

2012 SUSTAINABILITY REPORT

OUR COMMITMENT TO

COLOMBIA



DRUMMOND LTD.
COLOMBIA



Summary

SUSTAINABILITY REPORT 2012

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PUBLICATION

Proyectos Semana S.A.



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| | |
|---|-----|
| ABOUT THIS REPORT | 3 |
| HISTORY | 4 |
| LETTER FROM OUR PRESIDENT | 5 |
| DRUMMOND AS A STRATEGIC ALLY OF THE COUNTRY'S DEVELOPMENT | 6 |
| CHAPTER 1: WHAT IS IMPORTANT TO DRUMMOND | 8 |
| CHAPTER 2: THIS IS WHO WE ARE | 14 |
| CHAPTER 3: DRUMMOND BEYOND COMPLIANCE | 50 |
| CHAPTER 4: DRUMMOND AS AN AGENT OF CHANGE | 60 |
| CHAPTER 5: DRUMMOND'S DNA | 70 |
| CHAPTER 6: DRUMMOND IS COMPLIANCE | 84 |
| CHAPTER 7: THE ROAD TO SUSTAINABILITY | 114 |
| CHAPTER 8: GRI TABLE | 118 |





About this report

COVERAGE PERIOD

This sustainability report corresponds to the year 2012 during which no changes took place regarding: location, activities, capital structure, maintenance, or operations.



POINT OF CONTACT

Drummond's Sustainability Committee is the one able to offer any details pertaining this report.



FREQUENCY OF THE REPORT

The frequency of our report is annual.
Application level: A



SCOPE

The information contained comprehends the results of our economic, social and environmental performance in terms of administrative and operational (mining and port) operations at Drummond LTD. No information regarding Drummond International has been included.



CHANGES

Considering the report submitted in 2011, we have decided to make some changes such as aligning our sustainability report with the GRI 3.1 methodology, moreover, our report this year has been mainly structured in materiality analysis which we have thoroughly executed involving our stakeholders.





The story of a Commitment **Renewed on a Daily Basis**

I come from a family that has been involved in the coal business for over 75 years. The company was founded in Alabama by my father, Herman E. Drummond, in 1935, and used to provide this mineral to farms and households. In its early years, the company was funded through a \$300 loan, using three mules working at the mine as means of guarantee. One of these mules was called “Old Tobe” and has been immortalized today, as our biggest dragline has been named “Old Tobe II”. This small company has gone a long way in order to achieve the impressive technology used for sustainable extraction in the department of Cesar, northern Colombia.

Drummond has been a family project, built throughout generations, step by step and with much effort. It has expanded its horizons with determination and commitment. Milestones such as the acquisition of Kellerman Mining Co.; the first trade agreement with Japan; the signing of a contract with Alabama Power to supply Miller Plant with two million annual tons, for 15 years, and the control of ABC Corporation, which added coking coal production into our service portfolio, helped us to increasingly trust our ability of becoming competitive and creating value for all.

But without question, the decision of exporting coal from Colombia was a decisive landmark for Drummond’s growth: an adventure we embarked on with faith and no regrets. In the 1980s, Colombia used to be quite an exotic destination for investors, since albeit the well known natural and mineral wealth of its lands, its hardships in terms of security and the tough struggles the government had to face were no secret.

With a blend of nostalgia and satisfaction, I can remember how many people in



↑
For Garry Drummond, CEO of Drummond Company, Inc., the decision to come to Colombia and finding a qualified and committed work team was a decisive step for the growth of the company.

the mining industry, both in the United States and Colombia, warned us about the urgency to find another place where to invest. They insisted that coal could be found elsewhere in the world and that it was better to find another country offering improved conditions for the company’s growth.

Today, I am proud to say that getting to Colombia was the greatest advance Drummond has ever achieved. It was in this country where it earned its first international coal concession, which opened the doors to developing its mining projects. Subsequently, Mina Pribbenow (Pribbenow mine) and Puerto Drummond (the port) emerged as key components to the company’s first production in the country in 1995.

Further on, El Descanso mine ratified the country’s great potential for coal extraction, proving this mineral’s potential as a source of economic and social development for Colombia. The fact that coal exports may be translated into progress for communities and that Drummond has become an ally for the local and national government to support this process is a great source of satisfaction to my family and me.

Nevertheless, the most important thing that has happened to us since we first arrived in Colombia is the fact that we have found a qualified, responsible and committed work team, with a huge willingness to succeed: honest and talented workers who have fulfilled their dreams and those of their families thanks to coal and the development derived thereof.

This 2012 Sustainability Report is a testimonial of what we do, our main challenges, our commitments to all of our stakeholders and our passion for the work we perform. Our history is still being written.

Garry Drummond



Letter from our President

Drummond's commitment to its people, communities, the environment, the region and the country is rock-solid. Through this Sustainability Report we intend to share with all our stakeholders the outcome of our operations and social and environmental initiatives carried out during 2012.

Being part of the Drummond family means knowing that this company's operations contribute significantly to the economic development of the country, the progress of the region it operates in and the improved quality of life for the families of over 5,000 collaborators of ours. From their own role, they are the ones who devote all their efforts every day to making our company grow in a sustainable manner.

This year, we have decided to produce our Sustainability Report in line with the Global Reporting Initiative –GRI– Reporting Framework. One of the most important achievements in this process has been the materiality analysis conducted in the actual spaces where we discussed stakeholders' expectations and needs, while identifying the most relevant topics affecting both the company and its stakeholders. In this exercise, we also found that one of the major challenges lies within the process of communication and interaction with our stakeholders. To that extent, one of the main challenges the company faces, and that I – as President– face myself, is that of disclosing on an international, national and local level, the significant work Drummond performs for the benefit of its stakeholders and, most importantly, the evident results of its Corporate Social Responsibility policy.

This report not only illustrates our economic, social and environmental performance, but also identifies our opportunities



↑
For José Miguel Linares, President of Drummond Ltd., this report identifies the opportunities and challenges of the company.

for improvement and our challenges for the coming years. While we are proud to have received various awards such as the Britcham Lazos Award by the Colombian British Chamber of Commerce for our social programs, and a special recognition from the Chamber of Commerce of Valledupar for our contribution to the business sector of Cesar, we know there is still a lot to be done in terms of operational processes and management programs.

We are currently implementing our Safety and Occupational Health Management System under the OHSAS 18001 standard for our mining operations. Said program has already been implemented and certified by Lloyd's Register Quality Assurance in our port and railway operations.

The company also has a strong commitment to environmental protection and, consequently, carries out a high quality program for this purpose. Our challenges include working daily towards enhancing its effectiveness and strengthening its disclosure, in order for the country to recognize how can the development of the mining sector be sustainable for the ecosystem.

Notwithstanding complex circumstances we undergo, including low international coal prices, the challenge Drummond faces, as well as other companies engaged in coal extraction in the country, is overcoming those woes inherent to the business, so as to continue generating decent and stable jobs and benefits for our collaborators, their families and communities.

Let me reiterate there are many communities and families who benefit from Drummond's work. We want this to be the opportunity to invite you to become a part of this joint effort of unveiling the real impact that coal mining and Drummond's operations represent in benefit of Colombians.

The Sustainability Report you are holding in your hands is a proof of our company's commitment to making all its processes transparent and its efforts visible at all levels, in an attempt of becoming an ally for communities, protecting the environment, offering its customers the best product, and generating the best conditions possible for its employees and suppliers. ➤

José Miguel Linares



Drummond as a Strategic Ally of the Country's Development



for a portion of economic development in Colombia. For this reason, we aim at becoming a change agent, driven by solidarity to improve the quality of life of those communities in our areas of influence, and engaging in partnerships for the eradication of extreme poverty, with the purpose of fostering employment and entrepreneurship in vulnerable regions. Through said partnerships and the identification of productive projects, we have managed to support processes for populations in municipalities such as El Paso, Chiriguana and La Jagua (currently declared as extreme poverty-free areas by the National Agency for Overcoming Extreme Poverty –ANSPE–).

In addition, we have decided to strengthen our programs focused on the “development and benefit of children”. Since 2012, we have begun strategic partnerships with two prestigious institutions: Genesis Foundation and Fundación SoÿDoÿ, with which we have materialized part of our social initiatives (refer to chapter “Drummond’s DNA” for more details).

Finally, as part of our commitment to Colombia, our economic input, which has increased since 1995, is equally relevant. As a result of our mining operations in La Loma (Mina Pribbenow) and El Descanso, in the department of Cesar, we have contributed a total of USD 1.759 billion in royalties and compensations to the country. Just for 2012, we have accounted for a total of USD 368 million in this area.

This report intends to reflect our responsibility towards Colombia and all those aspects which we have directed our efforts around in terms of economic investment and social and environmental management. ☒



Drummond aims at becoming a change agent to improve the quality of life of those communities in our areas of influence.

We know that mining is an important item in the Colombian economy, and coal ranks first, with a production of 89.2 million tonnes by 2012 (data from the National Mining Agency (ANM)) which places Colombia in the tenth place in global coal production, accounting for 1.2% of the coal produced worldwide. We also know that, in terms of royalties, the mining sector contributes 2.04 trillion pesos to the country; therefore, our industry is currently recognized as one of the major economic locomotives in Colombia.

Hence, through exemplary actions, we acknowledge the fact that we are accountable



Chapter 1







What is Important to Drummond



To us, it is very important to listen, understand and address the needs and expectations of our stakeholders, including individuals, groups or organizations that influence or are affected by our business. Their feedback enables us to understand their hopes, prioritize them and subsequently, provide effective responses.

Today we want to share the result of an enriching process for our company through this sustainability exercise, which has made it possible for us to strengthen the bonds in our stakeholder relations.

Our exercise began through an organizational mapping, by identifying all those groups involved in or with our operation. The basis of this exercise included the initial action of creating a Sustainability Committee with the primary mission of leading the organization towards a sustainable development model aligning the business with best practices within the world energy and mining sector. Said committee is comprised of six managers from different areas (Financial, Social, Human Resources, Communications, Environmental and Administrative Management). Moreover, a Drummond Company Senior Management delegate also joined the team. We mentioned this to emphasize our company's commitment to sustainable development.

Thus, the Sustainability Committee was in charge of leading the pro-

FIGURE 1 / STAKEHOLDERS MAP



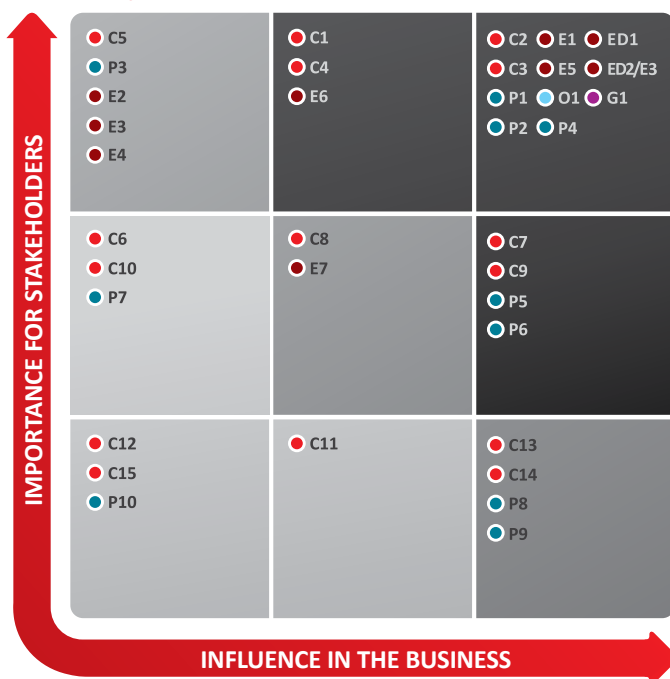
Identified Stakeholders

cess of identifying stakeholders as well as their needs and expectations through round-table discussions with employees, communities, suppliers, government representatives, and one NGO (see Figure 1).



The main concerns and areas of interest that emerged through the engagement of stakeholders were consolidated. Subsequently, along with the Sustainability Committee, relevant issues were defined and then translated into our Relevance Matrix (Materiality Principle - www.globalreporting.org/reporting/G3andG3-1/guidelines-online). These results are presented in Figure 2.

FIGURE 2 / RELEVANCE MATRIX



- High priority
- Moderate priority
- Low priority
- E** Monthly workers
- ED** Hourly workers
- C** Communities
- P** Suppliers
- G** Government
- O** NGO

Source: Sustainability Committee.





TABLE 1 / MATERIAL ISSUES

| CODE | MATERIAL ISSUES | RESPONSE |
|------------|--|--|
| E1 | Internal / external communication of positive aspects | This is Who We Are / Our Communication Channels |
| E5 | Making the severance pay and employment settlement process more efficient, through greater control, with the help of the Occupational Risk Administrator (ARL, in Spanish) | This is Who We Are / Incident Register |
| ED1 | Direct communication of company-related aspects to employees | This is Who We Are / Our Communication Channels |
| ED2 ED3 | Communicating social and environmental management issues to employees | This is Who We Are / Our Communication Channels |
| C2 | Work-related Training | This is Who We Are / Education and Training |
| C3 | Strengthening the relationship with the community | Drummond's DNA / Social Management at Drummond Drummond is Compliance / Managing Impacts on Communities |
| P1 | Closer relationship with suppliers / strategic alliances | This is Who We Are / Our Suppliers |
| O1 | Offering permanent advice for the conservation of ecosystems | Drummond Beyond Compliance |
| G1 | Continue to support community projects | Drummond's DNA / Social Management at Drummond Drummond is Compliance / Managing Impacts on Communities |
| P2 | Conducting audits to assess our suppliers more rigorously | This is Who We Are / Our work with transparency |
| P4 | Greater stringency in terms of industrial safety and environmental standards, etc. | Drummond Beyond Compliance This is Who We Are / Joint Committee on Occupational Health |
| C1 | Increased local job offers | This is Who We Are / Our People This is Who We Are / Employment Generation and Creation |
| C4 | Socialization of projects | Drummond's DNA/ Social Management at Drummond |
| E6 | Increased recognition of work / performance assessment | This is Who We Are / Performance Assessment |
| C7 | Supporting productive projects | Drummond's DNA / Social Management at Drummond |
| C9 | Construction of parks, health centers, etc. | Drummond's DNA / Social Management at Drummond Drummond is Compliance / Managing Impacts on Communities |
| P5 | Training suppliers in the development of projects for the community | Drummond's DNA / Social Management at Drummond |
| P6 | Increased contracting with local suppliers, supporting micro-enterprises | This is Who We Are / Our Suppliers |

Source: Sustainability Committee.




In Figure 2, issues marked as a High priority are referred to as material issues by the company. They include the needs of: employees, communities, suppliers, the government, and NGOs. Included below (see Table 1) is a list of relevant issues for Drummond (material issues).

Once relevant sustainability issues have been prioritized, they are built into

To us, it is very important to listen, understand and address the needs and expectations of our stakeholders, including individuals, groups or organizations that influence or are affected by our business.



the corresponding Annual Sustainability Program, which also reviews compliance with the previous period's objectives, and as a consequence of the updated Relevance Matrix results, new targets are set for subsequent years. As actions contained in the Sustainability Program are performed, responses are provided to various stakeholders through different channels.

It is very important for us to mention that we will be addressing material issues all the way through this report; however, cases for which Drummond still lacks a solid and clearly managed response will be defined as working items to be addressed during 2013 and 2014. Furthermore, results will be published in the coming years. 





DRUMMOND LTD
COL. COLOMBIA

DRUMMOND LTD
COLOMBIA

DRUMMOND LTD
02-2011

DRUMMOND LTD.
02-2013



This is **Who We Are**

We are pleased to introduce our company: everything that distinguishes us, characterizes us and becomes a source of pride when we talk about who we are, our customers, our suppliers, and our employees; all of them a vital ingredient for an operation that grows on a day to day basis into a responsible and sustainable company.



OUR LEGAL STRUCTURE

Drummond Ltd. operates in Colombia and is owned by Drummond International LLC., a company based in Alabama, USA, owned by Drummond Company Inc. and its affiliates by 80%, and ITOCHU Coal Americas Inc. by 20%.

Our operation is based on the exploration, production, transportation, and exportation of thermal coal.

The destinations our Colombia operation exports thermal coal to include: The United States, Europe, Asia, and Central and South America.

As a preamble to our operational structure, we would like to introduce our company’s dimensions:

- Workers: 5,065 direct employees and 4,008 contractors.
- Total Sales: Our operational revenues in 2012 were \$ 4.76 trillion pesos.
- Net Worth: The figures officially reported to the superintendencies reflect a net worth of \$ 4.96 trillion pesos, to December 2012.

Drummond’s governance structure is lead by our CEO¹ Garry Drummond from Alabama, who bears the overall responsibility for company strategy and governance. During 2012, Drummond Ltd. was chaired by Augusto Jiménez. José Miguel Linares is our president since 2013 (see Figure 3).

OUR MISSION, VALUES AND PRINCIPLES

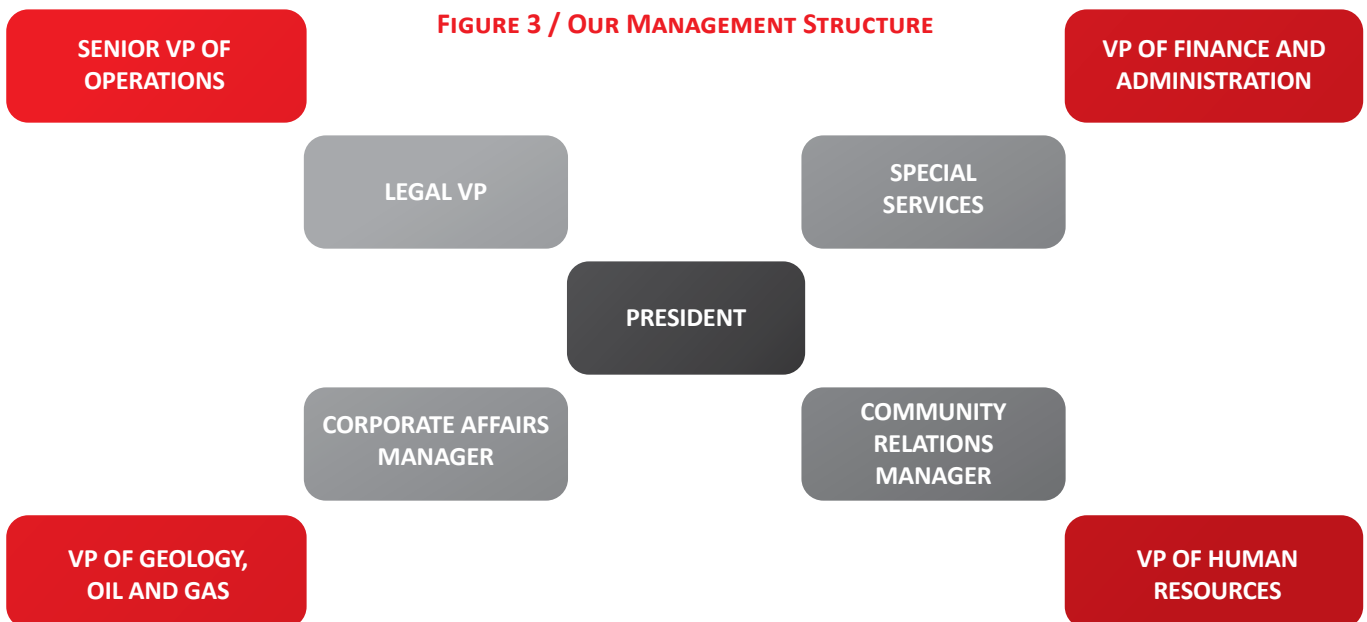
We have a rock-solid commitment to Colombia, every day and in every project. We operate within the legal framework and in line with best practices in the mining industry. At Drummond, we are conscious of the impact our actions entail over our employees, our communities and the environment; therefore, we strive to maximize reserves recovery at a competitive cost and to keep up the dynamism of local economies by implementing development strategies in accordance with market trends and technology.

The commitment to our employees is a reflection of our values, as we provide them –and their families through them– with tools to improve their quality of life. We give them a foundation for personal development. We have a competency model which is crucial for the performance of individual workers and the company. We grant safe working conditions by offering the best of training, equipment, safety and supervision. At Drummond, we think of our employees as a priority and we consider ourselves fortunate to count on loyal and hardworking people, committed to the company. (This information is shown in detail in chapter “Drummond as an Agent of Change”).

Our work around Drummond’s sustainability focuses on controlling and mitigating different impacts produced by mining, transportation and shipping of coal. Our contribution to economic

¹ Chief Executive Officer.

FIGURE 3 / OUR MANAGEMENT STRUCTURE



Source: Drummond’s Management.



and social development goes hand in hand with a commitment to sustainable development, based on which we adopt responsible operational practices. At Drummond, we operate with excellence (This information is presented in greater detail in chapters: “Drummond is Compliance” and “Drummond Beyond Compliance”).



Our internal and external communication channels facilitate rapid and accurate exchange of information.

OUR COMMUNICATION CHANNELS

To us, communication is a strategic management tool, inseparable from our productive capacity. Communication becomes the most cost-effective and profitable way of aligning and guiding our individual and team practices towards achieving the vision and common goals within a positive milieu for productivity, quality and wellbeing. Our communications area facilitates the fast and accurate in-house exchange of information, adding value to the company and creating a sense of belonging.

Moreover, our media agency aids our external communication process, which aims at consolidating and projecting our corporate image, managing our relations with the environment and establishing a dialogue with our stakeholders. It should be noted that all our workers act as multipliers of our image through their sense of belonging, as they convey it outside the company.

Our two communication systems (internal and external) are interdependent; consequently, it is necessary to manage them in a planned and joint manner. Included below is a detailed description of each our communication channels (see Table 2).

Even though our communications strategy is not focused on commercially oriented advertising, but on disclosing news reports to the media through press releases and announcements by our spokesperson, during 2012 our advertising centered on media amid our operations’ area of influence, so as to seek a wider broadcasting and impact. Our media plan was designed based on local media audience measurements conducted through radio audience research studies (ECAR –for the Spanish acronym, conducted by the National Consulting Center, with the purpose of gathering reliable data on radio listenership in the main cities of the country) and general media studies (EGM –in Spanish, which are studies that seek to determine the behavior of media consumption in the area of influence.)

Reporting Channels: at Drummond, complaints are submitted through the Human Resources Department and the Labor Coexistence Committee, which seek to foster a harmonious work environment and conflict resolution through assertive communication and leadership oriented practices. We have also enabled an office to address all concerns and complaints from our communities. (See more details in “Drummond as a good neighbor”.)

TABLE 2 / COMMUNICATION CHANNELS IN DRUMMOND

| INTERNAL COMMUNICATION CHANNELS | EXTERNAL COMMUNICATION CHANNELS |
|---|---------------------------------|
| ◆ Memoranda | ◆ Website: Drummondltd.com |
| ◆ Bulletin boards | ◆ Socialization |
| ◆ RH Te Informa (HR Informs You) Bulletin | ◆ Press Releases |
| ◆ In Memoriam | ◆ Interviews with media |
| ◆ Pribbenow Radio | ◆ Involvement in advertising |
| ◆ Vice Presidency Meetings | ◆ Sustainability Reports |
| ◆ 360º Talks | ◆ Drummond Magazine |
| ◆ Drummond Magazine | ◆ Forums |

Source: Communications Area.



Part of our commitment to our stakeholders, especially communities, has been demonstrated through the recognition and awards we have received. For the year 2012, we want to emphasize the following distinctions obtained:

The commitment to the workers is a reflection of our values, because we provide a basis for their personal development.



AWARDS AND RECOGNITION

In November 2012, Drummond Ltd. received the Britcham Lazos Award, granted by the Colombian British Chamber of Commerce, in the Best Stakeholder Management Program category. During the same month, the Valledupar Chamber of Commerce recognized Alfredo Araujo Castro, Drummond Community Relations Manager, with a special award for his support to the business community.

DRUMMOND IN FIGURES

Along the lines of the Transparency Principle, we disclose the economic value generated, distributed and retained, reflecting an effective control over our finances and positioning Drummond as a stable, profitable and productive company: a clear mirror of our business's management.

To further clarify the figures shown above, "Revenue" refers to coal exports towards international markets. Operating costs represent the largest item of economic value distributed and, in general, these costs refer to payments to suppliers and contractors for goods and services required in activities concerning production, transportation and shipment of coal.

OUR WORK WITH TRANSPARENCY

Part of our business is about understanding the risks that may affect our operations and relations with our stakeholders. This is what our Internal Audit Department permanently works for.

In the specific case of corrupt practices, we have developed policies and procedures providing conduct guidelines to both our employees and suppliers (including contractors. For further details on this policy, refer to the "Supplier Relations" section). Furthermore, we have initiatives to manage (control and minimize) risks associated with corruption, such as:

- Clear clauses in our contracts where our regulations about our ethics and transparency are set forth.



TABLE 3 / ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED

| DIRECT ECONOMIC VALUE GENERATED | UNITS | 2011 | 2012 |
|--|---------------|-----------|-----------|
| Revenue | Million pesos | 3'957,880 | 4'775,302 |
| ECONOMIC VALUE DISTRIBUTED | UNITS | 2011 | 2012 |
| Operating costs | Million pesos | 1'722,774 | 1'899,191 |
| Salaries and social benefits for workers | Million pesos | 593,128 | 631,025 |
| Payments to suppliers of capital | Million pesos | 81 | 4 |
| Payments to governments | Million pesos | 851,122 | 1'155,335 |
| Investment in the community | Million pesos | 3,080 | 3,603 |
| ECONOMIC VALUE RETAINED | UNITS | 2011 | 2012 |
| Direct economic value - Economic value distributed | Million pesos | 787,695 | 1'086,144 |

Source: Financial Planning Department.



Part of our business is about understanding the risks that may affect our operations and relations with our stakeholders.

- Internal and external monitoring and control audits to verify compliance with policies, procedures and good conduct practices.
- Briefings for workers to reaffirm our Ethics Policy.
- Yearly communications sent to our contractors with the aim of disclosing our anticorruption policy.

During 2012, we increased assurance in terms of best practices in vendor contracting, policies regarding bidding processes, quotations and selection in our Materials Department, through internal audits on processes including purchase orders, materials receipt, invoicing and payment. As for warehousing operations, we perform an appropriate material handling, always following guidelines around the Commitment of funds policy.

Additionally, with well-known firm Grant Thornton's support, we undergo external audits for control and identification of corruption cases, through random forensic inspections to detect potential fraud. Part of this audit has taken place in our supply chain for fuel handling (from procurement to delivery). Contracts audited during 2012 include:

- Gas management contract.
- Fuel and lubricants management.
- Maintenance costs.
- Expenditure authorization management.
- Procurement for the Puerto Drummond Expansion Project.
- Gecolsa Warehouse inventory control.

As a result of this series of audits, in 2012 an Accounting Department employee was dismissed due to fraudulent findings.

FINES AND PENALTIES

In line with transparency, in 2012 we paid total of \$924'584,200 in fines and penalties, which were fiscal in nature, as shown in Table 4.

TABLE 4 / FINES AND PENALTIES IN 2012

| ENTITY | VALUE (IN THOUSANDS) |
|--|----------------------|
| National Tax Administration | 318,167 |
| Customs Agency Aviatur SA | 5,642 |
| Bancolombia Trustee EF - La Ciénaga Municipality | 600,775 |
| TOTAL | 924,584 |

Source: Legal Management.



OUR OPERATION

OUR CLIENTS

Drummond has over 75 years of experience in coal mining in the United States and more than 18 years of experience in Colombia. Our stringent quality controls ensure our customers' requirements are addressed, seeking their satisfaction.

At Drummond, we value all the relationships we have built with each one of our customers. Through our quality control program, safe and reliable delivery, excellent service and high quality products, we have shaped an excellent service reputation in the global market.

OUR SUPPLIERS

Our suppliers are considered strategic allies and key to our company's success. Thanks to our excellent relations, today we have over 1,100 national suppliers and contractors, with whom we have built stable and long-term relationships. The value of 2012 purchases and contracts, with a noticeable share of national suppliers and contractors is outlined in Table 5.

Our suppliers are considered strategic allies and key to our company's success. Thanks to our excellent relations, today we have over 1,100 national suppliers and contractors, with whom we have built stable and long-term relationships.

At Drummond, we encourage local hiring both for direct employees and contractors. This is why all contracts include the following clause: "... In view of favoring neighboring communities in terms of service, the offeror shall contract local labor to the greatest extent possible". The outcomes of enforcing this clause for contractor companies are shown in Figure 4.

Additionally, we want to stress the fact that 90% of contractor companies are native to the Atlantic coast; 64% of them belong to our area of influence (Cesar/Magdalena), as shown in Figure 5.

