



DRUMMOND LTD.
COLOMBIA



'17

Drummond
Annual
Report



17

Drummond
Annual
Report

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01

About Drummond

Drummond Ltd. is a mining company that operates solely in Colombia, property of Drummond International LLC, a company headquartered in Alabama, United States. The company is owned by Drummond Company, Inc. and its affiliates (80%), and by ITOCHU Coal Americas Inc. (20%).

Report profile

[GRI 102-54]
[GRI 102-55]

By preparing this sustainability report, Drummond Ltd. discloses to all of its stakeholders the company's performance in the economic, social and environmental aspects that define its sustainability strategy.

This report has been prepared in accordance with the GRI Standards: Essential option. For the reader's review, a reference table is provided in the appendix, which explains the contents of the standards reported by the company.

The information presented in this report corresponds to 2017, the period between January 1 and December 31. The 2016 report was published in December 2017 under the guidelines of the Global Reporting Initiative (GRI), GRI Standards. Drummond Ltd. publishes its sustainability reports annually.

To define the contents of this report, an identification process was carried out through a materiality analysis with the help of an independent third party. As a result of this process, Drummond Ltd. was able to recognize and understand the most relevant topics related to its sustainability work, and on the basis of which, a response was generated to the specific GRI contents that correspond to those topics.

This report is divided into 7 chapters that detail Drummond Ltd.'s performance on each of the aspects that were identified as being material:

[GRI 102-50]
[GRI 102-51]
[GRI 102-52]

- 01 About Drummond Ltd.,
- 02 Corporate Governance and Risk
- 03 Vision of Sustainability at Drummond Ltd.
- 04 Economic Impact and Supply Chain
- 05 Social Management
- 06 Community Management
- 07 Work for the Environment



[GRI 102-32]
[GRI 102-56]

This sustainability report was prepared by KPMG, and coordinated by Drummond Ltd. by the Office of the Vice President of Risk Management and Corporate Social Responsibility and the Office of the Vice President of Communications and Public Relations, and ratified by the Social Responsibility and Sustainability Committee, to ensure that all material aspects were covered. Additionally, as instructed by the Board of Directors and the senior management team, BSD Consulting verified the report in accordance with the AA1000 Assurance Standard guidelines, to ensure the reliability and accuracy of the information being published for all stakeholders. The scope and conclusions from that verification can be read in the independent review report found in the Appendices to this report.



[GRI 102-53]

Any suggestions, opinions or concerns regarding this report can be sent to the company addressed to:

Juan Pablo Arteaga De Brigard
Corporate Social Responsibility Manager
+57 1 5871000 Ext. 8319
Email:
jarteaga@drummondLtd.com

Letter from the President

[GRI 102-14]
[GRI 102-15]

Drummond's commitment to being a fundamental part of the country's productive and sustainable development has meant that the company's business strategies and corporate social responsibility programs are in constant evolution.

This is only possible given that we have had a similar commitment from each of the key players in our area of influence (employees, contractors, neighboring communities and families in general).

Our 30 years of hard work have left a mark, and as a result in 2017 we became the top coal exporter in Colombia, shipping to 24 countries around the world, including Turkey, Israel, South Korea, India, Chile and others, with a total of 32,378,947 tons. We also set a benchmark for good business practices.

These results would be meaningless if they did not also come with a positive impact by our operations throughout the value chain, transforming the lives of our employees, the communities where we operate and our customers.

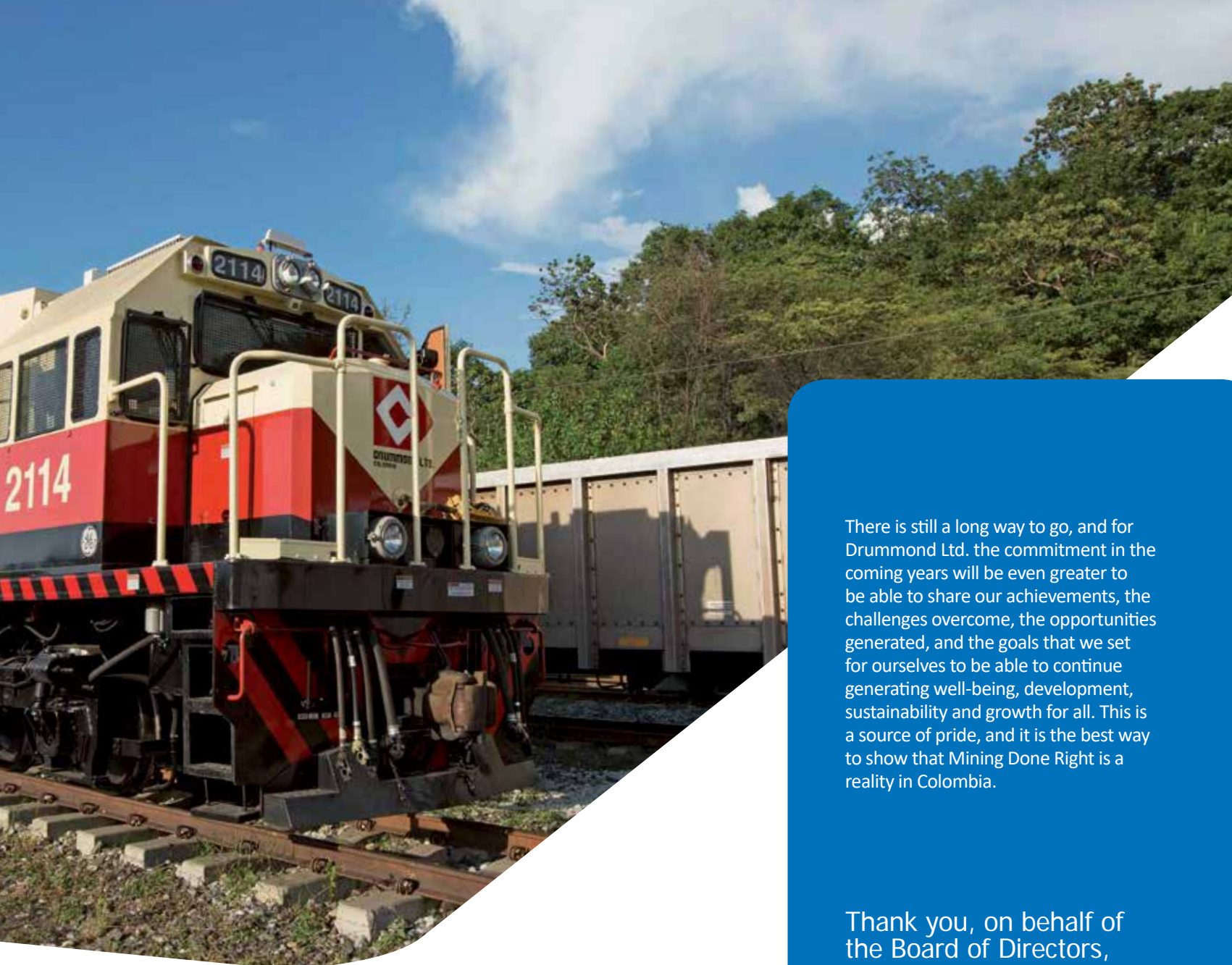
To this end, we have decided to support the UN's sustainable development agenda, in its economic, social and environmental aspects. The agenda is aimed at eradicating poverty, protecting the planet and ensuring prosperity for all, since we understand that Corporate Social Responsibility should not focus solely on legal compliance and risk mitigation.

To that end, our vision and leadership aims to increase and share the benefits of our business project with our stakeholders in the areas of influence by building and strengthening local capacities. For that reason, we promote shared responsibility by the government, businesses and citizens in order to join efforts toward the proper management of the environment, labor relations, communications, security, production and supply chain issues.



2017, with the economic challenges that the country presented in the midst of a wave of constant changes, was a year of important results for Drummond Ltd. that were made possible thanks to the commitment and hard work of our more than 5,000 employees (3.7% more than in 2016).

We also increased our production volume by 14%, going from 28.4 million tons in 2016 to 32.5 million tons in 2017. The royalties and compensations paid to the National Government amounted to USD 303.5 million and taxes, fees and contributions totaled USD 225.1 million, for a total of USD 528.6 million.



Effective and efficient business relationships are the key to the success of any business. In this regard, we maintained connections with more than 900 suppliers, with a billing volume of USD 1,046,483,122. Of this total, 830 suppliers (90.22%) are domestic and generated billings of USD 756,850,372 (72.32%).

But these achievements, more than numbers, are actions, faces and opportunities for progress for the entire country. For this reason, the Company's operations in 2017 made it possible for more than 99,000 people in the area of influence to benefit, completing 119 impact projects affecting the education, culture, sports, infrastructure and productive development sectors throughout our area of influence.

There is still a long way to go, and for Drummond Ltd. the commitment in the coming years will be even greater to be able to share our achievements, the challenges overcome, the opportunities generated, and the goals that we set for ourselves to be able to continue generating well-being, development, sustainability and growth for all. This is a source of pride, and it is the best way to show that Mining Done Right is a reality in Colombia.

Thank you, on behalf of the Board of Directors, executives and employees, for allowing us to reach all of you through the following pages which summarize the importance of our work.

Mike Tracy
CEO of Drummond
Company, Inc.

Letter from the President

[GRI 102-14]
[GRI 102-15]

Our fourth edition of the Sustainability Report, prepared in accordance with the Global Reporting Initiative's (GRI) guidelines, is proof that responsible mining in Colombia is not only possible, but that it is a reality. And this is not surprising, since it has been our focal point since we began operations in this country.

For us it is essential to have operations that are based on ensuring the welfare of the people and communities with which we interact in the course of our operations, promoting and respecting human rights. Drummond Ltd. goes beyond the regulatory requirements in social, environmental and corporate aspects.

This report is evidence of all of our efforts, a document in which we set out the results of our work and our impact during this past year in Colombia.

Today, more than ever, it is greatly satisfying to be one of the economic sectors that contributes the most to the country and its communities in terms of development and progress. For that reason, we are maturing in terms of the depth and scope of our Corporate Social Responsibility – CSR - strategy, which supports an operation based on excellence and a long-term vision.

Our results in 2017 have allowed us to confirm our solid position in the Colombian market as the largest producer and exporter of Colombian coal, and the amounts paid this year as royalties and compensations (more than USD \$300 million), will undoubtedly contribute to the local governments' plans to improve the quality of life in their communities. Through our Oil and Gas Division, we continue to move forward with the unconventional hydrocarbons exploration project, specifically coalbed methane gas.

However, none of this would have been possible without the commitment of

our more than 5,000 direct employees, and 5,000 more employed by our contractors. It is worth mentioning that hiring local workers has allowed us to contribute to the goal of reducing unemployment rates in the departments of Cesar and Magdalena.

In 2017, to take a step forward, we aligned our CSR strategy with the UN's Sustainable Development Goals (SDGs), taking on the goal for the coming years of sustainably managing each of our projects and their impact.

Sustainability is a vital aspect that affects all of the organization's processes. In order to transparently share the responsible way we manage our operations, we work for the welfare of our employees and their families, with the communities on strengthening the supply chain, and communicate the different aspects of our environmental management.. We have continued our efforts related to human rights, reaching 81% coverage in training through the regular training cycles. We were also accepted as members of the Energy and Mining Committee on Security and Human Rights (CME, in Spanish).

In this report, you will not only learn about the numbers that provide an account of the value that Drummond Ltd. offers to continuously improve the quality of life of the key actors in our area of influence, you will also learn of all of the progress we made in 2017 focusing on priority issues in economic, social and environmental aspects which have an effect that goes beyond what any statistical data can show.

Threats and challenges were also part of a 2017 that brought scenarios that put the extractive industry on alert. This is why it will be important to work together with all other actors on what I consider to be the three most important pillars for the country's future in terms of self-supply: productivity, competitiveness and sustainability.

The first of these is educating society about extractive activities and their positive impact, and destroying the myths around the messages that its detractors want to spread in the minds of Colombians, which ignore the benefits that this sector provides. The development of unconventional deposits through fracking is an example of an area where Drummond will continue to support educational activities that strengthen the social dialogue regarding the benefits that the development of this activity represents for the country.

Secondly, there is the importance of not lowering our guard in terms of the need to achieve legal security that establishes clear and fair rules, always with a full focus on social and environmental responsibility. Such clarity generates greater confidence for foreign investment in favor of the development of mining and energy projects in the different areas of the country. In this sense, Drummond Ltd. will continue to participate in all regional and national opportunities that are provided to debate this crucial issue for the economic future of the country.

And, last but not least, the importance of efficient and responsible payment of

the royalties and taxes that the industry generates for the benefit of the most disadvantaged communities. Drummond Ltd., going beyond Colombian regulatory requirements, has always worked to offer the communities in the area of influence of its operations more and better opportunities for a decent, prosperous quality of life. This includes its investments in education, healthcare, culture, recreation and sports, and human rights.

Mining Done Right is not only possible but necessary so that the government, businesses, civil society organization and citizens in general can work together to build the country that we want and deserve.

Thank you for allowing us to share with you one more chapter of the history that we are writing based on our sincere commitment to the country and its people.

José Miguel Linares
President of Drummond Ltd.

Drummond Ltd. Overview

[G4RI 102-1]
[G4RI 102-4]
[G4RI 102-7]

Drummond Ltd. is a mining company that operates solely in Colombia, property of Drummond International LLC, a company headquartered in Alabama, United States. The company is owned by Drummond Company, Inc. and its affiliates (80%), and by ITOCHU Coal Americas Inc. (20%).

[G4RI 102-2]
[G4RI 102-7]

Drummond Ltd. operations are based on a process that includes the exploration, production, transportation and exportation of steam coal. The Department of Cesar is home to the mining operations, which is concentrated in two projects: La Loma and El Descanso. It also has projects in Rincón Hondo, Similoa and Cerrolargo, which have not yet started operations.

Transporting steam coal is critical to Drummond Ltd.'s operations; for this reason, the company has a fleet of thirteen trains that allow it to transport coal from the mining operations to the port, using three car-loading facilities adjacent to the mine pit. The rail lines inside the mines and the port are connected to Ferrocarriles del Norte de Colombia (Fenoco), which has tracks that have gradually been expanded to double tracks. It is expected that construction of this expansion will be fully completed in the next two years.



Americas
28.6%

[G4RI 102-6]

The coal that is exported is headed for the world's main power plants, covering markets in Europe, Asia and the Americas. Exports are distributed among the following geographic destinations:



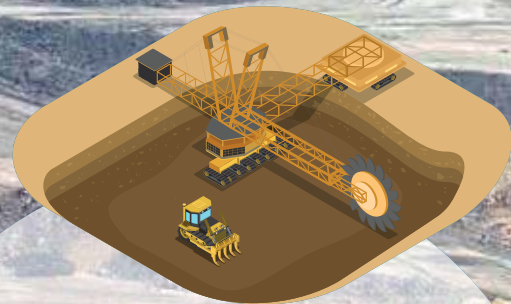
The export operations are carried out at Port Drummond, a port concession from the Colombian government located in Ciénaga, Magdalena, 20 kilometers from the city of Santa Marta. This terminal has the capacity to export 60 million metric tons of coal per year.

Value cycle

Drummond Ltd.'s value cycle is structured by performing economic feasibility studies based on its available reserves. This study makes it possible to understand the investments needed to ensure both operational efficiency and the preservation of the health of the people and the environment, which are extremely important factors for the company.




Once the feasibility criteria have been met, and as part of its adaptation of the site, the company carries out processes to preserve the natural and cultural richness of the area through archaeological rescues, wildlife relocation, collection of native seeds and seedlings, the implementation of forestry projects and the collection of soil samples. Then it proceeds with the design, development, assembly and preparation of the mines.



Drummond Ltd. performs large-scale, highly-technical open pit mining. This includes the coal mining, selection, transportation and shipment stages, all of which are performed under efficient monitoring and control processes that make it possible to ensure that it is caring for the environment, the communities and the company's employees.

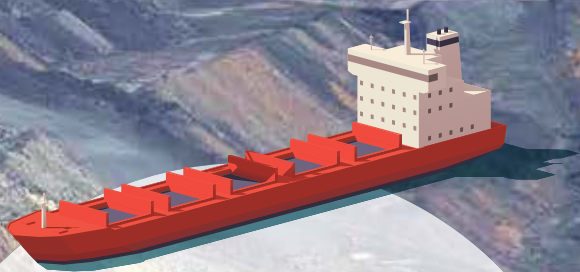




It is worth noting that the port has an OHSAS 18001 industrial safety and occupational health certification, ISO 14001 environmental certification, and BASC and ISPS physical security and port protection certifications. During 2018, the ISO 14001 certification audit will be conducted to also cover the mining operations. The mine and port also have an OHSAS 18001 certification with independent certificates; in June 2019, a follow-up audit will be completed at both locations to obtain a single certificate covering both operations.



In the extraction process, the coal to be sold is separated from overburden; the latter is collected under practices that ensure the smallest possible environmental impact. Once extracted, the coal is transported from the mine to a collection center where it is separated, sorted and finally crushed, so that the end product meets the quality conditions required by customers and the market.



Finally, the coal is transported to Port Drummond on the company's trains for export. There, the product is stored according to its features and quality, so that mixtures can be prepared at the time of shipment according to each customer's quality requirement.

