assessment (SWIA) in Cesar, ideally in close cooperation with other donors, including the Colombian government (in an ombudsman capacity, for example), and the private sector. The SWIA was partly financed by the Netherlands and was published in August 2016. Among other things, it supports the recommendation to the Colombian Government to guarantee access to remedy. Since publication of the SWIA, the Dutch government has been working to ensure the recommendations are disseminated widely, in part by organising various meetings with companies, civil society organisations and researchers in the Netherlands. The government will continue this in 2017 if appropriate.

The need for territories to have sufficient capacity and effective mechanisms for conflict resolution and mediation has been identified as a salient critical issue for institutional development and peace building, in part because of the lack of effectiveness of institutions and businesses in dealing with complex situations and conflicts that have an impact on human rights. In Cesar, particularly in the mining regions, resettlement projects may raise conflicts about the use of natural resources, water and land. Other conflicts may be related to public policies on, for instance, occupational health, land use, victims and restitution, and the return of displaced communities.

With regard to Cesar, both the SWIA and research into specific mining-related conflicts indicated that the greatest challenge faced by the government, businesses and communities in moving towards territorial peace is the lack of trust between different stakeholders, including state institutions. In its recommendations to government and companies, CREER highlighted that any attempt at engagement needs to start by laying the foundations for substantive dialogue – establishing basic conditions of trust and bidirectional, transparent dialogue.
It is essential to take actions to reduce the trust deficit, improve dialogue, ensure access to remedy and create conditions conducive to reconciliation. To this end, the SWIA recommends:

- Implement actions to establish a conflict resolution system which can address grievances and claims, and integrate operational mechanisms for grievances, address and monitoring by both the companies and government, in accordance with the National Action Plan for Business and Human Rights.
- Develop local capabilities and improve alternative mechanisms for the resolution of conflicts (MASC for its acronym in Spanish), mediation and equity agreements which can address the community and business’s local conflicts, or develop agreements without resorting to slow, asymmetric centralized administrative justice processes.
- Develop stable scenarios for discussion, understanding and monitoring agreements regarding the impacts caused by mining, by using the abovementioned SWIA as a possible starting point.

**Resolution and mediation of conflicts**

Based on these findings and recommendations, and financed by the Dutch embassy in Colombia, CREER – in cooperation with the Consensus Building Institute (CBI) and ACCESS Facility – started the project ‘Resolution and mediation of conflicts, an opportunity to build trust in Cesar’ which aims to develop a roadmap for jointly building mechanisms for conflict resolution and processing grievances.

The project will result in recommendations for each of the key parties to move forward in a constructive engagement, and an agenda for obtaining early wins. The project will also assess the scope for creating a stakeholder-governed platform for dialogue versus working with a limited agenda with clear ground rules. From an early stage, the office of the Colombian Ombudsman will be involved in the project to ensure continuity and to provide arbitration. The Ombudsman’s participation will ensure lessons learned are transferred to other socioenvironmental conflicts. The final goal of this initiative is to create an enabling environment for dialogue between the relevant stakeholders (communities, business, local and national government). The project runs until November 30th, 2017.

**Transitional justice**

On April 26th, 2017 PAX and the Colombian organization Dejusticia launched the report ‘La paz, responsabilidad de todos. La responsabilidad corporativa en la justicia transicional: lecciones para Colombia’ (corporate accountability in transitional justice: lessons for Colombia). The Dutch ambassador to Colombia was one of the speakers to this event. In June 2017 PAX published an English version of the report, which can be found here.
Other activities

Clean Coal China

The Dutch government supports the Clean Coal China initiative launched on December 1st, 2015 under the public-private programme Partners for International Business (PIB). The initiative aims to provide expertise and technology to drastically reduce air and water pollution in China. Various activities have been carried out under this programme:

- A seminar was held on September 22nd, 2016 in Hebei province. It aimed to:
  1. strengthen the relationship between the governments of both countries;
  2. create a platform for PIB cluster members to present their advanced technologies/products to local companies, institutions and the university;
  3. use this platform to develop a productive cooperation/business relationship with Chinese companies that is beneficial for both parties.