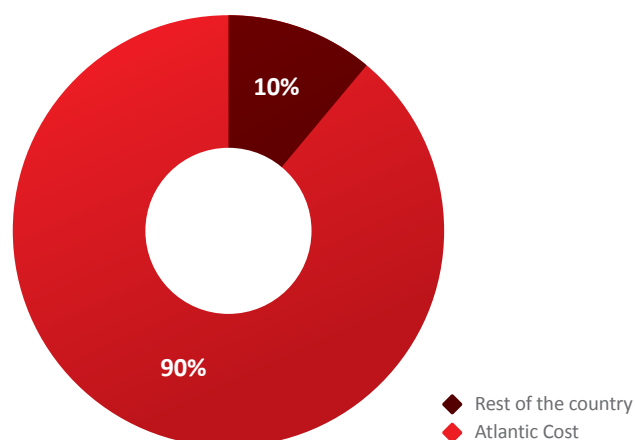
TABLE 5 / VALUE OF PURCHASES AND CONTRACTS (IN MILLIONS OF PESOS)

| | 2011 COP | 2011% | 2012 COP | 2012% |
|---------------------------|------------------|-------------|------------------|-------------|
| Atlantic coast | 655,941 | 25% | 690,122 | 25% |
| Other national | 1'227,721 | 48% | 1'346,367 | 49% |
| International procurement | 700,793 | 27% | 704,708 | 26% |
| TOTAL | 2'584,456 | 100% | 2'741,197 | 100% |

Source: Materials Management.



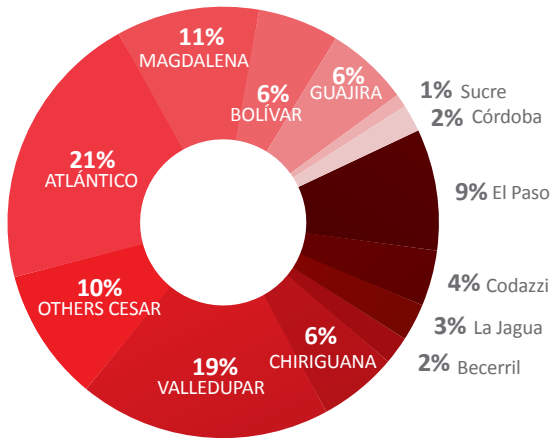
FIGURE 4 / CONTRACTORS BORN IN THE COAST AND THE REST OF THE COUNTRY



Source: Materials Management Unit.



FIGURE 5 / CONTRACTORS BORN IN THE COAST



Source: Materials Management Unit.

SUPPLIER RELATIONS

Our supplier relations are characterized by transparency and ethics. This philosophy is contained in our Ethics Policy, which addresses topics such as conflicts of interest, reporting channels and general guidelines on the behavior expected from employees in the Materials Department.

The Ethics Policy for our employees' supplier relationship management is set forth in the following chapters:

- **General Conduct:** Ethical Principles to be followed by all employees in the Materials Department.
- **Drummond and the Law:** Political Contributions, Financial Integrity, Antitrust Laws, Conflict of Interest and Use of Confidential Information.
- **Drummond and the Public:** Customer Relations, Supplier Relations, Shareholder Relations, Public Relations and Community Relations.
- **Follow up:** Actions that must be taken so as to enforce the Ethics Policy, such as the Open Door Policy and Reporting Programs.

Moreover, within the terms and conditions signed by all contractors, we have included a conflict of interests-related clause.



Finally, we have established policies for the proper management of business-related hospitality on behalf of any supplier, which state as follows:

“The acceptance of gifts from suppliers by company employees must be avoided. They may and will create a context where preferential treatment will be expected. In order to prevent this from happening, no employee or member of the employee’s direct family, involved in the procurement process, shall accept gifts or special favors from suppliers.”

WORKING WITH OUR SUPPLIERS

With the aim of maintaining sound relationships with our suppliers, Drummond has the following process for contract selection, execution, and follow-up:

1. Prior to registering a supplier, we review the companies and their group of partners in the OFAC² list. Additionally, we review their background in the websites of the General Prosecutor’s Office, the Attorney General’s Office, the National Audit Office, the Police and the DAS (Administrative Security Department). Said review is also performed on a monthly basis for registered suppliers.

Our supplier relations are characterized by transparency and ethics. This philosophy is contained in our Ethics Policy, which addresses topics such as conflicts of interest, reporting channels and general guidelines on the behavior expected from employees in the Materials Department.

2. In our bidding processes, we require potential bidders to submit their updated Central Contractor Registration –CCR³– system certificate (RUC in Spanish), and we review their COFACE⁴ financial indicator.
3. Every contractor receives the *Comprehensive Manual for Contractor Monitoring and Control*, which includes policies around Safety, Environment, Occupational Health, Security, and Alcohol and Drugs, as well as the SISO⁵ Assessment System. Contractors are then audited by us, vis-à-vis the aforementioned matters.
4. The Contracting and Auditing areas actively follow-up contracts and comprehensively verify that the contractor complies with all obligations set forth in the contract, including the payment of salaries and social security, delivery of tools and supplies, safety policy and completion of work.

² The Office of Foreign Assets Control (OFAC) is known as a “blacklist” of companies and individuals related to drug trafficking money.

³ Single Contractor Registration.

⁴ COFACE assists and ensures the development of companies worldwide, providing solutions for credit risk management.

⁵ Industrial Safety and Occupational Health.



X-RAY OF AN ENTREPRENEUR

Idalides Castro is the founder of ICC, a company that has provided different maintenance services to Drummond for over 14 years.

This 'Lomero' (native to La Loma) majored in Architecture at the Universidad del Atlántico, and as soon as he graduated, he noticed how the company's operations had generated huge opportunities for his home region.

"I started my working life hand in hand with Drummond. At first, we only used to do some small civil works for the company, such as sidewalks and other minor buildings. That was the first step, since I always had the hope of starting my own business."

Years have gone by and ICC has enhanced and expanded its service portfolio. Today, his company offers services including welding, civil works, machinery rental and truck repairs, not just for Drummond, but also for other mining companies in the sector.

"Although most of the work is done for Drummond, this experience has enabled us to provide services to other companies. Therefore, being a Drummond contractor has been crucial to our success", said Castro, who has been able to provide high quality education to his five children, thanks to the growth of ICC.

With 86 employees now, Idalides Castro assures that Drummond's stringency with all contractors has shaped his venture into a formal company generating stable employment under the best working conditions.

"They have shown us how important it is to provide social security, occupational hazards insurance coverage and pension funds for all our collaborators, as well as safe working conditions and fair and ti-



"The company has invested heavily in education and has built numerous classrooms. It has also focused on the construction and conditioning of roads. But most importantly, it has created direct and indirect employment throughout the region."

Idalides Castro.



mely payments”, he states, adding that most of his team is native to the region. In that sense, Castro says that Drummond’s greatest strength regarding suppliers is its trust towards local contractors, in addition to punctuality and seriousness when it comes to payments, as this is extremely important to companies the size of ICC.

Finally, Idalides Castro highlights that benefits generated by Drummond are not

limited to contractors. He acknowledges the important social impact the company has brought about in its operation’s area of influence. “The company has invested heavily in education and has built numerous classrooms. It has also focused on the construction and conditioning of roads. But most importantly, it has created direct and indirect employment throughout the region.



Idalides Castro and his company ICC have grown hand in hand with Drummond.



Drummond monitors fossil fuel consumption in its operations and mining equipment. The results are reported to heads of areas in order to implement necessary actions to optimize their use.

TABLE 6 / CONSUMPTION OF MATERIALS

| SUPPLIES | 2011 | 2012 | MEASUREMENT UNIT |
|------------------------|-----------|------------|------------------|
| Diesel (Mine and Port) | 8'319,512 | 92'430,576 | Gallons |
| Emulsion | 42,628 | 48,948 | Metric Ton |
| ANFO | 34,611 | 31,889 | Metric Ton |
| Gas | 4'379,222 | 4'319,409 | MBTU |
| Tires 40:00R57 | 1,045 | 1,319 | Units |
| Tires 27:00R49 | 239 | 238 | Units |

ANFO: Ammonium Nitrate Fuel Oil / Blend of Ammonium Nitrate blasting and diesel fuel, used in blasting processes.

1MBTU = 1,002,787.75 cubic feet of gas.

40:00R57: Off-the-road truck radial tires, rim 57.

27:00 R49: Off-the-road truck radial tires, rim 49.

Source: Materials Management Unit.

OUR MATERIALS MANAGEMENT

At Drummond, we optimize our consumption in terms of materials and manage them responsibly in order to make our production process more efficient. The materials we consumed for 2012 are listed as follows:

A determinant factor for our increased consumption in terms of diesel and tires was the fact that our Caterpillar truck fleet was increased by 43 trucks, in 2011, and 7 trucks in 2012, which came into operation in La Mina, during 2012. Also, the production of overburden material (rock) increased from 2011 to 2012, as well as the amount of BCM⁶ removed, which is reflected in the increase of blasting elements, emulsion and ANFO (see Table 6).

⁶ BCM: A unit of volume used in mining. A Bank Cubic Meter equals a cubic meter of rock or material in situ (before it is extracted).



TABLE 7 / POWER PLANT POWER GENERATION OF PRIBBENOW AND EL DESCANSO MINES (IN THOUSANDS)

| UNITS | 2011 | 2012 |
|-------------|-----------|-----------|
| Mega Joules | 1'523,370 | 1'518,488 |

Source: Mine Management

ENERGY CONSUMPTION

We thoroughly monitor power and fuel consumption of equipment used in our operation, as these factors directly affect operational costs and Greenhouse Gas (GHG) emissions.

Pribbenow and El Descanso mines have their own electric power supply, generated from natural gas and produced by a systemized Power Plant. This plant is located in Mina Pribbenow. Included below is a summary of our energy consumption in 2011 and 2012.

At Puerto Drummond, electric power is supplied and monitored by Isagen and its power consumption is shown in Table 8.

The raise in the consumption in 2012, as compared to 2011, is due to the increase in product exports.

We also used energy from diesel power generators. For 2012, our consumption was 20,420 gallons, producing 2'646,432 Mega Joules of energy to our operation (see Table 7).

TABLE 8 / PUERTO DRUMMOND POWER CONSUMPTION (IN THOUSANDS)

| UNITS | 2011 | 2012 |
|-------------|--------|--------|
| Mega Joules | 76,320 | 84,600 |

Source: Mine Management.

At Drummond, we optimize our consumption in terms of materials and manage them responsibly in order to make our production process more efficient.





TABLE 9 / NUMBER OF EMPLOYEES IN DRUMMOND

| DEPARTMENT | MEN | WOMEN |
|-------------------|--------------|-------|
| Atlántico | 485 | 17 |
| Bolívar | 72 | 2 |
| Cesar | 2,807 | 77 |
| Córdoba | 17 | 0 |
| Guajira | 166 | 2 |
| Magdalena | 951 | 71 |
| Sucre | 11 | 0 |
| Other departments | 364 | 23 |
| Total | 5,065 | |

Source: Personnel Management Directorate.

OUR PEOPLE

Our most important asset is every single one of our workers; we face and overcome day to day challenges in our operation with their participation and commitment. One of our greatest satisfactions is having such an excellent team of workers striving for our mission, performing safe and efficient operations (see Table 9).

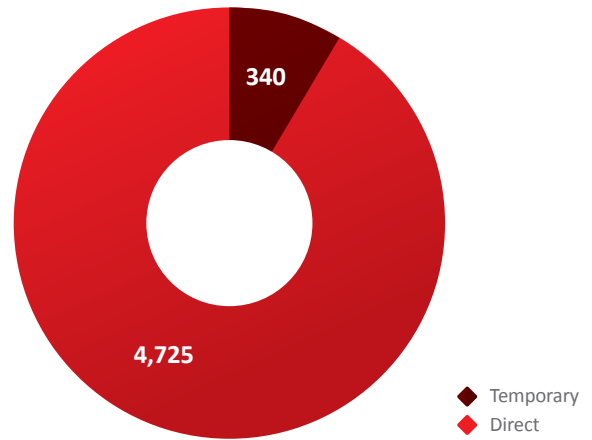
One of the greatest benefits we offer the regions where we operate in is employment generation through selection processes that give priority to candidates from the direct area of influence of our mines and port, and in general, to departments in the northern



→
Drummond gives priority to candidates from the area of influence of our operations.



FIGURE 6 / DISTRIBUTION OF WORKERS BY TYPE OF CONTRACT



Source: Personnel Management Directorate.

coast of the country. The figures that show this are displayed as follows, including number of workers employed directly by the company and those hired for specific assignments (temporary workers). See Figure 6.

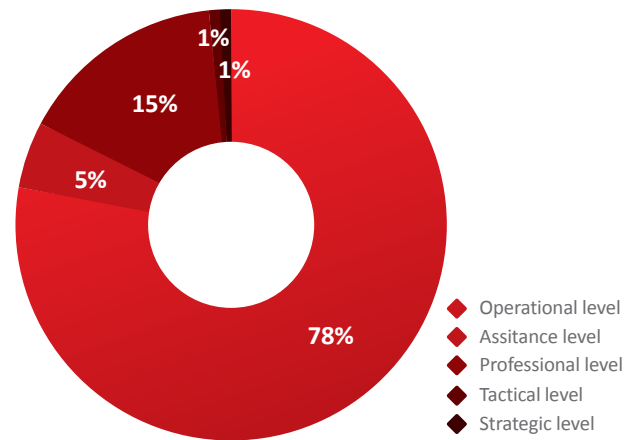
Of our labor force, temporary workers account for 6.7% (340 people) and those employed directly by the company amount to 93.3% (4,725 people) of the total staff, by the 2012 closing.

Our organizational distribution is defined by the levels shown in Figure 7.

The highest concentration of workers (78%) is at the operational level, including personnel directly involved in our operations.

Our most important asset is every single one of our workers; we face and overcome day to day challenges in our operation with their participation and commitment.

FIGURE 7 / DISTRIBUTION OF WORKERS BY LEVEL



Source: Personnel Management Directorate.



TABLE 10 / DESCRIPTIONS OF LEVELS AT DRUMMOND

| LEVEL | POSITIONS |
|--------------|--|
| Strategic | President, Vice Presidents, Superintendents, Managers and Assistant Superintendents |
| Tactical | Leading supervisors and directors |
| Professional | Analysts, coordinator, senior supervisors and line supervisor (in the areas of production/maintenance and support) |
| Assistive | Assistants |
| Operating | Employees covered by the scope of the Collective Labor Agreement (CLA) |

Source: Personnel Management Directorate.



SENIOR MANAGEMENT STRUCTURE

Based on our local contracting policy which applies to our entire organization, the following table shows the regions of origin of our senior management employees, including: President, Vice Presidents, Managers, Superintendents and Assistant Superintendents.

WAGES

Our priority at Drummond is to provide fair remuneration for the work performed by our employees, as means of recognition for their support and commitment to achieving the goals set by our company. Therefore, we care about offering a competitive position, from the compensational standpoint. This is why we engage in salary surveys in order to monitor the Colombian labor market segment of our interest.

We have determined salaries based on the following classification of our population:

1. Employees covered by the Collective Labor Agreement (hourly workers), which includes machinery operators and maintenance technicians.
2. Managers and trusted employees (salary workers), including administrative personnel and supervisors at different levels.

For the first group, there are four (4) different remuneration levels in accordance with abilities and skill sets required to operate certain equipment of which complexity and specialization components may vary. Moreover, for salary workers, positions are grouped into 15 pay scales.

TABLE 11 / SENIOR MANAGEMENT STRUCTURE, BY PLACE OF BIRTH AND AGE GROUP

| | AGE RANGES | WOMEN | | | | MEN | | | | TOTAL |
|-------------------|------------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|
| | | 25-34 | 35-44 | 45-54 | => 55 | 25-34 | 35-44 | 45-54 | => 55 | |
| Atlántico | | 0 | 0 | 0 | 0 | 0 | 4 | 1 | 0 | 5 |
| Bolívar | | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 1 | 4 |
| Cesar | | 0 | 0 | 0 | 0 | 0 | 8 | 8 | 2 | 18 |
| Córdoba | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Guajira | | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 |
| Magdalena | | 0 | 0 | 0 | 0 | 0 | 3 | 1 | 0 | 4 |
| Other departments | | 1 | 2 | 3 | 1 | 1 | 5 | 15 | 6 | 34 |
| TOTAL | | 1 | 2 | 3 | 1 | 1 | 20 | 30 | 10 | 68 |

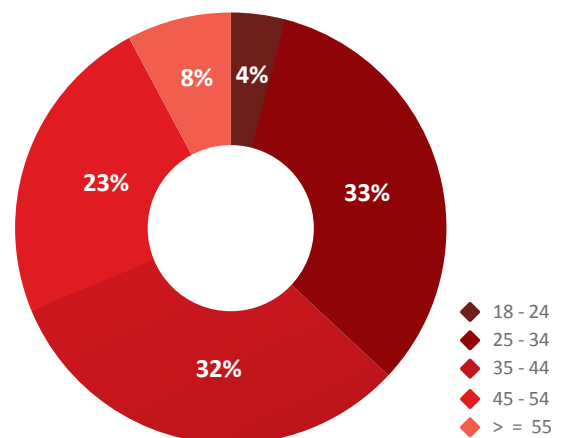
Source: Personnel Management Directorate.



←
Our priority at Drummond is to provide fair remuneration for the work performed by our employees.

The basic hourly workers' salary ranges from \$1'548,943 and \$3'096,772. The average income for employees in operational areas, with regular job rotations, ranges from \$4'230,000 to \$8'400,000, including legal and fringe benefits, night work surcharges, Sunday work, holidays and overtime. In our company the day shift starts at six in the morning (6.00 a.m.) and ends at six in the afternoon (6.00 p.m.) and the night shift starts at six in the afternoon (6.00 p.m.) and ends at (6.00 a.m.); therefore, the night work surcharge we pay for is 4 hours in excess of what is set forth in Law 789 of 2002, which states that in order for work to be considered night work, it should begin after 10.00 p.m. This determination has a direct impact on the monthly income of workers covered by the Collective Labor Agreement.

FIGURE 8 / DISTRIBUTION OF WORKERS BY AGE RANGE



Source: Personnel Management Directorate.



In the lowest rate for hourly workers, the basic wage is 2.73 times higher than the minimum wage in Colombia. Should the basic wage for 3,572 hourly workers be weighted, it would equal 4.57 times the minimum wage in Colombia.

Moreover, should the average monthly income for the 3,572 hourly workers (working on regular rosters) be weighted, it would equal 12.48 times the minimum wage in Colombia.

EMPLOYMENT GENERATION AND CREATION

At Drummond, we are known for being a source of stable jobs, and this has been ratified with our contracting rates in contrast with turnover rates thereof (see Table 12).

During 2012, we hired 344 workers in the Mining Operations. At the Port, two new cranes were introduced for marine operations, thereby generating 60 new jobs.

LABOR RELATIONS

Drummond has developed absolute respect for labor and union rights set forth in Colombian regulations and international agreements. This philosophy allows us to provide our employees a work environment in line with responsible and best practices in terms of labor and trade unions.

In the same vein, the company currently has three unions representing direct member employees (see Figure 9).

TABLE 12 / RECRUITMENT AND TURNOVER RATES

| | DIRECT EMPLOYEES | TEMPORARY EMPLOYEES |
|------------------|------------------|---------------------|
| Turnover rate | 1.72% | 30.68% |
| Contracting rate | 8.3% | 25.00% |

Source: Personnel Management Directorate.



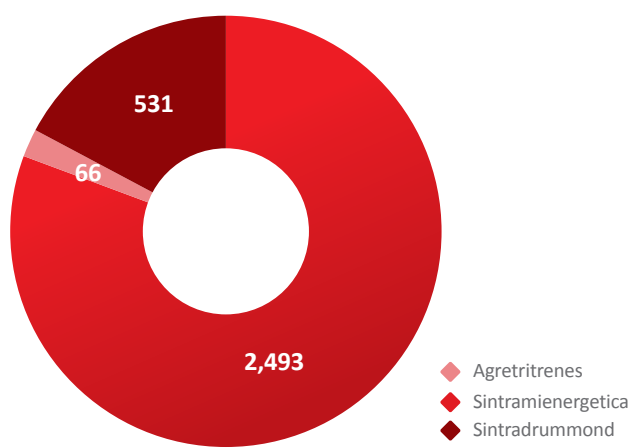
At Drummond, we are known for being a source of stable jobs, and this has been ratified with our contracting rates in contrast with turnover rates thereof.



- **Sintramienergética:** industrial union also composed of workers from different companies belonging to the same industry or economic activity, including mining.
- **Sintradrummond:** the primary or company union, made up exclusively by Drummond workers.
- **Agretritrenes:** a trade union made up by the Drummond train crew.

↑
Drummond has developed absolute respect for labor and union rights set forth in Colombian regulations and international agreements.

FIGURE 9 / MEMBERS OF TRADE UNIONS



As of December 31st, 2012, the number of workers belonging to the three unions is 3,090, which equals 64.70% of all personnel working for the company. These figures prove the guarantee offered by our company to those workers interested in joining such organizations; we respect their constitutional right of freedom of association.

As of 2012, the company has two Collective Labor Agreements, one signed with the union (Sintramienergética), and a joint agreement with Sintradrummond and Agretritrenes, of which its force and effect will end on May 31st, 2013.

Source: Labor Relations Superintendence.



Besides competitive a salary, education and training are part of targets around wellbeing and personal growth for our people.



Not only does Drummond respect workers' freedom of association, but also requires contractor companies to enforce this constitutional right. This is done through permanent interaction with the suppliers' managers, thereby sharing experiences and best practices within the legal framework, so as to ensure the work environment in our company is a peaceful one.

EDUCATION AND TRAINING

Besides competitive a salary, education and training are part of targets around wellbeing and personal growth for our people. For this reason, we have defined training programs intended not only for our current employees but also for those community members we wish to engage in our operation as part of the "In House" training program, which will be discussed further on.

The following figures indicate Drummond workers' training throughout the Colombia operations: the Port, the mines and Bogotá.



Our training sessions have focused on four main types of training:

- **Operational Training:** Its main purpose is to provide training in mining equipment handling; it includes classroom and field training, in addition to a test that measures the effectiveness of the training imparted.
- **Regular Training:** Its goal is to address issues regarding occupational health, safety, human resources and environmental management. This training consists of eight cycles per year, 42 days each.
- **Special Training:** Targeted at all employees seeking professional and personal development. It is subdivided into: specialized technical training, personnel development training, technological or technical training, emergency response training and briefings for new workers.
- **Defensive driving:** targeted at all employees as a requirement for driving within the mines.

Included in Figure 10 is the distribution of hours in different types of training for 2012:

56% of the training has focused on the operation, whereas the remaining 45% has been around regular training, defensive driving and special training. Table 14 shows the average number of training hours for mine and port employees.

Although the percentage of female population trained equals 3% of the male population who received training, for hourly workers the average training for women in 2012 was 206 hours per worker, while that of men was 108; this female share is more representative due to “In House” training for female truck operators (Read more in “Drummond as an agent of change”).

TABLE 13 / AVERAGE TRAINING HOURS

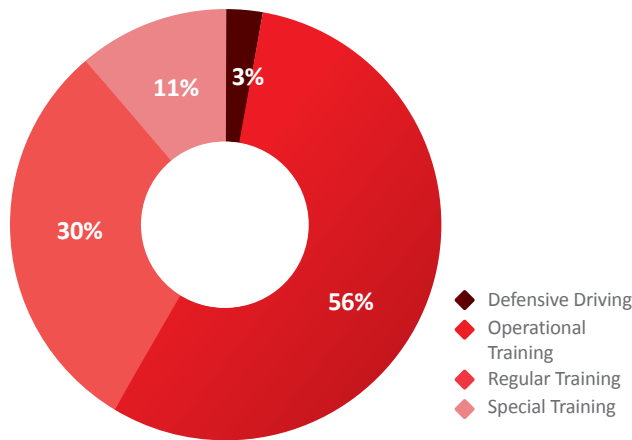
| YEAR | TOTAL HOURS | NUMBER OF TRAINEES | AVERAGE HOURS PER WORKER |
|------|-------------|--------------------|--------------------------|
| 2011 | 385,867 | 3,822 | 141 |
| 2012 | 379,519 | 3,958 | 150 |

Source: Selection and Development Directorate.





FIGURE 10 / DISTRIBUTION OF TRAINING HOURS



Source: Selection and Development Agency.

Hourly workers constitute our productive force, mostly including operators and technicians, who account for over 75% of all direct employees of our company, which is why about 90% of investment in training is focused on them.

JOB COMPETENCIES CERTIFICATION

As for training and skills management, in partnership with SENA (the Colombian National Learning Service), Drummond has developed certification processes for mining equipment working skills, using specialist trainers as evaluators and all necessary logistics during the evaluation. The number of certified workers in 2012 is shown in Table 15.

TABLE 14 / AVERAGE TRAINING HOURS IN 2012

| | MEN | | WOMEN | |
|------------------|--------------------------|--------------------|--------------------------|--------------------|
| | AVERAGE HOURS PER WORKER | NUMBER OF TRAINEES | AVERAGE HOURS PER WORKER | NUMBER OF TRAINEES |
| Daily (hourly) | 108 | 3,145 | 206 | 42 |
| Monthly (salary) | 41 | 746 | 23 | 25 |

Source: Selection and Development Agency.

Besides a competitive salary, education and training are part of targets around wellbeing and personal growth for our people.





↑
Education and training are part of targets around wellbeing and personal growth for our people.

PERFORMANCE ASSESSMENT

At Drummond, we want our workers to continuously develop their skills, striving to become better every day. Therefore, in pursuit of this goal, we have established the following development and assessment model based on competencies, around which assessments will be conducted so appraise compliance with the current year’s objectives and set goals for the following year. Additionally, these assessments encourage feedback between managers and workers in search of a better individual and collective performance.

In 2012 we developed a competency model under which company leaders have been assessed and have received feedback (see Figure 11).

In 2012, we assessed 1,015 salary workers based on their achievement of targets, who accounted for 88% of the total population defined for this evaluation.

TABLE 15 / GRAND TOTAL OF TRAINING HOURS PER WORKER’S ROLE

| | 2011 | 2011 (%) | 2012 | 2012 (%) |
|------------------|----------------|-------------|----------------|-------------|
| Daily (hourly) | 369,567 | 96% | 347,964 | 92% |
| Monthly (salary) | 16,300 | 4% | 31,555 | 8% |
| TOTAL | 385,867 | 100% | 379,519 | 100% |

Source: Selection and Development Directorate.

TABLE 16 / PERSONNEL WHO WERE CERTIFIED FOR THEIR FOR WORKING SKILLS

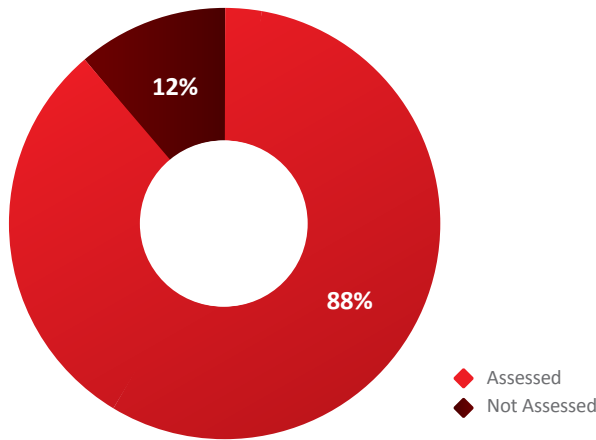
| PERSONNEL | YEAR 2012 |
|--------------|------------|
| Mining Truck | 90 |
| Tractors | 49 |
| Blasting | 31 |
| Graders | 25 |
| Evaluators | 15 |
| TOTAL | 210 |

Source: Selection and Development Agency.



At Drummond, we perform performance assessments to appraise compliance of the objectives

FIGURE 12 / WORKERS WHO HAVE UNDERGONE A FORMAL REVIEW AND ASSESSMENT IN 2012



Source: Selection and Development Directorate.

FIGURE 11 / DEVELOPMENT AND EVALUATION OF JOB SKILLS



TRAINING PROGRAM IN COMMUNITIES: "IN HOUSE" GROUPS

"In House" training groups emerged as an alternative to train manpower that was starting to become scarce in the mining area of influence by 2009, which our company had been supplying since 2006 as part of the partnership with SENA. However, since our demand for operators was higher than the number of workers that could be trained and supplied by our company together with SENA, we decided to provide training for people in the region who had no previous experience in mining equipment operation.

This program consists of theoretical and practical training delivered inside the mine, on heavy equipment operation (truck, grader and Caterpillar).

In 2012, In House groups were distributed as shown in Table 17.

During 2012, out of 85 people who were trained, 70 were instructed on mining truck operation and the remaining 15, on grader operation. To December 31st 2012, 382 youngsters native to the mining area of influence have been trained so far.

Workers engaged in the "In House" process are devoted at least 450 hours of training sessions from the initial theoretical stage until they achieve competencies deemed necessary for workers to operate on their own, in a safe and productive fashion. On average, a worker may take about 12 weeks to complete the training process.



HEALTH AND SAFETY MANAGEMENT AT WORK

As already mentioned, we seek to create a workplace providing the best conditions for our workers' health and safety. Thus, we will discuss the work we have performed with a view to attaining this.

SAFETY AND OCCUPATIONAL HEALTH IN DRUMMOND

As regards the Health and Occupational Safety program management, Drummond counts on two departments that report directly to the Human Resources VP:

- **The Occupational Health Department:** Comprised by a group of specialists in occupational health.

At Drummond, we want our workers to continuously develop their skills, striving to become better every day

TABLE 17 / IN HOUSE GROUPS DISTRIBUTION

| TEAM TRAINED IN HOUSE | NUMBER OF PEOPLE |
|-----------------------|------------------|
| Mining Truck | 70 |
| Graders | 15 |
| TOTAL | 85 |

Source: Selection and Development Directorate.