OUR VALUE CHAIN

1 GEOLOGICAL, MINING AND ENVIRONMENTAL STUDIES



2 MINING ENVIRONMENTAL DESIGN

Archaeological rescue



Wildlife translocation



Seedling and seed collection

Soil collection and storage

Forestry



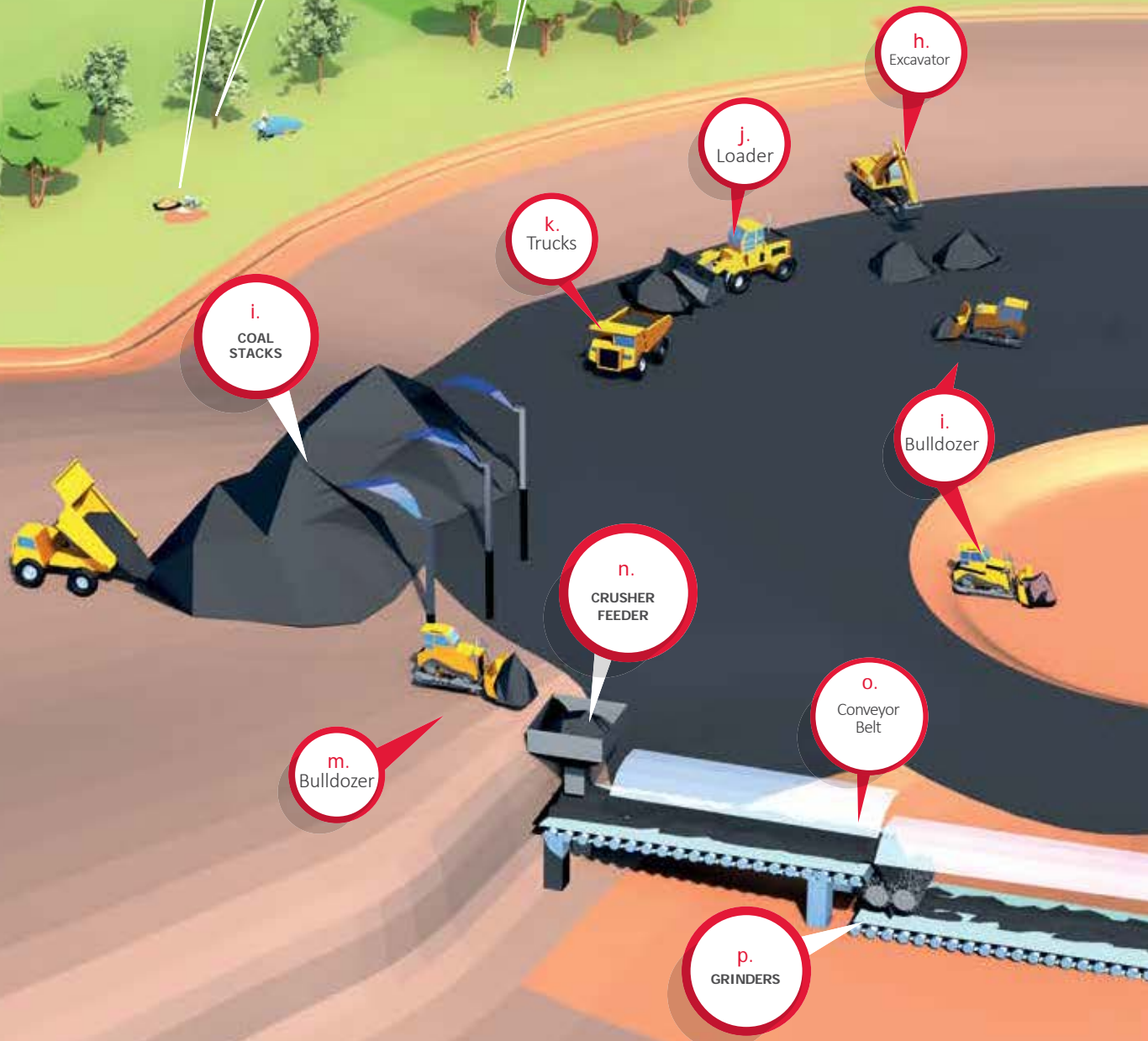
3 COMMUNICATION AND LICENSE

COMMUNICATION AND LICENSE



4 COAL EXTRACTION PROCESS

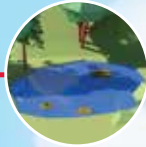
COAL EXTRACTION PROCESS



Implementation of the environmental management, monitoring and control plan



Sedimentation and treatment pools to prevent water from polluting the channels



Constant irrigation plan for roads and coal storage yards to maintain air quality



Replanting: the process by which vegetation is replanted in the areas that have been affected by mining activities



Waste separation for storage



Constant information to the neighboring communities on the management actions and social investments



g.
DUMPING AREAS

e.
Hydraulic Shovel

d.
Power Shovel

b.
COAL EXTRACTION

a.
DRILLING AND BLASTING

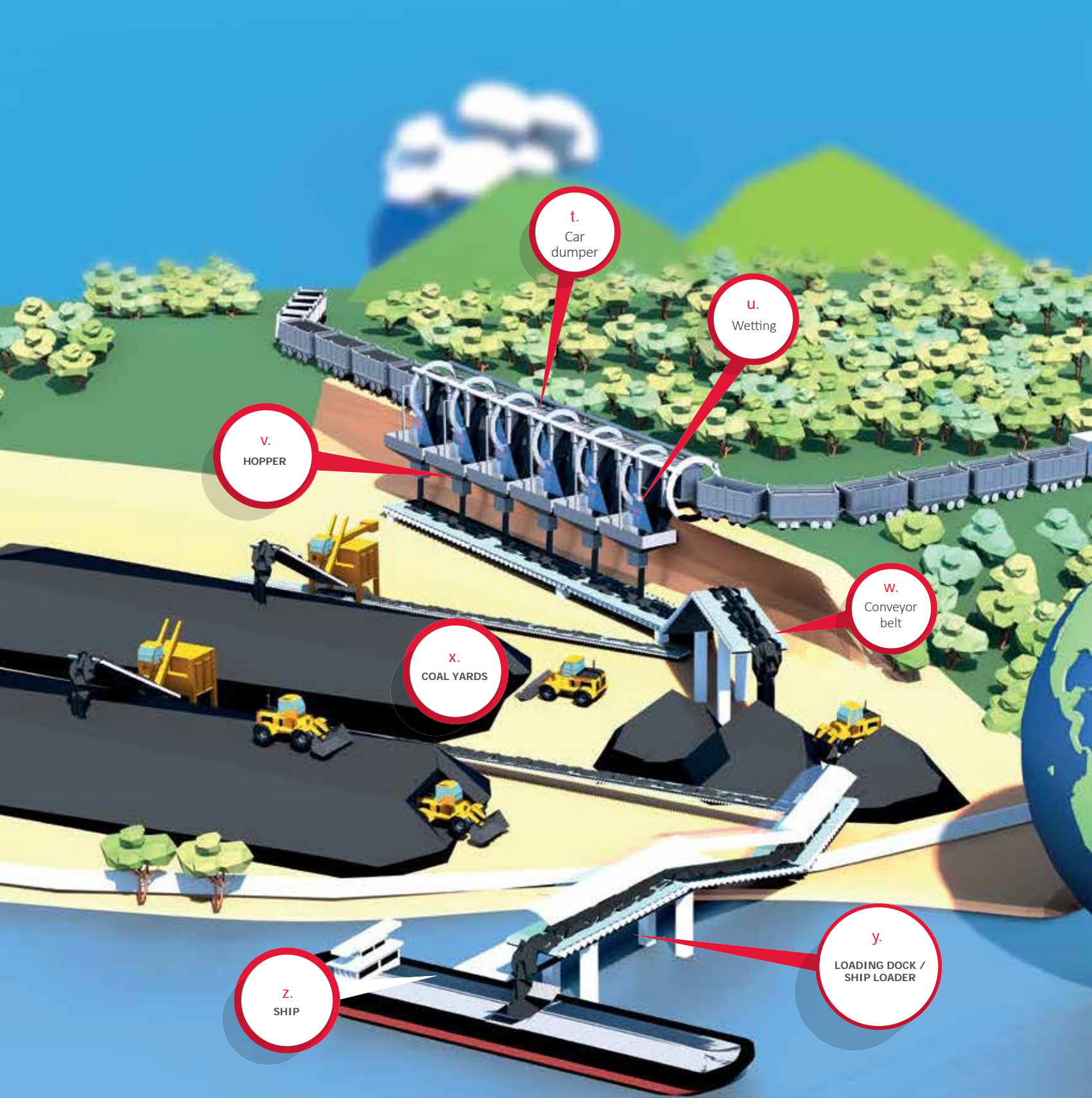
f.
LOADING OVERBURDEN

c.
Bulldozer

q.
Sampling station and quality control lab

s.
MINE TO PORT

r.
LOADING FACILITIES



ENVIRONMENTAL COMPLIANCE REPORT

During the operation, hydro-biological monitoring is conducted on the wildlife in order to relocate it, solid waste is disposed of properly and the beaches at the port are monitored to check for the presence of coal, among many other environmental monitoring activities.

Finally, a document is published biannually and another is issued annually, to report to the environmental authorities in the implementation of the management measures and the results of the monitoring activities.



5
COAL
EXPORTING

UNLOADING
FACILITIES

6
TRANSPORTATION
TO THE THERMAL
POWER STATION

7
POWER
GENERATION

In 2004, Drummond Ltd. began an unconventional hydrocarbons exploration project with the signing of the La Loma Exploration and Production contract with the National Hydrocarbons Agency (ANH in Spanish).. The contract covers gas production, specifically, in this case, coal-bed methane, in the Caporo Norte Development Area, in the Department of Cesar, in the municipalities of Chiriguaná and La Jagua de Ibirico, with a surface area of 6,462 hectares.

Since 2005, Drummond Ltd., through its Oil and Gas and Mineral Exploration Division, has conducted exploration studies and has shared information about the project with the communities in its areas of influence. On September 8, 2016, the National Environmental Licensing Authority (ANLA, in Spanish) approved the environmental license under Resolution 984 of September 8, 2016 for Drummond Ltd. to begin executing this project. Additionally, this resolution clarified some technical aspects of Resolution 1655 of December 21, 2015, which had previously been granted to the company. The 2018 Sustainability Report will provide detailed information on the oil and gas exploration process.

Additionally, Drummond Ltd. voluntarily abides by the International Energy Agency's Golden Rules that ensure a balance between gas production, the development of the communities in the area of influence and the preservation of the environment.



Drummond Ltd.'s strategy

Drummond Ltd.'s goal is to offer high-quality coal to its customers around the world, in addition to constantly developing competitive products and services that meet the increasing demands of the market.

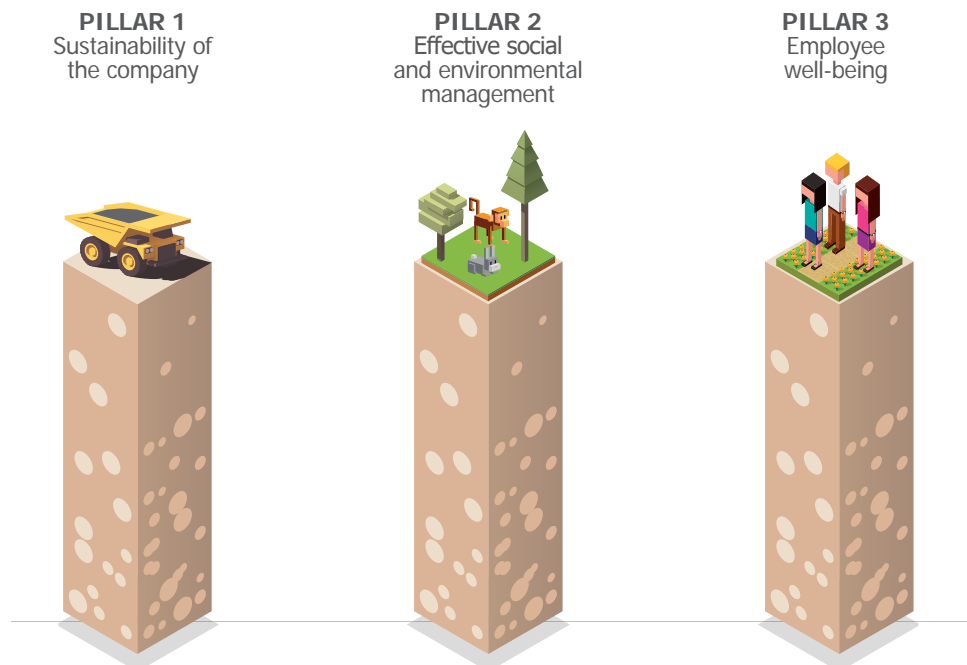
Drummond Ltd.'s coal is known for its high quality, given its calorific value and low moisture, ash and sulfur content, which allows the company to offer its customers a product in undeniably efficient condition.

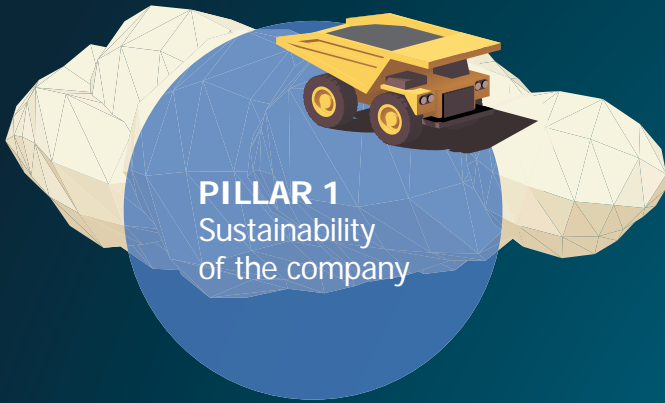
In a continuing effort to provide comprehensive services to each of its customers, the company has sought to diversify its portfolio in industries related to the mining and transportation of coal and its derivatives, where its experience and knowledge provide added value.

Additionally, Drummond Ltd.'s commitment to Colombia is solid and grows stronger every day. In every project,

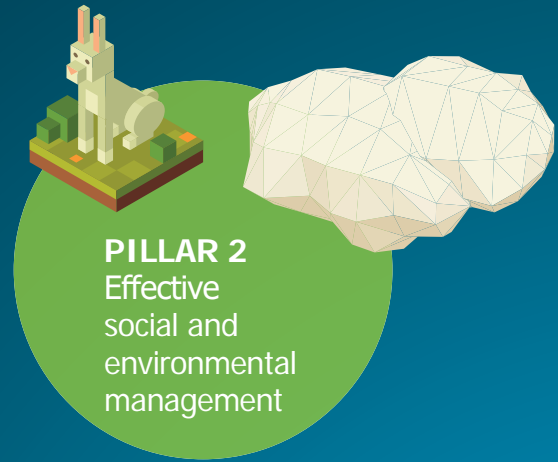
at each level of the company and in every interaction with its surroundings, it considers the impact of its operations on the communities and the environment. Therefore, it is critical for Drummond Ltd., when conducting its business, to ensure that it has safe processes that allow it to protect the environment and the health and lives of its employees, contractors, visitors and communities.

For all of these reasons, Drummond Ltd.'s strategy is aimed at maintaining its competitiveness in the market under a framework of sustainable production in economic, social and environmental aspects, which has led it to define three strategic pillars:





PILLAR 1
Sustainability
of the company



PILLAR 2
Effective
social and
environmental
management

- Sustainable development strategies are designed and implemented throughout the mining operations and in accordance with market and technological developments.
- It seeks to maximize the recovery of reserves at a competitive cost, to maintain the dynamism of the local economies.
- The operation is conducted within the legal framework, adopting the highest industry standards.
- Drummond Ltd.'s Comprehensive Policy is the company's main management guideline: <http://www.drummondLtd.com/wp-content/uploads/Health-and-Safety-policy-2018.pdf>

Drummond Ltd.'s contribution to Colombia's economic and social development and its commitment to society and the environment goes beyond legal compliance:

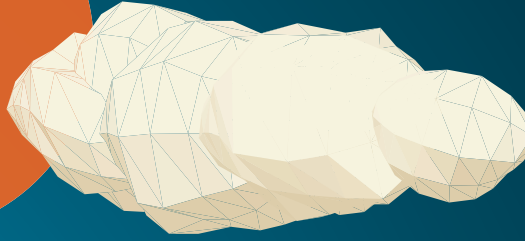
- The sustainability actions are focused on controlling and mitigating the impacts of coal mining, transportation and shipping.
- The highest standards in environmentally responsible practices are adopted to protect the environment.
- Continuous and long-lasting progress is the driver for improving the quality of life in the communities in the company's area of influence.
- Considerable investments are made in community initiatives, working closely with the local governments and designing and implementing programs for the development and benefit of the communities.

To carry out this contribution, the company uses the following policies and procedures:

- **Corporate Social Responsibility policy:** <http://www.drummondLtd.com/wp-content/uploads/20180117-CSR-Estrategia-Eng.pdf>
- **Community Assistance policy:** <http://www.drummondLtd.com/wp-content/uploads/DTLD-Community-Services-Manual.pdf>
- **Human Rights policy:** <http://www.drummondLtd.com/wp-content/uploads/Human-Rights-Policy-Drummond-Ltd.pdf>
- **Sustainability-Oriented strategy (environmental management):** <http://www.drummondLtd.com/wp-content/uploads/Environmental-Sustainability.pdf>



PILLAR 3 Employee well-being



At Drummond Ltd., employees are high-value capital. For this reason, the company works to ensure their well-being, offering, in addition to their wage compensation, a good organizational climate and the conditions necessary to perform their work comfortably, efficiently and safely. There is also a constant supply of training and refresher courses to promote staff professionalization.

To ensure these conditions, the company uses the following policies and procedures:

- **Occupational health and industrial safety as a priority:** <http://www.drummondltd.com/wp-content/uploads/Drummond-Comprehensive-Policy-2016.pdf>
- **Employee training and education programs:** <http://www.drummondltd.com/working-at-drummond/training-programs/?lang=en>
- **Human Resources policy:** <http://www.drummondltd.com/wp-content/uploads/Human-Resources.pdf>
- **Recruitment and hiring management:** <http://www.drummondltd.com/wp-content/uploads/SELECTION-AND-RECRUITMENT-POLICY-CHANGE.pdf>

Likewise, training and refresher courses are continually offered to promote increasing professionalism on the part of personnel.