Various Dutch companies (Wuvio, Hofung Technology, Nanocal and Blue Element), the energy research centre ECN and Utrecht University participated in the seminar with the aim of sharing technologies, products and research on clean coal and environmental topics with local companies, institutions and universities. See [this news item](#) for more information.

- As follow-up to the air pollution seminar in September, embassy staff visited Hebei Environmental Protection Bureau (EPB) on 30 November 2016. The seminar strengthened relationship with the EPB and boosted awareness of the Netherlands as a source of clean coal technology.

- On May 19th, 2017 a round table session was organised in Hebei Province to present a research report drawn up by two of the Clean Coal cluster members (ECN and SDS ventures) on air emissions regulations in China. The day before the round table, the parties to the PIB initiative manned a booth at the China (Langfang) International Economic and Trade Fair 2017.

- The research report on air emission regulations in China was presented at the Ambassador’s residence on June 6th, 2017, a meeting that was attended by economic affairs minister Henk Kamp and provided an opportunity to discuss possible future collaboration with Chinese counterparts in the field of Clean Coal.
Stakeholder meeting
Stakeholder meeting

Article 5 - “As from 2015, in the fourth quarter, on the initiative of the energy companies, the parties to the Covenant will organise an annual stakeholder round table meeting chaired by an independent chairman appointed jointly by the parties. During that meeting, the activities relating to the Covenant will be discussed. The civil society organisations, trade unions and other stakeholders that are relevant to this Covenant are invited to this meeting.”

See the report on the next page for an overview of the stakeholder meeting of 2016.

Stakeholder meeting 2017
The programme for the next meeting will be drawn up in the course of the year and based, in part, on developments in 2017.
Friday December 9th the parties to the Dutch ‘coal covenant’ (RWE, NUON/Nattenfalen, Uniper, Engie, Government of the Netherlands) organized a multi-stakeholder meeting to discuss taken actions and actions for the future regarding the continuous improvement of social and environmental conditions in the international coal chain. During the meeting about sixty stakeholders had the opportunity to provide input for the action plans that will be set up by the covenant parties for 2017. The meeting was moderated by Dirk Jan Koch, Special Envoy for Natural Resources at the Ministry of Foreign Affairs of the Netherlands.

Panel discussion: lessons from South Africa
The meeting started with a panel discussion on coal sourcing from South Africa. A multi-stakeholder delegation (government, utilities, NGO) visited this country end November 2016. The panelists (Marjan Schippers - Ministry of Foreign Affairs, Radjes Mangrooe - Engie and Maria van der Heide - ActionAid) looked back on their visit and announced to follow up. According to the Ministry of Foreign Affairs regulations and compliance cannot give the full answer to the challenges faced in the coal mining sector, meaningful stakeholder engagement is necessary for sustainable solutions. Engie explained that this multi-stakeholder visit confirmed the complexity of the challenges in and around coal mining operations, like the issue of migrant workers. Issues vary from country to country. ActionAid agreed that communities face different challenges, and therefore it is all the more important that are recognized as essential stakeholders. ActionAid called upon the covenant parties to make use of provided information and set-up actions. ActionAid will continue to monitor situations and check whether changes are effective. The Dutch government and the energy companies (also united in the industry initiative Bettercoal) have announced several follow up actions:

- The government will organize an incoming visit in a multi-stakeholder setting from South Africa;
- The government will continue to raise awareness for Bettercoal among European delegations, member states and members of the Voluntary Principles on Security and Human Rights;
- The utilities will follow up with the mining companies that were visited for short-term improvements in the communities, e.g. grave yards and school fees;
- The utilities will try to get more South African mining companies on board in the Bettercoal initiative;
- Bettercoal will improve its assessments through collaboration with local partners;
- Bettercoal will develop a country strategy for South Africa.
**Bettencourt presentation**
The panel discussion was followed by a presentation by Martin Christie, Executive Director of Bettencourt. He presented Bettencourt’s progress in 2016, leading to 29 Self-Assessments completed, 6 Site-Assessments and one Re-Assessment. Bettencourt also held Workshops for Suppliers in Poland and Russia, which resulted with the engagement of more suppliers in the Assessment Program. In 2017, Bettencourt will continue to reflect on coal market pressures by considering commodity traders and continue the work of the Technical & Advisory Committee on transparency and grievance mechanisms, amongst other points on their agenda. Martin Christie emphasized that Bettencourt will develop country strategies for all regions of interest, engaging the world wide coal mining sector and becoming a global initiative.