←
Workers engaged in the "In House" process are devoted to at least 450 hours of training sessions.



- **Safety Department:** Made up by a group of specialists who relies on the expert advice from the service providers network of the Colmena Arp (Occupational Risk Administrator) and Aon Colombia, the insurance consultant.

Safety is a fundamental pillar for operational excellence; this is why we have attained a significant evolution, based on the entire company's commitment around risk management. Thus, in 2012 we redefined the concept of Safety as:

"It's our life style, which guides everything we do, protecting those around us, our environment, our resources, and ourselves."

In line with this definition, the different levels in the organization, starting from senior management, have demonstrated their commitment through their involvement in activities such as visits to workplaces, incident research and follow-up –which are a necessary input for management–, attendance and participation in meetings, reporting the status of safety

and health related actions, and performance assessments based on their role. Additionally, workers permanently develop their tasks under the concept of risk identification, assessment and control in all the activities they perform, ensuring compliance with our Safety Policy.

This is how we have evolved, taking on new challenges before our commitment to safety; hence, we have started working around the requirements of an occupational health and safety management system aligned with OHSAS 18001:2007. This system has enabled us to shape our organizational culture into a philosophy where safety entails a life value, which fosters the creation of an accident-free work environment. Said certification was granted to our port operations by Lloyd's Register Quality Assurance in (LRQA) in 2011. Similarly, Mining Operations are in the process of obtaining said certification.

As a result of our commitment, we have been recognized for our responsible safety management. This is because we always make sure that anyone executing a task is fully competent to do so. For this reason,

As a result of our commitment, we have been recognized for our responsible safety management.





we have structured a series of Safety programs in the company, as described below:

From all these programs we want to highlight the implementation of the **Safety focused on human beings** program for supervisors, which seeks to mobilize Drummond leaders towards experiencing safety as a core value, by:

- Raising awareness about the central role a leader plays in promoting the cultural change of transforming safety into a core value.
- Coaching and supporting company leaders by identifying different actions and behaviors that may drive safety as a value.

This program is developed in 4 modules:

1. **Managing yourself:** What is my role as a leader before safety?
2. **The art of conversing:** Learning and practicing a conversational model that allows them to structure effective conversations which may impact safety and human life.
3. **Educational Leader:** Discovering how to coach others in learning together how to experience safety as a value, through feedback and the strengthening of relationships.
4. **Transformational leader:** Creating opportunities to practice and apply all topics covered, in which leaders may be able to coach their team in fine-tuning their perception and raising awareness around risk.

Included in Table 18 is the number of training hours devoted to the Safety Focused on Human Beings program:

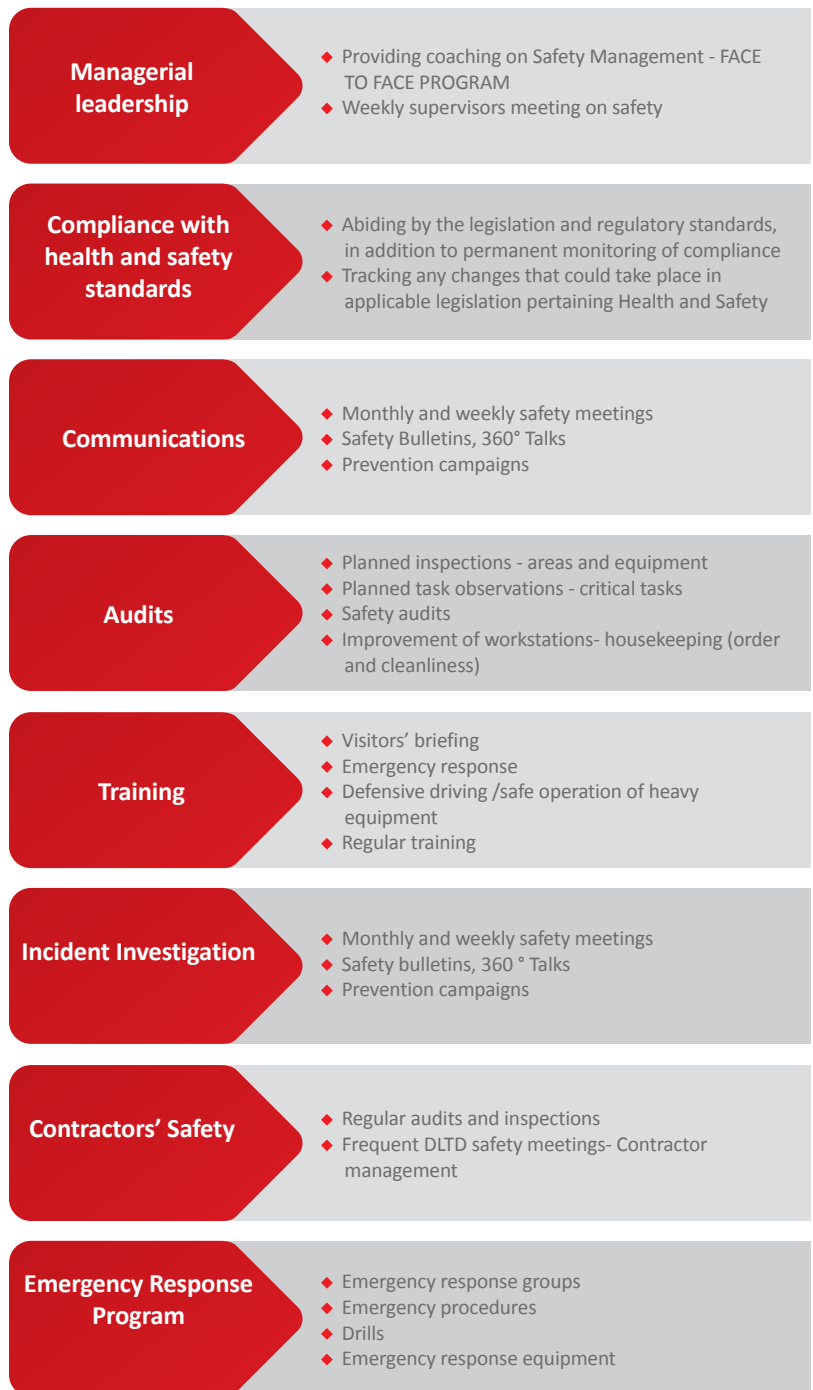
JOINT COMMITTEE ON OCCUPATIONAL HEALTH - COPASO

It is important for our management to promote occupational health and comply with the provisions of the law, so also we have three Joint Committees on Occupational Health (Copaso), in which representatives of workers in the operation and administration. These committees have the specific responsibility for: participating in work related incident investigations, carrying out safety inspections, encouraging training activities and the promotion of policies and guidelines on health and safety.

Our Copaso structured in all operational headquarters and functions in accordance with Colombian laws:

The total percentage of the workforce represented in Copaso is 100%.

SAFETY PROGRAMS



Source: Safety Management Unit.



Food supply is one of the items classified as Health and Safety in the collective labor agreements.

TABLE 18 / NUMBER OF TRAINING HOURS DEVOTED TO THE SAFETY FOCUSED ON HUMAN BEINGS PROGRAM:

| | MINE | | PORT | | TOTAL HOURS |
|-----------------|------------|-------------|-----------|-------------|-------------|
| | MANAGERS | SUPERVISORS | MANAGERS | SUPERVISORS | |
| Module 1 | 32 | 120 | 16 | 72 | 1074 |
| Module 2 | 36 | 160 | 18 | 72 | |
| Module 3 | 36 | 152 | 18 | 72 | |
| Module 4 | 36 | 144 | 18 | 72 | |
| SUBTOTAL | 140 | 576 | 70 | 288 | |

Source: Selection and Development Directorate.

TABLE 19 / MEMBERS OF COPASO AT DRUMMOND

| COPASO | COMPANY REPRESENTATIVES | | WORKER REPRESENTATIVES | |
|------------------------|-------------------------|-------------|------------------------|-------------|
| | MAIN | SUBSTITUTES | MAIN | SUBSTITUTES |
| Mining Operation | 4 | 4 | 4 | 4 |
| Port Operation | 3 | 3 | 3 | 3 |
| Administrative Offices | 1 | 1 | 1 | 1 |

Source: Safety Management Unit.

We want to highlight that we have achieved 100% compliance in activities scheduled by Copaso for the internal audit program. Likewise, we have achieved over 90% compliance in planned inspections of the management system, and finally, we have achieved a compliance rate of 100% in the closing of gaps identified in planned inspections, internal and external audits and work incidents. Moreover, teamwork with Colmena ARL (our Occupational Risk Administrator) has been reinforced in terms of improving our company's Health and Safety Management System.

Drummond also has other formally incorporated committees, created to encourage the participation of our workers in health and safety issues. These committees are made up of both ARL and workforce members:

- **Labor Coexistence Committee:** This committee is part of all operational headquarters. Each one of them is made up of two key employee representatives and two ARL members and their corresponding substitutes, who have been freely elected.
- **Emergency Brigades:** Drummond has an in-house team of 350 emergency brigadiers (composed of workers) who receive the necessary training for emergency response in areas such as first aid, firefighting techniques, vehicle extrication, rescue at heights and confined spaces, water rescue and hazardous materials handling.

Our COPASO structured in all operational headquarters and functions in accordance with Colombian laws.



SAFETY AND HEALTH IN THE COLLECTIVE LABOR AGREEMENT

We are all part of Drummond; for this reason, health and safety matters at work have also been embedded into both collective agreements signed with the unions. Said health and safety matters addressed by the Convention include:

- Allowance for lenses and frames
- Meals
- Food and transportation committee
- Financial aid in case of a family member's death
- Fringe benefits in case of workers' death
- Supplies
- Support program for workers with alcoholism and/or drug dependence
- Relocation due to health problems
- Ambulances to transport patients
- Tests and treatments
- Occupational disease, occupational accidents and disabilities
- Recreation and culture
- Medications for very costly illnesses

HEALTH AND SAFETY FOR OUR SUPPLIERS

At Drummond, we have designed and implemented a *Comprehensive Manual for the Control and Monitoring of Contractors* aimed at educating them on their major responsibilities and those of their subcontractors in terms of occupational health and safety during the performance of work for our Company. This control program seeks to ensure that services provided by third parties are executed as per required under the applicable law and company standards, so as to guarantee the health and safety of our employees, contractors, customers and visitors. In turn, our suppliers must establish mechanisms to meet applicable legal requirements pertaining to the economic activities they perform.

INCIDENT REGISTER

Despite our safety management, we are not exempt from the occurrence of incidents. However, throughout the process of recording incidents, performing cause analyses and defining action plans, we constantly look for measures to prevent workers from suffering injuries and illnesses.

Health and safety matters at work have also been embedded into both collective agreements.





Thus, in Drummond we calculate the absenteeism rate, considering sick leaves due to common and/or occupational illnesses; we use data around lost workdays due to work-related accidents to determine accident rates. Thus:

PORT OPERATION

In the Port, during 2012, 1,190 medical disability certificates –or sick leaves– were granted due to different causes such as common diseases, work-related accidents and occupational illnesses, thereby resulting in 7141 lost days..

- The sick leaves were granted to 462 workers (46%) out of an average working population of 1,007.
- Out of the 1,190 sick leaves, 508 (42%) were generated by 68 workers, with five of more absences throughout the year.
- The average age of the workers with a sick leave during the year is 44.5, in a population with a lower age limit of 21 and an upper limit of 69 years of age.

In terms of lost days, our indicators are shown in Table 20.

On the subject of occupational illnesses, during 2012, 54 cases were submitted for appraisal by the various bodies established by law, out of which 8 completed the process and were considered an occupational or work related disease.

In accordance with current regulations in Colombia, in this rating process, the origin of illnesses is initially determined by occupational health boards from the Health Maintenance Organizations –HMO– (EPS, in Spanish), pension funds or the ARL (Occupational Risk Administrator); subsequently, illnesses are appraised by Regional Classification Boards, and ultimately by the National Classification Board. The process may start at the HMO (EPS) after an illness has been diagnosed or at our company whenever a disease is detected and may be considered work-related. In such cases, the disease is documented and the worker's Medical Record is submitted, along with the workstation analysis and the certificate of roles performed in the company, so as to proceed to determine the causality.

At Drummond we work consistently in the accidents prevention, injuries and diseases.





MINING OPERATION

During 2012, in the mining operation 6,528 sick leave cases were recorded; they were granted to 2,142 workers who missed work between 1 and 17 times during the period.

- Out of these sick leaves, 6,466 cases (99%) occurred in the male population, which accounts for 98% of workers in the mining operation.
- The average age of workers who missed work during 2012 is 38.6, in a range of 19.6 to 71.6 years of age.
- Of the 6,528 sick leave cases, 5,793 (89%) were from Mina Pribbenow workers; 733, from El Descanso mine and 2 from other workplaces.

The distribution of sick leaves by work area took place during 2012 is shown in Table 22.

For the number of occupational illnesses, out of 162 cases submitted for classification in 2012, to December, only 69 of them (42.5%) had completed the classification process, with the following results:

- **Common disease:** 42 cases (63%)
- **Occupational illness:** 22 cases (30%)
- **Sequelae not resulting from work-related accidents:** 4 cases (6%)
- **Sequelae resulting from work-related accidents:** 1 (1%)

TABLE 20 / SICK LEAVES BY WORK AREA

| AREAS | SICK LEAVES | % | DAYS | % |
|----------------------|--------------|--------------|--------------|--------------|
| Marine | 390 | 32.8 | 2,086 | 29.2 |
| Yard | 240 | 20.2 | 1,142 | 15.9 |
| Railway | 232 | 19.5 | 1,469 | 20.6 |
| Marine Maintenance | 172 | 14.4 | 1,436 | 20.1 |
| Maintenance | 81 | 6.8 | 375 | 5.3 |
| Administration | 75 | 6.3 | 633 | 8.9 |
| OVERALL TOTAL | 1,190 | 100.0 | 7,141 | 100.0 |

Source: Occupational Health Directorate.

TABLE 21 / LOST DAYS INDICATORS AT PUERTO DRUMMOND

| INDICATOR | 2011 | 2012 | INTERPRETATION |
|---|-----------|-----------|---|
| General Absenteeism Index (IGA) | 3.25% | 2.81% | 2.81% of scheduled working days were lost due to sick leaves during 2012 |
| Overall Medical Disability (Sick leave) Index (IGI) | 0.68 | 0.59 | On average, 0.59 days were lost to a worker's medical disability (sick leave), per month. |
| Average Lost Days per case | 6.38 days | 6.00 days | On average, six days are lost per every absence due to medical reasons. |

Source: Occupational Health Directorate.



TABLE 22 / SICK LEAVES BY WORK AREA

| AREAS | SICK LEAVES | % | DAYS | % |
|----------------------|--------------|--------------|---------------|--------------|
| Production | 3,298 | 50.5 | 22,829 | 47.3 |
| Maintenance | 2,151 | 33.0 | 16,760 | 34.9 |
| Coal | 442 | 6.8 | 3,549 | 7.4 |
| Administration | 245 | 3.8 | 1,722 | 3.6 |
| Materials | 192 | 2.9 | 2,000 | 4.2 |
| Load out | 130 | 2.0 | 713 | 1.5 |
| Geology | 45 | 0.7 | 397 | 0.8 |
| Environment | 23 | 0.4 | 65 | 0.1 |
| Railway | 2 | 0.0 | 4 | 0.0 |
| OVERALL TOTAL | 6,528 | 100.0 | 48,039 | 100.0 |

Source: Occupational Health Directorate.

We have implemented a health and safety management system, seeking to strengthen workers' self-care by increasing safe practices and procedures, as well as improving working conditions.



TABLE 23 / LOST DAYS AT THE MINE- INDICATORS

| INDICATOR | 2011 | 2012 | INTERPRETATION |
|---------------------------------|----------|----------|--|
| General absenteeism index (IGA) | 4.8% | 4.5% | During 2012, 4.5% of scheduled working days were lost due to sick leaves |
| General Frequency Index (IGF) | 13.4% | 13.1% | In 2012, for every 100 workers, there are 13.1 cases of absence due to medical reasons |
| Average lost days per case | 7.5 days | 7.1 days | On average, 7.1 days are lost per every absence due to medical reasons |

Source: Occupational Health Directorate.

Diagnosed occupational illnesses include ailments related to the back, upper limbs and hands. Finally, lost days were calculated based on the indicators shown in Table 23. During 2012, a fatality took place due to work related causes. Therefore, we have implemented a health and safety management system, seeking to strengthen workers' self-care by increasing safe practices and procedures, as well as improving working conditions.



As a result of our commitment, we have been recognized for our responsible safety management.

OUR COMMITMENT TO THE ENVIRONMENT

Our commitment to the environment emerges from the resources we devote to environmental management, as described in greater detail in chapters “Drummond Beyond Compliance” and “Drummond is Compliance”, including programs, actions and activities aimed at controlling and mitigating the impacts of our operation. The following figures express our environmental investments.





Our environmental investment for 2012, has primarily focused on controlling and improving air quality, without neglecting the protection of water.

2012 ENVIRONMENTAL INVESTMENT

The value of our environmental investment for 2012, both in mining projects and the Port, has primarily focused on controlling and improving air quality, without neglecting the protection of water and other necessary components for a proper environmental management.

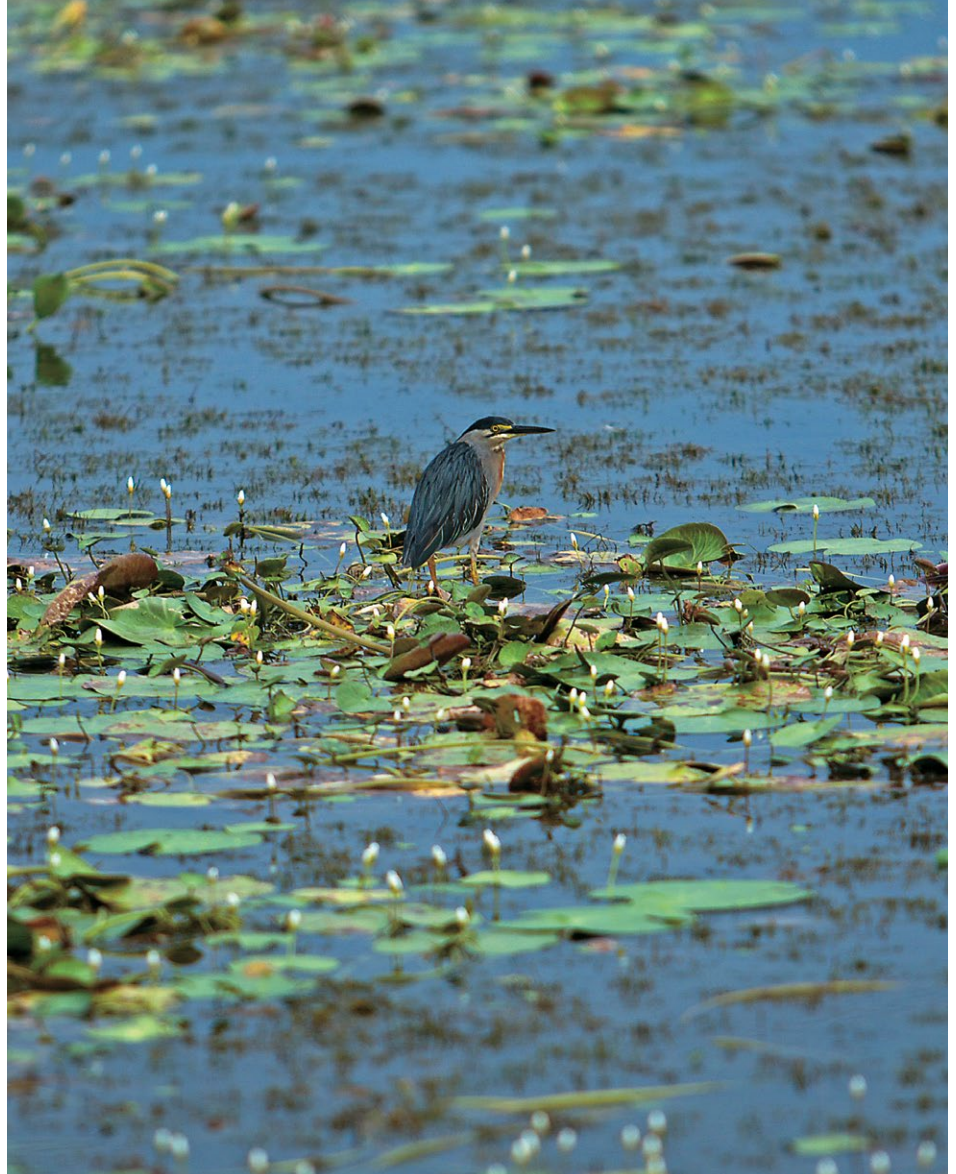
Under the framework of the effective management sought permanently by our company, our investment included:

- 5 dust suppressant tests to find the most feasible alternative, from the technical and economic standpoint.
- Implementation of seven fog cannons for emission control in operations involving truck loading shovels.
- Implementation of two new emission control systems in the coal loading area of La Loma (Mina Pribbenow).

TABLE 24 / ENVIRONMENTAL INVESTMENT IN THE MINES

| INVESTMENT IN COLOMBIAN PESOS (COP) | EL DESCANSO | LA LOMA |
|-------------------------------------|-----------------|------------------|
| Air – Noise | \$7,785'543,202 | \$35,189'744,873 |
| Water | \$683'519,234 | \$1,212'687,990 |
| Soil and Landscapes | \$538'091,049 | \$2,826'704,773 |
| Environmental management | \$1,232'711,899 | \$505'822,049 |

Source: Drummond Environmental Department.




Drummond's environmental investment for 2012, both in mining projects and the Port, has primarily focused on controlling and improving air quality.

TABLE 25 / ENVIRONMENTAL INVESTMENT IN PUERTO

- Increased tanker fleet, adding up to a total of 27 pieces of equipment: the country's largest fleet for a mining company.
- Change in roadway materials for internal mine roads and paving of secondary and urban roads, in order to achieve emission reductions, as explained further on.

Included in Table 25 are the values corresponding to the aforementioned investments.

Our port operation is not alien to environmental investment. Included below is a detailed list of economic resources invested in Puerto Drummond. 

| INVESTMENT IN COLOMBIAN PESOS (COP) | |
|-------------------------------------|-----------------|
| Overhead | \$22'116,794 |
| Water | \$593'556,622 |
| Air | \$2,394'477,298 |
| Terrestrial and marine biota | \$767'797,406 |
| Waste | \$260'418,224 |
| Social management | \$227'769,652 |
| Environmental taxes | \$124'320,302 |
| Personnel | \$770'974,869 |

Source: Drummond Environmental Department.







Drummond

Beyond Compliance



OUR INITIATIVES FOR ENERGY CONSERVATION AND EFFICIENCY IMPROVEMENTS

We promote initiatives to prevent, mitigate and offset the impacts of our operations. Thus, we have taken steps to reduce energy consumption; within the aforementioned actions, we underline the following ones:

- Changing from fluorescent lighting with electromechanical to lighting with electronic ballasts in our office areas, achieving energy savings of around 37% and increasing the useful life of fixtures.
- Changing direct starters¹ in the conveyor belt engines for four variable-frequency drives² and high efficiency motors (HEMs), reducing energy consumption by around 15% on this conveyor belt.
- Implementation of high-efficiency motors on conveyor belts: The installation of high-efficiency motors and variable-frequency drives allows us to lower the equipment's energy consumption.
- A project was conducted to determine the feasibility of implementing LED lights on the port's perimeter lighting. Based on the findings, changing regular lamps for LED lights reduces energy consumption by 75%.
- By installing a variable-frequency drive for the port's industrial water system flow control we are managing to reduce energy consumption by 30%.
- With the construction of new pier at the Port, we will reduce the greatest direct electricity consumption, which comes from power generators with a capacity of 1,800 Kilowatts.

¹ The starter is used to keep the engine at its normal speed.

² A variable-frequency drive is a system used to control the rotational speed of an AC motor.



At Drummond, we are aware that sustainability includes promoting socially and environmentally responsible practices beyond compliance with legal requirements in force. Therefore, this chapter addresses the efforts we have made to carry out a responsible operation, including best practices that allow us to pursue a sustainable, efficient and environmentally friendly operation.



OUR INITIATIVES FOR AIR QUALITY IMPROVEMENT

At Drummond, we seek to reduce emission rates; therefore, and in order to reduce Greenhouse Gas emissions, we have developed a project for clean fuels for light vehicles in mining projects (to date we have converted a total of 104 vehicles to Natural Gas.)

Furthermore, we are aware of the impacts entailed in coal transportation. This is why at Drummond we implement responsible loading, transportation and unloading practices.

Since 1997, at Drummond we have transported of all our coal from the mine to Santa Marta through railway, by this means avoiding coal movements on roads by land transportation (trucks).

In addition to this, the unloading of the train is done through rotary railcar dumpers,

At Drummond we implement responsible loading, transportation and unloading practices. ↓



Source: Drummond Environmental Department.



↑ The Coal Road paved.

Paujil reservoir. ↓



Source: Drummond Environmental Department

as all our trains have wagons with no under-side doors (just like other trains normally do). Our trains are unloaded by rotating each wagon, thereby preventing potential coal discharges along the railway. Detailed information on our particulate air emission controls in our unloading procedure is contained in chapters “Drummond is Compliance” and “Drummond Beyond Compliance”.

Along with other mining companies in the area, we have also set ourselves the target of conducting activities aimed at improving air quality in zones outside our operation. These tasks include the following:

- **Paving “the coal road”:**
We paved a total length of 13.46 km on the “coal road”, so called because it enables vehicle access to mines in the sector. Not only did this reduce emissions in the area of influence due to the transit of private vehicles, but it also contributed substantially to improving the living conditions of the region’s population.
- **Sweeping and cleaning of urban roads in La Jagua de Ibirico and La Loma.**
Likewise, along with other mining companies in the region, we have cleared the dual carriageway of the main road in La Jagua de Ibirico and La Loma (El Paso municipality), which implies environmental benefits and improvements for the quality of life of residents adjacent to these roads. This process was performed in response to data analysis conducted by Corpoesar’s Air Quality Network (Red de Calidad de Aire de Corpoesar), which determined that the permanent presence of dust on municipal urban roads is a major source of particulate matter.

OUR INITIATIVES TO IMPROVE THE QUALITY OF BIODIVERSITY

The open pit mining development of La Loma coal project required the deviation of watersheds, altering the natural conditions of these ecosystems but, in turn, becoming an opportunity to strengthen them or even create new ones with better environmental characteristics, such in the case of the Paujil reservoir, which has positively transformed the dry savannah landscape of Cesar by becoming an oasis in the area and bringing about many environmental and ecological benefits, especially for the protection of wildlife.



At Drummond we painstakingly look after this reservoir and make huge efforts to preserve its biodiversity, making it possible for it to grow as a strategic ecosystem in the region, as it has also attracted the presence of numerous birds, reptiles, mammals, and other representative species of wetland areas.

Other benefits are described as follows:

- **Improvement of the landscape:** In the past, the landscape was characterized by dry savanna areas and small forests bordering creeks. Today, there is a peaceful and pleasant view, with a huge lagoon surrounded by savannah and abundant presence of birds, fish, reptiles and mammals.



Source: www.drummond ltd.com/compromiso-ambiental/el-embalse-paujil

- At present, Paujil reservoir has become an ecosystem we protect carefully in order to preserve the flora and fauna of the central region of the Cesar province. In turn, this reservoir serves as a seed bank, which in the future will aid the reinstatement of disturbed mining areas as well as surrounding water sources.
- **Flow regulation:** During dry seasons, the reservoir has made it possible for water to flow continuously into the San Antonio creek through the discharge channel, enabling the latter to retain a significant flow during these periods. In turn, during rainy seasons a good amount of water is stored, thereby reducing the likelihood of flooding in the lowlands of the San Antonio creek, which

↑
Birds inhabiting the Paujil Reservoir.

3. They are used as an anti-freeze in engine cooling circuits.

has occurred in the past.

- **Genetic bank:** The fact of having a permanent water flow in and out of the reservoir makes it behave like a marsh, which favors the growth and reproduction of numerous species of typical fish, as well as the creation of a number of food chains, all of which contributes to the conservation of other species of mammals and reptiles.
- **Water during times of drought:** Neighbors of the mining project have been provided with water to take care of their grazing animals and meet their own needs during times of drought.

CLEANING OF BEACHES AND COASTS

In line with our commitment to the conservation of ecosystems determining the water supply, in September 2012, we participated in the national day for the cleaning of coastlines, rivers and wetlands, promoted within the “Todos por el Agua” (All for water) program.

This proposal brings the community together to raise awareness before the need for water conservation. This task was performed along with other volunteering companies and community members. We carried out cleaning tasks and collected garbage in rivers, wetlands and coasts; moreover, through these activities it was made evident to the communities, tourists and residents that via waste management it is possible to permanently create a positive impact on the environment.

OUR PRACTICES IN RELATION TO CONSUMPTION OF MATERIALS

- We carry out proper maintenance of our equipment’s cooling systems, which allows us to reduce wastes and prevent contamination of our product, while decreasing the amount of product used.
- We manage to reduce diesel consumption thanks to an increased use of gas for energy generation purposes.
- Instead of using coolants made from glycol, we reinforce the use of water based ones³, which are friendlier to the environment.
- We use biodegradable degreasers, which are environmentally friendly and not as aggressive to ecosystems as regular ones.