Drummond Ltd. by the Numbers

[G4RI 102-7]

Assets, Income and Production in 2017
(thousands of dollars)



Total assets

US\$
2,859,718



Income from exports

US\$
1,988,158



Sales and operating expenses

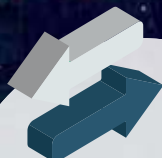
US\$
1,740,600



Total employees

5,001

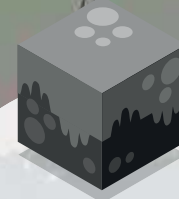
Capitalization



Total liabilities
US\$
857,723

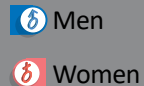


Equity
US\$
2,001,995



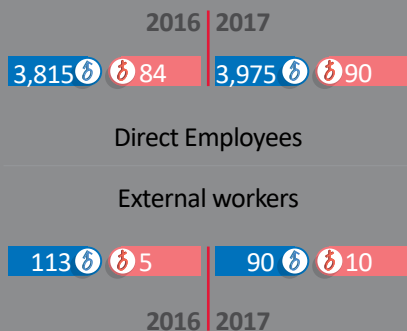
Metric tons of coal exported

32,378,947

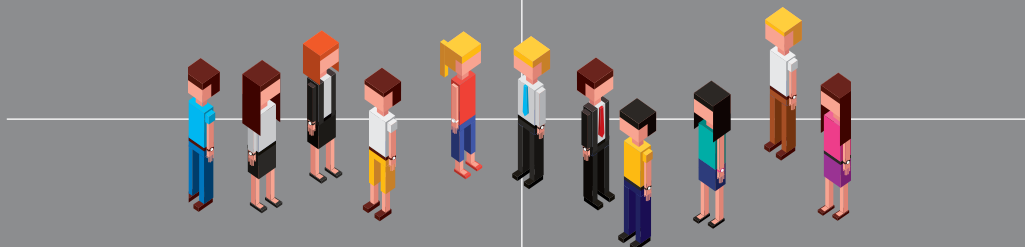
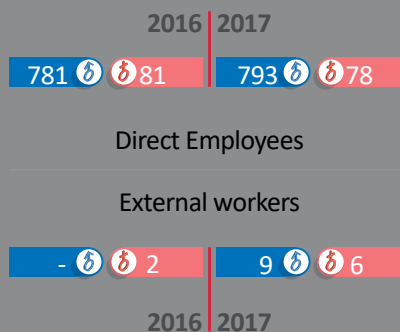


Direct and indirect employees

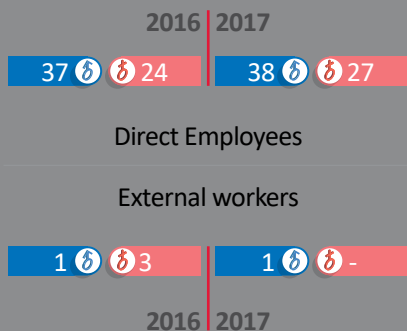
Mining and oil and gas operations
Valledupar



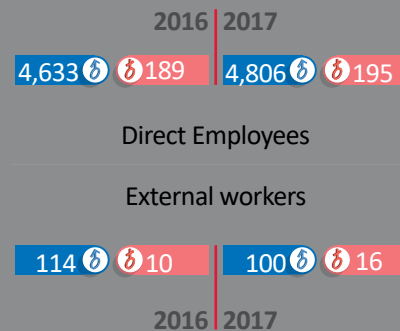
Port operations
Cartagena





Bogotá



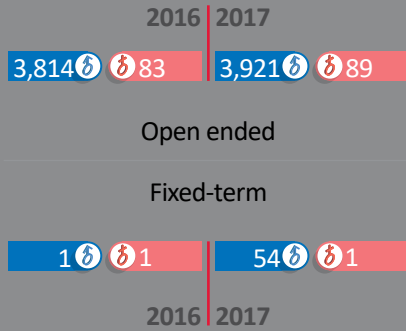
Total employees
(automatic calculation for verification)



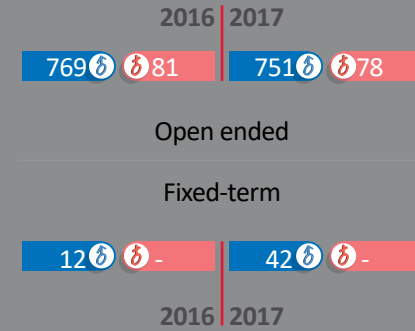
Direct employees by type of contract

 Men
 Women

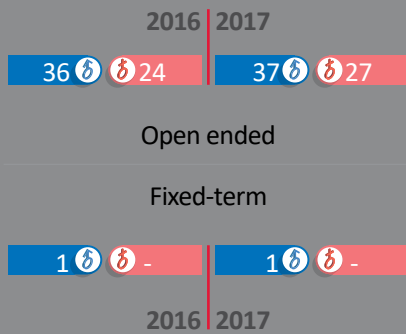
Mining and oil and gas operations Valledupar



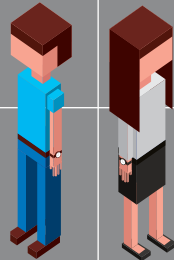
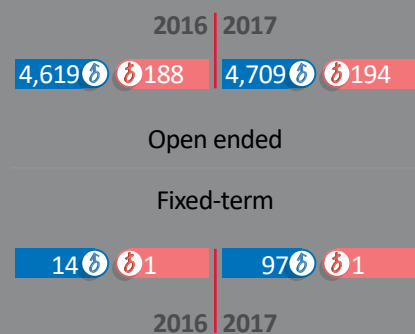
Port operations Cartagena



Bogotá



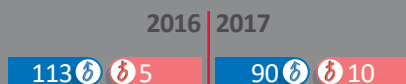
Total (automatic calculation for verification)



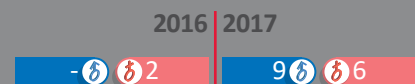
External workers by type of contract

Others (employed through a temporary agency)

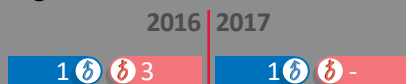
Mining and oil and gas operations Valledupar



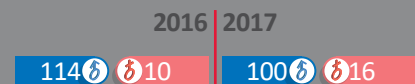
Port operations Cartagena



Bogotá



TOTAL (automatic calculation for verification)



Supply chain

Drummond Ltd. has policies, procedures, guidelines, checklists, and activities aimed at ensuring that the companies that are part of the base of suppliers and contractors meet the highest industry standards.

For Drummond Ltd., it is critically important to work with competent companies that make it possible to run their operations efficiently from an operational, technical and economic perspective. These standards ensure the sustainability and profitability of the mine and port operations, comply with legal regulations and maintain the highest standards in terms of safety and the environment. The supply process for all goods, supplies or services required includes the following stages:

Drummond Ltd. had business relationships with 920 suppliers, with billing volumes of USD 1,046,483,122. Of this total, 830 suppliers (90.22%) were domestic and generated billings of USD 756,850,372 (72.32%).

Of all of the domestic suppliers, 359 (43,25%) were local. The amount billed by local suppliers was USD 562,669,685.

A local supplier is one whose main offices are located on the Atlantic Coast, specifically in the departments of Cesar and Magdalena, which cover the areas of influence of the company's mining and port operations.

01

Formalization through purchase orders: Purchase orders constitute the documents through which Drummond Ltd. confirms to the supplier or contractor the acceptance of the offer that was submitted, complying with the Terms and Conditions sent in the invitation to quote or bid. In those cases in which the object or service to be supplied is more complex, involves a higher cost or requires the formalization of a long-term commercial agreement, contracts or commercial offers will be issued, which are signed and accepted by both parties.

02

Receipt of goods and services: Drummond Ltd. confirms receipt of the goods provided by the supplier through the verification of waybills, confirming the specifications, quantities and the state in which the goods, supplies or merchandise is received.

03

Receipt of services: Drummond Ltd. confirms receipt of the services provided by our contractors through certificates confirming that the contractor complied with the established safety and environmental standards. This certificate is signed by both parties.

Communications management

[103-1]

Communication is one of the main elements needed for an organization to function properly. The benefits of managing this topic include: improving the business' competitiveness, facilitating adaptation to changes in the environment, contributing to achieving defined goals and objectives, maintaining a good working environment, allowing quick reactions to complex situations and involving all stakeholders.

To this end, to keep its stakeholders informed about its operations, Drummond Ltd. manages its communications, which focus on promoting respect for the environment, mitigating its impacts and respecting human rights, as well as promoting the development of the communities in its area of influence. To carry out this task, the organization is committed to providing direct, transparent, timely and accurate information, which strengthens its relationship and trust with its stakeholders.

The company is aware that effective communication allows for two-way interaction; for this reason, it distinguishes between internal and external communication. On the one hand, internal communication addresses the dialogues established with employees and contractors, which are the company's main ambassadors, since they are the ones who transmit information about Drummond Ltd. through their language and behavior, in addition to constantly managing the brand. On the other hand, external communication addresses all matters related to dialogues with government entities, oversight agencies, suppliers, customers and civil society, among others.

Internally, the impact of communication is seen at the company's various offices:

- **The Pribbenow and El Descanso mines in the Department of Cesar**
- **Port Drummond in Ciénaga, Magdalena**
- **Bogotá**
- **Valledupar**
- **Cartagena**

And it spreads to the families of our employees and the capital cities of the departments where the company operates.





[103-2]
[DLTD-01]

Communications management at the company is coordinated through the Office of the Vice President of Communications and Public Relations (Comms) and the department's team. This area's main objectives consist of:

- i) developing and implementing a communications strategy focused on its business objectives.
- ii) promoting the corporate image.
- iii) strengthening the relationship with the company's stakeholders both nationally and internationally.

To achieve this, the department uses the following inputs:

- Opinion surveys
- Feedback from stakeholders
- Identification of stakeholders
- Risk mapping and their respective methods

Externally, its impact is present throughout our area of influence (Cesar and Magdalena) and, sometimes, nationally and internationally.

Having internal and external audiences that are well-informed and aligned with the company's business objectives helps to ensure that they are met.

Additionally, the company has noted that, in an operation like Drummond Ltd.'s, it is vitally important to implement communication processes between the company and its stakeholders, since one of the most latent risks is misinformation that threatens the organization's image. The lack of clear communication management can cause the corporate reputation to be damaged by unverified information, by misinformed communities, media outlets and/or employees, generating uncertainty. The company's relationship with customers can also be affected by lack of clear communication.

Drummond has implemented the following communication tools:



Communications Policies
<http://www.drummond.com/about-us/our-commitment/?lang=en>



Graphic Identity Manual



Sustainability Report
 Annual publication for all stakeholders.



Corporate announcement
 Published monthly for all administrative employees.



Web page
www.drummond.com
 Continuously updated for the complete stakeholder audience.



Physical bulletin boards
 are continuously updated. They target employees. There are a total of 30 distributed around the mine and port operations.



Twitter Account
@DrummondLtdCo
 Updated daily for the entire stakeholder audience.



Internal mail.
 Information sent as necessary; Addressed to all employees.



Cacica Stereo
 (Commercial FM radio station)
 Broadcast daily for all workers and all stakeholders in our zone of influence along with those who listen on the Internet.

[103-3]

The mechanisms that Drummond Ltd. uses to measure its Communications management include:



Opinion survey of the mining sector called "Mining Compass." It is conducted annually and is completed by Jaime Arteaga and Associates in conjunction with the National Consulting Center.



Document evaluation and audits that include visits to the company's operations and conversations with different stakeholder audiences (both internal and external). As a result of these visits, the recommendations matrix is updated.



Press Releases

A minimum of two issued per week. Mainly for the media, but also shared with employees, suppliers, contractors, government officials, and embassies.



Revista Drummond

Quarterly magazine for all stakeholders.



“Drummond Te Informa” Bulletin

Monthly publication for all stakeholders, but mainly employees.



Bulletin boards

Continually updated; tailored to employees. A total of 30 bulletin boards are distributed around the mine and port operations.



“Drummond Te Informa” Bulletin Special Edition.

Published whenever needed. Addresses all stakeholders, but mainly employees.



Drummond en las Noticias (Drummond in the News)

Monthly publication targeting outside stakeholders (contractors, suppliers, authorities, and others)



“La Nota Bacana” (The Cool News Story)

Monthly publication targeting employees.



Visits are organized periodically to assess whether new issues have arisen and how the company is progressing in terms of the recommendations.



Evaluation by a group of European customers through the external assessment performed by the Bettercoal organization.

The company’s website is set up so that stakeholder groups can send feedback on Drummond Ltd.’s communication processes (<http://www.drummondLtd.com/contact-us/?lang=en>). During 2017, no requests were received.

Media plan

[DLTD-02]

Since 2012, Drummond Ltd. has had a Regional Medial Plan (for external media communications) that covers the departments of Cesar and Magdalena, especially in the areas of influence of its operations and the capital cities of the two departments.

The Regional Medial Plan's main objective is to position the company as an organization that is committed to all of its stakeholders, in addition to keeping the nearby communities informed about the programs and projects developed by the company.

This plan is mainly aimed at employees, their families and the communities in the towns and municipalities located in the mining and port areas of influence and the railway corridor between Drummond's projects. Other audiences include the local and regional authorities, regulatory agencies, media outlets, contractors and the community at large.

The messages provided through the various channels and media outlets are focused on issues related to employment, benefits, the environment, corporate social responsibility, support for the communities, industrial safety, human rights, its operations, innovation and technology, compliance, and others, aimed at the company's stakeholders.

For communications management, and specifically the development and implementation of the Regional Medial Plan, Drummond Ltd. has assigned the following resources:

Financial



USD 197,971
per year

Human



- 1 Vice President of Communications and Public Relations
- 1 Communications Director
- 1 Communications Analyst
- 2 Communications Assistants
- 1 Aide
- 5 Student Interns

Technological



- Computers
- Cameras
- Voice recorder
- Microphones



CHALLENGES 2018

- To implement Instagram as a new social network to expand information coverage to other stakeholders.
- To expand the number of regional and local media outlets used.
- Participate in 3 workshops with the media, organized by trade associations, to inform journalists about the industry.
- Update the Graphic Identity Manual.

MILESTONES

- Drummond Ltd. has strengthened its corporate image with its participation in different events at the local, regional and national levels.
- Drummond Ltd. is aware that if an organization does not have strong communications management, it will be difficult to stay afloat in the face of crises that have a significant impact and threaten the company's activities and its finances. For this reason, it created a Communications Department under the Office of the Vice President of Communications and Public Relations.
- The company's communications team has been expanded with a presence at most of Drummond Ltd.'s offices.
- Drummond has strengthened its presence in the news media by constantly issuing press releases that have led to the publication of several news articles regarding CSR, the environment and industrial safety, among others.

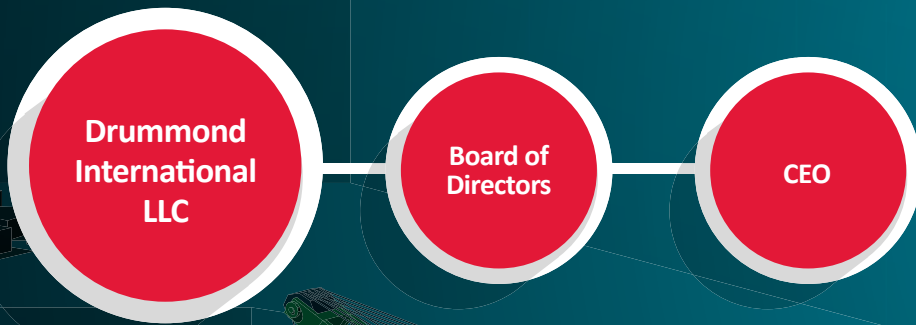


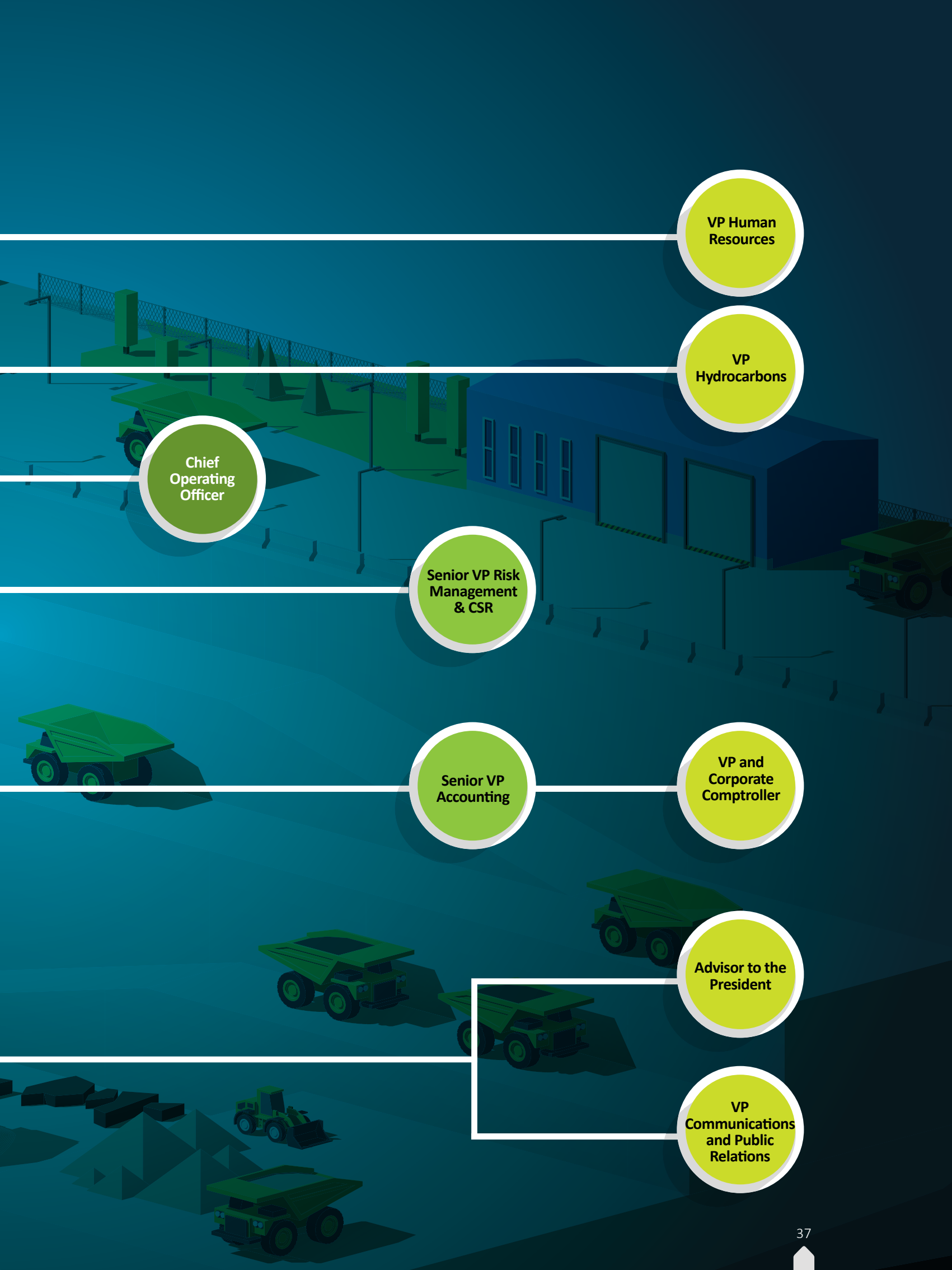


02

Corporate
governance
and risk

**Corporate
governance**





**Chief
Operating
Officer**

**VP Human
Resources**

**VP
Hydrocarbons**

**Senior VP Risk
Management
& CSR**

**Senior VP
Accounting**

**VP and
Corporate
Comptroller**

**Advisor to the
President**

**VP
Communications
and Public
Relations**

Board of Directors

Drummond's governance structure is led by the Board of Directors, the highest authority responsible for the company's strategy and governance.