**Breakout sessions**
After the break participants separated themselves for two rounds of break out session:

**The Mineral Risk Handbook**
_by Louis Maréchal, OECD Responsible Business Conduct Unit_
- The OECD Due Diligence Guidance helps companies to focus on most severe risks in their supply chain and does not encompass all the chapters of the OECD Guidelines for Multinational Enterprises. The Guidance is applicable to all companies in the mineral supply chain, including ports and terminals that are active in transportation of minerals. The OECD is for example engaging with airline companies in the gold industry, since gold is being smuggled in hand luggage on a large scale. All relevant players have to make a relevant contribution to responsible mineral supply chains.
- The Guidance takes a progressive approach when it comes to implementation by companies and bases its recommendations on reasonable and good faith efforts of companies.
- In order to push for the dissemination and implementation of the Guidance beyond 3TG supply chains, the OECD is working on a Mineral Risk Handbook to support companies in their prioritization and risk-based approach of due diligence in mineral supply chains by providing information that will help enterprises identify the risks of non-financial adverse impacts related to the production and trade of minerals.
- The Handbook will collect and rationalize available information on supply chains (main industrial use, structure of supply chains, production and trade data, etc.), cross-cutting risks and supply chain specific risks for 15-20 mineral resources. The ambition is to turn this tool into a web-based interactive user-friendly platform, to facilitate updates of relevant information, and access for companies.
- The Bettencourt initiative provides building blocks for the Mineral Risk Handbook. Participation from coal supply chain stakeholders is therefore instrumental. All participants are invited to respond to a list of questions provided in the attached PowerPoint of the OECD.

**Disengagement as a tool in due diligence**
_by Joseph Wilde & Mariette van Huijstee, SOMO_
- Disengagement is included in both the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Human Rights and Business. Companies that are linked to negative impacts can respond in three ways: 1) continuation of the relationship, 2) temporary suspension of the relationship and 3) disengagement.
• Engagement is preferable, especially in conflict affected areas. Disengagement is actually all about engagement, it is all about leverage. Temporary disengagement as an instrument for compliance.

• If companies ascertain no progress in addressing negative impacts, they should consider to disengage from their supplier. There is however little practical guidance available, resulting in irresponsible engagement (e.g. immediately stopping engagement, huge adverse effect locally/nationally).

• Necessity of having a clear action plan. Action plans need to be developed jointly by buyers and suppliers and include clear time lines and clear consequences. Disengagement needs to be demystified.

• Example of Bangladesh Accord, in which more than 200 companies agreed on a three step approach for suppliers who do not show sufficient improvement. Third step is ending the business relationship. Best practice is corrective action plans. Collective leverage can be effective. Collective engagement has however also a downside: it can go very slow.

• Binding commitment is an important aspect of success, as is the credible prospect of disengagement. It is therefore recommended to include the option of disengagement in case of unsatisfactory improvement in contracts.

Impact of mining in Colombia
by Luis de Angola - CREER & Margaret Wachtenfeld - IHRB

• Current discussions on mining in Colombia lacks nuance as it is a one-size-fits-all approach. It is difficult to develop recommendations if you cannot attribute impact and cannot answer questions regarding the environmental, social and human rights dynamics of mining. To address this issue, CREER conducted a Sector Wide Impact Assessment (SWIA) of mining in Colombia.

• CREER used several different approaches to try to answer these questions, including an economic model that compared the impacts on human rights in municipalities with mining to non-mining municipalities. The SWIA also involved detailed field studies that enabled the researchers to take a 360-degree look at impacts, exploring how they are understood by different actors. Since different actors often view and experience impacts differently, this can lead to conflicts in understanding and addressing those impacts. A 360-degree view is therefore important in designing remedies that take account of different perspectives.