So far, we have mentioned initiatives to preserve the environment from the standpoint of energy, biodiversity and mate-



rials. However, we also want to introduce a highly relevant process to us, which we have been devoting much work and effort into, with the intention of completing it successfully: the process of resettling.

RESETTLEMENT: DEVOTING EFFORTS

It should be pointed out that this has been a requirement imposed by the environmental authority and not an obligation of ours as a company, considering that none of populations to be resettled (Plan Bonito and El Hatillo, El Paso municipality; and Boquerón, La Jagua de Ibirico municipality) are located within our mining concession contracts nor our direct area of influence. Companies currently engaged in this process include Drummond, CNR and Prodeco.



At Drummond we care for the Paujil Reservoir and protect its biodiversity.

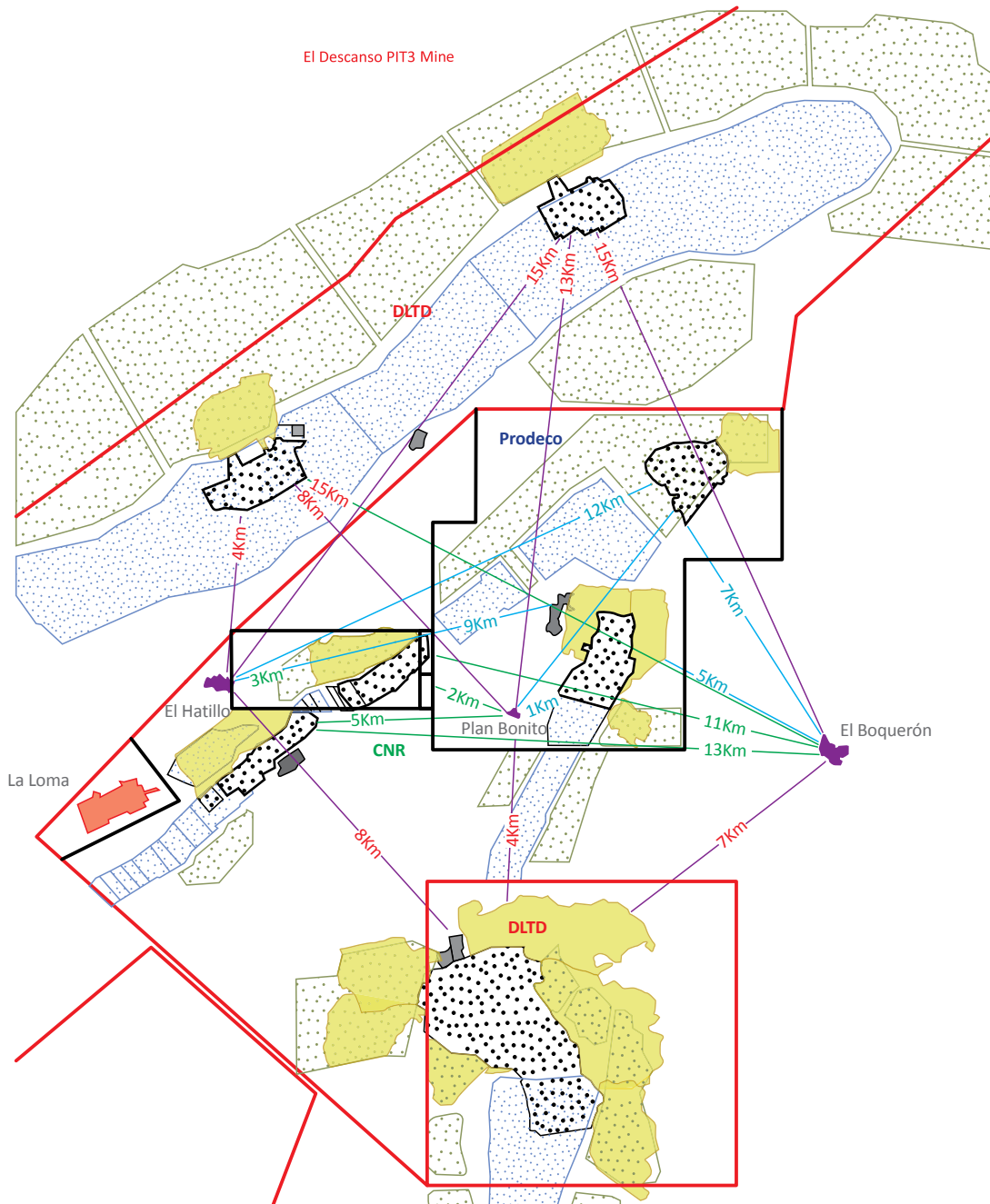
In 2012, the physical resettlement has not taken place because its implementation depends on a prior consultation process with the community to set the parameters under which it will be performed. Said process is currently underway with all three communities. Agreements reached in this process are structured and documented in the Resettlement Action Plan (PAR), which defines the related procedure and execution accordingly.

For the structuring and implementation of the resettlement process and the PAR document, the environmental authority required mining companies to hire a resettlement operator company with broad international experience in resettlement processes, conducted under World Bank and Inter-American Development Bank (IDB) guidelines and parameters. To comply with this, we and other mining companies

³ Used as antifreeze in engine cooling circuits.



FIGURE 13 / LOCATION OF RESETTLEMENTS



- | | |
|-------------------|-----------------|
| Dump Present | Pit. Plan |
| Load Out. Present | DLTD Contracts |
| Pit Present | Minig Contracts |
| Dump. Plan | Resettlements |
| Load Out. Plan | Municipalities |

Source: Drummond Environmental Department.

chose rePlan, a Canadian company in charge of directing and leading the process as an operator.

This company is accountable for designing the strategy and methodology aimed at structuring agreements between companies and communities subject to resettlement, thereby forming a consultation committee in each population, with the participation of community representatives, as well as rePlan and other engaged company members.

These committees gather on a monthly basis to formalize agreements and yield actions. They also hold weekly meetings under a “working round table” scheme, with an action plan aimed at strengthening the PAR in each population.

RESETTLEMENT DIMENSIONS

According to censuses conducted during this process, these are the people who will be resettled: 172 families in Plan Bonito and 277 families in El Hatillo. We do not know exactly about the case of Boquerón, but the estimated number of families is 400.

TRANSITION PLAN

Parallel to the structuring of the PAR, we have agreed with communities to implement a “Transition Plan”, with the purpose of improving their living conditions while the PAR is fully implemented and executed, and ensuring the future sustainability of families subject to resettlement. Said transition plan was launched in mid-2012 in Plan Bonito and El Hatillo.

Table 26 shows the level of progress of the resettlement process.

INCONVENIENCES OCCURRED DURING THE RESETTLEMENT PROCESS

The main downside we have faced has been that of the deadlines set by the Ministry of Environment. This situation has created discomfort among populations, as well as resistance and lack of trust, because it has been quite difficult to explain to them that these processes could not be executed within said time-frame, since they would take much longer.

Another drawback has been the influence of third parties such as NGOs, and the interests of individuals and politicians in some sectors, especially in Boquerón. Nevertheless, we have identified opportunities where difficulties emerged.


TABLE 26 / WORK CONDUCTED FOR THE RESETTLEMENT OF POPULATIONS

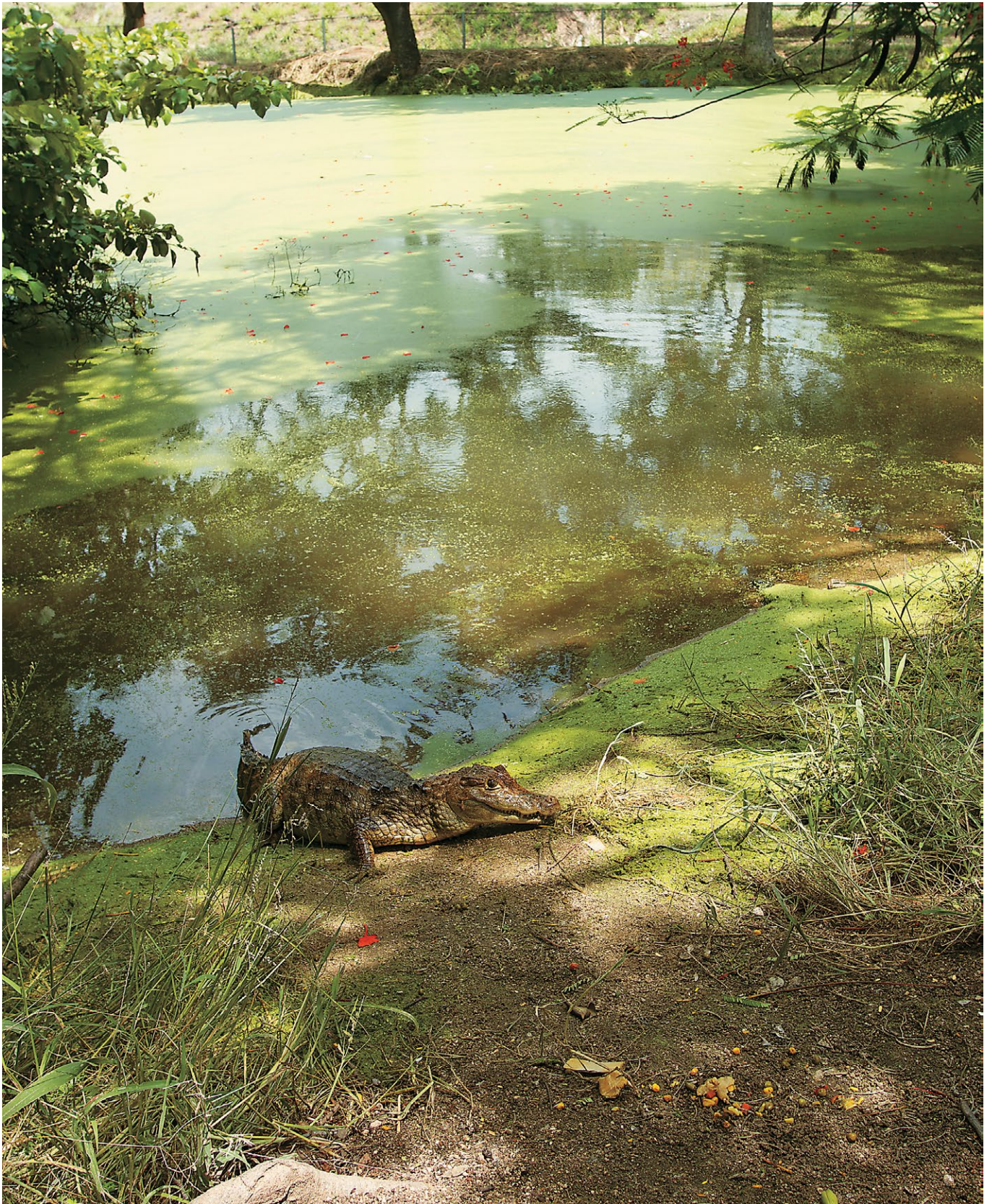
| | |
|-------------|---|
| Plan Bonito | We have achieved the greatest progress in structuring agreements for resettlement. It is estimated that the relocation of families will be implemented during the first half of 2014. Plan Bonito is located amid the area of influence of the Prodeco Calenturitas mine and its mining concession contract. |
| El Hatillo | We hope to have structured the PAR document for El Hatillo by April 2014. rePlan has agreed upon a clear agenda together with the community and companies. |
| Boquerón | In contrast to the other two populations, in Boquerón we have failed to foster dialogue/ build effective community relations that would enable us to easily put together a plan and schedule of activities aimed at developing the PAR. Third party interests converge including an afro descendant community, that wants to be declared as such, and the influence Tierra Digna, an NGO. Additionally, the community is divided into three groups with different interests, which continues to engage in consultation committees. Still, it has been very difficult for us reach a consensus to obtain PAR-related inputs. |

Source: Land Management.

MEASURES TAKEN TO ADDRESS ISSUES THAT HAVE OCCURRED

In order to address the main issues that have come into view, we decided to explain communities the reasons why we could not run a resettlement process within the time-frame expected and ordered by the Ministry, not only because said process should be implemented by stages, but also because its implementation depends on the prior consultation and agreement with communities, as well as their active participation and collaboration.

We have conducted the whole process in order to implement the resettlement, with the aim of fostering better living conditions for communities. Prior consultation Committees in each community have been implemented by the operator through thematic working groups comprised of members and representatives from the different communities. This has allowed for the consolidation of a work plan with a specific agenda aimed at structuring and implementing the PAR in the towns of El Hatillo and Plan Bonito. We will continue to work in this direction, along with the Boquerón committee, in order to establish this agenda. 



The Paujil Reservoir has positively transformed the dry savannah landscape of Cesar by becoming an oasis in the area. ↑



Chapter 4







Drummond





as an Agent of Change

Why are we an Agent of Change? First, we must say that the goal of an agent of change is to make changes transcend. That is exactly what we are working for at Drummond; we hope that our contribution makes the dreams of our workers and their families come true. Secondly, we want to leave our footprint by improving the quality of life of each one of them through a series of benefits. The following is a detailed list of the valuable compensation and benefit portfolio offered by the company to its employees, which makes Drummond an Agent of Change.

SOCIAL BENEFITS

Monetary compensation at Drummond is complemented by an extensive portfolio of fringe benefits, designed to improve the quality of life of our workers in aspects such as education, health, housing, savings, food and transportation, among others. This portfolio is based on the administration's policy of Compensation and Benefits framed by:

- Fringe Benefits Program: Fringe benefits for salary workers directly employed by the company, not covered by the scope of the Collective Labor Agreements. The company has had programs similar to those established at other companies in the same business as a basis.
- Collective Labor Agreement (CLA): Fringe benefits for hourly and salary workers covered by the scope of the Collective Labor Agreements in force, which amounts to 3,779 workers directly employed by the company.



The company awards scholarships to aid workers with educational costs for university programs.

TABLE 27 / SOCIAL BENEFITS

FINANCIAL ASSISTANCE FOR CHILDREN'S EDUCATION

CLA

Payment of annual assistance to workers to support the education of their children at preschool, primary and high school levels. Annual Assistance of COP 408,808

For the technical, technological, university, graduate, and/or master's studies, we grant up to two biannual payments per worker with children under the age of 27. Biannual Assistance of COP 408,808

To assist in the educational costs incurred by our workers who have children under the age of 27 with Down Syndrome, Cerebral Palsy, blind or deaf who require permanent special education, the company provides up to 25 annual payments. Up to 25 annual payments of COP 2'288,648

FINANCIAL ASSISTANCE FOR WORKERS' EDUCATION

The company grants a limited number of scholarships to assist our workers with the educational costs incurred when initiating or in the course of university studies at institutions duly recognized by the National Ministry of Education.

CLA

Number of Scholarships 25

Amount per Scholarship COP 2'288,648

HEALTH BENEFITS: HOSPITALIZATION AND SURGERY POLICY

At Drummond, we offer a Hospitalization and Surgery Policy, where 100% of the premium is subsidized for all workers and their family group (spouse, permanent partner, children and, in the case of single workers, their parents). This policy complements the services of the Mandatory Health Plan (POS in Spanish) with exclusivity and high quality. In addition, it has been customized for our workers, with exclusive physicians, preferential access to specialists and private clinics, commercial medications with sufficient limits, all of which are unusual features in the standard group plans offered by other companies.

Workers Covered 4,648

Spouses / Permanent Partners 3,627

Children 8,611

Parent(s) 1,111

TOTAL POPULATION COVERED 17,997

HEALTH BENEFITS: LIFE INSURANCE POLICY

We offer our employees life insurance, with special coverage in case of death by homicide, suicide, accidental death and dismemberment benefits for the worker. The insured values are very competitive and well-suited to the needs of our company's workers. The entire cost of the policy is covered by the company.

Number of Salaries 24 salaries in the case of natural death
48 salaries in the case of accidental death

ROTARY HOME LOAN FUND

At Drummond, we have created a fund to provide loans for our workers to purchase a home or restructure mortgage debts, purchase lots, build or remodel their home.

During the 1st year of effect of the agreement We increased the current fund by \$2'328,750.00

During the 2nd year of effect of the agreement We increased the current fund by \$1'158,750.00

During the 3rd year of effect of the agreement We increased the current fund by \$1'158,750.00



VOLUNTARY SAVINGS FUND

At Drummond, we encourage saving through a voluntary pension fund, in which workers may contribute up to 10% of their basic monthly salary. In addition, the company contributes 30% of the sum contributed monthly by the worker.

CLA

| | |
|--------------------------|----------------------------------|
| Affiliate's Contribution | Up to 10% of the basic salary |
| Company's Contribution | 30% of the worker's contribution |

MEALS

Meals are fundamental for the wellbeing of our workers, which is why we provide the staff working in shifts of eight or more hours a day with three meals through a catering company that meets the requirements of hygiene, nutritional balance, variety, quality and quantity established in the respective contracts.

At Drummond, we have strengthened the meal program by setting up four permanent dining rooms and 20 mobile canteens at Mina Pribbenow, and 16 permanent and mobile dining rooms at El Descanso Mine, to meet our workers' needs at the work site. At the Port, we have with a dining area for the salary workers and contractors with a capacity for 150 persons. We also have packaged food services at the cranes, pierhead, railroads and for welders.

STAFF TRANSPORTATION

To facilitate worker commuting from the municipalities of residence to the work site, we provide excellent quality transportation, on a fleet of buses with air conditioning with less than 5 years in operation to offer comfort and safety in service.

The company provides daily transportation to and from the mines in the municipalities of El Paso, Chiriguana, La Jagua de Ibirico, Bosconia, Becerril, Curumani, Codazzi and in La Loma district; and to and from Puerto Drummond in the municipalities of Ciénaga and Santa Marta. On shift changeover days, we provide transportation between the mines and Valledupar and vice versa (twice a week).

For workers whose place of residence is outside the department of Cesar (mining operation) and Magdalena (port operations), the company provides a monthly transport allowance, whose values are listed below:

CLA

| | |
|--|-----------|
| Mine - Dept. of Atlántico, Bolívar, Sucre or Córdoba | \$234,105 |
| Mine - Dept. of Guajira or Magdalena | \$130,191 |
| Port - Dept. of Atlántico or Bolívar | \$130,191 |
| Port - Sucre or Córdoba | \$142,135 |
| Port - Mine Central Region of the Country | \$234,105 |

ALLOWANCE FOR MARRIAGE

At our company, with a view to helping workers at this new stage of their life, we provide them with a one-time-only allowance for marriage during the effect of their contract of employment.

CLA

| | |
|--------|-----------|
| Amount | \$696,211 |
|--------|-----------|

ALLOWANCE FOR LENSES AND FRAMES

At our company, we provide an annual allowance for workers who require prescription lenses or frames according to the Health Maintenance Organization (HMO), Occupational Risk Administrator or the Drummond Medical Coordinator.

CLA

| | |
|--------|-----------|
| Amount | \$395,828 |
|--------|-----------|

TRANSFER ASSISTANCE

At our company, we provide monthly assistance to help cover the expenses of workers of the mines living without their families in La Loma, Chiriguana, La Jagua de Ibirico, Becerril or Curumani.

| | CLA |
|--------|-----------|
| Amount | \$262,770 |

EXTRA BONUSES

At our company, we provide extra bonuses in June, at Christmas and a vacation bonus

| | CLA |
|---------------------------------------|-----|
| No. Days of the worker's basic salary | 84 |

SENIORITY BONUS

At our company, we pay our workers a seniority bonus as follows:

| | CLA |
|--|-------------|
| Upon completion of 3 years of service | \$348,603 |
| Upon completion of 5 years of service | \$581,005 |
| Upon completion of 8 years of service | \$929,608 |
| Upon completion of 10 years of service | \$1,045,809 |
| Upon completion of 13 years of service | \$1,278,211 |
| Upon completion of 15 years of service | \$1,568,713 |
| Upon completion of 20 years of service | \$2,149,718 |
| 25 30 35 40... and so on, every five years | \$2,149,718 |

Source: Personnel Administration Department.

Our workers' testimonials

HENRY MEDINA

Senior Accounting –
Administrative Supervisor

“Drummond has become the driving force of my family. When I got here, I began making changes and these changes are evident in the well-being that I can give the ones I love. In providing my children with an excellent education and better living conditions. I have been working for Drummond for 16 years and I am happy to be a part of such a large company.” “Being at Drummond is knowing that I have the possibility to continue to grow, to provide my family with more stability and a future full of new opportunities.”



JOHANNES CANTILLO CASTILLO

Truck Operator –
Dept of Production –
Group 1
El Descanso Mine

“Drummond means dreams in my life... Drummond has been the support to make my dreams and my family's come true. Working at this company has allowed me to improve my family's quality of life.”



SERGIO MARICHEL
Supervisor – Marine Area

“I am happy when I get up every morning to come to work at a company that has given me stability, good health and a better future. Knowing that my children are proud of my work and feeling useful to them makes me think that working for Drummond is well worth it.”



LUIS OSPINO PALLARES
Foreman – Blasting Area – Group 1
El Descanso Mine

“At Drummond, I feel that I am valued as a person, as an employee. Thanks to my work at Drummond, I have seen my children grow into professionals.”

ALDRY ACOSTA
Operator – Marine Area

“This company has taught me a great deal. Here I have learned to act confidently; it has given my life a sense of belonging, I have matured and thanks to the training that we get, I know that I am a good employee and I can give my best.”



FREDY GARCÍA CHAIN
Mechanical Technician – Loading shovels
Maintenance – Group 3 El Descanso Mine

“As part of Drummond, my life and that of my family made a 180° turn. Since I started working for the company, many of my dreams have come true. Drummond has been indispensable in building my home.”



JUAN PABLO RODRÍGUEZ
Maintenance Technician 3 –
Railroad

“One day I dreamed about working at Drummond. I decided to become a welder and I have found the opportunity to continue to grow at this company. Today, I mold the wheels of trains as “tornista” (lathe operator) and I have to say that Drummond has molded my life for the good; that is why the commitment I feel toward the company leads me to giving my best.”
“Thanks to Drummond, I can say to my children and family that the effort we put into what we do can make our dreams come true, and Drummond is proof that dreams do come true.”



GIOVANNI HIDALGO
Truck Specialist –
Production – Group 2
Mina Pribbenow

“Drummond is an ideal company to grow at. I started out as a truck operator, then became a Production Assistant and now I am a Truck Specialist at the South Pit of Mina Pribbenow. Drummond values the work of its employees and that is why I am proud of the company where I work.”

MIGUEL BARROS ROJAS
Tanker Operator – Department of Roads – Group 2 Mina Pribbenow
“I feel supported by Drummond, it gives me the security and peace of mind that my family needs.”



WOMEN AT DRUMMOND

For centuries and on all the continents, mining has been considered an activity reserved for men. In fact, for the most part, the workers employed by the company are men. However, at Drummond we wanted to open up spaces of inclusion, in order for women to play a leading role in the company's operation, from administrative to operational aspects, a trend that has been growing in recent years, thanks to the opportunities we offer for more and more women to be a part of our company.



TABLE 28 / VARIATION BETWEEN MEN'S AND WOMEN'S SALARIES

| | OPERATIONAL LEVEL | SERVICE LEVEL | PROFESSIONAL LEVEL | TACTICAL LEVEL | STRATEGIC LEVEL |
|--------------|-------------------|---------------|--------------------|----------------|-----------------|
| Rate 1 | N/A | | | | |
| Rate 2 | 0.00% | | | | |
| Rate 3 | N/A | | | | |
| Rate 4 | N/A | | | | |
| Pay Scale 1 | -5.88% | | | | |
| Pay Scale 2 | 12.33% | | | | |
| Pay Scale 3 | | -4.80% | | | |
| Pay Scale 4 | | | 8.49% | | |
| Pay Scale 5 | | | -1.01% | | |
| Pay Scale 6 | | | 1.59% | | |
| Pay Scale 7 | | | | 1.07% | |
| Pay Scale 8 | | | | N.A. | |
| Pay Scale 9 | | | | 10.90% | |
| Pay Scale 10 | | | | -1.47% | |
| Pay Scale 11 | | | | | -6.29% |
| Pay Scale 12 | | | | | N.A. |
| Pay Scale 13 | | | | | N.A. |


Source: Personnel Administration Department.



At Drummond we wanted to open up spaces of inclusion, in order for women to play a leading role in the company's operation, from administrative to operational aspects, a trend that has been growing in recent years.



Now, many may wonder at what levels of the organization these women are positioned and what their salaries are like compared to men. The answer is in the table below.

It is important to mention that the differences, i.e. when the value is not 0%, represent the variation between men's and women's salaries, which is mainly due to the seniority of our workers at the company and/or the results of performance assessments conducted on an annual basis. 







Drum

SOCIAL MANAGEMENT AT DRUMMOND

Our company's Social Responsibility Program started out in 1994 with the opening of the CARBOSAR Foundation. This figure changed in 2004 with the creation of the Community Relations Management Unit, which has resulted in a clearer social management structure. The Office is composed of a manager and two community relations coordinators for the departments of Cesar and Magdalena, who are accountable for the development of each of the components covered by the Social Responsibility Plan, which are listed below.



mond's DNA

RESPONSIBILITY PROGRAM

| COMMUNITY DEVELOPMENT | COMMUNITY AND INSTITUTIONAL STRENGTHENING | PROJECT DISSEMINATION | GREEN POPULATIONS |
|----------------------------|--|--|--|
| Education and Culture | Alliance with Genesis Foundation | Visits to the Communities of Mine and Port Operations | Training in Environmental Education with the Communities |
| Health and Nutrition | Alliance with SoýDoý | Disclosure of the Projects from the Social-environmental Component | |
| Recreation and Sports | Leaders: Community Action Board and Teachers | Disclosure of the Environmental Management Plan | |
| Infrastructure Improvement | Institutional: Public Officials (Mayors, Councilmen) | | |
| | Other strengthening projects | | |

Source: Community Relations Management Unit.

As part of our Social Responsibility Program for 2012, COP 2'795,111,865 were executed and allocated as follows:

TABLE 29 / INVESTMENT IN THE SOCIAL RESPONSIBILITY PROGRAM OF 2012

| | SOCIAL INVESTMENT | 2012 |
|---|---|----------------|
| Community Development | Education and Culture | \$ 912'368,012 |
| | Health and Nutrition* | \$ 155'009,877 |
| | Recreation and Sports | \$ 86'399,272 |
| | Road Infrastructure Maintenance | \$ 654'285,895 |
| | Educational Infrastructure Maintenance | \$ 43'024,155 |
| | Church Maintenance | \$ 122'832,971 |
| | Humanitarian Educational Fund | \$ 458'000,000 |
| Community and Institutional Strengthening | Alliance with Genesis Foundation* | \$ 45'000,000 |
| | Alliance with SoÿDoÿ Foundation | \$ 11'040,000 |
| | Other programs | \$ 69'721,900 |
| Project Dissemination | Visits to the Mine and Port Communities | \$ 75'988,809 |
| Green Populations | Other investments | \$ 161'440,974 |

* These figures include investment in the Early Childhood Programs, which have had a major impact on the target communities in terms of quality, increased coverage and service.

Source: Community Relations Management Unit.



COMMUNITY DEVELOPMENT

Our company has a strong social commitment and we accept our role as the generators of local, regional and national progress. The best employment opportunities, the best health care, contribution to the improvement of the educational infrastructure, among others, contribute to the comprehensive development of communities.

EDUCATION AND CULTURE

The first six years of life are fundamental to the development of a human being because the brain makes its greatest progress and the abilities to think, talk, learn and reason are developed during this period. If children get the right nutrition and appropriate stimuli during this stage, they will be prepared to develop to their full potential. Therefore, starting this year, Drummond began to focus its investment plan on early childhood programs, through the construction and furnishing of Child Development Centers, managed by operators endorsed the Colombian Family Welfare Institute (ICBF) providing service to the child population of the municipalities in the area of influence of the mining and port projects and the railroad corridor.

The following table illustrates how investment in Education and Culture in the departments of Cesar and Magdalena has been made.





←
At Drummond we accept our role as the generators of local, regional and national progress.