[GRI 102-18]
[GRI 102-20]
[GRI 102-26]

Drummond International's Board of Directors is made up of Mike Tracy as chairman of the Board of Directors of Drummond International and CEO of Drummond Company, Inc., and includes three other directors, two from Drummond Company, Inc. and one from ITOCHU Coal Americas, Inc.

Committees

The Board of Directors includes the Executive Management Committee, whose role is to approve major investments within the operations.

At the managerial level, Drummond Ltd. has the following committees:

Audit Committee: reviews and monitors the effectiveness of the company's internal controls: the annual risk assessment, the scheduled audit plan for the following year (based on the annual risk assessment) and the audit review reports issued during previous years.

Social Responsibility and Sustainability Committee: directs the organization toward a model of sustainable development, aligning the business with leading practices in the global mining and energy sector.

Ethics Committee: ensures that compliance with the guidelines established in the Code of Conduct and the policies that support the company's Business Ethics Program is reviewed.

Communications Committee: promotes and facilitates access to and the exchange of information with stakeholders.





[GRI 102-34]

The issues and alerts communicated to the Board of Directors can mainly be grouped into the following categories:

- Updating policies
- Reviewing recruitment issues
- Information published about the company
- Changes in legislation that may affect the company
- Status of the coal market
- Progress on social processes, such as community resettlements
- Issues of an environmental nature
- Social responsibility programs

[GRI 102-19]
[GRI 102-33]

Role of the Board of Directors on economic, environmental and social issues

At the managerial level, the committees communicate information and alerts related to economic, environmental and social matters to the president of Drummond Ltd. and to the president of Drummond Company, Inc., through direct or formal mechanisms, such as documents and memoranda. They, in turn, communicate directly with the CEO and chairman of the Board, who report to the other members of the Board so that it can evaluate the situation and make decisions.



Risk management at Drummond Ltd.

Drummond Ltd.'s business management is based on the principles of honesty and integrity.

[GRI 102-16]

Under this premise, the company promotes in its employees, suppliers, contractors and other stakeholders the highest rigor in all of their behaviors, which must be governed and inspired by the highest ethical standards, promoting an attitude of zero tolerance toward corruption and bribery.

Consistent with these behavioral principles, Drummond Ltd. established the Business Ethics Program, through which it seeks to strengthen an organizational culture based on the principles of ethics and legality. In addition, the program ensures an internal control approach that is mainly

focused on preventing behaviors that do not conform to the company's internal rules and policies and to the law, and to protect the company's good image and reputation.

It also seeks to ensure that all employees, suppliers, contractors and other Drummond Ltd. stakeholders are familiar with the Business Ethics Program and that they use the established channels whenever they are in situations where there are doubts or scenarios that could lead to possible acts in violation of the company's code of conduct, policies and laws against bribery or corruption.

Internal and external mechanisms for promoting lawful and ethical conduct

Employees

The purpose of the Ethics Committee is to ensure compliance with the guidelines established in the Code of Conduct and to review the policies that support the company's Business Ethics Program. It is made up of the Labor Relations Manager (or their delegate), the Materials Manager (or their delegate), the General Counsel (or their delegate) and the Internal Audit Manager (or their delegate). It meets at least once (1) a year and/or when situations arise that need to be reviewed according to their impact. It must review the evidence that is gathered, which in turn makes it possible to issue a fair and objective decision for each case.

The company has various communication channels through which all employees and other stakeholders can report behavior found in any form of bribery or corruption, in addition to reporting questions or requests related to compliance with the Business Ethics Program.

The information is received by the company's Ethics Committee, guaranteeing the confidentiality of the information and the person submitting it, protecting them from any kind of retaliation.



- denuncias@drummondltd.com
- Write to: Calle 72 No. 10-07, Suite 1302, Bogotá D.C.
- Ethics line: 018000919161 – Direct dial: 57 (5) 5719499, Internal extension: 8499
- Reporting form

Through the Complaints Channel, **24 complaints were received in 2017**; they have all been answered and the cases have been closed.

The penalty process for matters related to workers employed by the company must be carried out in accordance with the legal labor regulations and the company's internal work regulations. The disciplinary processes are led by the Human Resources Department. However, those processes that involve issues of breaches of the Business Ethics Program will be reviewed and analyzed by the Ethics Committee before the formal start of the disciplinary process.

Suppliers and contractors must comply with the terms of their contracts, which define the parties' rights and obligations and the legally established ways to terminate the relationship, if necessary.

Communication of the Business Ethics Program takes place through publication on the company's website, ensuring that all stakeholders have access to and are aware of it. Additionally, the Compliance Officer will hold periodic trainings for the company's employees, suppliers and contractors on this topic.

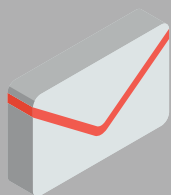
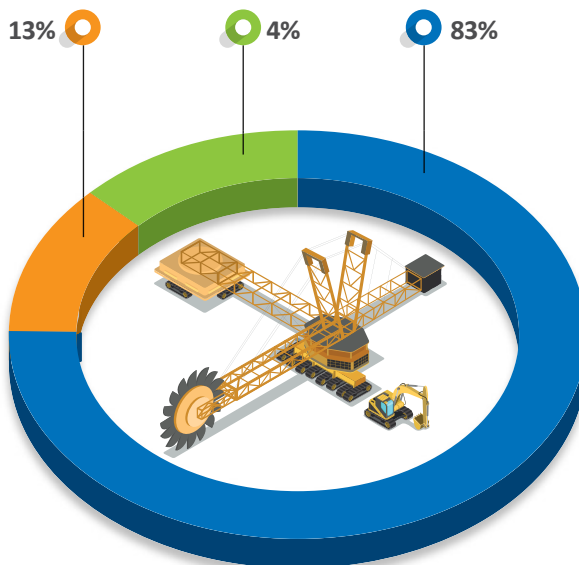


Communities

By publishing the "Community Service Manual," Drummond Ltd. aims to regulate and communicate the internal processes through which the company handles the requests, suggestions and complaints submitted by the residents of the neighboring communities. These communications relate to issues of social management, environmental management, land management, recruitment, payments of taxes and royalties, among others, and can be made in person at the community service offices or submitted online to:






During 2017, at the Community Service Office located in La Loma, Valledupar (Cesar) and Ciénaga (Magdalena), 440 requests were received, in the following percentages:



atencionalusuario@drummondltd.com

atencionalusuariop@drummondltd.com

which addresses were created exclusively for this purpose.

-  Employment, requests for donations and support for community strengthening projects, and guided mine and port visits.
-  Presentation of the portfolios of companies that supply goods and services.
-  Socio-environmental category, related to impacts on the environment.

Drummond Ltd. is committed to ensuring and implementing mechanisms that ensure world-class environmental performance. Finally, the indicator for timely responses to complaints and requests during 2017 at Drummond Ltd.'s Community Service Offices was 83%, which contributes to the sustainable development and well-being of our employees and communities.

The status of the complaints and requests is reported through the Community Service Offices, located in Valledupar, La Loma and Port Drummond, and on Drummond Ltd.'s website.

The Community Service Manual can be found at: <http://www.drummondLtd.com/wp-content/uploads/DTLD-Community-Services-Manual.pdf>

Anti-Money Laundering and Counter Terrorism Financing Self-Control and Risk Management System – SAGRLAFT, in Spanish

Drummond Ltd., in compliance with the Basic Legal Notice – Chapter X, issued by the Superintendency of Corporations, and aware of the importance of maintaining its credibility and trust with stakeholders, implemented the Anti-Money Laundering and Counter Terrorism Financing Self-Control and Risk Management System (SAGRLAFT), as an instrument to prevent and minimize the likelihood that the company, in conducting its operations or business, could be used directly or indirectly to carry out illicit activities tied to money laundering or terrorism financing. All of these actions were carried out along with trainings and education for the company's employees.

Business ethics program

Drummond Ltd. seeks to strengthen its organizational culture through ethical principles that ensure self-control, prevention and the identification of behaviors that threaten or violate internal policies and guidelines and the law. All of this is aimed at reinforcing Drummond Ltd.'s commitment to transparency, in addition to safeguarding the image and reputation that



it has built throughout its years of operation.

The Business Ethics Program articulates policies, guidelines and procedures to strengthen corporate compliance. Its foundation is the Code of Conduct, which compiles Drummond Ltd.'s statement of behavioral principles.

With the aim of continuing to strengthen transparency and integrity, Drummond Ltd. has provided communication channels that are available to all stakeholders, with the goal of responding in a timely manner to alerts and taking the necessary steps to strengthen its transparency, processes and controls. The information received through the different channels operates under strict confidentiality parameters.



Personal data protection

Safeguarding information, especially personal information, is one of Drummond Ltd.'s key obligations. For this reason, the company continues to strengthen its personal data protection program, taking the necessary and effective measures to comply with the terms of the Law on Personal Data Protection.

To guarantee compliance, the company has a manual of internal policies and procedures for handling personal information that demonstrates the appropriate and effective measures to comply with Drummond Ltd.'s principle of responsibility regarding stakeholders' personal data.

We comply with the National Registry of Databases (RNBD, in Spanish) covered in External Notice 002 of 2015, issued by the Superintendency of Industry and Commerce.





03

**Vision of
sustainability at
Drummond Ltd.**



Commitment to sustainability

In 2017, Drummond Ltd.'s commitment to sustainability was strengthened through the creation of the Department of Corporate Social Responsibility.

During the year, the department designed the Corporate Social Responsibility Policy (<http://www.drummondLtd.com/wp-content/uploads/20180117-CSR-Estrategia-Eng.pdf>), which reiterates the commitment by the company and its operations to create a positive impact on Colombia and its people, establishing the following commitments:

To sustainable development.

To its stakeholders.

To the law and international standards.

To incorporating CSR into its business actions.



To fulfill these commitments, Drummond created a strategic vision “to increase and share the benefits of this business project with the stakeholders from our areas of influence through the construction and strengthening of local capabilities.”

This vision is being achieved based on the following pillars:



Peace and human rights: to establish the capabilities to build a society that is peaceful, just and tolerant.



Governance for development: to strengthen local institutional capabilities for greater efficiency in planning and public management.



Environmental performance: to increase the business capabilities that ensure world-class environmental performance.



Comprehensive development: to strengthen local capabilities for the prosperity of our employees, their families and the communities in our area of influence.

In 2018, the Department of Corporate Social Responsibility will also work on the implementation of the policy by defining and preparing a portfolio of projects and designing an evaluation and monitoring model that ensures its relevance based on the stakeholders’ needs and expectations, the United Nations’ Sustainable Development Goals and international standards.

The Department of Corporate Social Responsibility coordinates and leads the Social Responsibility and Sustainability Committee, whose main mission is to lead the organization toward a sustainable development model, aligning the business with best practices from the global mining and energy sector. In 2017, the Committee, made up of the managers of the departments responsible for ensuring

the company's sustainable action, switched from semi-annual to quarterly meetings to provide more timely responses and follow-up on the actions identified in their work.

In addition to the Corporate Social Responsibility Policy, Drummond has the following policies that support and guide compliance with its commitment to sustainability:¹

Human Resources Policy:

covers the labor rights that are recognized and respected in Colombia.

Recruitment and Hiring Policy:

seeks to attract and hire people with high ethical and professional standards.

Wage Policy:

provides guidelines to attract, motivate and retain talent that contribute to the organizational objectives.

Conflicts of Interest Policy:

offers guidelines to prevent and resolve these types of problems.

Communications Policy:

describes the guidelines that the communications produced by the company must follow.

Human Rights Policy:

establishes that Drummond Ltd. respects and promotes human rights.

Community Service Policy: establishes the mechanisms that facilitate and encourage the constant improvement of relationships with the residents of the towns located in the area of influence.

Resettlement Policy: contains the guidelines that the company must follow on this topic.

Environmental Sustainability Policy: this document contains Drummond Ltd.'s commitment to environmental legislation, and the constant evaluation and reduction of our potential impacts on this resource.

Energy Policy: consists of the initiatives that promote efficiency in energy consumption at our operations.

Water Conservation Policy: establishes the activities to conserve and preserve water, since one of the company's priorities is to maintain the quality and quantity of this resource.

¹ <http://www.drummond.com/about-us/our-commitment/?lang=en>

International standards and sustainability initiatives

[GRI 102-12]

Drummond Ltd. has signed or voluntarily abides by the following initiatives:

- **Bettercoal:** Drummond Ltd. is the first company to complete the Bettercoal Evaluation Program cycle – which includes completing the self-assessment questionnaire and undergoing an independent field evaluation, as well as a re-evaluation by consultants approved by Bettercoal whose goal is to confirm what was reported by Drummond Ltd.. Bettercoal assigned ERM-CVS to complete a field evaluation and the reevaluation at Drummond Limited. Bettercoal focuses on commitment and continuous improvement, through examining management systems, their operation, sustainable performance and impacts, and comparing them to the terms of the Bettercoal Code and working with the company to improve its practices over time.² In 2018, Drummond will complete a new performance evaluation under this standard.
- **Voluntary Principles on Security and Human Rights.**
- **UN Guiding Principles on Business and Human Rights.**
- **Working Group on Human Rights and Coal:** Drummond Ltd. participates in this program at the invitation of the Presidential Council on Human Rights. Along with other companies from the industry, the Ministry of Mines and Energy and the National Mining Agency, participants of the program share experiences, lessons learned and opportunities for improvement, make recommendations regarding public policy and promote joint work initiatives at the companies and their operational areas related to human rights and business.
- **Mining and Energy Committee:** the MEC is a forum where companies that face human rights challenges related to security come together to develop better responses based on a proactive and respectful dialogue between companies, civil society, embassies and the national

² See the full article at: <http://bettercoal.org/news/colombian-coal-a-bettercoal-view>.





government. In 2017, Drummond was accepted as a member of the MEC; membership is another step in the company's human rights agenda, which in the medium-term will allow it to apply to the international organization on Voluntary Principles.

- **Risks and management methods for H.R.:** during 2017, Drummond moved forward with the monitoring and biannual updating process on progress with the risk management measures identified in the human rights area.

Additionally, the company is a member of five national advocacy organizations:

[GRI 102-13]

National Association of Businessmen of Colombia ANDI



Colombian Mining Association ACM



Colombian Petroleum Association ACP



American Business Council CEA



Colombian American Chamber of Commerce AMCHAM Colombia



Relationships with stakeholders



[GRI 102-41]

Managing union relations has made it possible to successfully conduct collective bargaining processes with 5 union organizations,

which concluded with the signing of 4 collective bargaining agreements; 3 in 2016 and a fourth in 2017, which now cover 74.89% of the workforce and will be in effect until 2019. See the details of these negotiation processes at:

<http://www.drummond.com/news-publications/press-releases/?lang=en>

<http://www.drummond.com/drummond-ltd-signs-collective-agreement-with-sintradem/?lang=en>

[GRI 102-42]

Drummond Ltd. recognizes the importance of maintaining relationships based on trust and constant interaction with its stakeholders, not only in the context of the material process and preparing the sustainability report, but continuously.

These groups are selected based on influence and dependency criteria. The former is understood as the capacity to affect organizational decision-making, and the latter is analyzed from the perspective of those who are affected by the company's decisions because their livelihoods depend on them.

Additionally, it has a Communications Committee that promotes and facilitates access to and the exchange of information with its stakeholders.

[GRI 102-40]
[GRI 102-43]
[GRI 102-44]

Below is a list of stakeholders, the relationship mechanisms and the topics that are considered relevant:

Channels

-  Ongoing dialogue with communities through Community Relations Department.
-  Community Assistance Policy.
-  Training and information workshops.
-  Informative and awareness-raising meetings.
-  Communication about mining projects.
-  Visits to mining operations.
-  Radio program.
-  Sustainability Report.
-  Community Service Manual.
-  Drummond Te Informa.
-  Revista Drummond.
-  Press releases.



Suppliers and contractors



Community Service Offices



Email: atencionalusuario@drummondLTD.com



Website.



Twitter @DrummondLtdCo.

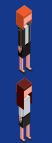
Themes



Water resource management.



Air quality and health impacts .



Community relations.



Resettlements.



Economic performance.



Due diligence on human rights.



Regional participation and relations.



Protecting biodiversity.



Communications management.

Channels



Ongoing dialogue between the Materials Department and suppliers and contractors.



Comprehensive Manual for Control and Monitoring of Contractors.



Sustainability Report.



Drummond Te Informa.