• Three main outcomes:
  1. Misalignment of territorial and sector planning. Large-scale mining such as coal mining is planned centrally from Bogota through the Ministry of Mines but does not interact with the territorial authorities where the mining actually takes place. This can lead to conflicts - even within the government and across different levels of government. There are also uncoordinated actions between the mining agencies and the environment agencies.
  2. Impacts are not addressed by the existing set of monitoring instruments and the monitoring is not coordinated. Significantly, the licensing and environmental authorities are not taking account of cumulative impacts. Because there are few baselines, including around health and safety, stakeholders do not have a basis for addressing concerns based on facts rather than perceptions and so disagreements continue unnecessarily. Security risk assessments do not sufficiently take account of local communities and local cultures.
  3. Distrust and lack of communication between the stakeholders – high levels of local, public and sector corruption. Access to remedy and conflict resolution mechanisms are required. CSR projects are not the remedy for mistrust.

• It is of utmost importance that the Colombian government takes forward significant policy changes and clarifies the roles and responsibilities of different actors which are currently unclear.

• There is a shared interest in an evidence-based approach form multiple sides since there currently is no real evidence based debate. A shared information basis helps to build trust and shared dialogue.

• As Colombia launches into the peace process, there is a role for everyone in addressing conflict and striving to construct peace and engage with the communities involved.
## Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ACM</td>
<td>Autoriteit Consument en Markt</td>
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<td>CME</td>
<td>Colombian Mining and Energy Committee</td>
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<td>CNR</td>
<td>Colombian Natural Resources</td>
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<td>CREER</td>
<td>Colombian Regional de Empresas y Emprendimientos Responsables</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>ICGLR</td>
<td>International Conference on the Great Lakes Region</td>
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<td>IHRB</td>
<td>Institute for Human Rights and Business</td>
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<td>MIRO</td>
<td>Members’ Implementation and Reporting Obligations</td>
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<td>MoU</td>
<td>Memorandum of Understanding</td>
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<td>NCP</td>
<td>National Contact Point</td>
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<td>NGO</td>
<td>Non-governmental organizations</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>PIB</td>
<td>Partners for International Business</td>
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<td>RBC</td>
<td>Responsible Business Conduct</td>
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<td>SOMO</td>
<td>Stichting Onderzoek Multinationale Ondernemingen</td>
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<td>SWIA</td>
<td>Sector Wide Impact Assessment</td>
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<td>TAC</td>
<td>Technical &amp; Advisory Committee (of Bettercoal)</td>
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<td>UNGC</td>
<td>United Nations Global Compact</td>
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<tr>
<td>VP’s</td>
<td>Voluntary Principles on Security and Human Rights</td>
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Additional information

RWE  The Covenant refers to the activities of Essent, a subsidiary of RWE, in relation to the coal supply chain. These activities now fall under the name RWE. This does not have any additional influence on the agreements recorded in the Covenant. Where RWE is written in this report, reference is made to RWE Benelux holding BV. RWE Benelux holding BV’s parent company is RWE AG.

EPZ  Where EPZ is written in this report, reference is made to NV EPZ, Elektriciteits-Produktiemaatschappij Zuid-Nederland.

Nuon  Where Nuon is written in this report, reference is made to NV Nuon Energy. The activities of Nuon which relate to the Covenant fall directly under the responsibility of Vattenfall.

Uniper  Where Uniper is written in this report, reference is made to Uniper Benelux NV. Uniper’s parent company is Uniper SE. The Covenant refers to the activities of E.ON. Uniper separated from E.ON on January 1st, 2016. This does not have any additional influence on the agreements recorded in the Covenant.

ENGIE  GDF Suez has become ENGIE in April 2015. This does not have any additional influence on the agreements recorded in the Covenant.

BETTERCOAL
- Bettercoal code
- Progress report
- Members' Implementation and Reporting Obligations (MIRO)

COVENANT TEN AANZIEN VAN DE VERBETERINGEN IN DE STEENKOLENKETEN
- Covenant
- BSR Report (Grievance Mechanisms in the Dutch Hard Coal Supply Chain)

ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

UNITED NATIONS GLOBAL COMPACT
- UN Guiding Principles for Business & Human rights