TABLE 30 / INVESTMENT EXECUTED IN 2012 FOR THE EDUCATION AND CULTURE SUB-PROGRAM

| EDUCATION AND CULTURE | |
|-------------------------|---|
| Department of Cesar | <p>LA JAGUA DE IBIRÍCO</p> <ul style="list-style-type: none"> ◆ Completion and furnishing of the Child Development Center (Group Home), where 96 children are cared for. |
| | <p>BOSCONIA</p> <ul style="list-style-type: none"> ◆ Completion of the project for the Reconstruction, Restoration and Expansion of the 18 de Febrero Kindergarten Facilities, where 180 children go to school in two shifts. ◆ Furnishing of the school cafeteria at the Concentración Escolar del Sur. |
| | <p>BECERRIL</p> <ul style="list-style-type: none"> ◆ Improvement and restoration of the physical infrastructure of the Angela Maria Torres School, with a target population of 1,150 students at the basic primary level in two shifts ◆ Improvement and restoration of the physical infrastructure for technical training at the citadel campus to carry out technical programs in the agricultural field, implemented by the National Training Service (SENA, in Spanish), whose target population is all the graduates of the municipality who are candidates for technical programs. ◆ Provision of musical instruments for the Filemon Quiroz band, benefiting 150 students. |
| | <p>EL PASO</p> <ul style="list-style-type: none"> ◆ Construction of two (2) classrooms and a computer room at the Educational Institution in the Potrerillo District, benefiting 100% of the student population. ◆ Construction of two (2) classrooms and reconstruction, restoration and furnishing of the school cafeteria with a target population of 235 students from the district and neighboring villages. |
| | <p>CODAZZI</p> <ul style="list-style-type: none"> ◆ Construction of two (2) classrooms, a cafeteria and a restroom at the San Ramon Educational Institution with a target population 518 students. |
| Department of Magdalena | <p>CIÉNAGA</p> <ul style="list-style-type: none"> ◆ Basic Furnishing of the Library and Simon Bolivar Park Play Center. This project benefits the sector's entire resident population. Remodeling, expansion and furnishing of the Nueva Esperanza Child Development Centers with a target population of 100 children from 0 to 5 years of age. |
| | <p>ARACATACA</p> <ul style="list-style-type: none"> ◆ General remodeling and furnishing of the Macondo Child Development Center. At present, the project benefits 105 children living along the railroad corridor. |
| | <p>ZONA BANANERA</p> <ul style="list-style-type: none"> ◆ Construction of the school cafeteria at the Humberto Velásquez García IED at the Prado Sevilla District with a target population of 180 students residing in Barrio 16 de Julio. ◆ Donation of musical instruments for the band in the Prado Sevilla District benefiting 50 members. ◆ Donation of musical instruments for the band of the School of Arts and Crafts in the Río Frío District benefiting 40 students. |
| | <p>SANTA MARTA</p> <ul style="list-style-type: none"> ◆ Construction of the educational block (9 classrooms) of the San Francisco Javier de Garagoa School, with a target population of 360 new students. |

Source: Community Relations Management Unit.



HEALTH AND NUTRITION

At Drummond, we have contributed to the improvement of the medical and hospital service. In this sector, we have led the construction, remodeling and furnishing of different hospitals and health centers in several municipalities, districts and villages in our area of influence. In 2012, we made the following contributions for the development of this health and nutrition program:

- In the Prado Sevilla District, in the municipality of Zona Bananera, we carried out the project for construction of homemade water purification filters together with the families of Barrio 16 de Julio. 280 families of the population were benefited by this project.
- In the municipality of Algarrobo, we built and restored the emergency room of the Claudio Vicuna Hospital, benefiting the entire population of the municipality.

RECREATION AND PROMOTION OF SPORTS

At Drummond, we also encourage sports activities by taking part in the construction of parks and providing sports equipment for the organization of local tournaments in all disciplines. Under this program, we made the following investments in 2012:

- Construction of the sports complex of the Estación Lleras District, the municipality of Algarrobo (Magdalena), benefiting the entire district: two thousand (2,000) inhabitants.
- We promote sports by means of investment in uniforms and sports equipment for the different sports training schools in the areas of influence.

INFRASTRUCTURE MAINTENANCE

At Drummond, we have provided support for the development of local infrastructure. As a response to the many requests from representatives of the municipalities in the area of influence indicating the urgent need to improve the conditions of their infrastructure, we made the following investments in 2012:





- We carried out the maintenance of 15 educational institutions for a population of more than 10,000 students, consisting of general repairs and paint.
- We contributed to the maintenance and completion of churches in the municipalities of the area of influence, and the construction of the parish house in La Loma District. This was done in response to the requests of the community and the importance of these religious centers to them.
- We carried out the maintenance of urban roads in the towns of the area of influence of the mining projects (Codazzi, Becerril, La Jagua, Chiriguana, El Paso) and the Railroad Corridor in Bosconia, Department of Cesar. In the Department of Magdalena, the Pavement Program was carried out in the Altamira district located along the railroad corridor of the municipality of Fundación.



We have implemented initiatives to educate the communities of our area of influence on environmental matters.



The following table illustrates maintenance activities performed on the educational infrastructure, roads and churches in the different municipalities of our area of influence.

TABLE 31 / INVESTMENT EXECUTED IN 2012 FOR THE EDUCATION AND CULTURE SUB-PROGRAM

| INFRASTRUCTURE MAINTENANCE | |
|--|---|
| Educational Infrastructure | EL PASO <ul style="list-style-type: none"> ◆ School - Vallito District ◆ School - La Estación Village ◆ La Esperanza School in the Cuatro Vientos District ◆ Octavio Mendoza Educational Institution in the Cuatro Vientos District ◆ Sabanita School ◆ Angel Martin Florez School ◆ Nationalized School in El Paso ◆ Valentin Manjarrez School ◆ Benito Ramos Trespacios Educational Institution in La Loma District |
| | CHIRIGUANÁ <ul style="list-style-type: none"> ◆ Las Margaritas School ◆ Co-ed Rural School #2 ◆ Luis Felipe Centeno Educational Institution in the Poponte District |
| | LA JAGUA DE IBIRÍCO <ul style="list-style-type: none"> ◆ Jose Guillermo Castro Castro Educational Institution |
| | AGUSTÍN CODAZZI <ul style="list-style-type: none"> ◆ Luis Giraldo Educational Institution in the Casacara District |
| | BECERRIL <ul style="list-style-type: none"> ◆ Angela Maria Torres Educational Institution |
| Church infrastructure | EL PASO <ul style="list-style-type: none"> ◆ Painting of the San Marcos Evangelist Parish Construction of the Vicariate of the Santo Cristo Parish benefiting the entire Catholic population in La Loma District |
| | VALLEDUPAR <ul style="list-style-type: none"> ◆ Installation of the floor in La Natividad Parish |
| | BOSCONIA <ul style="list-style-type: none"> ◆ Installation of the floor in Nuestra Señora del Carmen Parish |
| | CHIRIGUANÁ <ul style="list-style-type: none"> ◆ Painting of the Nuestra Señora del Rosario de Chiquinquira Parish ◆ Installation of the floor in the Divino Niño Parish |
| Road Infrastructure | EL PASO <ul style="list-style-type: none"> ◆ Planing and shaping of the streets in the neighborhoods of La Loma District |
| | CODAZZI <ul style="list-style-type: none"> ◆ Planing and shaping of the streets in the neighborhoods of the municipal seat |
| | CHIRIGUANÁ <ul style="list-style-type: none"> ◆ Support for the dredging of stagnant water in the municipal seat ◆ Planing and shaping of the streets in La Aurora, Aguas Frías, Rincón Hondo and La Sierra districts |
| | BOSCONIA <ul style="list-style-type: none"> ◆ Planing and shaping of the streets in the neighborhoods of the municipal seat |
| | LA JAGUA DE IBIRÍCO <ul style="list-style-type: none"> ◆ Planing and shaping of the streets in the neighborhoods of the municipal seat |
| | BECERRIL <ul style="list-style-type: none"> ◆ Planing and shaping of the streets in the neighborhoods of the municipal seat |
| FUNDACIÓN <ul style="list-style-type: none"> ◆ Paving in the Altamira neighborhood along the railroad corridor | |

Source: Community Relations Management Unit.



COMMUNITY AND INSTITUTIONAL STRENGTHENING

As mentioned earlier, at Drummond we are focused on working for childhood, and in order to strengthen these programs, we have made alliances with the following foundations:

GENESIS FOUNDATION

Starting in 2012, we consolidated a strategic alliance with Genesis Foundation as part of the government's program for early childhood "From Zero to Always", which is designed to provide comprehensive care to children under the age of six. These programs have the component of health and nutrition, which is reflected in the food provided for the children, who receive breakfast, lunch and snacks from Monday to Friday. These meals are prepared by personnel trained in food handling and the process is guided by a professional nutritionist responsible for establishing a varied diet, based on the guidelines provided by the ICBF as the governing body. This diet is planned taking into account the contribution of energy and nutrients required by each age group of children, and the cultural context prioritized by the customs in the region.

In this alliance, we carried out the Early Childhood Nutritional Strengthening programs in La Milagrosa, El Poblado and Concajita Child Development Centers in the municipality of Ciénaga, with 240 infants. In addition, the Macondo Child Development Center (CDC), in the municipality of Aracataca, served 105 children, while the Tucurica CDC, in the municipality of Zona Bananera, served 156 infants.

↑
We consolidated a strategic alliance with Genesis Foundation as part of the government's program for early childhood "From Zero to Always".

SOYDOÏ FOUNDATION

At Drummond, we have implemented the Soynutrición program with the SoyDoï Foundation, which aims to benefit approximately 450 children suffering from malnutrition. The project began in the municipalities of the area of influence of the mines, and during the first phase, we carried out a diagnosis of the nutritional status of 1,044 children in order to find the potential beneficiaries of the program.

SCHOLARSHIP PROGRAM

At Drummond, we have allocated funds to promote higher education and vocational training through La Loma and El Descanso Scholarship Program, which is one of the most important programs in the planning of the communities' economic development. The main objective of this program is to reward academic excellence.



The process followed by this program starts when the principals of the formal educational institutions in our area of influence send in the names of the two best high school graduates. In the end, the following criteria are evaluated to award the scholarships: 50% grades from 6th to 11th grade, 40% the ICFES (State Exam) score and 10% parents' income. The scholarships are distributed as follows:

- La Loma project awards four scholarships per year for university programs: two for the best high school graduates of the Department of Magdalena and two for the best high school graduates of the Department of Cesar.
- El Descanso project awards four scholarships per year (two for university programs and two for technological programs) for the best students in the production municipalities of the Department of Cesar.

In 2012, we awarded eight new scholarships in the areas of influence of Cesar and Magdalena, amounting to 52 fellows from social classes 1 and 2 of the Sisben system. The scholarship includes the payment of tuition fees and accommodation and living expenses for 10 months for the entire program.

OTHER PROGRAMS

- We have continued to support the project productive of ASORELOMA (La Loma Recyclers Association), where permanently we provide wood for the association to build tables, beds and other furniture sold in the same district. As a result of the program, we delivered 193 tons of recycled wood in 2012.
- We have continued to participate in the Foundation for the Monitoring of the Investment of Coal Royalties in the Department of Cesar, FUNREGALIAS, where reports are presented by the municipal mayors, the proper investment in resources from the royalties is monitored and the Observador de las Regalías (Royalties Observer) is published on a bimonthly basis for circulation in the mining municipalities and in the city of Valledupar.
- Support was provided for the Valledupar Journalist Circle (CPV in Spanish), by allocating COP 17'500,000 for the Sirena Vallenata Awards, a journalism contest held annually to select the best works of the year in press, radio, television and





←
We promote initiatives to prevent, mitigate and offset the impacts of our operations.



photojournalism, among others. In addition, the seminar-workshop on journalistic writing on Short Chronicles was sponsored for journalists working in the media of Valledupar and other municipalities in the area of influence of Drummond Ltd.

- At Drummond, we contribute to cultural events and festivities to honor the patron saints of mining projects' municipalities of influence, the railroad corridor, Puerto Drummond and various donations. By promoting and supporting these cultural and folk activities we seek to maintain and cultivate relations between the people and preserve the cultural identity thereof. The purpose is to rescue and strengthen cultural traditions, encourage respect and foster values.
- For the Port, we have promoted the implementation of job skill testing through the Colombian Rural Development Institute and SENA in order to identify the members the fishing guild with whom we can carry out productive programs.
- At our Port, we proposed to the fisheries authority of the region (now AUNAP), the extension of the Fishing Network Program in the municipality of La Ciénaga. The initiative was carried out by the entity and it will facilitate the participation processes of the coal ports that have been established in the region. To this effect, roundtables have been established and are underway with the AUNAP, other coal ports and representatives of the fishing guild with the objective of improving the sector.
- We have monitored small-scale fishing and the fishing effort at different points identified as traditional fishing in the port's area of influence, which is necessary in order to promote the production projects for the sector.

PROJECT DISSEMINATION

It is very important to us for our communities, and in particular the families of our employees, to visit our mining and port operations, and see how we work. With this in mind, in 2012, 1,671 persons visited the Mine and Port facilities, including civic and community leaders living in Ciénaga, representatives of the fishermen's guild, principals and teachers, municipal employees, representatives for foundations working on social projects in the region and universities.





Most of the communications received in the corresponding order are for employment, training and visits to the Mine and Port sites.

In addition, we provided a space for the communities to learn about the progress made in the environmental management plan we follow at Drummond, so this year, we met with six mining populations for a total of 364 persons, including community representatives and government employees.

For our project at the Port, we called for five meetings to share information about the projects for the expansion, dredging, and direct loading of the Port, with the Mayor's Offices of Ciénaga and Santa Marta, the Magdalena Governor's Office and the fishermen's associations in the area, which were attended by a total of 100 people.

GREEN POPULATIONS


At Drummond, we have undertaken actions to educate the communities in our area of influence in environmental issues, such as those to eradicate the culture of burning land for replanting, carrying out campaigns for the prevention and mitigation of forest fires, and other resources and efforts for the training process. We believe that this program is a system that should be replicated in new conservation projects, to seek adequate environmental protection in the future for the proper interaction between environmental actions and social development in partner communities.

As a result of this program, we carried out four training cycles in 2012 on topics such as the monitoring of air quality, comprehensive solid waste management, plant restoration and wildlife rescue.

DRUMMOND AS A GOOD NEIGHBOR

As part of the Good Neighbor Policy, our company has established various communication channels to interact with the communities in our areas of influence. The main channels include:

- Direct and personal contact through our Community Relations Coordinators with the Communities of Cesar and Magdalena, who are permanently working in the different areas.

- Community service centers in which we receive requests and set up a channel for continuous dialog for the communities to inquire information of interest regarding the development of our mining and port projects. These centers are located in Valledupar, La Loma District (Municipality of La Jagua de Ibirico) and in the Municipality of Ciénaga.
- Email set up community service, which can also be accessed through the website DrummondLtd.com
- Community Service Manual, which establishes the policies we follow for receiving requests, suggestions and complaints from the community based on the criteria of kindness, promptness and efficiency. Among the requests filed during the reported period, there has been none that has generated controversy. Most of the communications received in the corresponding order are for employment, training and visits to the Mine and Port sites. 

We carried out four training cycles in 2012 on topics such as the monitoring of air quality, comprehensive solid waste management, plant restoration and wildlife rescue.









Drummond is Compliance



↑ Drummond's environmental management entails effective activities for prevention, mitigation and control of environmental impacts.

When we refer to “Compliance”, we think about legal compliance, requisites established by a competent authority or the current legislation we must abide by; that is exactly what we want to show in this chapter: initiatives, actions, programs implemented and continued in 2012 to align our operation and compliance with the applicable legal requirements.

ENVIRONMENTAL MANAGEMENT IN DRUMMOND

Drummond's environmental management entails effective activities for prevention, mitigation and control of environmental impacts caused by our operation. The activities are contained in our management programs designed to comply with the Environmental Management Plan (EMP), approved by the Ministry of the Environment, Housing and Territorial Development (MAVDT for the Spanish acronym), for our operations; we include herein a compilation of the main activities performed during the year 2012:



PHOTO 5 / FOG GUNS AND WATER SPRAYERS IN THE LOADING SHOVELS OPERATING AREAS

OUR COMMITMENT TO AIR QUALITY

With the aim of providing wellbeing and protecting the health of the communities and our workforce, we allocate resources to emission control and monitoring of air quality.

ACTIVITIES FOR EMISSION CONTROL AND IMPROVEMENT OF AIR QUALITY AT THE MINE

At Drummond we do not save technical and economic efforts that contribute to improve air quality. Activities included in our Emission Control Program are: watering of roads, emission control during loading, wetting in coal stockyard and train loading area, among other actions described herein below.

Application of dust suppressors: We have carried out various tests with hydro-retainers on the main access road to the La Loma Project, in order to maintain moisture in the rolling layer for a long time and thus reduce the presence of particles and obtain increased spraying efficiency. These tests were carried out between June and September 2012 (dry season) with the purpose of identifying the product providing the best results, with optimal standards for final application, at reasonable cost.

Sprinkler systems in loading shovels: There are seven (7) fog guns in service, which consist in fan-driven water micro-sprinklers that generate a very fine water mist to trap disperse particles; such equipment are installed in loading shovels operating sites within the mines to control particulate matter emissions at the time of loading the trucks.

Sprinkler systems in the coal loading area: Two additional emission control systems were implemented in the coal loading area of the La Loma Project (Mina Pribbenow), with the purpose of mitigating the effect of the coal loading operation in the stockyards. In the north side (over the adjacent dump site), a water curtain was installed, which is made up of five micro-sprayer towers to trap materials that could be scattered in that direction, and a fog gun was installed in the stockyards to control emissions during coal handling operations.

Increasing the tanker truck fleet for road spraying: In 2012 Drummond reached a fleet of 27 tanker trucks (19 for La Loma and 8 for El Descanso Norte project) with a total capacity of 590,000 gallons (26 tanker trucks, 22,000 gal each, and one 18,000 gal), which became the largest fleet with spraying capacity of any mining company in



Source: Drummond Environmental Department.

PHOTO 6 / WATER CURTAINS INSTALLED ADJACENT TO THE COAL STOCKYARD



Source: Drummond Environmental Department.

PHOTO 7 / FOG GUN INSTALLED IN THE COAL STOCKYARD AREA



Source: Report on activities implemented by Drummond to improve air quality in the mining zone of central Cesar.

the country. Furthermore, spraying plans were restructured with the intent of determining their effectiveness and, thus, proposing optimization schemes. These actions included:

- Optimization of data gathering process concerning the application of monthly spraying plans intended to improve the assessment of their efficiency.
- Based on the assessment of collected data, we adjusted the spraying circuits and the procedure to assign routes to increase the efficiency of wetting the roads with the most traffic.

In the spraying plans executed for the La Loma and El Descanso Norte projects, an average 8% emission reduction has been estimated, based on the monthly spraying performed with the tanker truck fleet assigned to each project.

Change in roadway material: As a further improvement action, we substituted the driving surface layer on the roads with the most traffic of light equipment with the aim of reducing the presence of fines¹ thereon and increasing their water holding capacity. Similarly, driving surface material was replaced on 35.2 Km of roads in the El Descanso project and 30.4 Km in La Loma, for a total 65.6 Km, thus meeting and exceeding the initially planned 60 Km stretch.

ACTIVITIES FOR EMISSION CONTROL AND AIR QUALITY IMPROVEMENT AT PUERTO DRUMMOND

Activities aimed at emission control include, among others, control of the conveyors and the loading zone. Included below is a more detailed description of these actions:

Control for belt transportation and coal transferring sites: All of our conveyor belts are coated and have systems in place allowing capturing material from rejects. Likewise, we keep all material transferring sites properly encapsulated, with spraying nozzles for control of emissions at the time of transference.

Control of unloading zone: As we already mentioned in the chapter titled “*Drummond Beyond Compliance*”, coal unloading from the train is performed through a rotary railcar dumper; therefore, this control consists in installing a water spraying system that forms an upper curtain to trap coal particles. This is an automatic system that detects the presence of trains at the unloading site.

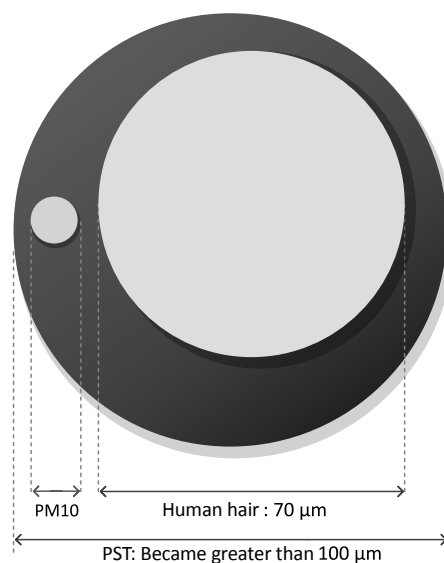
Monitoring

Through our Particulate Material Monitoring and Control Program, it is possible to obtain data on concentration of particles present in air. This program is operated from the monitoring stations owned by Drummond, supplemented with information from the Corpocesar network stations. Mechanical processes such as those developed in mining operations generate particulate materials that are classified in two: Total Particulate Material (TSP) and material of less than 10 micrometers (PM10). Both ranges are subjected to monitoring. To obtain greater clarity on the size of particles, the following figure is presented (Figure 14).

Included below are the monitoring stations that make up our network. In each graph we show air quality results and, in turn, a comparison with applicable emission permissible limits (Resolution 610 of 2010).

These stations show emissions from all possible sources such as mining operations of all companies, urban traffic and secondary roads, emissions from palm oil processing industry, and open air burn pits, among others. Therefore, even though the monitoring results are obtained through Drummond monitoring networks, they did not correspond exclusively to emissions from our operation.

FIGURE 14 / PST AND PM10 PARTICLE SIZE COMPARATIVE DIAGRAM



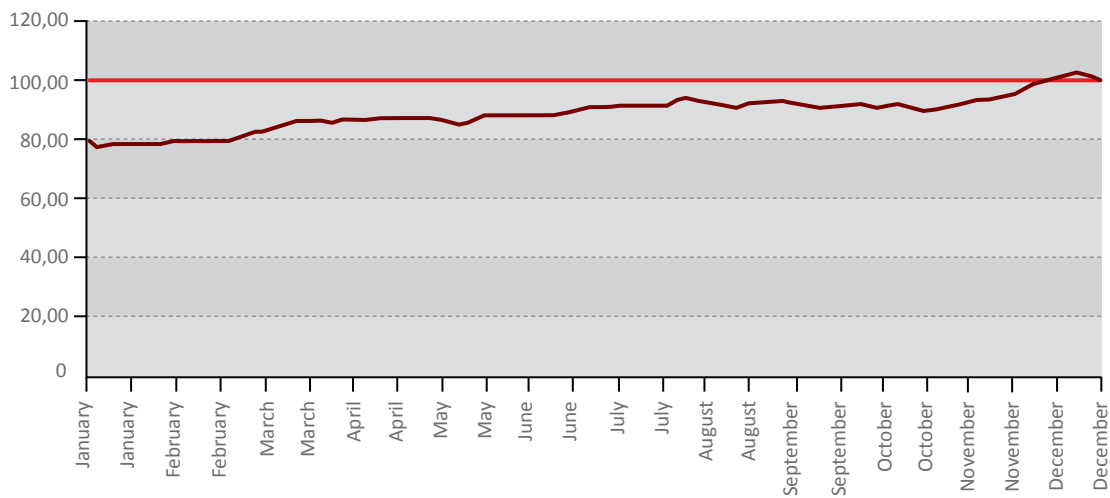
1. Fine soils are made up of particles containing tiny rock fragments, ores and clay ores

Source: Drummond Environmental Department.



LA LOMA STATION (TSP MEASUREMENT)

FIGURE 15 / TSP EMISSIONS. COMPARISON WITH PERMISSIBLE LIMIT PURSUANT TO RESOLUTION 610 OF 2010 FORM MAVDT



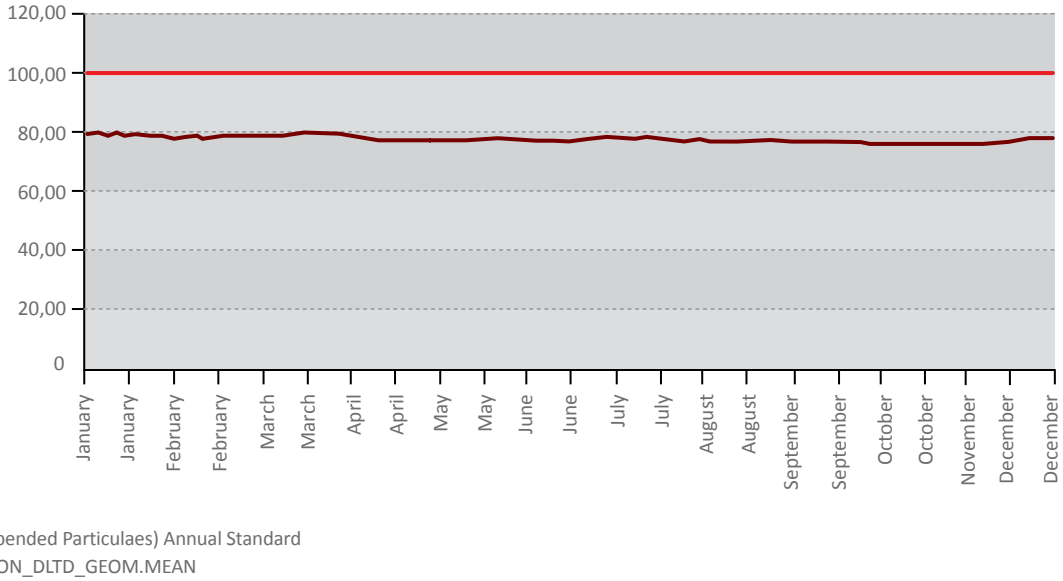
- TSP (Total suspended Particulaes) Annual Standard
- TSP_LA LOMA_DLTG_GEOM.MEAN

Source: Data recorded from La Loma station.



BOQUERÓN STATION (TSP MEASUREMENT)

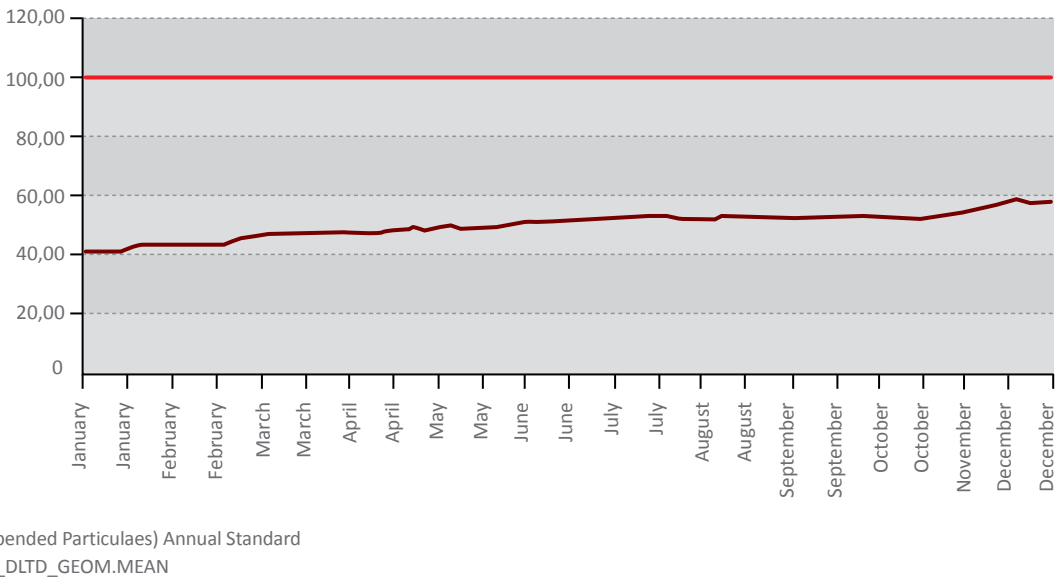
FIGURE 16 / TSP EMISSIONS. COMPARISON WITH PERMISSIBLE LIMIT PURSUANT TO RESOLUTION 610 OF 2010 FORM MAVDT



Source: Data recorded from Boquerón station.

LA AURORA STATION (TSP MEASUREMENT)

FIGURE 17 / TSP EMISSIONS. COMPARISON WITH PERMISSIBLE LIMIT PURSUANT TO RESOLUTION 610 OF 2010 FROM MAVDT

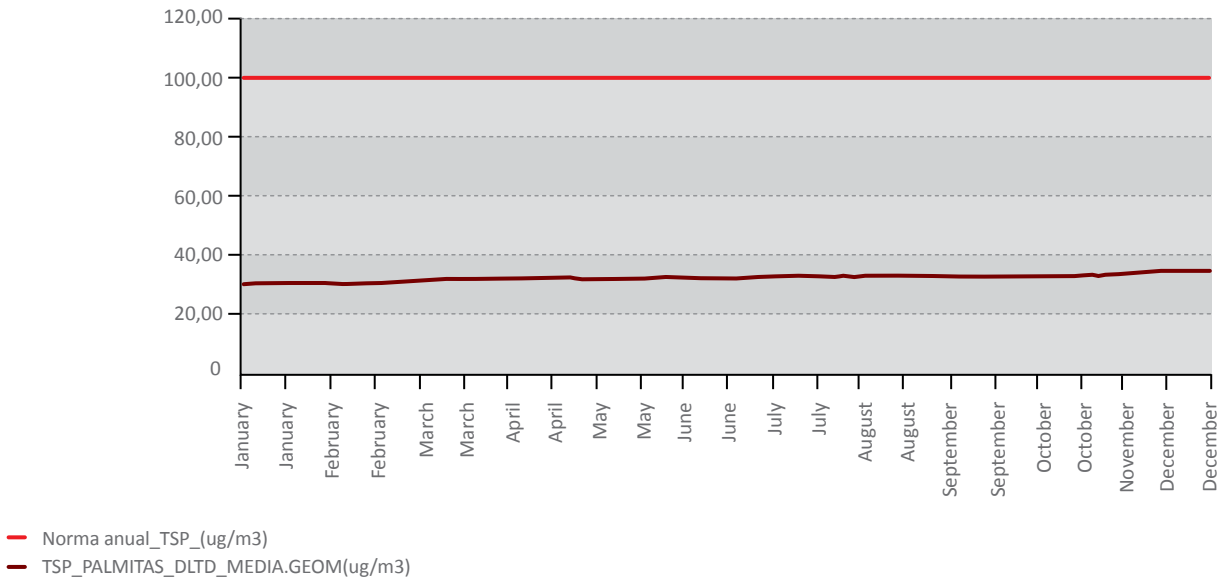


Source: Data recorded from Aurora station.