Revista Drummond.



Press releases.



Website.



Twitter @DrummondLtdCo.

Themes



Water resource management.



Air quality and health impacts.



Community relations.



Workplace health and safety.



Economic performance.



Due diligence on human rights.



Supplier and contractor management.



Protecting biodiversity.







Communications management



Employees and their families

Channels

-  Ongoing dialogue between the H.R. department and employees.
-  360 Chats.
-  Sustainability Report.
-  Community Service Manual.
-  *Drummond Te Informa*.
-  *Revista Drummond*.
-  Press releases.
-  Human Rights Support Offices.
-  Email: denuncias@drummondLtd.com.
-  Website.
-  Twitter @DrummondLtdCo.









Themes

-  Water resource management.
-  Air quality and health impacts.
-  Workplace health and safety.
-  Economic performance.
-  Due diligence on human rights.
-  Managing human talent.
-  Protecting biodiversity.
-  Relationships with unions.
-  Communications management.





Customers

Channels

















-  Ongoing dialogue through the CSR Department.
-  Ongoing dialogue through the Drummond Coal Sales office.
-  Sustainability Report.
-  Newsletter.
-  *Revista Drummond*.
-  Press releases.
-  Website.
-  Twitter @DrummondLtdCo.

Themes




-  Economic performance.
-  Communications management.

Community organizations and associations

Channels:

-  Ongoing dialogue through the Community Relations Department.
-  Community Assistance Policy.
-  Training and information workshops.
-  Informative and awareness-raising meetings.
-  Communication about mining projects.
-  Visits to mining operations.
-  Radio program.
-  Sustainability Report.
-  Community Service Manual.
-  Drummond Te Informa.
-  Revista Drummond.
-  Press releases.
-  Community Service Offices.
-  Email: atencionalusuario@drummondLTD.com
-  Website.
-  Twitter @DrummondLtdCo.

Themes

-  Economic performance.
-  Regional participation and relations.
-  Communications management.

Public opinion

Channels

-  Ongoing dialogue with public opinion.
-  Sustainability Report.
-  Financial reports.
-  Revista Drummond.
-  Press releases.
-  Drummond Te Informa.
-  Website.
-  Twitter @DrummondLtdCo.








Themes

-  Communications management.





Shareholders

Channels

-  Ongoing dialogue with the President's Office.
-  Ongoing dialogue with the H.R. Department.
-  Sustainability Report.
-  Financial reports.
-  Revista Drummond.
-  Press releases.
-  Drummond Te Informa.

-  Human Rights Support Offices.
-  Email: denuncias@drummond.com.
-  Website.
-  Twitter @DrummondLtdCo.

Themes

-  Economic performance.
-  Communications management



Competitors

Channels

-  Ongoing dialogue through trade associations, direct meetings, participation in working groups and Energy and Mining Committee, Working Group on Human Rights and Coal, National Plan of Action on Human Rights.
-  Sustainability Report.
-  Revista Drummond.

-  Press releases.
-  Drummond Te Informa.
-  Website.
-  Twitter @DrummondLtdCo.








Themes

-  Communications management.



Government

Channels

-  Ongoing dialogue with state agencies.
-  Letters of request, inquiries.
-  Workshops with state agencies.
-  Visits to mining operations.
-  Sustainability Report.
-  Drummond Te Informa.
-  Revista Drummond.

-  Press releases.
-  Website.
-  Twitter @DrummondLtdCo.

Themes

-  Economic performance.
-  Due diligence on human rights.
-  Regional participation and relations.
-  Communications management.



Materiality analysis


[GRI 102-46]

Drummond Ltd. is aware that the risks and opportunities related to sustainability inherent in its operational activities are dynamic over time.

This is why it conducted a materiality analysis with the assistance of an independent third party that allowed it to identify the determining issues that can significantly impact environmental, social and corporate governance issues for the company or greatly influence decisions by the identified stakeholders.

For this reason, in 2017 the materiality was reviewed and updated. To do so, the following inputs were taken into account:





GRI standards.



News from Drummond and the mining sector in Colombia.


Drummond's Corporate Social Responsibility strategy.



Human Rights strategy.


Materiality in the mining sector.


"Socioeconomic study of households in the municipalities of the area of influence of Drummond Colombia's operations" DIS Group, 2016.


Report on "Identification, mapping and consultation with relevant stakeholders" DIS Group, 2016.


Baseline materiality report "Update to 2016 materiality analysis."


International standards: Global compact and standards from the Sustainability Accounting Standards Board (SASB).



Later, an identification process was conducted applying the principle of stakeholders participation in order to determine Drummond Ltd.'s significant impacts on economic, social and environmental aspects, as well as the issues that affected the evaluations and decisions by stakeholders, Drummond's performance on each material issue and new material issues for the company. Additionally, interviews with company officials were conducted.

As a result of this progress, it was possible to observe that Drummond Ltd.'s vision on several priority issues had undergone changes in terms of issues that had been prioritized in previous materiality

exercises and were no longer relevant. This resulted in an update to the list of relevant sustainability issues for Drummond Ltd.

As a result of this new exercise, aimed at updating the list of relevant issues, some emerging and real risks were identified in the mining sector in Colombia, as well as the evolution of Drummond Ltd.'s relationships with its stakeholders, which led to the company considering 7 new relevant topics in conducting the materiality analysis.

In addition to the objectives of the identification, the need arose to review the titles and descriptions of some material issues, to provide greater clarity.

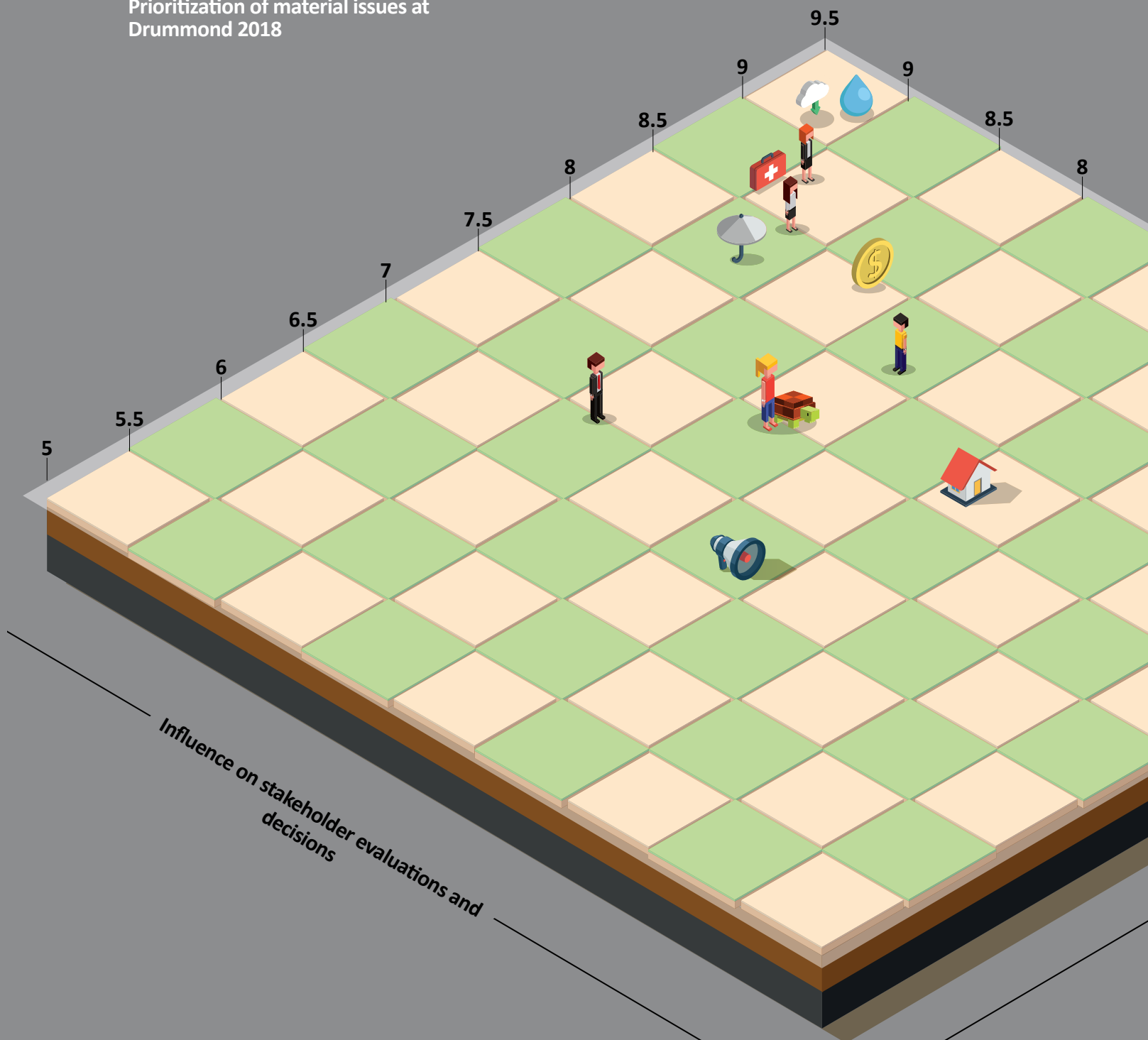
The next step was the prioritization process, which was defined using the results of the identification stage, since this makes it possible to find the most important issues, the ones that are maintained, those that are

recommended for inclusion and those that are no longer relevant.

Based on these inputs, the materiality analysis was updated, resulting in the following material issues:

Chart 1. Drummond Ltd. Materiality Analysis

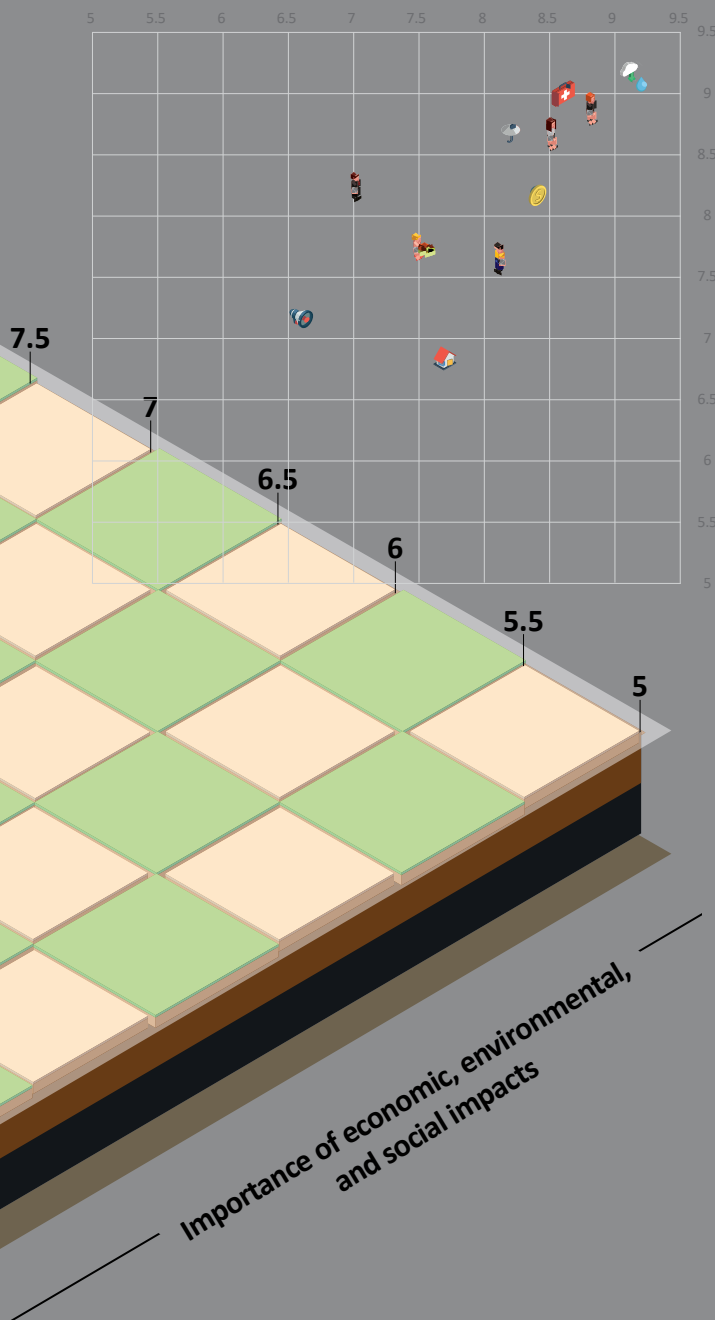
Prioritization of material issues at Drummond 2018



[GRI 102-47]

The assessment of these topics made it possible to place them spatially on a Cartesian map where the horizontal axis (X) represents the economic, social and environmental impacts for Drummond, and the vertical axis (Y) shows their influence on the



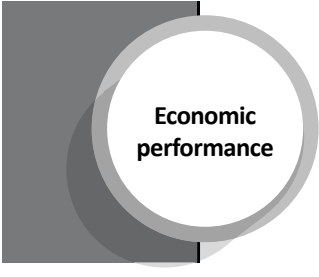

evaluation and decisions by stakeholders. In the chart, 13 material issues were identified that were presented and approved at a meeting on May 18, 2018. Additionally, the coverage of the material issues and the content to be reported was defined.

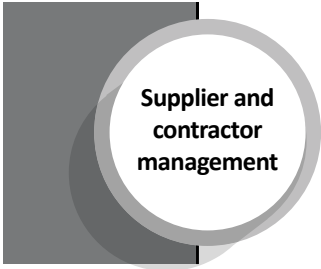




-  HR Due Diligence
-  Water Resources Administration
-  Occupational Health and Safety
-  Air Quality and Health Impacts
-  Economic Performance
-  Outreach to local communities
-  Trade Union Relations
-  Communications management
-  Supplier and contractor management
-  Human Talent Management
-  Protecting Biodiversity
-  Resettlement
-  Participation and outreach in the region


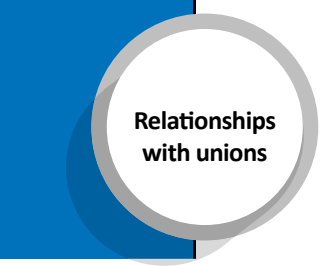

The list of the material issues resulting from the analysis is presented below:

MATERIAL ISSUE	DESCRIPTION OF THE ISSUES	ASSOCIATED GRI ASPECT
	<p>Methodologies and procedures for identifying, evaluating and mitigating impacts from the use of water resources. Implementation of technically and financially viable policies and programs in order to achieve efficient and rational use of this resource, including reuse, recycling and the conservation of aquifers.</p>	<ul style="list-style-type: none"> • Effluents and waste (partial water)
	<p>Procedures for the prevention, reduction and control of atmospheric emissions and particulate matter in the operations, and to respond to emergencies, abnormal emissions and dispersion and excess conditions, compared to the patterns and measurements permitted in the air quality criteria, minimizing health impacts.</p>	<ul style="list-style-type: none"> • Emissions (partial, non-GEI)
	<p>Programs implemented with the goal of preserving the social license and promoting the social and economic development of the communities located in the project's area of influence.</p>	<ul style="list-style-type: none"> • Local communities • Indirect economic consequences • Closing planning

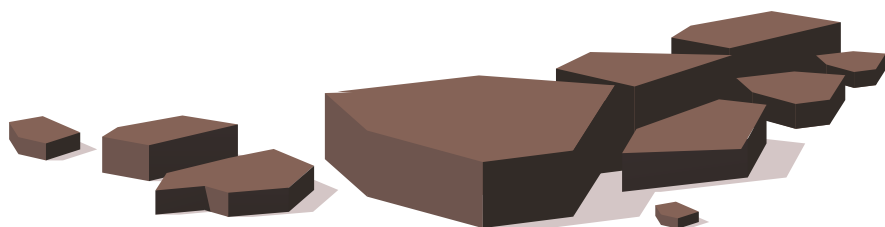
MATERIAL ISSUE	DESCRIPTION OF THE ISSUES	ASSOCIATED GRI ASPECT
 <p>Workplace health and safety</p>	<p>Programs carried out to conduct the operations safety, maintaining the integrated management system, aimed at protecting and preserving employees' health and lives.</p>	<ul style="list-style-type: none"> • Workplace health and safety
 <p>Resettlements</p>	<p>Coordinated processes for relocating the communities in accordance with the rules and international best practices, aimed at maintaining or improving the living conditions of the affected populations.</p>	<ul style="list-style-type: none"> • Resettlement
 <p>Economic performance</p>	<p>The project's impact on the economic status of all of its stakeholders as a result of the financial capital flows to them.</p>	<ul style="list-style-type: none"> • Economic performance • Market presence • Meeting socioeconomic obligations
 <p>Due diligence on human rights</p>	<p>Policies and practices to promote respect for Human Rights and prevent any action that could cause a violation of these rights in the value chain.</p>	<ul style="list-style-type: none"> • Nondiscrimination • Child labor • Forced labor • Security measures • Rights of the indigenous population • Evaluation

MATERIAL ISSUE	DESCRIPTION OF THE ISSUES	ASSOCIATED GRI ASPECT
 <p>Supplier and contractor management</p>	<p>Strategies for identifying, contracting and evaluating suppliers for the project, in order to maximize the positive impacts on the supply chain among stakeholders.</p>	<ul style="list-style-type: none"> • Environmental assessment of suppliers • Evaluation of suppliers on social issues • Procurement practices
 <p>Regional participation and relations</p>	<p>Relationship and partnership actions with national and regional stakeholders, aimed at jointly building and promoting shared visions of the future of the region.</p>	<ul style="list-style-type: none"> • Public policy
 <p>Managing human talent</p>	<p>Actions aimed at the selection, training and development of employees who contribute to the sustainability of the business and achieving the objectives that have been set, operating with honesty, integrity and openness in a team-based business culture.</p>	<ul style="list-style-type: none"> • Employment • Training and education • Diversity and equal opportunities • Equal pay for men and women



MATERIAL ISSUE	DESCRIPTION OF THE ISSUES	ASSOCIATED GRI ASPECT
 <p>Protecting biodiversity</p>	<p>Policies and programs focused on effective environmental management to protect, preserve, mitigate, restore and compensate for the biodiversity in affected areas and the mine and port's areas of influence, in order to maintain the value and functionality of the priority ecosystems and increase resource efficiency in the operations.</p>	<ul style="list-style-type: none"> • Biodiversity
 <p>Relationships with unions</p>	<p>Practices to protect the freedom of association of its workers and meet the needs of the existing union groups respectfully and harmoniously.</p>	<ul style="list-style-type: none"> • Freedom of association and collective bargaining • Relationship between workers and management
 <p>Communications management</p>	<p>Communication actions and strategies to maintain the corporate image and reputation, reporting in a transparent, direct, timely and accurate manner the company's actions to all of its stakeholders through all of its existing communication channels.</p>	

It is important to clarify that the materiality analysis covers the operations at the two mines and Port Drummond in Colombia.



GRI content will be presented in alignment with Drummond Ltd. material aspects, as shown in the following table.

Material Aspect Drummond Ltd.	Material Aspect GRI	Indicator Reported
Communications management	None	DLTD-01, DLTD-02
Economic Performance	Economic Performance	201-1, 201-2, 201-3
	Market Presence	202-1, 202-2
	Socioeconomic compliance	419-1
Supplier and Contractor Management	Environmental evaluation of suppliers	414-1, 414-2
	Evaluation of suppliers in the social area	308-1, 308-2
	Acquisition practices	204-1
Human Talent Management	Employment	401-1, 401-2, 401-3
	Training and education	404-1, 404-2, 404-3
	Diversity and equal opportunities	405-1
	Equal pay for men and women	405-2
Occupational Health and Safety	Occupational Health and Safety	403-1, 403-2, 403-3, 403-4
Trade Union Relations	Employee Relations	402-1, 407-1, MM4

Material Aspect Drummond Ltd.	Material Aspect GRI	Indicator Reported
Human Rights Due Diligence	Non-discrimination	406-1
	Child labor	408-1
	Forced labor	409-1
	Security measures	410-1
	Rights of Indigenous peoples	411-1, MM5
	Evaluation	412-1, 412-2, 412-3
Regional participation and outreach	Public Policy	415-1
Resettlement	Resettlement	MM9, 413-1
Community relations	Local communities	413-1, 413-2, MM6, MM7
	Indirect economic consequences	203-1, 203-2
	Planning for Closure	MM10
Water Resources Administration	Water	303-1, 303-2, 303-3
	Effluents and Waste (partial water)	306-1, 306-5
	Investment	DLTD-03
	Environmental Compliance	307-1
Air Quality and Health Impacts	Emissions	305-1, 305-2, 305-6, 305-7
	Environmental Compliance	307-1
Protecting Biodiversity	Biodiversity	304-1, 304-2, 304-3, 304-4, MM1, MM2





04

**Economic
impact and
supply chain**



Economic performance

Management approach

[GRI 103-1]

Economic impact and supply chain

The economic results of Drummond Ltd.'s mining operations in Colombia are critical, since they have an impact both on its shareholders and its other stakeholders, such as suppliers, employees, the national and municipal governments and the communities located in the areas of influence of its operations. In addition, its strong economic performance ensures the continuity of the mining operations and allows Drummond Ltd. to continue to be a competitive player in the global coal market.

The preservation of the company's financial resources makes feasible both normal mining operations and the expansion projects that are outlined in the long-term mining plans approved by the mining authorities, which allow for Drummond Ltd. to grow in a sustainable manner.



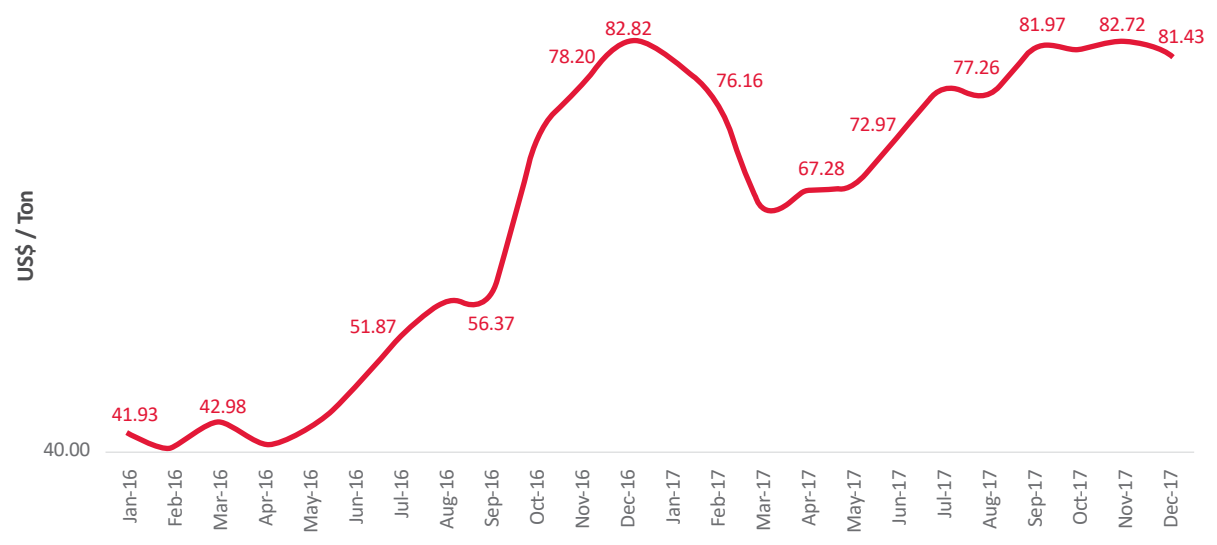
Coal price behavior:

Carrying out efficient mining activities that comply with international industry standards and maintaining low levels of debt has allowed the company to confront the low coal price scenarios that have occurred during most of 2015 and 2016.

The results from 2017, as compared to 2016,, were favored largely by the behavior of coal prices in the international market. One of the most important indicators used by the Colombian authorities is the FOB price, which uses the API2 (coal delivery price in northern Europe) and BCI7 (freight from northern Europe to Colombian port) indices as a reference.

Based on these indices, 2017 had an average price of USD 76.14/ton, which represented an increase of 40% over the annual average for 2016, which was USD 54.34.

Chart 2. API2 - BCI 7 International coal price index.



The average quality of the coal exported from the La Loma area was 11,259 BTU / lb, while the coal from the El Descanso area was 10,526 BTU / lb. The behavior of coal prices on the international market is a function of supply and demand and takes into account the characteristics of the coal in terms of its quality, humidity levels, ash, sulfur, etc.

There are many factors that affect price behavior, such as inventory levels around the world, freight costs, the intensity of the weather during the winter and summer seasons, changes in internal regulations in coal-producing countries that may limit its production, regulatory restrictions that may affect its consumption in importing countries and sources of cleaner and lower-cost energy, among others.

In such a complex environment, it is essential that Drummond Ltd. be able to maintain a very efficient cost structure with minimal debt levels. These have been the guidelines that the company has set out that have allowed it to face difficult market conditions, and have allowed it to fully comply with the commitments it has made to its customers and other stakeholders.

[GRI 103-3]

The year 2017 showed very positive results compared to those from the previous year



Production volume increased by

14%

going from

28.4 million tons in **2016**

to

32.4 million tons in **2017**

Additionally, export levels in 2017 were very similar to those from 2016, reaching an average of:

32.4 million tons **2016**
2017

The average exchange rate in 2017 was COL\$ 2,951.15 per US dollar, a rate that contributed to the strong results that were achieved.



Main economic performance indicators:

EBITDA

US\$ **344,1** millions **2017**

US\$ **279,1** millions **2016**

24% increase

from US\$ 8,55/ton in 2016 (US\$ 279,1 millions / 32,6 millions of metric tons) to US\$ 10,63 in 2017 (US\$ 344,1 millions / 32,4 millions of metric tons).

In addition to the above, it is also important to highlight EBITDA margin (EBITDA/ operating revenues), which shows an improvement at the end of the year, going from

17.29% → **2016**

(US\$ 279,1 millions / US\$ 1.614,3 millions)

17,31% → **2017**

(US\$ 344,1 millions / US\$1.988,2 millions)

Direct economic value generated and distributed

2016 amount (USD)	Category	2017 amount (USD)
1,614,304,661	Net Sales Revenue	1,988,157,876
14,388,819	Investment Income	3,491,722
2,574,838	Income from Asset Sales	6,668,185
1,631,268,318	Direct economic amounts generated	1,998,317,783
734,058,796	Operating Expenses	974,500,265
280,205,644	Employee salaries and benefits	263,232,373
0	Payments to capital providers	0
338,297,158	Payments to governments	528,417,167
14,998,574	Investments in communities	25,161,243
1,367,560,173	Economic amounts distributed	1,791,311,048
263,708,145	Economic amounts retained	207,006,735

For the year 2017, the calculation of Investment in Communities (H) includes new line items not previously included, such as discretionary benefits for managers and voluntary contributions made by Drummond during the year. The investment is highlighted made in the In House Training Project which, in addition to increasing the number of beneficiaries by 144, provides for this report an estimate for the company's operating costs for training apprentices (cost of instructors, use of the simulator, and loss in the team's productivity).

This indicator was built based on the parameters established in the GRI standards. Therefore, amounts related to depreciation and amortization were not considered as part of the company's operating expenses.

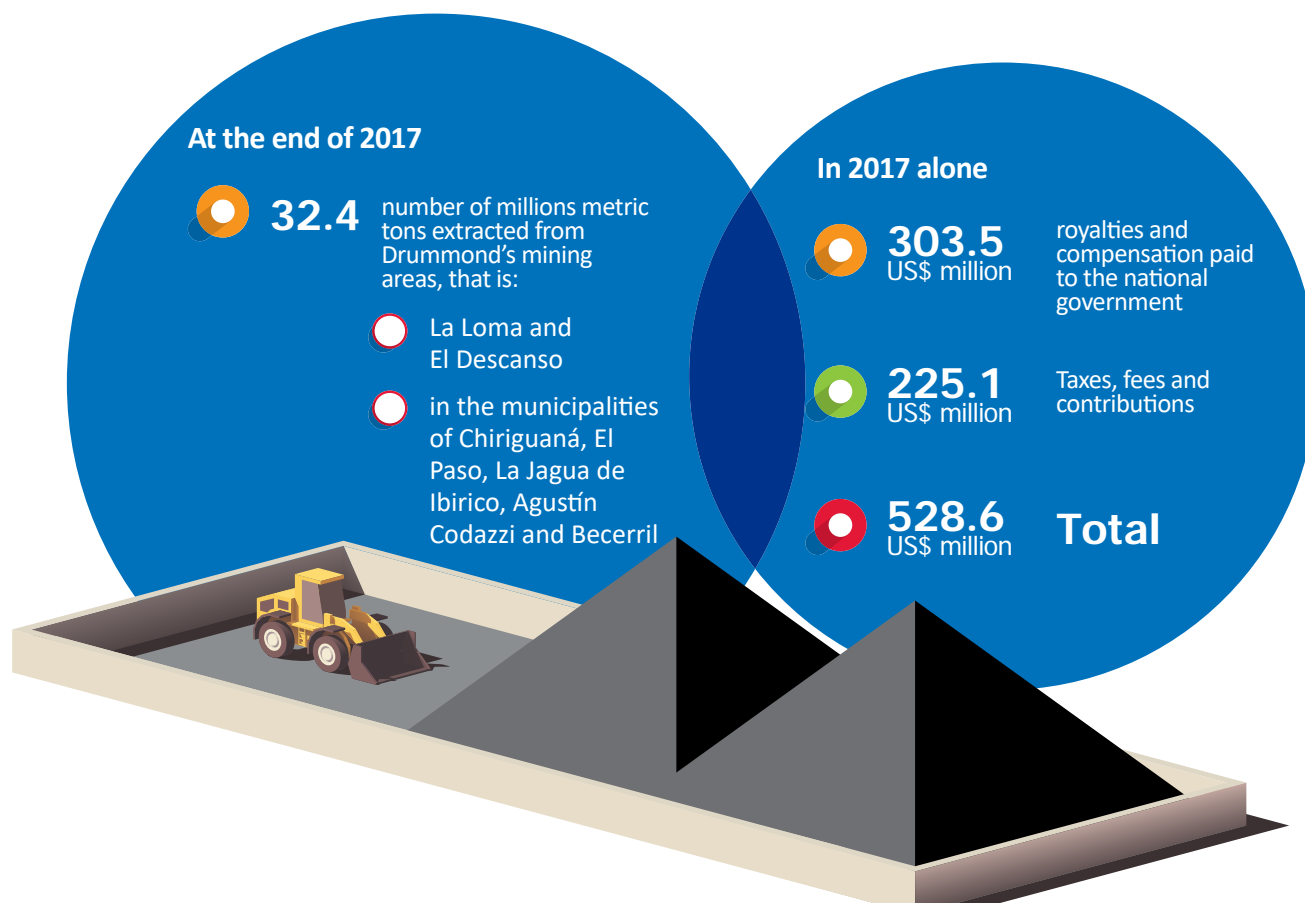
Payments to the government

Colombia voluntarily joined the Extractive Industry Transparency Initiative (EITI), which seeks to develop a complementary tool for government management focused on promoting transparency and accountability in the extractive sector (Hydrocarbons and Mining). Participants in this initiative include government agencies and the companies from the extractive sector that voluntarily have decided to participate, facilitating the participation by representatives of civil society.


The main sources of income that extractive activities generate for the Colombian government come from the payment of taxes and royalties. The first are collected by the DIAN (National Taxes and Customs Authority), an agency that is part of the Ministry of Finance and Public Credit. Therefore, this income is part of the Nation's general budget, and royalties are collected by both the ANM (National

Hydrocarbons Agency) and the ANH (National Mining Agency) and transferred to the General Royalties System. Recently, the EITI Secretariat's Office conducted a validation of the implementation process, resulting in a satisfactory rating, with Colombia fulfilling the requirements established by this global standard. Being at the top of the measurement's hierarchy represents an improvement in the transparency indicators and in the mining and energy investment climate. Additionally, it generates an environment of trust with civil society, which has greater access to information on the use of public-private resources.


Drummond Ltd. continues to actively participate in implementing the EITI initiative, which is one of the highest industry standards, consistent with its responsibility to provide information transparently and honestly to its stakeholders.



Since the start of Drummond's operations in 1994:

 **408.8** million tons have been mined

paying  **2,983.3** in royalties and compensation
US\$ billion

while it has paid  **2,187.4** in taxes, fees and contributions
US\$ billion

 **5,170.7** Total
US\$ billion



Drummond's impact on Colombia is evident, both nationally and in the municipalities in the area of influence of our operations.





[GRI 201-2]

Financial implications and other risks and opportunities due to climate change

Variations in parameters such as temperature and precipitation can cause changes in weather patterns and increase the effect of phenomena such as El Niño and La Niña. This, given Drummond Ltd. reliance on water resources either for the development of its operations or for the implementation of management measures, would affect its production and increase operating costs. Additionally, it would create conflicts with the community for access to and use of this resource, and due to the consequences of natural events associated with these conditions.

Likewise, in regulatory terms, the company could be affected by possible restrictions by the environmental authorities, both in granting permits for the use and exploitation of natural resources, and in the licensing processes. This is in addition to the possibility that environmental regulations would tend to be more restrictive, given the vulnerability of the ecosystems to climate change and its impact on the communities.

For these reasons, the risks to Drummond Ltd. derived from climate change are mainly physical and regulatory, with a direct impact on the operations.

Description of the impact

In this regard, there could be different effects associated with extreme climate conditions, as explained below:



1.

Periods of heavy rainfall could exceed the storage capacity of the internal drainage network and the water buffer and treatment systems, causing floods inside the mining or port projects. Additionally, by increasing the flow of discharges, the quality of the water could change due to the contribution of sediments and create swelling and overflows that would harm the neighboring towns.



2.

Prolonged periods of drought and high temperatures would generate water shortages and, therefore, lower availability of water resources for the mining operations, controlling particulate matter and watering, both in the replanted areas and in the nursery. This means that the company would have to invest more money in alternative dust emission controls and in strategies to reduce or compensate for seedling mortality due to water stress.

This is in addition to the possible increase in the number of forest fires that, despite being part of the natural dynamic of dry forests, given their scale in the face of excessive temperature increases, could consume significant areas of vegetation cover, both inside and outside the mines, affecting wildlife, air quality and human health.



Financial implications

Drummond Ltd.'s industrial safety protocols require it to stop operations when there are major floods or forest fires, which has direct implications on production. If these events are frequent, significant losses could be generated.

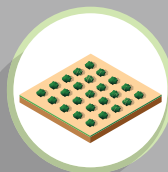
Similarly, the company must take actions focused on strengthening its management measures to reduce the risks derived from climate change and this, in turn, would involve an increase in production costs. The most important strategies include the following:



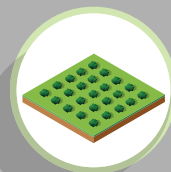
Expansion of the rainwater collection, storage and distribution network.



Improvements to water treatment before dumping.



Rework in structuring and replanting the dumping areas.



Increase in seedling production in the nursery.



Reinforce the fire prevention and management program.



Restoration of areas affected by forest fires or floods.



Implementation of new techniques for controlling particulate matter and watering seedlings.

Methods for managing risk

Activities such as forest compensation, the replanting of affected areas, fire prevention or water resource management correspond to climate change mitigation and adaptation measures. On the one hand, forests become carbon receptacles, contribute to water regulation and create habitats for different flora and fauna populations, and on the other, they ensure the efficient use of water so that this resource is available in times of drought.

To this end, Drummond Ltd. has been expanding and redesigning the rainwater management system, including the runoff water collection channels from the dumping areas, which have significantly reduced erosion processes. It has also built storage pools in the overburden deposits, creating more humid microclimates with the resulting benefits for wildlife and the establishment of vegetation. In response to forest fires, in addition to the immediate response protocol, it is working with the local disaster response offices to train residents on fire prevention and management.