LAS PALMITAS STATION (TSP MEASUREMENT)

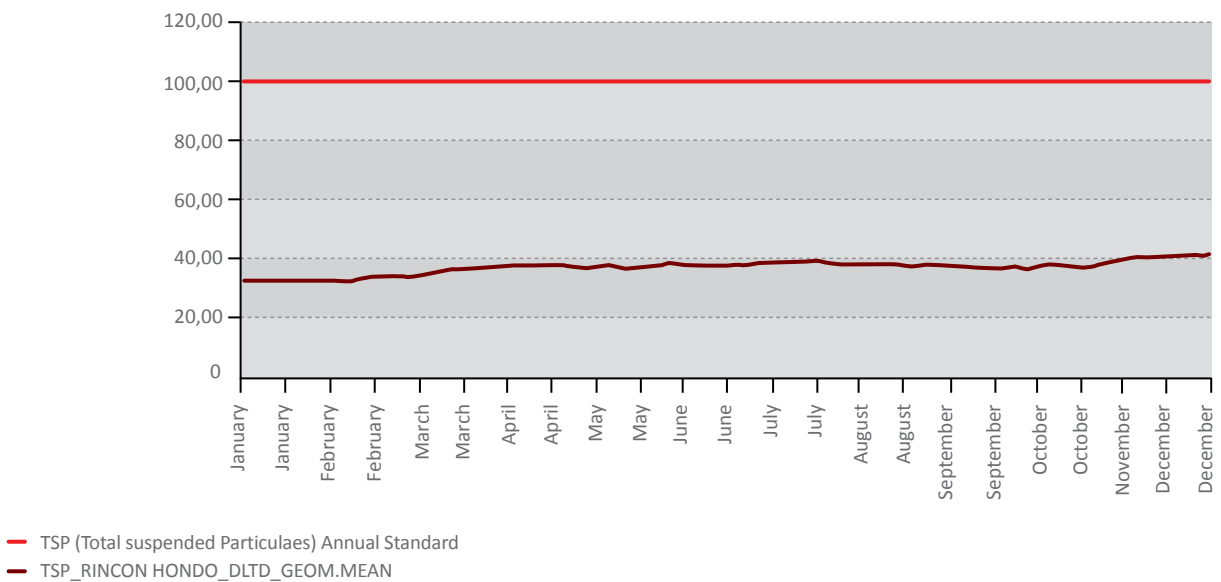
FIGURE 18 / EMISSIONS TSP. COMPARISON WITH PERMISSIBLE LIMIT PURSUANT TO RESOLUTION 610 OF 2010 FROM MAVDT



Source: Data recorded at Las Palmitas Station.

RINCÓN HONDO STATION (TSP MEASUREMENT)

FIGURE 19 / TSP EMISSIONS. COMPARISON WITH PERMISSIBLE LIMIT PURSUANT TO RESOLUTION 610 OF 2010 FROM MAVDT



Source: Data recorded at Rincon Hondo Station.

In addition to monitoring TSP and PM10 in neighboring towns, we have performed sulfur dioxide (SO₂), nitrogen dioxide (NO₂) and carbon monoxide (CO) measurements inside our operations. Shown in the following table are the consolidation of SO₂ results obtained in each of the 20 monitoring stations where measurements were performed. The concentrations obtained for SO₂ prove that we are in compliance with Resolution 610 of 2010.

Table 33 shows daily results for NO₂, obtained at each station during the 2012 monitoring period.



TABLE 32 / SO₂ CONSOLIDATED RESULTS

| SAMPLE No | DATE OF MEASUREMENT COMMENCEMENT | STATION 1 (µg/m ³) | STATION 2 (µg/m ³) | DAILY STANDARD (µg/m ³) | COMPLIANCE |
|-----------|----------------------------------|--------------------------------|--------------------------------|-------------------------------------|------------|
| 1 | 14/01/2012 | - | ND | 250 | COMPLIES |
| 2 | 15/01/2012 | ND* | ND | 250 | COMPLIES |
| 3 | 16/01/2012 | ND | ND | 250 | COMPLIES |
| 4 | 17/01/2012 | ND | ND | 250 | COMPLIES |
| 5 | 18/01/2012 | ND | ND | 250 | COMPLIES |
| 6 | 19/01/2012 | ND | ND | 250 | COMPLIES |
| 7 | 20/01/2012 | ND | ND | 250 | COMPLIES |
| 8 | 21/01/2012 | ND | ND | 250 | COMPLIES |
| 9 | 22/01/2012 | ND | ND | 250 | COMPLIES |
| 10 | 23/01/2012 | ND | ND | 250 | COMPLIES |
| 11 | 24/01/2012 | ND | ND | 250 | COMPLIES |
| 12 | 25/01/2012 | ND | ND | 250 | COMPLIES |
| 13 | 26/01/2012 | ND | ND | 250 | COMPLIES |
| 14 | 27/01/2012 | ND | ND | 250 | COMPLIES |
| 15 | 28/01/2012 | ND | ND | 250 | COMPLIES |

Source: Report on monitoring of air quality in the area of influence of the coal-associated methane gas production project in the Iguana development area, Drummond's Mina Pribbenow by K2.

TABLE 33 / NO₂ CONSOLIDATED RESULTS

| SAMPLE No | DATE OF MEASUREMENT COMMENCEMENT | STATION 1 (µg/m ³) | STATION 2 (µg/m ³) | DAILY STANDARD (µg/m ³) | COMPLIANCE |
|-----------|----------------------------------|--------------------------------|--------------------------------|-------------------------------------|------------|
| 1 | 14/01/2012 | 13.63 | 14.00 | 150 | COMPLIES |
| 2 | 15/01/2012 | 8.38 | 15.46 | 150 | COMPLIES |
| 3 | 16/01/2012 | ND* | 27.08 | 150 | COMPLIES |
| 4 | 17/01/2012 | ND | 31.43 | 150 | COMPLIES |
| 5 | 18/01/2012 | ND | 13.11 | 150 | COMPLIES |
| 6 | 19/01/2012 | 45.98 | ND | 150 | COMPLIES |
| 7 | 20/01/2012 | ND | ND | 150 | COMPLIES |
| 8 | 21/01/2012 | ND | ND | 150 | COMPLIES |
| 9 | 22/01/2012 | ND | ND | 150 | COMPLIES |
| 10 | 23/01/2012 | ND | ND | 150 | COMPLIES |
| 11 | 24/01/2012 | ND | 7.90 | 150 | COMPLIES |
| 12 | 25/01/2012 | ND | ND | 150 | COMPLIES |
| 13 | 26/01/2012 | ND | 28.48 | 150 | COMPLIES |
| 14 | 27/01/2012 | ND | 21.18 | 150 | COMPLIES |
| 15 | 28/01/2012 | 10.79 | 12.05 | 150 | COMPLIES |

*Not detectable.

Source: Report on monitoring of air quality in the area of influence of the coal-associated methane gas production project in the Iguana development area, Drummond's Mina Pribbenow by K2.



With respect to 2012 CO measurements obtained during the monitoring period, the CO concentration levels did not show significant values and it was found that all results are below the maximum permissible levels. The following table shows the values that were obtained.

TABLE 34 / CO CONSOLIDATED RESULTS

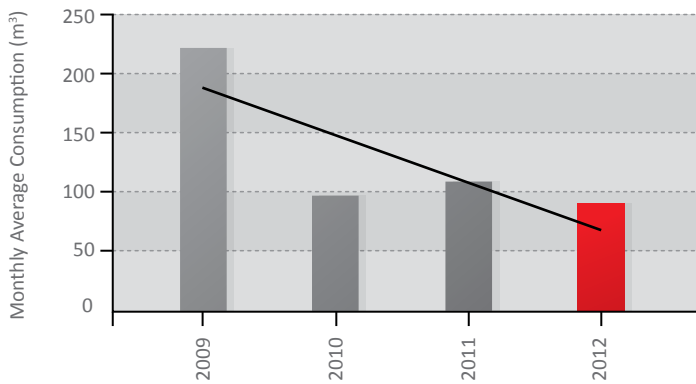
| SAMPLE No | DATE OF MEASUREMENT COMMENCEMENT | STATION 1 ($\mu\text{g}/\text{m}^3$) | STATION 2 ($\mu\text{g}/\text{m}^3$) | DAILY STANDARD ($\mu\text{g}/\text{m}^3$) | COMPLIANCE |
|-----------|----------------------------------|--|--|---|------------|
| 1 | 14/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 2 | 15/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 3 | 16/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 4 | 17/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 5 | 18/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 6 | 19/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 7 | 20/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 8 | 21/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 9 | 22/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 10 | 23/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 11 | 24/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 12 | 25/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 13 | 26/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 14 | 27/01/2012 | 0 | 0 | 40000 | COMPLIES |
| 15 | 28/01/2012 | 0 | 0 | 40000 | COMPLIES |

With the aim of providing wellbeing and protecting the health of the communities and our workforce, we allocate resources to emission control and monitoring of air quality.

Source: Report on monitoring of air quality in the area of influence of the coal-associated methane gas production project in the Iguana development area, Drummond's Mina Pribbenow by K2.

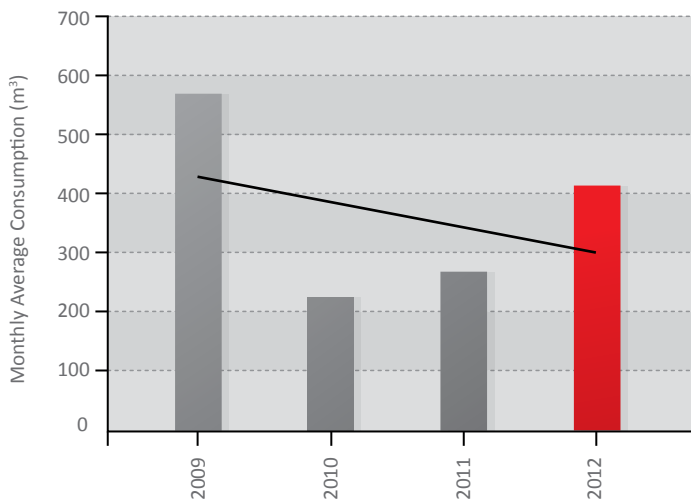


FIGURE 20 / WELL 1 CONSUMPTION



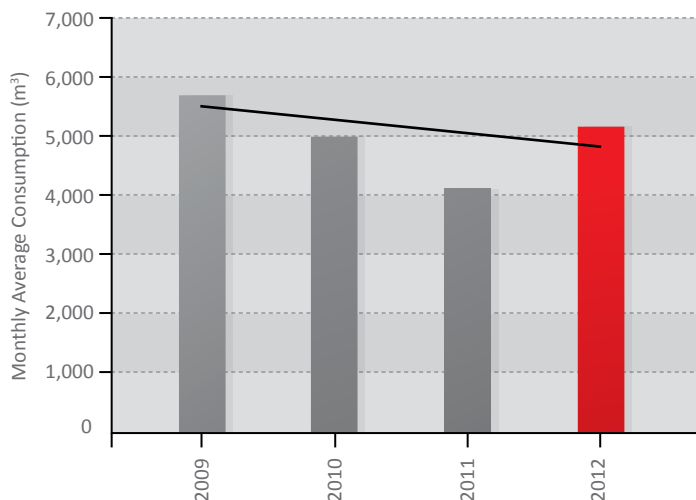
Source: Drummond Environmental Department.

FIGURE 21 / WELL 6 CONSUMPTION



Source: Drummond Environmental Department.

FIGURE 22 / WELL 8 CONSUMPTION



Source: Drummond Environmental Department.

OUR WATER MANAGEMENT AND CONSUMPTION

At Drummond, the efficient, reasonable use of water resources is a priority, given the significant consumption that is required, particularly for control of atmospheric emissions. The main strategy consists in recirculation and reutilization of rainwater or project infiltration water. Shown below are consumption data, specifying the sources and percentages of recirculation and reutilization.

USE OF WATER FOR HUMAN CONSUMPTION

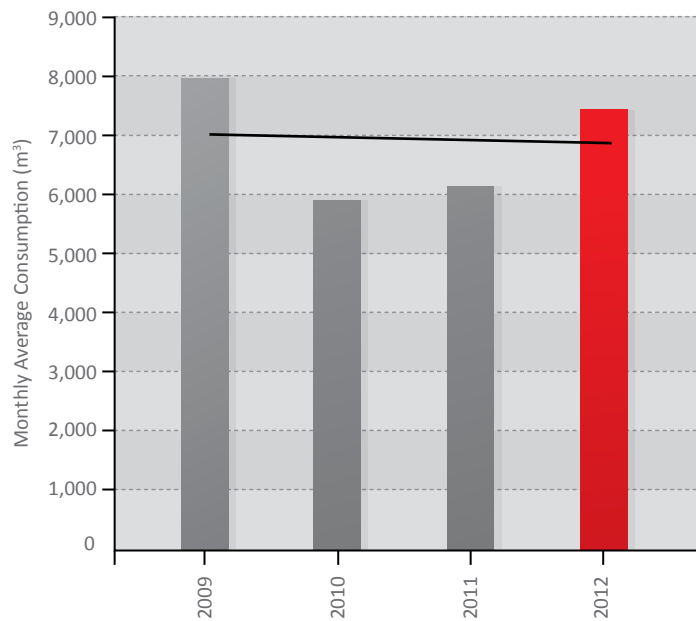
For human consumption in the Pribbenow and El Descanso projects, we use water from underground wells, with total consumption in 2012 amounting to **390.526 m³**. The specific destination of each well is described below:

- WELL 1: Used in the Borrego camp for garden watering.
- WELL 6: Supplies the train drivers' camp.
- WELL 8: Supplies the Barracas camp and the operating personnel cafeteria.
- WELL 9: Supplies mobile dining rooms for operating personnel.
- WELL 10: Supplies the Borrego camp, airport, Pribbenow administrative area, maintenance shops, and dining rooms.
- WELL 12: Supplies the Borrego camp.
- WELL 14: Supplies the Florida, Barracas and Viginorte camps, in addition to the Food Production Center of the operating personnel.
- WELL 15: El Descanso project office area.

The following graphs show consumption of each well. Compared with previous years, it is observed that we have been able to reduce the amount of water used in 2012, thanks to the implementation of water saving best practices. Some examples include a more rigorous leak control, saving of water used in bathrooms, awareness-raising efforts among cleaning personnel to rationalize water use and the optimization of treatment plants washing.

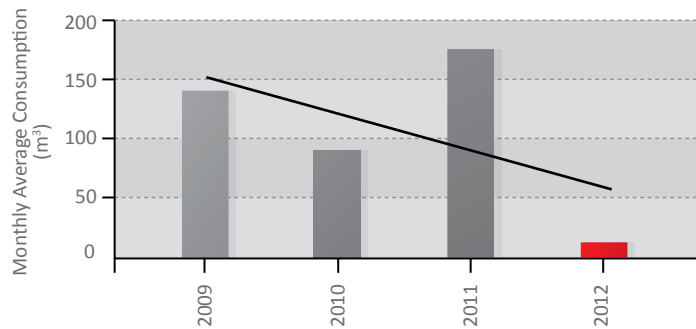


FIGURE 23 / WELL 9 CONSUMPTION



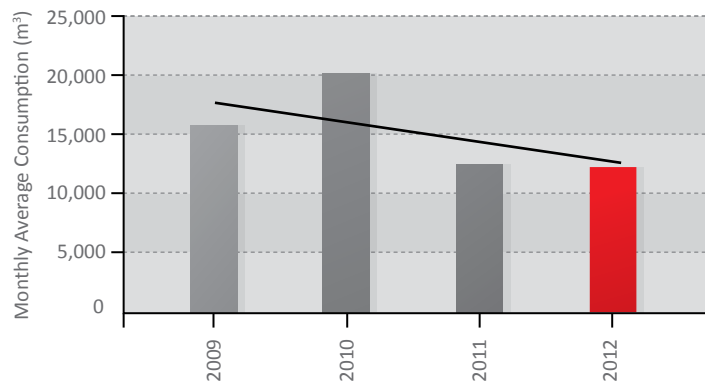
Source: Drummond Environmental Department.

FIGURE 24 / WELL 10 CONSUMPTION



Source: Drummond Environmental Department.

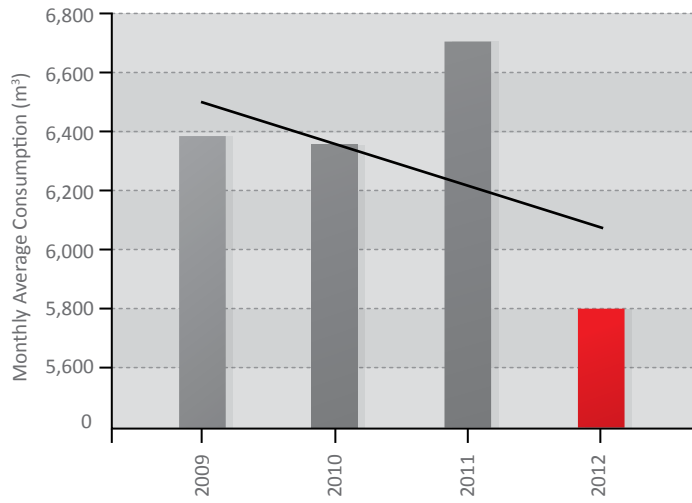
FIGURE 25 / WELL 12 CONSUMPTION



Source: Drummond Environmental Department.

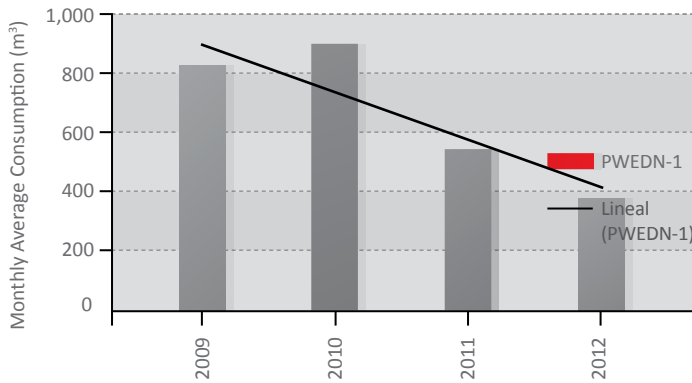


FIGURE 26 / WELL 14 CONSUMPTION



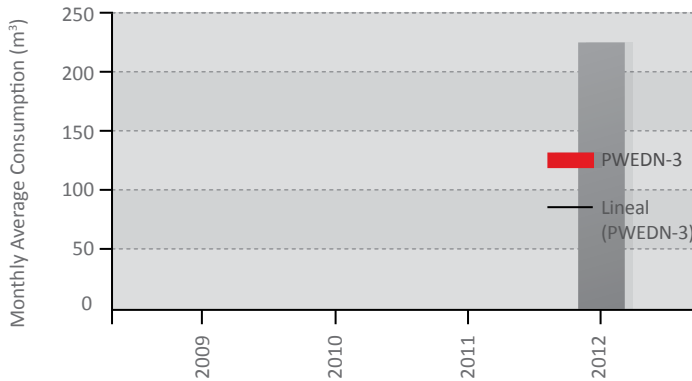
Source: Drummond Environmental Department.

**FIGURE 27 / WELL PWEDN 1
OFFICE AREA OF EL DESCANSO NORTE PROJECT**



Source: Drummond Environmental Department.

**WELL PWEDN 3
EXPLOSIVES PLANT OF EL DESCANSO NORTE PROJECT**



Source: Drummond Environmental Department.



WATER CONSUMPTION FOR INDUSTRIAL USE

In our mining operation in Pribbenow, we collect water from the Paujil reservoir, intended for **industrial use** activities such as the operation of the *Power Plant*, washing of light equipment, and garden irrigation. Total water consumption from the Paujil reservoir in 2012 equals **111,064 m³**.

In the El Descanso project, surface waters are captured from the Calenturitas River and El Zorro Creek, being used exclusively for Emission control purposes. In the year 2012, a total of **203,381 m³** and **297,435 m³** were used respectively. Given that the El Descanso project is in its early phase, it is not possible to clearly evidence water consumption efficiency.

Bailing water: Within the direct production area, there are the so-called bailing waters, which are made up of runoff from rainwater and infiltration from production sites; such waters must be evacuated to allow for the continuity of our operation. We use bailing waters for emission control in our two mines. Total consumption of these waters in 2012 in the Pribbenow project amounted to **6'383,352 m³**, and in El Descanso to **583,888 m³**.

As we have mentioned before, as regards Mina Pribbenow, surface water intake is carried out exclusively from the Paujil reservoir, which stores close to 9 million m³, with volumes captured are not comparatively representative, as the main water source for industrial use in the mine comes from water re-circulated or extracted from the production area; furthermore, there is no water intake at any of the river channels close to the project (San Antonio, Paraluz or Garrapatas); therefore, it may be stated that there are no water bodies that have been significantly affected by water intakes. The following table shows the consolidated and detailed total water consumption of Mina Pribbenow in 2012.

In the El Descanso project, surface waters are captured from the Calenturitas River and El Zorro Creek, being used exclusively for Emission control purposes.

TABLE 35 / WATER CONSUMPTION IN MINA PRIBBENOW

| MINA PRIBBENOW 2012 (M ³) WATER CONSUMPTION | | | | |
|---|------------------|---------------|-------------------|---------------|
| YEAR | PAUJIL RESERVOIR | BAILING WATER | UNDERGROUND WELLS | TOTAL VOLUMEN |
| 2012 | 111,064 | 6'383,352 | 390,839 | 6'885,255 |

Source: Drummond Environmental Department.

TABLE 36 / WATER CONSUMPTION IN EL DESCANSO MINE

| MINA EL DESCANSO 2012 (M ³) WATER CONSUMPTION | | | | | |
|---|--------------------|----------------|---------------|-------------------|---------------|
| YEAR | CALENTURITAS RIVER | EL ZORRO CREEK | BAILING WATER | UNDERGROUND WELLS | TOTAL VOLUMEN |
| 2012 | 203,381 | 297,435 | 583,888 | 4,444 | 1'089,148 |

Source: Drummond Environmental Department.

TABLE 37 / PUERTO DRUMMOND WATER CONSUMPTION

| PUERTO DRUMMOND WATER CONSUMPTION IN 2012 (m ³) | | | |
|---|---------------|-------------------|---------|
| YEAR | TORIBIO RIVER | UNDERGROUND WELLS | TOTAL |
| 2012 | 75,871 | 122,856 | 198,727 |

Source: Drummond Environmental Department.

Evidence of our commitment for a rational use of water resources in our operation is water reutilization in the Pribbenow project, where we use a total of **6'581,584 m³** of water for road spraying activities and reduction of particulate material emissions to the environment, which implies that 97% of total water used for control of particulate material were reutilized waters from the same project (bailing water), and a reutilization of 95.6% of total water use; this means that only 4.4% were taken from external surface water bodies for the operation of the Pribbenow project.

Water intended for domestic use inside our Port comes from underground wells; furthermore, at the Port we use water from the Toribio river. The following table shows the breakdown of total water volumes used at the Port, by source, for domestic and industrial use.

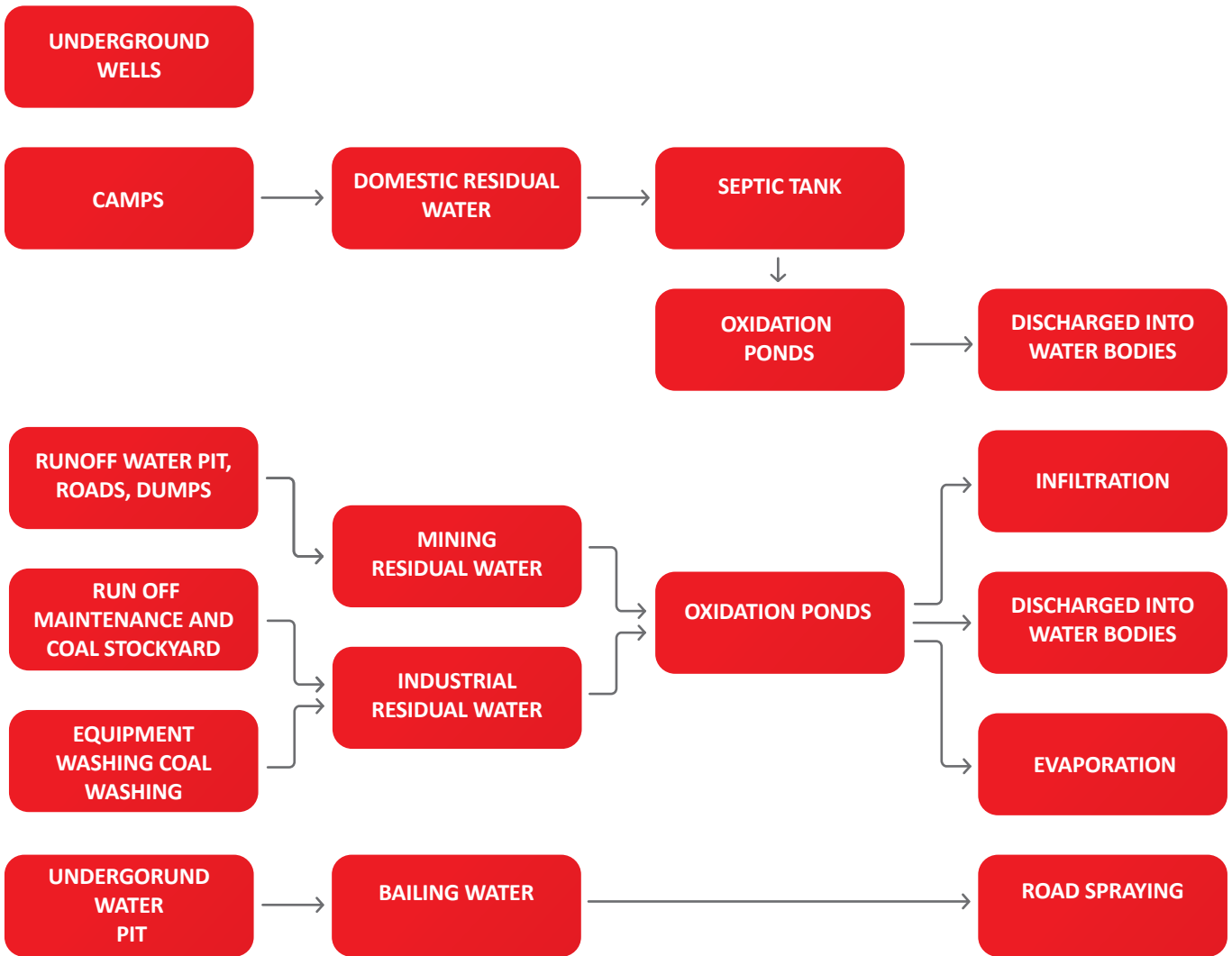
MANAGEMENT OF OUR WASTEWATER AT MINA

Within our Environmental Management Plan, handling of residual water from mining operations includes the following programs:

- Domestic wastewater treatment
- Mining wastewater treatment
- Acid wastewater treatment²

Included below is the general scheme of origin and destination of wastewater:

FIGURE 28 / INLET AND OUTLET SCHEME OF MINING RESIDUAL WATER TREATMENT SYSTEMS



Source: Drummond Environmental Department.

2. Mining effluents that have been affected by natural oxidation of sulfur minerals contained in rock exposed to air, water and/or microorganisms encouraging sulfur oxidation.