It has also established an environmental management scheme for the Paujil reservoir, making it possible to provide water to the properties surrounding the project during the dry season and mitigate floods through construction projects.

Costs associated with the actions taken to manage risk

Drummond Ltd. continues to conduct assessments of the possible effects and ways to mitigate climate change in the mining and port operations to ensure the business' environmental and economic sustainability. The estimated costs for risk management are US\$ 4.163.462.



[GRI 201-3]

Obligations under the defined benefits plan and other retirement plans

In 2017, the company had benefits classified as defined contribution plans related to the contributions made to legally established pension funds that were freely chosen by each employee, in the amounts stipulated under Colombian law regarding the General Pension System. The payments related to the defined contribution benefits were covered with the company's own funds obtained from conducting the organization's ordinary activities.

The estimated value of the contribution benefits paid by the company in 2017 was US\$ 23,324,157. It is important to note that the Company does not have retirement plans in addition to the plan described above. Based on the legislation that regulates the General Pension System, Drummond Ltd. contributes, through the pension funds, an amount equivalent to 16% of the base salary for benefits purposes, corresponding to the income for the period for each employee.

[GRI 202-1]

Ratios of standard entry level wage by gender compared to local minimum wage

Table 1. Ratio of starting salaries paid by the company to the national minimum wage for 2017

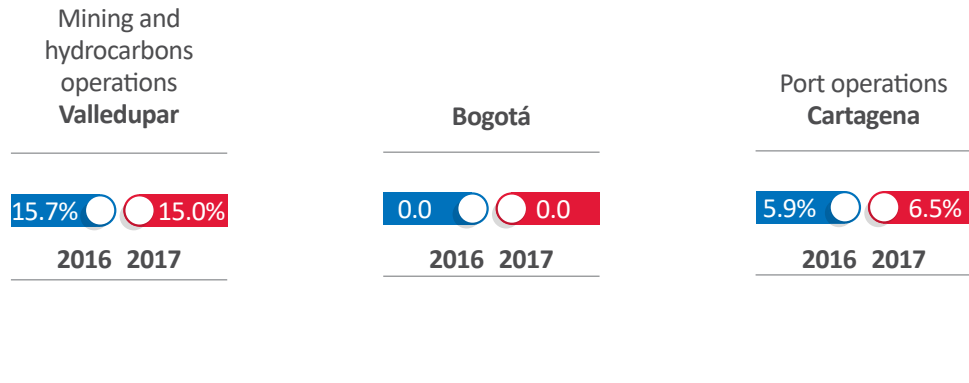


Proportion of senior management hired from the local community

Drummond Ltd. seeks to hire senior executives from the local community, in order to have employees who not only meet the requirements necessary to hold these positions, such as i) experience in the sector and ii) academic profiles that help

the organization to have the best talent, but also that know the areas where the company's operations are carried out, with the goal of increasing the economic benefit to the local community and improve the company's capacity to understand local needs.

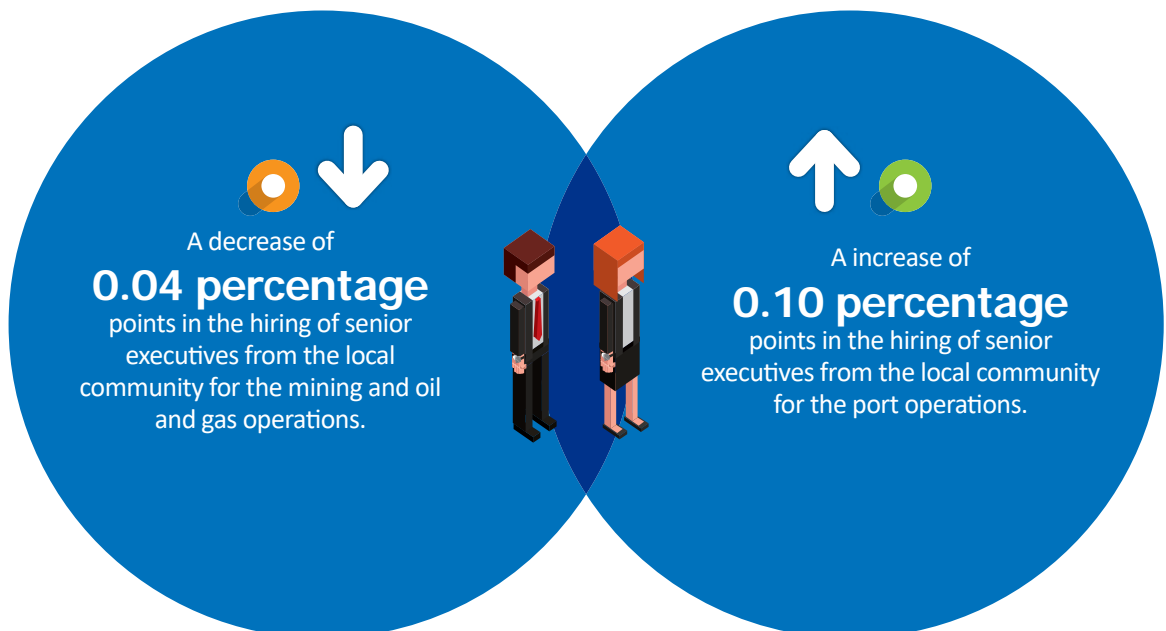
Below is the percentage of senior executives who were hired from the local community:

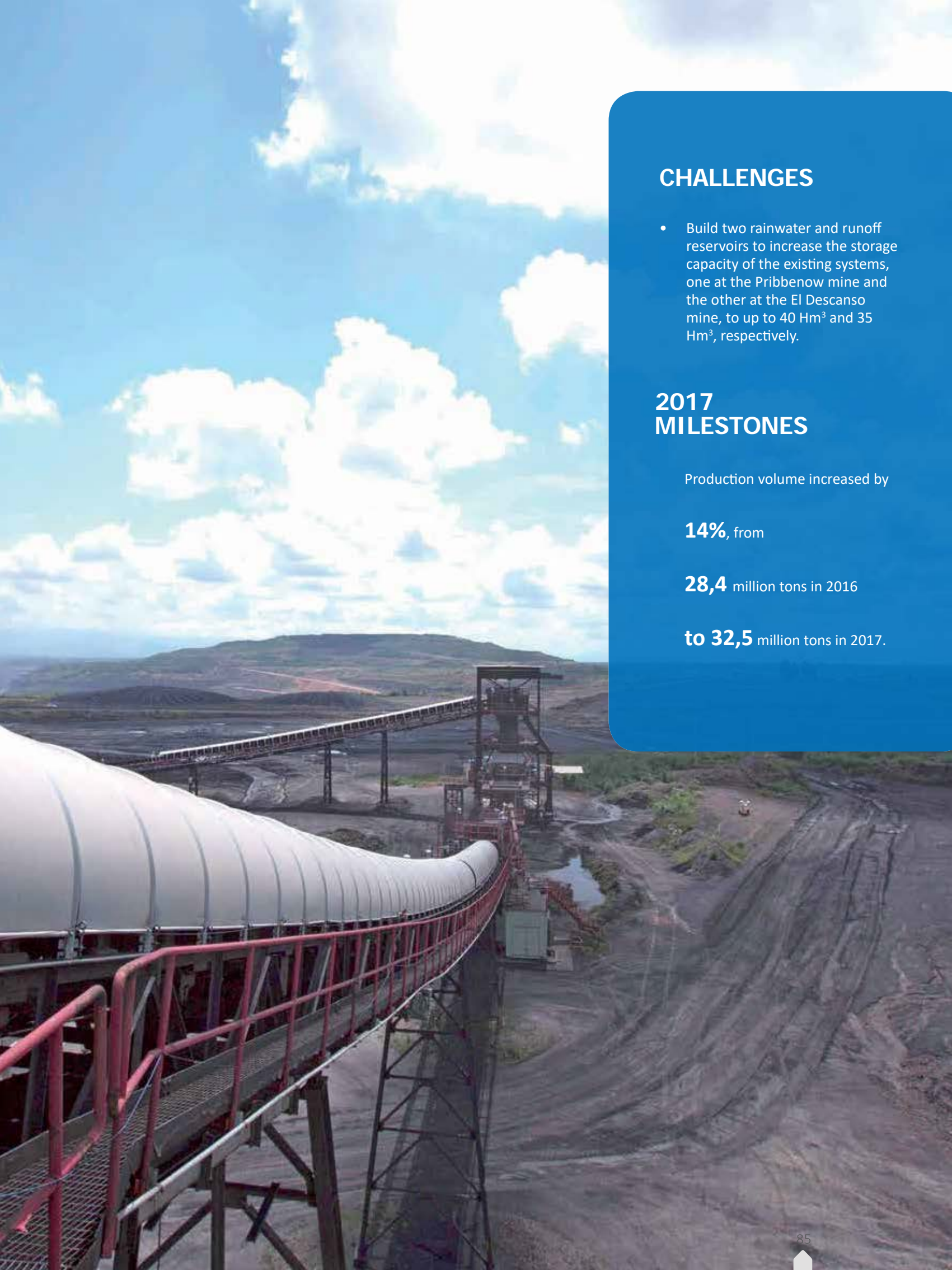


This percentage is calculated based on the total number of employees at the strategic level in the company, which includes: president, vice presidents,

superintendents, managers and assistant superintendents. The employees come from the departments of Cesar and Magdalena.

Between 2016 and 2017, the company found:





CHALLENGES

- Build two rainwater and runoff reservoirs to increase the storage capacity of the existing systems, one at the Pribbenow mine and the other at the El Descanso mine, to up to 40 Hm³ and 35 Hm³, respectively.

2017 MILESTONES

Production volume increased by

14%, from

28,4 million tons in 2016

to 32,5 million tons in 2017.

Supplier and contractor management

[GRI 103-1]

Supplier management is extremely important to Drummond Ltd., since it ensures the efficiency and sustainability of its operation by supplying goods, merchandise and services to account for quality, timeliness, price and after-sales service criteria.

Given that this work has a direct impact on employees, contractors, the communities and the operation as a whole, the company has established controls in its selection criteria that allow it to minimize any negative effects that could arise due to the improper management of a supplier or contractor.

To effectively manage its suppliers, Drummond Ltd. uses the following pillars:

①

Encouraging the development and contracting of companies in the mining and port area of influence, considering the importance that this aspect represents in terms of revenue, taxation for the region, personnel training and learning best practices in the industry.

②

Contracting with companies that do not have a criminal, civil or tax record. This is to ensure that all members comply with the rules and regulations established by the Colombian government.

③

Contracting with companies that are financially solid in order to guarantee the fulfillment of its contractual, labor, fiscal and tax obligations.

④

Contracting with companies that have proven expertise and experience in guaranteeing the supply of goods or services, and implementing best practices at the national and international levels.





However, given the particular situation of the degree of familiarity and affinity that is seen in the operations' area of influence, in addition to the fact that Drummond Ltd. is one of the largest employers in the region, suppliers and contractors are constantly subject to situations where conflicts of interest can have a negative impact on the development of the operation. It is for this reason that the following mitigation mechanisms have been developed:

- Statement of conflicts of interest, which is submitted by Drummond Ltd. employees to the Human Resources Department (at the time of hiring, at the annual evaluation and when applicable).
- Statement of conflicts of interest, which is submitted at the time of registration of suppliers and contractors to the company's Supplier Control Department.
- Implementation of the Conflicts of Interest Committee, which meets regularly, and no less than once a year, to evaluate the impacts and risks associated with the Suppliers and the operation, and also to establish controls associated with mitigating or eliminating these impacts.

[GRI 103-2

Drummond Ltd. is aware that its activities are susceptible to risks that could compromise its operational, technical, financial, reputational, safety and environmental integrity. However, it is committed to using good supplier management practices that mitigate these risks and ensure the integrity and continuity of the operation, as well as solid relationships with suppliers. This is why it has implemented controls that allow it to mitigate risks, ensuring the sustainability and efficiency of the mining and port operations.



Additionally, Drummond Ltd. has six tools aimed at oversight and ensuring proper supplier management:

1.

Commitments undertaken in providing goods and services:

These commitments make it possible to ensure technical suitability, ensuring that contractors and suppliers work with the highest industry standards, have qualified and certified staff, state-of-the-art technology, and adequate machinery and facilities, as follows:

- Contracting through commercial offers that clearly establish the responsibilities, commitments and scope of the services.
- Signing terms and conditions duly accepted by the supplier or contractor's legal representative.
- Signing irrevocable declarations, both for goods and for services, which are signed by the legal representative at the time that the supplier or contractor is created.



2.

Policies and guidelines:

Their objective is to ensure that all business relationships are conducted under the highest transparency and ethical standards, and to ensure the implementation of the physical and industrial safety, human rights and environmental management policies. In order to achieve this objective, the following practices are carried out:

- Distribution of Drummond Ltd.'s internal policy on human rights and conflicts of interest.
- Requirement that internal policies be issued and implemented by each supplier or contractor and distributed to the personnel performing work inside the company's facilities.

3.

Industrial safety, environmental and human rights inspections and audits:

The use of inspections and audits seeks to ensure that the supplier's workforce works under the best possible conditions, avoiding accidents and lost time, and ensuring that it provides goods and services in a timely manner at the lowest possible cost. This is supported by:

- Sharing the Comprehensive Manual for Contractor Control and Monitoring with the supplier or contractor.
- Holding periodic meetings, inspections, chats, audits and trainings in order to continuously improve safety, environmental management and human rights practices.

• Providing the supplier or contractor with the Comprehensive Manual for Contractor Control and Monitoring, which establishes the guidelines to be followed in terms of providing goods and supplies.

• Verifying Personnel information, in order to ensure that workers do not have criminal records.

4.

Managerial walk-throughs:

The development of these walk-throughs allows for direct interaction between the company’s management levels and the supervision and operation of the contractor companies. They are used to verify aspects such as:

- Industrial safety: the implementation of on-site safety sheets, storage and classification of hazardous substances, personnel training and, finally, safety in the workplace.
- Environment: the order and cleanliness of the work areas and the collection and sorting of waste.

5.

Quarterly meetings with contractors’ managers:

The Industrial Safety Department holds a meeting every three (3) months with the managers and legal representatives of the main contractors, in order to share their results in terms of workplace health and safety, both in Drummond Ltd.’s own operations and those of the contractors.

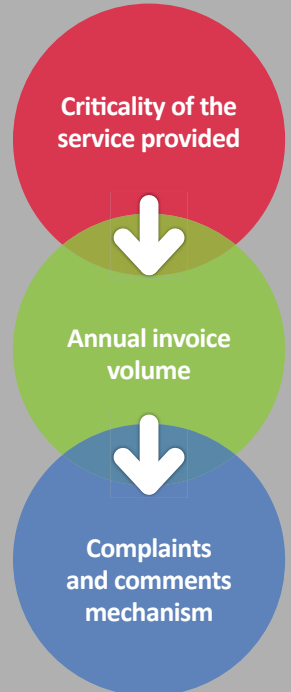
6.

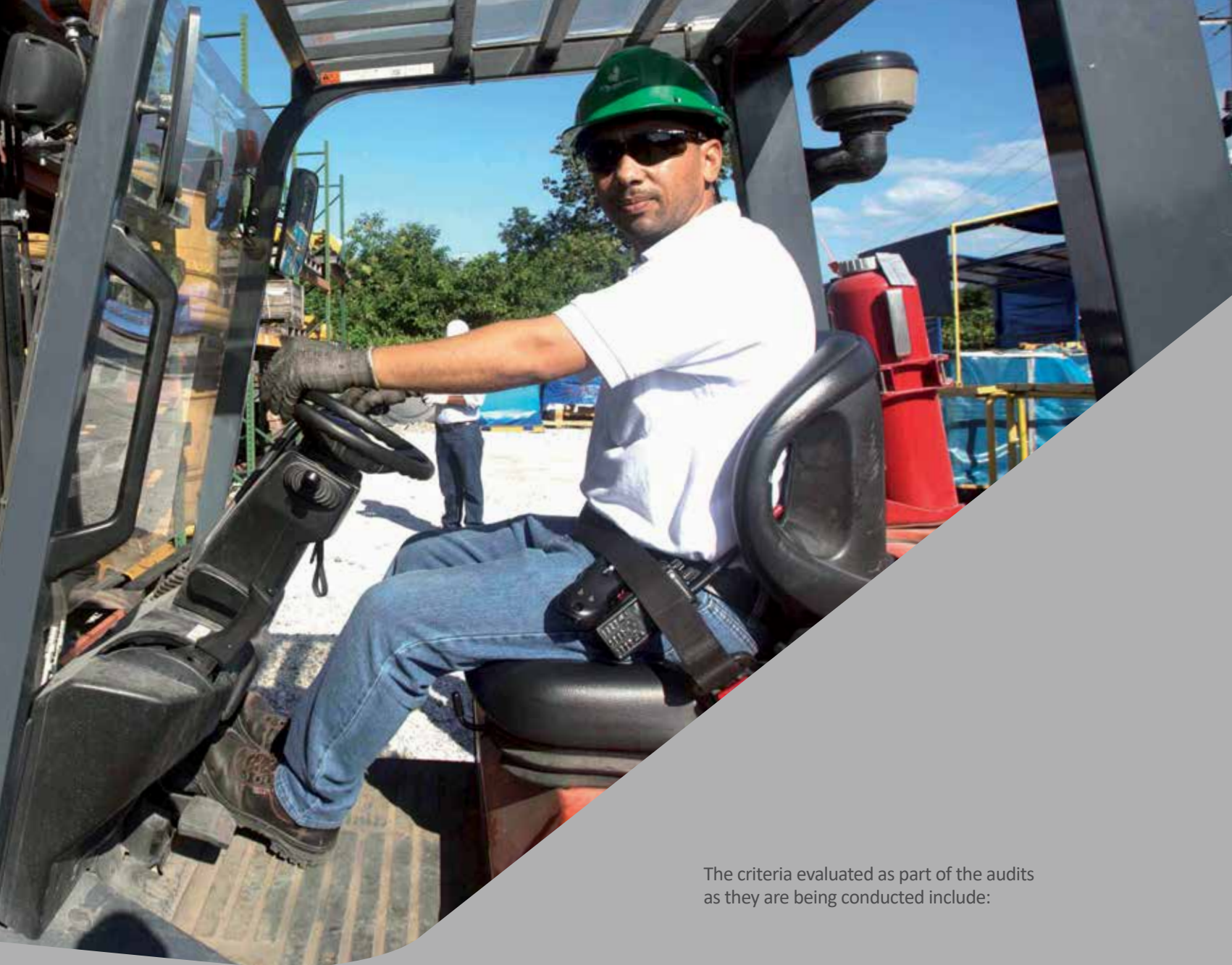
Comprehensive Manual for Contractor Control and Monitoring:

This document informs Drummond Ltd.’s contractors of the main responsibilities, for themselves and their subcontractors, during the execution of services for the company which relate to aspects of security, the environment, corporate social responsibility and workplace health and safety.