Our treatment for domestic waste water includes the following:

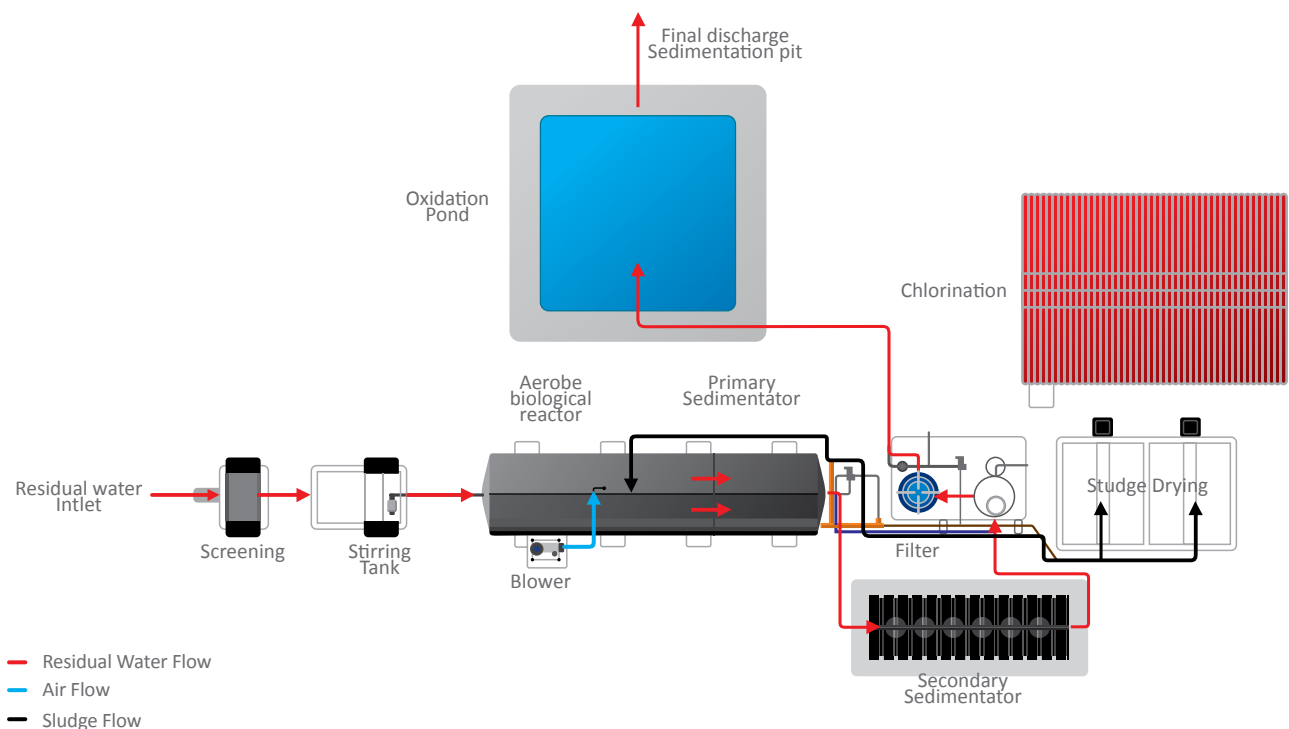
- **Sewage network and oxidation ponds:** Used for treatment of waste water derived from domestic use in the camps area, which is directed through internal sewage systems into oxidation ponds (sterilization and maturity), which retain water for a period sufficient to ensure the adequate decay of organic matter through aerobic processes.
- **Septic Tanks:** They are installed in satellite eating areas and offices, which are distant from the Borrego and Barracas camps in the Pribbenow and El Descanso projects.

MANAGEMENT OF OUR WASTEWATER AT THE PORT

As regards the Port, we have installed a compact plant for treatment of domestic waste water, based on activated sludge technology, which is represented in the following schematics:



FIGURE 29 / PORT WASTEWATER TREATMENT PLANT



Source: Drummond Environmental Department.

Mining Wastewater Treatment

During the coal mining process, pits receive stormwater and groundwater which filter in. This water is collected internally and evacuated to enable exploitation work.

Water management in the pit is done through a series of staggered ponds where an initial sedimentation treatment of solids takes place. With the aid of canals and pumping systems, water is taken to large ponds on the surface, where the sedimentation process is complemented. They are also reused for particulate material control related actions in our mining projects.

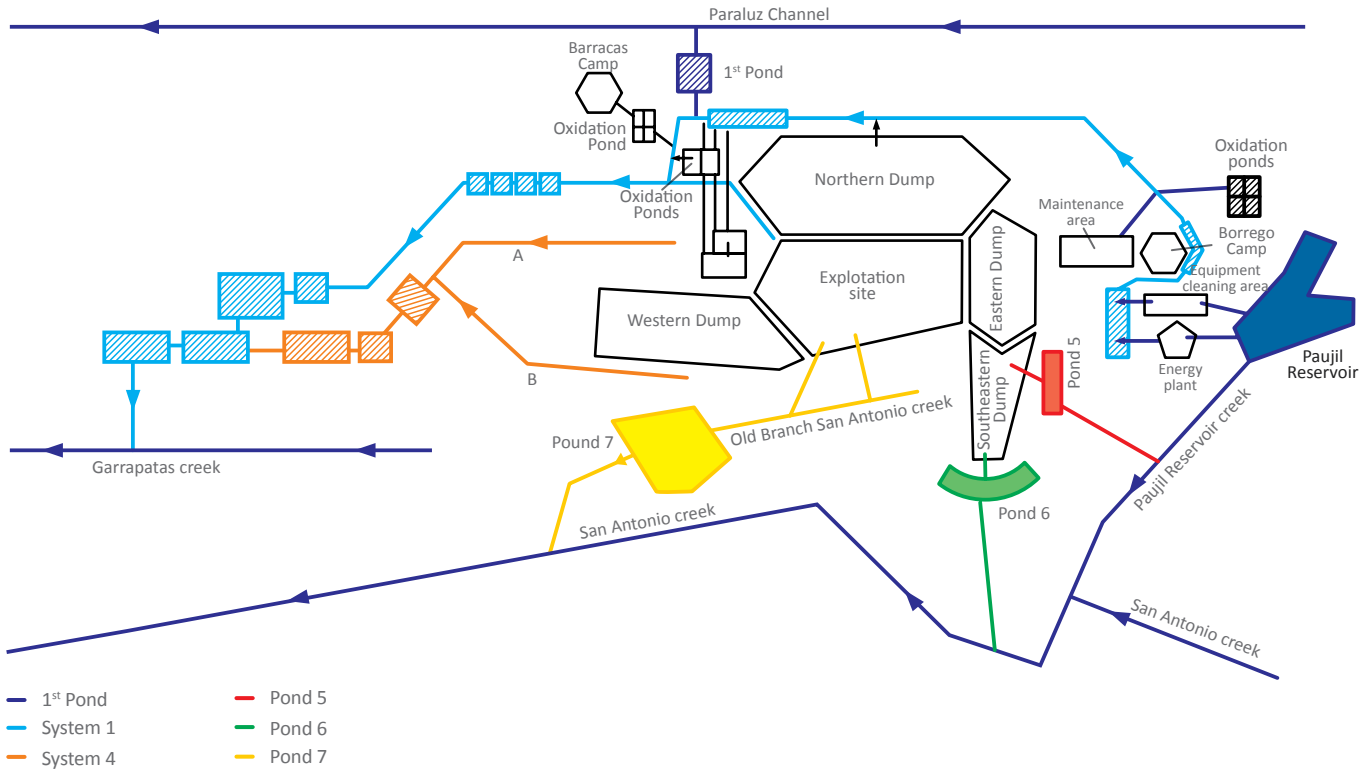
Additionally, rainwater flows into other exposed areas and dumps, which are also managed through canals into these large ponds for its treatment. During rainy seasons, when these

ponds reach their maximum capacity, controlled discharges are made into natural water bodies. These discharges are monitored and analyzed to verify compliance with quality standards established by current environmental regulations.

Acid Wastewater Treatment

Considering that in Drummond's mines located in the center of Cesar there is an absence of such kind of waters, as a contingency plan, measures were introduced in the environmental management plans, should they appear. Said measures include bacteria inhibition methods to control their growth, and the adding of alkaline substances for neutralization purposes. It has not been necessary to implement these measures though, since this type of water has not been present in the operation.

FIGURE 30 / LA LOMA PROJECT MINING WASTEWATER TREATMENT SYSTEM



Source: Drummond Environmental Department.



OUR DISCHARGES

For 2012, in Mina Pribbenow we discharged a total of **44.5** million m³ of treated water into natural water sources such as the San Antonio stream, the Paujil canal, the Paraluz creek, and the Garrapatas creek. In the El Descanso project, we discharged a total of **14.7** million m³ into the El Mocho creek and the El Zorro stream. The table below shows the discharge volumes per discharge points, for 2012.

In 2012, no discharges were reported in Puerto Drummond. The reason for this is that in addition to very low rainfall values, excess water during rainy seasons feeds a rain forest (a kind of forest that grows in floodable areas). Due to the port expansion, an increased water collection is foreseen, as well as changes in the pit and canal system, which will lead to modifying our current water management system; therefore, there is a high potential for future discharges.

OUR MONITORING SCHEME

At Drummond, we have implemented a monitoring program for channels, which was rigorously developed, in order to establish possible effects on surface waterways in our area of influence. This program allows us to control water quality via the physical and chemical and microbiological quality monitoring, conducted in our Environmental Laboratory, the first laboratory belonging to a mining organization to be accredited by IDEAM in the country, and the first one to be certified in the department of Cesar.

For this purpose, hydrological stations were placed at different points of natural watersheds influenced by mining activity in the area. The monitoring stations are located in the Calenturitas river, the Caimancito stream, the Cesar River and upstream and downstream of el Zorro creek. Each station has been installed and monitored in line with IDEAM³ guidelines. The 2012 test results indicated acceptable quality conditions, showing values for most of the parameters analyzed within control levels established by Decree 1594 of 1984. Overall, this was the monitoring scheme (see Table 39).

At Drummond, we have implemented a monitoring program for channels, which was rigorously developed, in order to establish possible effects on surface waterways in our area of influence.

TABLE 38 / DISCHARGED WATER VOLUME IN MINA

| PIT | DISCHARGED WATER VOLUME IN MINA (M ³) - 2012 |
|---------------------------|--|
| Pit 1A (Paraluz creek) | 5,603,435 |
| Pit 4 (Garrapatas creek) | 16,505,932 |
| Pit (Paujil canal) | 89,563 |
| Pit 6 (San Antonio creek) | 6,350,479 |
| Pit 7 (San Antonio creek) | 15,937,469 |
| Pit D2 (El Mocho creek) | 9,963,709 |
| Pit D3 (El Zorro stream) | 4,713,921 |
| TOTAL | 59,164,507 |

Source: Drummond Environmental Department.

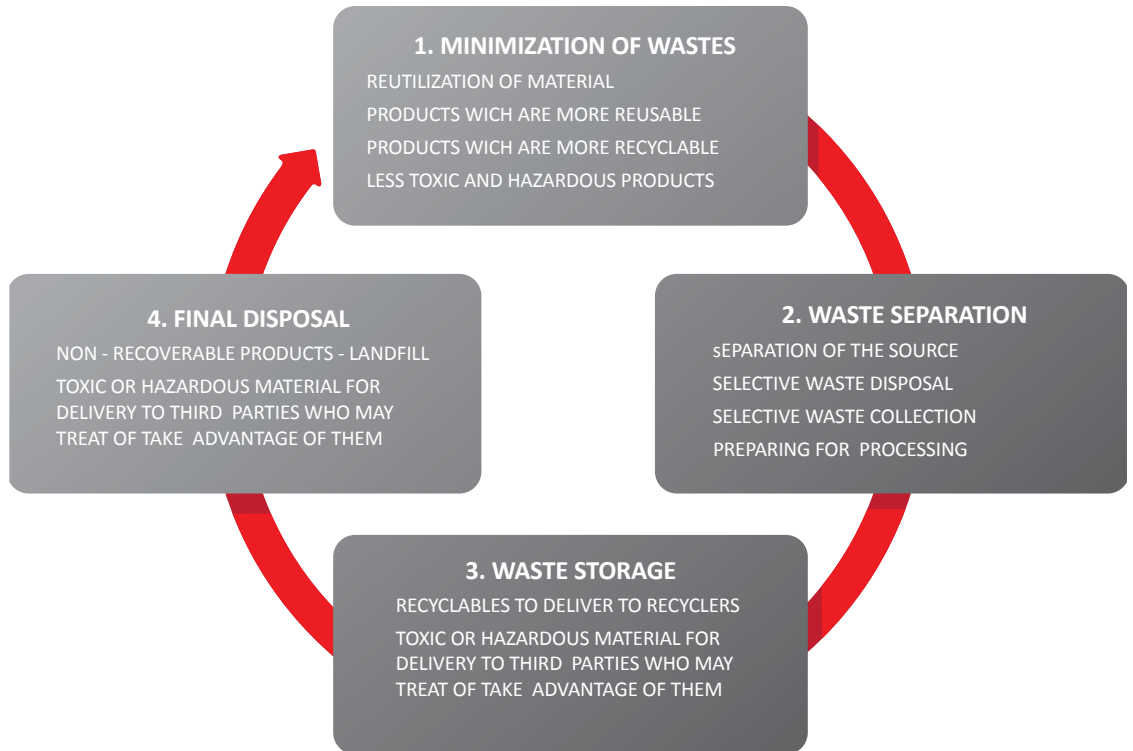
TABLE 39 / MONITORING SYSTEM

| TYPE OF STATION | MINA PRIBBENOW | EL DESCANSO MINA |
|------------------------------|----------------|------------------|
| Surface water quality | 55 | 30 |
| Groundwater quality | 8 | 4 |
| Air quality | 6 | 2 |
| Piezometric monitoring | 12 | 31 |
| Limnimétrico monitoring | 21 | 8 |
| Rainfall monitoring | 9 | 6 |
| Water consumption monitoring | 20 | 17 |
| Meteorological monitoring | 2 | 1 |
| Wildlife monitoring | 40 | 32 |
| TOTAL | 173 | 131 |

Source: Drummond Environmental Department.

3. Institute of Hydrology, Meteorology and Environmental Studies of Colombia

FIGURE 31 / COMPREHENSIVE WASTE MANAGEMENT IN DRUMMOND



↑
 Our comprehensive waste management activities are effectively combined to reduce impact through minimization, separation storage and disposal of waste.

OUR COMMITMENT TO COMPREHENSIVE WASTE MANAGEMENT

Our commitment to the environment has led us to defining and strictly complying with the Comprehensive Solid Waste Management Plan within our mining and port operation areas. This is why, since 2008, we started to implement management activities reducing the impact through minimization, separation, storage and final disposal of wastes.

Our Comprehensive Waste Management Plan is a clear and detailed guide on the proper handling of wastes, based on their classification, including the differentiation between organic, common, special, hazardous and recyclable wastes.

We have over 120 clean points, distributed in both mines and the port. Furthermore, we engage all our employees through awareness raising initiatives and training sessions on

waste handling, the proper disposal of used oils and separation of components. We also make sure our workers permanently wear their personal protective equipment.

We use waste collection services, provided by suppliers duly authorized by the environmental authority, as well as five service stations within the mine, with an oily water and burden material collection system, a covered container for printer cartridges and an oily wastes yard with containers over a concrete platform and a surrounding channel that leads to the grease and trap.

We legally comply with the timely reporting of generated wastes before environmental authorities, and abide by Colombian laws for a proper Solid Waste Management (Decree 4741 of 2005, Decree 1609 of 2002). Included below are the quantities of wastes disposed in mine and port, during 2012.



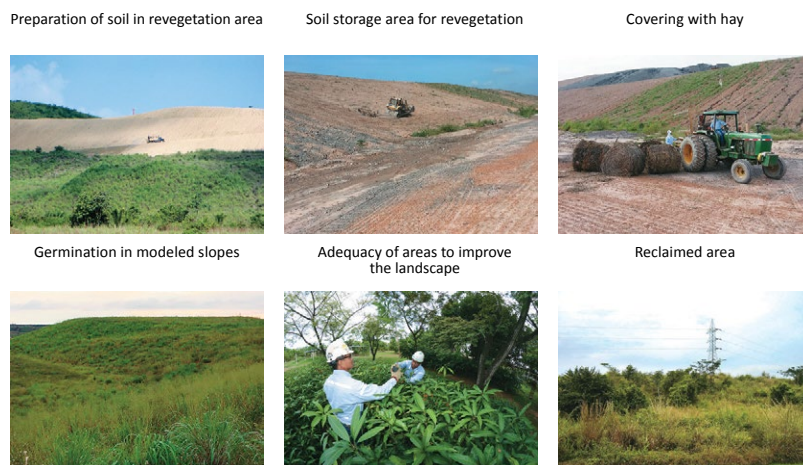
TABLE 40 / SOLID WASTES DISPOSED IN 2012 (MINE AND PORT)

| MATERIAL | AMOUNT |
|--|-----------------|
| Bio sanitary | 1.498 Kg |
| Batteries | 4,903 Batteries |
| Scrap | 8,276 Ton |
| Wood | 307 Ton |
| Used oil and oily water | 5.566 Ton |
| Filters, hoses and other materials that have been impregnated with oil | 1.043 Ton |
| Other hazardous materials | 199 Ton |
| Glass | 24 Ton |
| Plastic | 123 Ton |
| Cardboard | 174 Ton |
| Paper | 7 Ton |
| Tins and metals | 35 Ton |

Source: Information from Drummond Environmental Department.

We have over 120 clean points, distributed in both mines and the port. Furthermore, we engage all our employees through awareness raising initiatives and training sessions on waste handling, the proper disposal of used oils and separation of components.

PHOTO 8. REVEGETATION PLAN



Source: Photographs from Drummond Environmental Department.

CONTINGENCY MANAGEMENT AT DRUMMOND

This year there was an oil spill at the *Power Plant*. Eleven thousand gallons of water with diesel fuel were sucked in the affected area; **250 m³** of contaminated soil were also collected and transported to the bioremediation yard.

Due to this incident, the management program for hydrocarbon contaminated soils included in our environmental management plan had to be executed. According to our findings, we were able to identify that the cause of this event was the improper management and/or handling of keys and valves. Finally, we want to clarify that this spill as adequately controlled; hence, biodiversity was not affected.

OUR ACTIONS FOR MANAGING IMPACTS ON BIODIVERSITY

At Drummond, we are aware of the need to reclaim areas affected by our operational activities, which is why at 2012 we have reclaimed 637 hectares in Mina and 20 hectares in Port. Our concern for maintaining optimal environmental conditions to preserve the flora and fauna and contribute to the environmental quality of our ecosystems includes activities such as:

Land restoration: Land restoration includes the rehabilitation of disturbed areas and the protection of non-disturbed areas, seeking to control impacts such as the removal of the vegetation cover and the loss of a suitable habitat for terrestrial fauna. For this purpose, revegetation programs have been implemented in tailings deposits, as well as the protection of strategic areas (gallery forests⁴ and wildlife corridors), allowing isolated forest fragments to connect and regenerate, stimulating processes such as genetic flow and biological interactions. Included below are some land restoration images.

Our actions in non -disturbed areas include the protection of buffer zones. These areas are highly important to us because they are a source of food and a safe shelter for wildlife, which contributes seeds and becomes a germplasm bank⁵, providing and maintaining the genetic diversity in the area.

4. Corresponds to forests relicts located along water streams forming important vegetation corridors for the protection of banks and wildlife displacement.

5. The concept of germplasm is commonly used to refer to the genetic diversity of wild and cultivated plant species of interest for agriculture; it is similar to the concept of Genetic Resource (GRs).



Our efforts in terms of plant restoration are associated with the forest compensation program. We have complied with forest compensation works in the Perijá mountain range (municipality of La Jagua de IBIRICO - Cesar); given what environmental protection means to Drummond, along with other mining companies in the region, we have committed to compensation plans in nine properties in the sub-basin of the Sororia river.

Our compensation work also involves consultation with peasants located around the high basins, offering each of them a financial incentive for the development of an agricultural production project, including technical assistance and coaching for 4 years, with the commitment not to use areas that need to be preserved in their properties. Agricultural production projects include: planting cocoa, coffee, avocado, pineapple, blackberry, plantain, and corn. Other activities performed with peasants in the sector are related to training in fire fighting, first aid and home gardens.

Mine Closure Plan: Every mining operation causes the removal of vegetation cover and burden material, which leads to changes in the landscape and environment. This is why once coal has been extracted, it is necessary to start the restoration of disturbed lands, for environmental reinstatement. All these

aspects are included in our Closing Plan for Pribbenow and El Descanso mines.

On social issues we have provided training to the community in developing School Environmental Projects (PRAES) and Citizens' Initiative Projects (PROCEDAS) the educational community participates in, seeking the community's overall empowerment. Similarly, in terms of community building, support has been provided for Associations developing productive projects, which have been described in detail in chapter "Drummond's DNA".

Wildlife Rescue: This program is aimed at rescuing and preserving wildlife that may suffer any kind of risk for being located in the midst of the company's operational facilities. A landmark case was that of an anteater's rescue. In order to catch it, it was necessary to stop the Mina's power supply, since the animal was on a medium voltage lamp post.

Likewise, during 2012, 750 iguanas were captured in camp areas and workshops in Mina. They were relocated in two places: part of them (400 iguanas), in green areas of the Para Luz creek and the rest of them (347 iguanas) were taken to the San Antonio River bank. Other wildlife species at risk due their proximity to our operation were also relocated. Among said species there were: porcupines, crabs, snakes, capybaras, and a large number of alligators.

PHOTO 9. WILDLIFE CATCH AND RELEASE AT MINA PRIBBENOW



A landmark case was that of an anteater's rescue. In order to catch it, it was necessary to stop the Mina's power supply, since the animal was on a medium voltage lamp post.

Source. Drummond Environmental Department



PHOTO 10. MIGRATORY SPECIES (CAMPYLORHYNCHUS GRISEUS)



Source: Environmental Compliance Report 2012.

Wildlife Rescue: This program is aimed at rescuing and preserving wildlife that may suffer any kind of risk for being located in the midst of the company's operational facilities.

The task of strengthening of biological corridors adds on to the wildlife rescue program. It is a priority for us to ensure the safety and wellbeing of wildlife and to adequately protect corridors located within the mining area and, should it be necessary, to enrich the soil by planting species that may serve as food for displaced species, in order to facilitate migration at the time of applying dispersal techniques.

During 2012, we directed our work towards redesigning the San Antonio corridor, which blends wildlife from the San Antonio creek and the Piedras creek. There we have planted 40 acres for connection purposes, of which maintenance and protection are one of our priorities.

Biological Monitoring: Our keenness to preserve biodiversity compels us to conduct monitoring by using biosensor stations (10 stations in Mina, 2 Stations in Port) in response to the need of updating the biological resources (flora and fauna) inventory and determining the size of the actual impacts our activity generates in comparison with the baseline. These results enable us to select the right tools and adopt the necessary measures for biodiversity protection.



MANAGING IMPACTS ON COMMUNITIES

Drummond is aware of the fact that mining activity performed gives rise to environmental impacts causing alterations to communities in their area of influence; this is why concrete actions have been taken to prevent, control and mitigate these impacts. In 2012, we have designed projects aimed at reducing effects related to our mines and port, as indicated below:

TABLE 41 / PRIBBENOW AND EL DESCANSO MANAGEMENT PROGRAMS

| IMPACTS GENERATED IN EL DESCANSO AND MINA PRIBBENOW * | MANAGEMENT PROGRAMS | | | | | | | |
|--|--|--|----------------------------|------------------------------|----------------------------|---|------------------------------|------------------------------|
| | 1 INFORMATION TO COMMUNITIES AND INSTITUTIONS | 2 COMMUNITY AND INSTITUTIONAL STRENGTHENING | 3 COMMUNITY DEVELOPMENT | 4 POPULATION RESETTLEMENT | 5 EMPLOYMENT GENERATION | 6 POSSIBLE INVOLVEMENT OF THIRD PARTIES AND INFRASTRUCTURE | 7 ENVIRONMENTAL EDUCATION | 8 ENVIRONMENTAL SIGNALING |
| Briefing on migration processes | ✓ | | | ✓ | ✓ | | | |
| Change in economic activities | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| Change in demand for goods and services | ✓ | | | | ✓ | | | |
| Impact on community infrastructure | | | | ✓ | | ✓ | ✓ | |
| Transformation of cultural behavior patterns | | | ✓ | ✓ | | | | |
| Employment generation | ✓ | | | | ✓ | | | |
| Disappearance of identity models and rootedness | | ✓ | ✓ | ✓ | | ✓ | ✓ | |
| Involuntary displacement of people | | | | ✓ | | | | |
| Changes in forms of community organization | | ✓ | ✓ | ✓ | | | | |
| Damage or disruption of social relations, transformation of landscapes | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |

*These impacts have been identified and included in the environmental Management Plan (EMP) for communities: La Jagua de Ibirico, Chiriguana, El Paso, La Loma, Becerril, and Agustín Codazzi of the department of Cesar.



MANAGEMENT PROGRAMS

1. INFORMATION TO COMMUNITIES AND INSTITUTIONS

Objectives: To provide clear, timely and accurate information to people and institutions in our area of influence, in order to diminish exaggerated or unfounded expectations vis-à-vis the project-related benefits, that may result in migration flows towards the projects' neighbor populations.

2012 Achievements*:

- Visits to the mine.
- Environmental Management Plan socialization meetings, in 6 mining towns.
- Strengthening the Customer Care Policy

** For more details on this program, refer to chapter "Drummond's DNA".*

2. COMMUNITY AND INSTITUTIONAL STRENGTHENING *

Objectives: To increase leaders' and public officials' capabilities in terms of proactivity and management skills, by providing knowledge and tools through training. To maintain or improve people's living conditions, by guiding the implementation of community projects and initiatives.

2012 Achievements*:

- We participated in projects and plans with

the Recycling Association of La Loma village "ASORELOMA", the *Reciclajes El Bronce* Company, and the "SoyNutrición" ("I am Nutrition") project, among others.

- We continue to participate in the Royalties Monitoring Committee.

** For more details on this program, refer to chapter "Drummond's DNA".*

3. COMMUNITY DEVELOPMENT

Objectives: To foster development in municipalities within our mining projects' area of influence, by performing joint activities and works between communities, the mayor's office and the company. To assess and determine support for social development works in our local area of influence that may encourage community welfare.

2012 Achievements*:

- We participated in infrastructure improvement and fitting works of several educational centers.
- In terms of infrastructure, we contributed to the improvement of roads with a grader and a tanker truck, used for bedplate structuring, leveling, and compaction purposes.

** For more details on this program, refer to chapter "Drummond's DNA".*



4. POPULATION RESETTLEMENT

Objectives: To restore the social fabric, i.e., social relations, cultural patterns, economic activities, community infrastructure and symbolic systems, in order to boost the social and individual wellbeing of populations affected by involuntary displacement in areas that will be disturbed by mining. To keep communication lines open between resettled families and the company.

2012 Achievements*:

- We hired the new operator, *rePlan Colombia S.A.S.*
- We made progress in resettlement projects of El Hatillo and Plan Bonito.
- In the case of Boqueron, we held informational meetings about the new operator *rePlan* and the *Resettlement Action Plan (PAR)*.

** For more details on this program, refer to chapter "Drummond Beyond Compliance".*

5. EMPLOYMENT GENERATION

Objectives: To contribute to the improvement of human relations and quality of life of target working populations, through training in topics which encourage the improvement of living conditions, skill building in the labor force supply,

greater participation in jobs required for mining developments and the expansion of employment opportunities and income generation.

2012 Achievements*:

- We hired a high percentage of direct employees from our mining area of influence.

** For more details on this program, refer to chapter "This is Who We Are".*

6. POSSIBLE INFLUENCE ON THIRD PARTIES AND INFRASTRUCTURE

Objectives: To repair or acknowledge the damage caused to private property and public goods as a result of mining activities, and especially, blasting handling, roads affected by traffic and those that need to be relocated. In terms of damage to third parties or tort liability, Drummond will abide by the provisions of the Colombian legal system; therefore, the company's definition of any liability thereof must be determined or defined by ordinary jurisdiction.

2012 Achievements:

- During 2012, there were no damages attributable to mining or port operations in social, community or private infrastructure.



7. ENVIRONMENTAL EDUCATION

Objectives: To cultivate environmentally sustainable attitudes and behaviors in the target population, through training. To design communication channels through which workers and contractors may be informed about the impacts emerged from coal exploitation. To raise awareness and sensitize the target population around issues related to the management of natural resources.

2012 Achievements*:

- We performed 4 training cycles on topics such as air quality monitoring, comprehensive solid waste management, land reclaiming and wildlife rescue.
- We provided training around the Environmental Management Plan to all employees who joined us that year.
- For the group of contractors, we performed training sessions related to operational issues such as solid waste management, animal catching and the environmental management plan, among others.

* For more details on this program, refer to chapter "This is Who We Are" and "Drummond's DNA".

8. ENVIRONMENTAL SIGNAGE

Objectives: To inform the overall community, and especially the users of roads on which the project will operate, about how to reduce the risk of accidents and traffic disruption, and how to minimize the loss of wildlife by through the use of appropriate signage.

2012 Achievements*:

- We continued signposting at all sites where activities related to the Environmental Management Plan were performed, or where either treatment or monitoring systems had been located, in order to raise greater awareness in our labor force by proving our environmental commitment, which has been translated into a better understanding of the need to participate in environmental management through an individual contribution.
- We continued to provide defensive driving courses for all drivers entering the mining facilities.

* For more details on this program, refer to chapter "This is Who We Are" and "Drummond is Compliance".

To promote awareness, we provide environmental training to our workers. ↓



MANAGEMENT PROGRAMS (TABLE 42)

1. INFORMING COMMUNITIES AND INSTITUTIONS

Objectives: To socialize project-related features, impacts and management plans with the community of our area of influence. To discourage expectations vis-à-vis joining the company through direct and indirect jobs that would generate migration flows towards the area. To favor the specific portion of local population with economic benefits emerging from the Project. To define criteria, methods and recruitment sites, so as to benefit the available work force in the area of influence.

2012 Achievements*:

- We conducted briefings and visited different social sectors in Puerto Drummond.
- We held meetings for the socialization of Port expansion projects, among others.

** For more details on this program, refer to chapter "Drummond's DNA".*

2. COMMUNITY AND INSTITUTIONAL STRENGTHENING

Objectives: To engage local and regional authorities in the social management processes we put forward. To coach and support the local government by providing information

TABLE 42 / MANAGEMENT PROGRAMS IN PUERTO DRUMMOND

| IMPACTS GENERATED IN THE PORT * | MANAGEMENT PROGRAMS | | | | |
|--|--|--|------------------------------|------------------------------|---|
| | 1 INFORMATION TO COMMUNITIES AND INSTITUTIONS | 2 COMMUNITY AND INSTITUTIONAL STRENGTHENING | 3 MANAGEMENT OF FISHERIES | 4 ENVIRONMENTAL EDUCATION | 5 ARTICULATION WITH THE TOURISM SECTOR |
| Potential migration flows | ✓ | | | | |
| Generating expectations in the population of the area of influence | ✓ | | ✓ | | |
| Temporarily boosting of the local economy | ✓ | ✓ | ✓ | | |
| Potential accidents of residents in the Port marine operation area | ✓ | | ✓ | | |
| Impacts on fisheries' productive activity | ✓ | ✓ | ✓ | ✓ | |
| Competing perceptions between tourism and port activities | ✓ | | | | ✓ |
| Temporary employment generation and potential decrease in the number of jobs | ✓ | | | | |
| Increase in municipal revenue | ✓ | ✓ | | | |

** These impacts have been identified and recorded in the PMA for the residents of the area of indirect influence (Sub-regional) of Ciénaga and Santa Marta, in general, extended to the neighboring departments.*



on royalties and guidance on management thereof. To drive company-community relations towards addressing and managing impacts generated by port expansion activities, directly associated with the fishing industry, as well as towards boosting the economy and increasing municipal revenues.

2012 Achievements*:

- We suggested the SENA and the INCODER to implement job skills testing for persons belonging to the fishing guild with which it may be possible to put forward productive programs.
- We submitted a proposal before the fishing industry authority in the region (today, AUNAP) for the extension of the Fisheries Nodes Program to the municipality of Ciénaga

** For more details on this program, refer to chapter "Drummond's DNA".*

3. MANAGEMENT OF FISHERIES

Objectives: To mitigate and compensate for the restriction and disruption of fishing activities in order to maintain or improve conditions prior to the project's development. To become familiar with the current situation of the fishing industry in our port's area of influence. To promote, in partnership with other public and private entities, projects fostering sustainable artisanal fisheries. To prevent accidents in the port's maritime area of operation.

2012 Achievements*:

- We submitted a proposal before the fishing industry authority in the region (today, AUNAP) for the extension of the Fisheries Nodes Program to the municipality of Ciénaga
- We carried out the monitoring of artisanal fisheries and efforts made thereof, in order to promote projects in benefit of the sector.

** For more details on this program, refer to chapter "Drummond's DNA".*

4. ENVIRONMENTAL EDUCATION

Objectives: To promote awareness raising processes, as well as education and training for the population living within the project's area of influence, involved institutions and contractors to build practical and conscious relationships with the environment and the project's environmental management programs. To inform workers and contractors on the impacts generated by port activities.

2012 Achievements*:

- We provided environmental training to our workers
- We introduced our company's Environment Partner Program among schools in the municipality of Ciénaga.

** For more details on this program, refer to chapter "This is Who We Are" and "Drummond's DNA".*



5. ARTICULATION WITH THE TOURISM SECTOR

Objectives: For our company to lead initiatives leading to the harmonization of relations with the tourism sector, through the dissemination of operational processes and environmental management carried out in port facilities and adjacent areas.

2012 Achievements*:

- We have been carrying out the necessary steps and consulting with tourism and hotel sector representatives, from the area of influence, in view of developing joint projects to promote tourism, including the coal export activity in Puerto Drummond as the main attraction.

** For more details on this program, refer to chapter "Drummond's DNA".*

COMMITTED TO THE GLOBAL COMPACT

The Global Compact is the world's largest corporate sustainability initiative, which calls on companies to embrace ten universal principles. Therefore, in Drummond, we make sure to use these principles as a management framework, by respecting human and labor rights, while conducting our business through an ethical conduct against corruption. Being involved allows us to stay in touch with national and international companies and gain experience and knowledge in Corporate Social Responsibility through information exchange.





Our 2012 sustainability report enables us to show the way we undertake our committed to UN Global Compact's ten principles.

Similarly, it allows us to manage our growth considering best practices in terms of CSR⁶, providing competitiveness to Drummond's goals while adding value to our stakeholders, including our workers, shareholders, suppliers, customers, NGOs, communities, the government and media.


Our 2012 sustainability report enables us to show the way we undertake our committed to UN Global Compact's ten principles in Drummond, both with our own actions and with collective actions, by putting efforts together along with other companies in the sector. 

FIGURE 32 / PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

| | |
|--|--|
| 1 Businesses should support and respect the protection of internationally proclaimed human rights. | 2 Businesses should make sure that they are not complicit in human rights abuses. |
| 3 The freedom of association and the effective recognition of the right to collective bargaining. | 4 Businesses should uphold the elimination of all forms of forced or compulsory labor. |
| 5 Businesses should uphold the effective abolition of child labor. | 6 Businesses should eliminate discrimination in respect of employment and occupation. |
| 7 Businesses should support a precautionary approach to environmental challenges. | 8 Businesses should undertake initiatives to promote greater environmental responsibility. |
| 9 Businesses should encourage the development and diffusion of environmentally friendly technologies. | 10 Businesses should work against corruption in all its forms, including extortion and bribery. |

⁶ Corporate Social Responsibility (CSR)

Source: <https://www.un.org/es/globalcompact/principles.shtml>







The Road to Sustainability

With the purpose of strengthening sustainable management at our company every day, we have defined some purposes to fulfill during 2013 in which we plan to invest all our efforts just as we did throughout this year; our purposes aim at working with an even more responsible, efficient, eco-friendly operation aligned with our social management. In order to comply satisfactorily, we will continue to rely on our workers, suppliers, customers, and other stakeholders in our management. On the road to sustainability we will focus on 4 main aspects:

Sustainable growth: We want our operation to

continue to grow within an economic, social, and environmentally responsible outline based on a solid organizational structure.

Labor Action: We will continue to generate employment in our communities and continue to work for our employees

Social Action: We will continue supporting our communities and working towards strengthening our communication with our focus groups.

Environmental Action: We will enhance our environmental management and reinforce its communication.

Considering the 4 approaches we have mentioned, included below are our goals for 2013.



TABLE 43 / MANAGEMENT GOALS 2013

| APPROACH | GOALS FOR 2013 |
|--|---|
| Sustainable Growth | We will continue with our production growth goals within our sustainable framework. |
| | We will define a strategy that allows us to strengthen our organizational structure. |
| | We will work on a networking plan design with our stakeholders that will allow us to strengthen communication and secure our networking bonds. |
| | We will continue to promote plans designed to strengthen economic planning in our communities aiming at contributing with the sustainable growth structure in these populations. |
| | We will work towards achieving zero fines or sanctions in fiscal matters. |
| | We will define actions to appraise our suppliers regarding their human rights related practices. |
| Labor Action | We will assess the needs in terms of new education and training, required for 2013. |
| | We will increase the hiring of local suppliers and achieve greater support from these small businesses within the “Cadenas Productivas” (“Productive Chains”) agreement. |
| | We will strengthen the education plan, including leadership education directed towards our company’s strategic level, as well as human rights education for our workers and security staff. |
| | We will continue to invest our efforts in diminishing accident rates and occupational diseases caused by our operation. |
| Social Action | Continue and reinforce the social management programs that are coming along with the communities of our area of influence. |
| | Maintain closer communication with our communities and thus respond directly to their needs. |
| | Communicate our management and initiatives periodically, and the benefits we offer our workers and communities in a striking educational way for which we will strengthen the regional advertising plan and the coverage of our radio station. |
| | Continue to cooperate with the National Government and local authorities in strategies to overcome extreme poverty. |
| | We want to inform the real impact our company has on the country’s economy. |
| | Report through the website about the advancement of the processes the company has been involved in, such as paramilitary-related issues and the death of union leaders, communicating this history in detail, including court sentences and compelling declarations. |
| Environmental Action | We want to take even more advantage of our presence in regional media to make evident the stringency of our company’s environmental management. |
| | Continue to promote initiatives to prevent, mitigate, and offset the environmental impact generated by our operation. |
| | Work jointly with NGO’s who have expressed their interest in participating in the conservation taking place at the Paujil ecosystem. |
| | We will initiate a large scale compensation project at our area of influence (3,000 hectares), directed towards the reclamation of mining areas and a productive coffee project with an organic variety of international value (PNUD). All of this with the help of an International certifying entity. |
| | Manage to consolidate the promotion of our “Incubadora de proyectos productivos” (Productive Projects Incubator) project. |
| | We want to disclose to the country the environmental conditions we maintain in our area of influence, and by doing so, demystify existing information. |
| | In the framework of our environmental management, we will work towards beginning the ISO 14001 certification process. |
| | We will display results on our ozone-depleting substances (ODS) measurements. |
| | We will work to measure the emissions from staff transportation (both air and land). |
| We will continue to strive to maintain our zero fines policy, hence avoiding noncompliance with environmental regulations. | |

Source: Sustainability Committee.







Statement GRI Application Level Check

GRI hereby states that **Drummond Ltd.** has presented its report “Sustainability Report 2012” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level A.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 23 January 2014

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 14 January 2014. GRI explicitly excludes the statement being applied to any later changes to such material.*



| GRI INDICATOR | DESCRIPTION | RESPONSE | CORRELATION WITH THE GLOBAL COMPACT | PAGE |
|---------------|---|---|--|-------------------------|
| 1.1 | Statement from the most senior decision maker of the organization.(Letter from the President) | Chap. Our Commitment to Colombia. | Declaration of Commitment to the Global Compact. | 5 |
| 1.2 | Description of key impacts, risks, and opportunities. | Chap. Our Commitment to Colombia. Chap. What is important to Drummond. Sec. Committed to the Global Compact. Chap. The Road to Sustainability. | Non-specific | 4,5 10 113 118 |
| 2.1 | Name of the organization | Chap. This is Who We Are (Sec. Our Legal Structure) | Non-specific | 17 |
| 2.2 | Primary brands, products, and/or services | Chap. This is Who We Are (Sec. Our Legal Structure) | Non-specific | 17 |
| 2.3 | Operational structure | Chap. This is Who We Are (Sec. Our Legal Structure) | Non-specific | 17 |
| 2.4 | Location of organization's headquarters | Chap. This is Who We Are (Sec. Our Legal Structure) | Non-specific | 17 |
| 2.5 | Number of countries where the organization operates | Chap. This is Who We Are (Sec. Our Legal Structure) | Non-specific | 17 |
| 2.6 | Nature of ownership and legal form. | Chap. This is Who We Are (Sec. Our Legal Structure) | Non-specific | 17 |
| 2.7 | Markets served | Chap. This is Who We Are (Sec. Our Legal Structure) | Non-specific | 17 |
| 2.8 | Scale of the reporting organization | Chap. This is Who We Are (Sec. Our Legal Structure) | Non-specific | 17 |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership | Sec. About This Report | Non-specific | 3 |
| 2.10 | Awards received in the reporting period | Chap. This is Who We Are (Sec. Awards and Recognition) | Non-specific | 19 |
| 3.1 | Reporting period for information provided | Sec. About This Report | Non-specific | 3 |
| 3.2 | Date of most recent previous report | Sec. About This Report | Non-specific | 3 |
| 3.3 | Reporting cycle | Sec. About This Report | Non-specific | 3 |
| 3.4 | Contact point for questions regarding the report or its contents | Sec. About This Report | Non-specific | 3 |
| 3.5 | Process for defining report content | Chap. What is Important to Drummond | Principle 1,4,6 | 10 |
| 3.6 | Boundary of the report. | Sec. About This Report | Non-specific | 3 |
| 3.7 | State any specific limitations on the scope or boundary of the report. | Sec. About This Report | Non-specific | 3 |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations. | Sec. About This Report | Non-specific | 3 |
| 3.9 | Data measurement techniques and the bases of calculations. | The data submitted in this report specify formulas, units of measurement and sources of information. | Non-specific | -- |



Chapter 8

| GRI INDICATOR | DESCRIPTION | RESPONSE | CORRELATION WITH THE GLOBAL COMPACT | PAGE |
|---------------|---|--|-------------------------------------|----------|
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports. | Sec. About This Report | Non-specific | 3 |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | Sec. About This Report | Non-specific | 3 |
| 3.12 | Table identifying the location of the Standard Disclosures in the report. | GRI Table | Non-specific | -- |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report. | Sec. About This Report | Non-specific | 3 |
| 4.1 | Governance structure of the organization, including Committees. | Chap. This is Who We Are (Sec. Our Legal Structure) | Principle 1, 10 | 17 |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer. | Chap. This is Who We Are (Sec. Our Legal Structure) | Non-specific | 17 |
| 4.3 | Management structure. | Chap. This is Who We Are (Sec. Our Legal Structure) | Non-specific | 17 |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | Chap. This Is Who We Are (Sec. Our communication channels) | Principle 1, 10 | 18 |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance. | Chap. This is Who We Are (Sec. Wages) | Principle 1, 10 | 30 |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided | Our code of ethics establishes the procedure whereby the worker is required to discuss the situation with their direct supervisor, department head or other manager, and it states that said situation shall be handled in a fair, quick and open manner. | Principle 1, 10 | -- |
| 4.7 | Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity. | Chap. This is Who We Are Sec. Senior Management Structure Sec. Education and Training | Principle 1, 10 | 30 35 |
| 4.8 | Internally developed statements of mission or values, codes of conduct, and principles. | Chap. This is Who We Are (Sec. Our mission, Values and Principles) | Principle 1, 10 | 17 |
| 4.9 | Operational performance | The Sustainability Report is one of the mechanisms we use to assess the economic, social and environmental performance of the organization as well as the annually audited financial statements, the environmental impact assessments and the operational and daily operational and industrial safety reports. | Principle 1, 10 | -- |
| 4.10 | Corporate governance performance. | Chap. This is Who We Are (Sec. Performance Assessment) | Principle 1, 10 | 38 |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | At Drummond, we have adopted the precautionary principle established by law 99 of 1993, by contracting studies that allow for the continuity of our operations. Likewise, we have implemented appropriate environmental conservation and management measures. | Principle 7 | -- |



| GRI INDICATOR | DESCRIPTION | RESPONSE | CORRELATION WITH THE GLOBAL COMPACT | PAGE |
|---------------|---|---|-------------------------------------|----------------------|
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. | Chap. Drummond's DNA Chap. Drummond is Compliance Chap. Drummond Beyond Compliance Chap. Drummond as an Agent of Change | Principle 1, 10 | 72 86 52 63 |
| 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations. | Large Scale Mining Sector, National Business Association of Colombia (ANDI), Asomineros. | Principle 1, 10 | -- |
| 4.14 | List of stakeholder groups engaged by the organization. | Chap. What is Important to Drummond | Principle 1, 4, 6 | 10 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage. | Chap. What is Important to Drummond | Principle 1, 4, 6 | 10 |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | Chap. What is Important to Drummond | Principle 1, 4, 6 | 10 |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. | Chap. What is Important to Drummond | Principle 1, 4, 6 | 10 |
| EC1 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting | Chap. This is Who We Are (Sec. Drummond in Figures) | Non-specific | 19 |
| EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. | Drummond monitors fossil fuel consumption of its operations and mining equipment. Performance indicators are reported to heads of areas in order to implement necessary actions to optimise use | Non-specific | 26 48 |
| EC3 | Coverage of the organization's defined benefit plan obligations. | Chap. Drummond as an Agent of Change | Principle 1, 10 | 63 |
| EC4 | Significant financial assistance received from government. | We have not received financial aid in Drummond. | Non-specific | -- |
| EC5 | Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation. | Chap. This is Who We Are (Sec. Wages) | Non-specific | 30 |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. | Chap. This is Who We Are (Sec. Our Suppliers) | Non-specific | 21 |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. | Chap. This is Who We Are (Sec. Our People) | Non-specific | 28 |
| EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. | Chap. Drummond's DNA (Sec. Social Management at Drummond) | Non-specific | 72 |

| GRI INDICATOR | DESCRIPTION | RESPONSE | CORRELATION WITH THE GLOBAL COMPACT | PAGE |
|---------------|---|--|-------------------------------------|----------|
| EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts. | Chap. Drummond as an Agent of Change Chap. Drummond's DNA | Non-specific | 63 72 |
| EN1 | Materials used by weight or volume. | Chap. This is Who We Are (Sec. Our Materials Management) | Principle 8 | 26 |
| EN2 | Percentage of materials used that are recycled input materials. | Chap. Drummond is Compliance Sec. Our Commitment to Comprehensive Waste Management | Principle 8, 9 | 102 |
| EN3 | Direct energy consumption by primary energy source. | Chap. This is Who We Are (Sec. Energy Consumption) | Principle 8 | 27 |
| EN4 | Indirect energy consumption by primary source. | Chap. This is Who We Are (Sec. Energy Consumption) | Principle 8 | 27 |
| EN5 | Energy saved due to conservation and efficiency improvements. | Chap. Drummond Beyond Compliance (Sec. Our Initiatives for Energy Conservation and Efficiency Improvements) | Principle 8, 9 | 52 |
| EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | Chap. Drummond Beyond Compliance (Sec. Our Initiatives for Energy Conservation and Efficiency Improvements) | Principle 8, 9 | 52 |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved. | Chap. Drummond Beyond Compliance (Sec. Our Initiatives for Energy Conservation and Efficiency Improvements) | Principle 8, 9 | 52 |
| EN8 | Total water withdrawal by source. | Chap. Drummond is Compliance (Sec. Our Water Management and Consumption) | Principle 8 | 94 |
| EN9 | Water sources significantly affected by withdrawal of water. | Chap. Drummond is Compliance (Sec. Our Water Management and Consumption) | Principle 8 | 97 |
| EN10 | Percentage and total volume of water recycled and reused. | Chap. Drummond is Compliance (Sec. Our Water Management and Consumption) | Principle 8, 9 | 101 |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | Our operation does not affect protected areas | Principle 7, 8, 9 | -- |
| EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | There are no protected areas either in the mining nor in the port area | Principle 7, 8, 9 | -- |
| MM1 | Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated. | Chap. Drummond is Compliance (Sec. Our Actions for Managing Impacts on Biodiversity) | Non-specific | 103 |
| EN13 | Habitats protected or restored. | Chap. Drummond is Compliance (Sec. Our Actions for Managing Impacts on Biodiversity) | Principle 8 | 103 |



| GRI INDICATOR | DESCRIPTION | RESPONSE | CORRELATION WITH THE GLOBAL COMPACT | PAGE |
|---------------|---|--|-------------------------------------|----------|
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity. | Chap. Drummond is Compliance (Sec. Our Actions for Managing Impacts on Biodiversity) | Principle 8 | 103 |
| MM2 | Number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place. | Chap. Drummond is Compliance (Sec. Our Actions for Managing Impacts on Biodiversity) | Non-specific | 103 |
| EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | A species that could be an ocelot was found, IUCN: vulnerable category. This issue has been reported to the environmental authority and is part of the port's conservation measures. | Principle 8 | -- |
| EN16 | Total direct and indirect greenhouse gas emissions by weight | Chap. Drummond is Compliance (Sec. Our Commitment to Air Quality) | Principle 7, 8, 9 | 87 |
| EN17 | Other relevant indirect greenhouse gas emissions by weight. | Chap. Drummond is Compliance (Sec. Our Commitment to Air Quality) | Principle 7, 8, 9 | 87 |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | Chap. Drummond is Compliance (Sec. Our Commitment to Air Quality) | Principle 7, 8, 9 | 87 |
| EN19 | Emissions of ozone-depleting substances by weight. | In 2012 we began the equipment inventory (air conditioners, refrigerators and condensers) in operational facilities. | Principle 8 | -- |
| EN20 | NOx, SOx, and other significant air emissions by type and weight. | Chap. Drummond is Compliance (Sec. Our Commitment to Air Quality) | Principle 8 | 87 |
| EN21 | Total water discharge by quality and destination. | Chap. Drummond is Compliance (Sec. Management of our Wastewater) | Principle 8 | 98 99 |
| EN22 | Total weight of waste by type and disposal method. | Chap. Drummond is Compliance (Sec. Our Commitment to Comprehensive Waste Management) | Principle 8 | 102 |
| MM3 | Total amounts of overburden, rock, tailings, and sludges and their associated risks. | There are no such amounts in Drummond | Principle 7, 8, 9 | -- |
| EN23 | Total number and volume of significant spills. | Chap. Drummond is Compliance (Sec. Contingency Management at Drummond) | Principle 8 | 103 |
| EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | Not Applicable - There are no imports in Drummond | Principle 8 | -- |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. | Not Applicable: In Drummond we have not significantly affected any water body | Principle 7, 8, 9 | -- |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | Chap. Drummond Beyond Compliance | Principle 7, 8, 9 | 52 |



| GRI INDICATOR | DESCRIPTION | RESPONSE | CORRELATION WITH THE GLOBAL COMPACT | PAGE |
|---------------|---|--|-------------------------------------|------|
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category. | Not applicable. Our product is not packaged nor does it have any related materials that are subject to reclaiming at the end of their useful life. | Non-specific | -- |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and Regulations. | There have been no fines during 2012 for environmental non-compliance | Principle 7, 8, 9 | -- |
| EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. | Chap. Drummond is Compliance (Sec. Our Commitment to Air Quality) | Principle 8 | 87 |
| EN30 | Total environmental protection expenditures and investments by type | Chap. This is Who We Are (Sec. Environmental investment) | Principle 7, 8 | 48 |
| LA1 | Total workforce by employment type, employment contract, and region, broken down by gender. | Chap. This is Who We Are (Sec. Our People) | Principle 6 | 28 |
| LA2 | Total number and rate of new employee hires and employee turnover by age group, gender, and region. | Chap. This is Who We Are (Sec. Employment Generation and Creation) | Principle 6 | 32 |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation. | Chap. Drummond as an Agent of Change (Sec. Social benefits) | Principle 3 | 63 |
| LA4 | Percentage of employees covered by collective bargaining (labor) agreements. | Chap. This is Who We Are (Sec. Labor Relations) | Principle 3 | 33 |
| LA5 | Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. | At Drummond, we announce all changes in the company to our workers through our communication channels and in a timely fashion. Chap. This is Who We Are Sec. Our communication channels. | Principle 3 | 18 |
| MM4 | Number of strikes and lock-outs exceeding one week's duration, by country. | There were no strikes or lockouts during 2012. | Principle 3 | -- |
| LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. | Chap. This is Who We Are (Sec. Joint Committee on Occupational Health) | Principle 1, 3 | 42 |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender. | Chap. This is Who We Are (Sec. Incident Register) | Principle 1, 4 | 44 |
| LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | Chap. This is Who We Are (Sec. Health and Safety Management at Work) | Principle 1 | 40 |
| LA9 | Health and safety topics covered in formal agreements with trade unions. Health and safety topics covered in formal agreements with trade unions. | Chap. This is Who We Are (Sec. Safety and Health in the Collective Labor Agreement) | Principle 3 | 43 |



| GRI INDICATOR | DESCRIPTION | RESPONSE | CORRELATION WITH THE GLOBAL COMPACT | PAGE |
|---------------|--|--|-------------------------------------|------|
| LA10 | Average hours of training per year per employee, by gender, and by employee category. | Chap. This is Who We Are (Sec. Education and Training) | Principle 1 | 29 |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | Chap. This is Who We Are (Sec. Education and Training) | Principle 1 | 35 |
| LA12 | Percentage of employees receiving regular performance and career development reviews, by gender. | Chap. This is Who We Are (Sec. Performance Assessment) | Principle 1 | 38 |
| LA13 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity. | Chap. This is Who We Are (Sec. Senior Management Structure) | Principle 6 | 30 |
| LA14 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation. | Chap. Drummond as an Agent of Change (Sec. Women at Drummond) | Principle 6 | 68 |
| LA15 | Return to work and retention rates after parental leave, by gender. | <p>Maternity & Paternity Leave Maternity Leave: 6 Paternity Leave: 373</p> <p>Number of employees who returned to work after parental leave ended, by gender Female: 6 Male: 373</p> <p>After parental leave ended who were still employed twelve months after their return to work, by gender Female: 6 Male: 371</p> | Principle 2 | -- |
| HR1 | Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening | Not applicable. There have been no investment agreements subject to human rights screening | Principle 1, 2 | -- |
| HR2 | Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken. | Chap. This is Who We Are (Sec. Our Suppliers) | Principle 1, 2 | 21 |
| HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | We will strengthen the training plan by including topics related to leadership, at our company's strategic level, and human rights, for our workers and security personnel. | Principle 1, 2 | -- |
| HR4 | Total number of incidents of discrimination and corrective actions taken. | There have been no incidents of discrimination at Drummond | Principle 6 | -- |
| HR5 | Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights. | In Drummond there are no activities where this right would face the risk of being breached. The right to free association is established by policy. It has been made clear during meetings that there must be absolute respect for unions. | Principle 3 | -- |



| GRI INDICATOR | DESCRIPTION | RESPONSE | CORRELATION WITH THE GLOBAL COMPACT | PAGE |
|---------------|--|---|-------------------------------------|------|
| HR6 | Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor. | In Drummond we have not identified activities that could lead to the risk of child labor incidents. | Principle 5 | -- |
| HR7 | Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor. | In Drummond we have not identified activities that could lead to the risk of incidents of forced or compulsory labor. | Principle 4 | -- |
| HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. | We will strengthen the training plan by including topics related to leadership, at our company's strategic level, and human rights, for our workers and security personnel. | Principle 1, 2 | -- |
| MM5 | Total number of operations taking place in or adjacent to indigenous people's territories, and number and percentage of operations or sites where there are formal agreements with indigenous people's communities. | Not applicable. Drummond's operations are not performed in areas with presence of indigenous populations. | Non-specific | -- |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken. | Not applicable. Drummond operations are not performed in areas with presence of indigenous populations. | Principle 6 | -- |
| HR10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. | Operations at Drummond have not been subject to human rights reviews and/or impact assessments | Principle 7 1, 2, 3, 4, 5, 6 | -- |
| HR11 | Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms. | In Drummond, no requests of this kind have been addressed. | Principle 1, 2 | -- |
| SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs. | Chap. Drummond's DNA (Sec. Social management at Drummond) | Principle 1 | 72 |
| MM6 | Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples. | Among the complaints received by the Community Relations Office, no filed complaint has generated such kind of dispute. | Principle 1, 2 | -- |
| MM7 | The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes. | Chap. Drummond's DNA (Sec. Drummond as a Good Neighbor) | Principle 1, 2 | 83 |
| MM8 | Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks. | Not applicable. Drummond's operations are considered large scale ones. | Non-specific | -- |
| MM9 | Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process | Chap. Drummond Beyond Compliance (Sec. Resettlement) | Principle 1, 2 | 56 |
| MM10 | Number and percentage of operations with closure plans. | Chap. Drummond is Compliance (Sec. Mine Closure Plan) | Principle 7 | 104 |



| GRI INDICATOR | DESCRIPTION | RESPONSE | CORRELATION WITH THE GLOBAL COMPACT | PAGE |
|---------------|---|--|-------------------------------------|------|
| SO2 | Percentage and total number of business units analyzed for risks related to corruption. | Chap. This is Who We Are (Sec. Our Work with Transparency) | Principle 10 | 19 |
| SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures. | Chap. This is Who We Are (Sec. Our Work with Transparency) | Principle 10 | 19 |
| SO4 | Actions taken in response to incidents of corruption. | Chap. This is Who We Are (Sec. Our Work with Transparency) | Principle 10 | 19 |
| SO5 | Public policy positions and participation in public policy development and lobbying. | We do not engage in lobbying activities or intervene in public policy development | Non-specific | -- |
| SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | We make no contributions to political parties. | Non-specific | -- |
| SO7 | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes. | At Drummond, we have had "zero actions" due to monopolistic practices | Non-specific | -- |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations. | Chap. This is Who We Are (Sec. Fines and Penalties) | Principle 7 1, 2, 3, 4, 5, 6 | 20 |
| SO9 | Operations with significant potential or actual negative impacts on local communities. | Chap. Drummond is Compliance (Sec. Managing impacts on communities) | Principle 1, 2 | 106 |
| SO10 | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. | Chap. Drummond is Compliance (Sec. Managing impacts on communities) | Principle 1, 2 | 106 |
| MM11 | Programs and progress relating to materials stewardship. | <ul style="list-style-type: none"> ◆ Development of Key Performance Indicators ◆ Procurement of specialized equipment ◆ Buy Green Chap. Drummond Beyond Compliance (Introduction) | Non-specific | -- |
| PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures | Not applicable. Coal is not subject to assessment around this type of impact on clients. | Non-specific | -- |
| PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | None In terms of quality, our coal meets the calorific value, moisture, sulfur, ash %, and other basic parameters required by the client. SGS certifies quality criteria. | Non-specific | -- |
| PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | Not applicable. | Non-specific | -- |
| PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. | Not applicable. | Non-specific | -- |



| GRI INDICATOR | DESCRIPTION | RESPONSE | CORRELATION WITH THE GLOBAL COMPACT | PAGE |
|---------------|--|--|-------------------------------------|------|
| PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | Not applicable. | Non-specific | -- |
| PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. | At Drummond, we have not adopted any code or standard on this regard, since our company's communications strategy is not focused on commercial-like advertising, but on the disclosing news reports. | Non-specific | -- |
| PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. | Not applicable. | Non-specific | -- |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | Not applicable. | Non-specific | -- |
| PR9 | Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services. | Not applicable. Marketing is done abroad. | Non-specific | -- |

LEGEND:

Chap: Chapter of the 2012 Drummond Sustainability Report.

Sec: Section; refers to a chapter section.

2012 SUSTAINABILITY REPORT
OUR COMMITMENT TO
COLOMBIA