Drummond Ltd. conducts internal audits that evaluate its suppliers’ or contractors’ performance. The criteria for prioritizing which companies should be audited include the following:

[GRI 103-3]





The criteria evaluated as part of the audits as they are being conducted include:

- | | | |
|--|--|---|
| <p>Personnel</p> <ul style="list-style-type: none"> Personnel Competencies ✓ Contracting Guidelines ✓ Employee Salary Payments ✓ Shifts and Rotations ✓ Uniforms and PPE ✓ Social Security Payments ✓ | | <p>Occupational health and safety</p> <ul style="list-style-type: none"> ✓ Risk Landscape ✓ Emergency Response Program ✓ Accident Rate Indicators ✓ Performance indicators |
| <p>Human rights</p> <ul style="list-style-type: none"> Conflict of Interest/ Complaints and Comments Mechanism ✓ Conflict of Interest Policy ✓ Complaints and Comments Mechanism ✓ | | <p>Environment</p> <ul style="list-style-type: none"> ✓ Environmental Risk Identification Matrix |

Supplier monitoring and evaluation

Drummond Ltd. has a Complaints and Grievances Mechanism, which is distributed to all of its suppliers and contractors. It also requires the issuance, distribution and compliance with the mechanism by each supplier and contractor.

The mechanism was established as a tool available for any employee, either of Drummond Ltd. or of a supplier/contractor, to directly and/or anonymously report a conflict, anomaly or violation of the ethics policy in the execution of the mining and port operations.³

The company also provides periodic opportunities designed to improve communication with suppliers and contractors, ensuring that information is properly updated.⁴

Another mechanism that the company uses are its Social Evaluations to conduct periodic inspections and audits of its suppliers and contractors and, additionally, to provide opportunities to raise awareness.

Finally, Drummond Ltd. has access controls and reference processes that mitigate the possibility of hiring minors at its mining and port operations. Every month, random audits are conducted to confirm the payment of social security, pension and severance contributions for contractor employees.

In 2017, the company held a meeting with the companies' managers and legal representatives where it presented its guidelines on human rights and good labor practices.



³ <http://www.drummondLtd.com/wp-content/uploads/MECHANISM-TO-REPORT-IRREGULARITIES-PRESENT-CLAIMS-signed.pdf>

⁴ http://vss.drummondco.com/Security_ENG/VendorLogin_ENG.aspx

Proportion of spending on local suppliers in 2017:

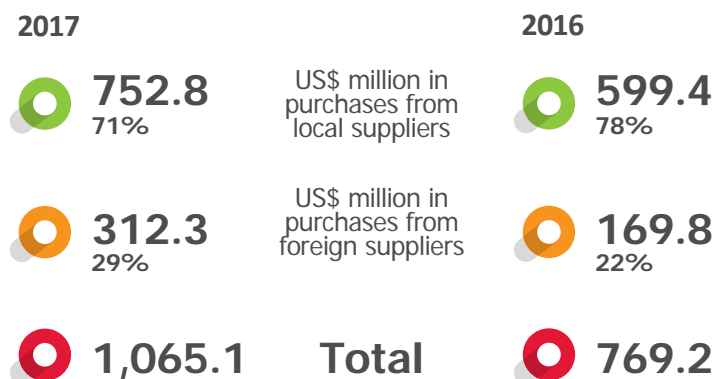
[GRI 204-1]

One of Drummond Ltd.'s fundamental guidelines related to its social management is to ensure that all goods or services contracted and/or purchased are from companies from the area of influence of the mining and port projects, provided that the technical and economic efficiency of the operations are not affected, ensuring quality, timeliness, price and after-sales service.

During 2017, 19% of Drummond Ltd.'s purchases were made from local suppliers. A local supplier is one whose main offices are located on the Atlantic Coast, specifically in the departments of Cesar and Magdalena, which cover the areas of influence of the company's mining and port operations.

In 2017, billing by local suppliers increased:

Gráfica 3. Purchases made from local suppliers in USD



The main reasons behind the increase in billing by local suppliers are:



During 2017, the international coal market showed stable behavior that allowed the organization to increase its production targets and investments in the operation.



The results obtained from the audit process yielded a series of actions and controls that made it possible to purge and consolidate the supplier database, making it possible to reactivate the contracting of goods and services from those local companies that met the additional guidelines established by Drummond Ltd.

As a result, Drummond Ltd.'s local suppliers established themselves as follows:

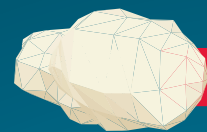
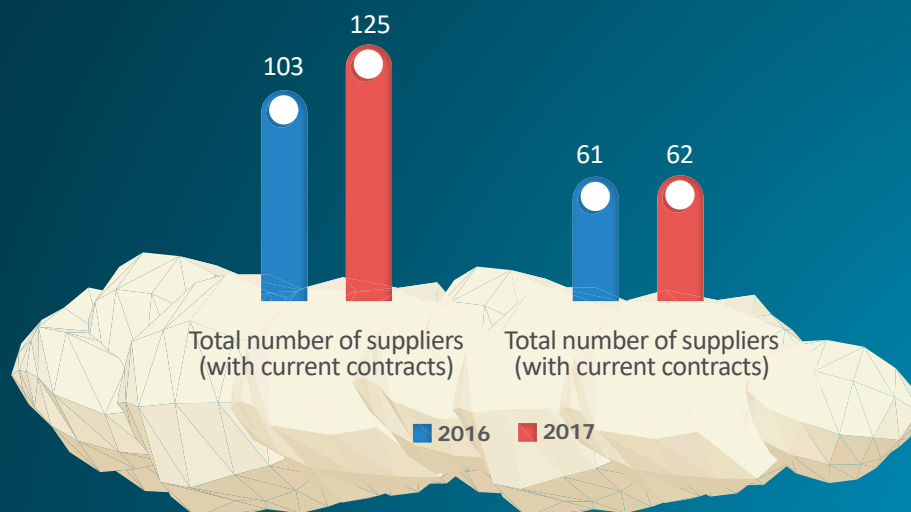
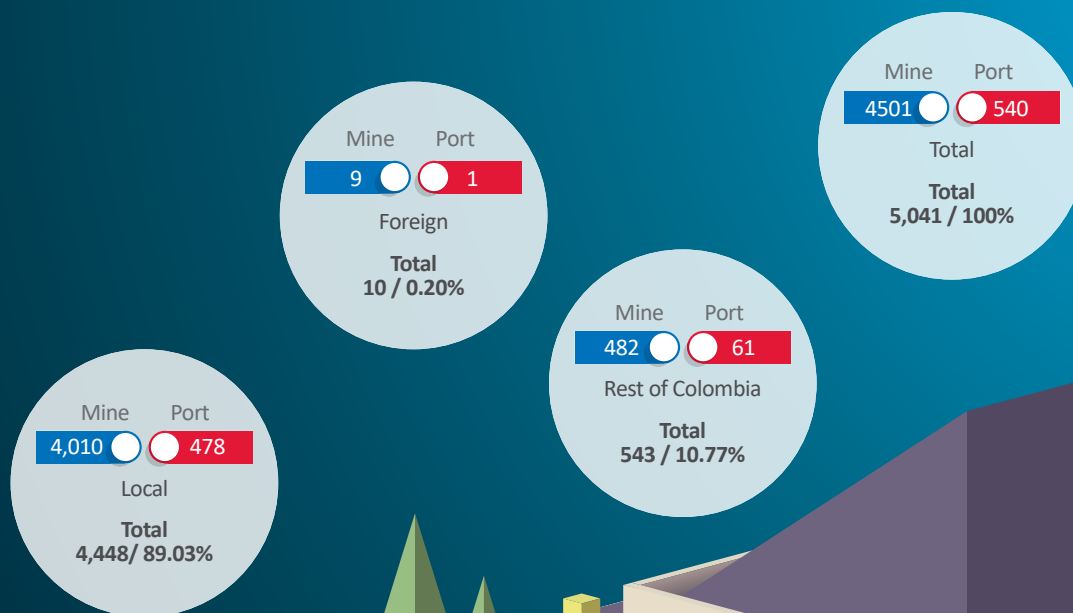


Chart 4. Local suppliers hired



Finally, Drummond Ltd., for all contracts in force during 2017, asked its bidders to hire as much local labor as possible, achieving the following results:



Environmental and social evaluations

[GRI 308-2
414-2]

Answered in the GRI table: DLTD did not evaluate new suppliers based on environmental criteria.

Answered in the GRI table: DLTD did not evaluate new suppliers based on social criteria.

Environmental Social



Total number of suppliers with which the company had a relationship in 2016 whose impact has been evaluated.

Environmental Social



Percentage of suppliers that have agreed to make improvements after the evaluation.

Environmental Social



Percentage of suppliers whose contractual relationship has been terminated as a result of the evaluation.

Environmental Social



Number of suppliers that have significant real or potential negative impacts.





For the 2017 period, no real or potential negative social effects were identified. Additionally, there were no cases in which Drummond Ltd. was obliged to terminate a contractual relationship as a result of the evaluation regarding these impacts.

Furthermore, during 2017 the Environmental Department conducted 100 inspections of contractor companies, of which 52 took place at the port operations and 48 at the mining operations. The main aspects evaluated were: waste management (recyclables, ordinary, hazardous and special waste), chemicals management, hydrocarbon management, control and prevention of oil and chemical spills. The implementation of the Inspection Program has contributed to the continuous improvement of the contractors' environmental management and the generation of an organizational culture that is aimed at caring for and protecting the environment.



MILESTONES:

- **19%** of total billings came from local companies.
- **49.60%** of all companies that have contracts are local.
- **89.03%** of the personnel employed by companies with contracts are from the area of influence of the mining and port operations.

CHALLENGES

● Challenge for 2018

● Short, medium or long term goal (include year of goal)

1. Billing by local suppliers

● Increase billing by local suppliers by 3%

● 2018: 2% increase

2019: 4% increase

2. Hiring personnel from the area of influence

● Increase hiring of personnel from the area of influence by 3% by both suppliers and contractors

● 2018: 2% increase

2019: 4% increase

3. Communications regarding human rights

● Hold at least one awareness-raising chat with the suppliers' and contractors' managers and legal representatives

● 2018: 2 chats

2019: 2 chats



05

Social Management



Managing human talent

[GRI 103-1]

At Drummond Ltd. the importance of working constantly and appropriately on managing human talent lies in the ability to meet organizational standards and direct the strategic goals and objectives in each of the roles in the organization.

Drummond Ltd. recognizes that its employees are the organization's most important resource. They are the stakeholders with a direct influence on its performance and results, which is why it uses an approach dedicated to maintaining and improving its labor relations, strengthening the organizational culture, maintaining a healthy working environment and promoting productivity through values such as commitment and motivation.

From a risk perspective, the organization has identified those factors whose existence it must prevent and constantly monitor:



1. Creating uncertainty in the population, due to the number of jobs that the organization is able to offer the local communities, and the real demand for employment that they present.

2. External impact at the reputational level and internally on the work environment as a result of employees not acting in accordance with the skills, values and behaviors that the company promotes.



[GRI 103-2]

Drummond has policies covering recruitment and hiring, human resources and wages, and the Employee Manual. These documents establish the guidelines and actions that allow it to retain its human talent to preserve their knowledge and experience, and to generate well-being and improve the quality of life for its employees. This information is available on the company's website⁵ and in the Employee Manual that is given to each employee when he joins the company or whenever it is updated.

⁵ <http://www.drummond.com/about-us/our-commitment/?lang=en>

Additionally, it uses three approaches to managing human talent, developed by the Human Resources department:

Focus on recruiting and hiring: the company seeks to hire qualified personnel, with high professional and ethical standards, who can take on the organizational challenges and adapt to the dynamics of labor relations. Drummond Ltd., as part of its recruitment process, gives priority to hiring local candidates or those who can demonstrate that they have spent a certain amount of time there.

Focus on compensation and benefits: Drummond Ltd. has education, healthcare, savings, recreation and welfare programs for employees and their families, with the aim of generating well-being and quality of life for them.

Labor relations: the company has different programs and opportunities that seek to promote organizational competencies for effective communication, building trust and focusing on health, safety and the environment. All this is done with the aim of creating a work environment where values like respect, communication and tolerance, among others, take priority through a focus on employee behavior and conduct.

Additionally, Drummond Ltd. has an Ethics Line, handled completely confidentially, that can be accessed by all stakeholders and the general public to report questions or gaps that are identified, in compliance with the organization's Code of Conduct and the legal framework, including issues related to labor practices. This channel mainly seeks to focus on dialogue and consensus as the main way to resolve complaints or disputes, and it is available on the website: <http://www.drummondltd.com/contact-us/?lang=en> and by calling 018000 919161.

[GRI 103-3]

As a mechanism for monitoring its performance, Drummond Ltd. has an Internal Audit Department that conducts tests to identify findings or recommendations in the processes, to thereby strengthen its internal controls and mitigate the risks inherent in each process. During 2017, the Human Resources Department was not subject to internal audits.

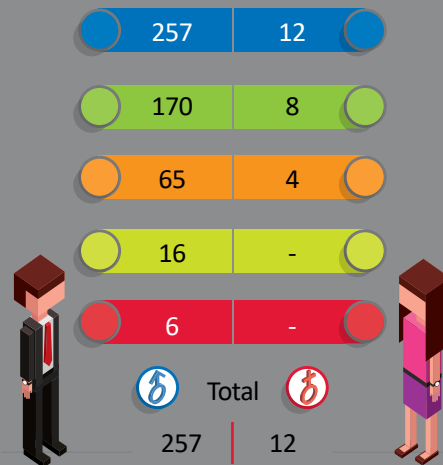
[GRI 401-1]

Drummond Ltd., to maintain its operations and as a generator of employment in the region, maintains a work staff that is dynamic and strengthened by the different characteristics of the population, which contributes to meeting the company's objectives in a dynamic and versatile way, as follows:

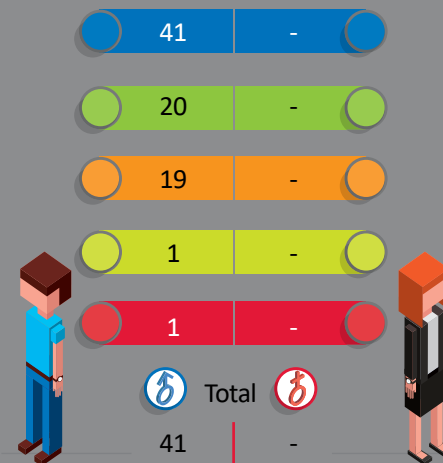
Table 2. New hires by age 2017

- Total new hires.
- New hires younger than 30 years.
- New hires older than 30 and younger than 40 years.
- New hires older than 40 and younger than 50 years.
- New hires older than 50 years.

Mining and hydrocarbons operations –**Valledupar**



Port operations / **Cartagena**



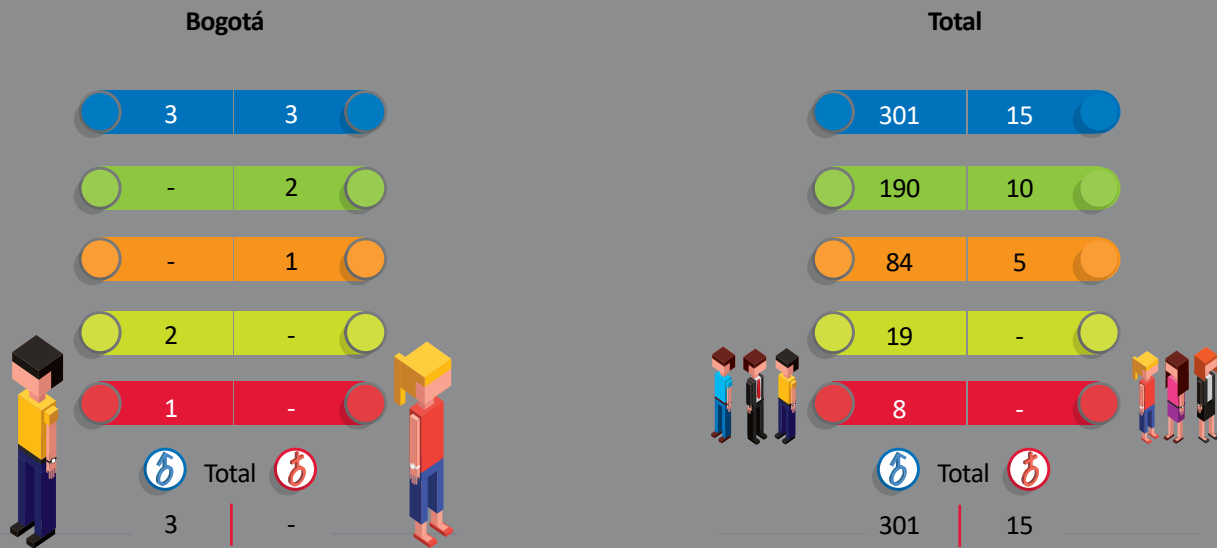


Chart 5. New hires by age 2017

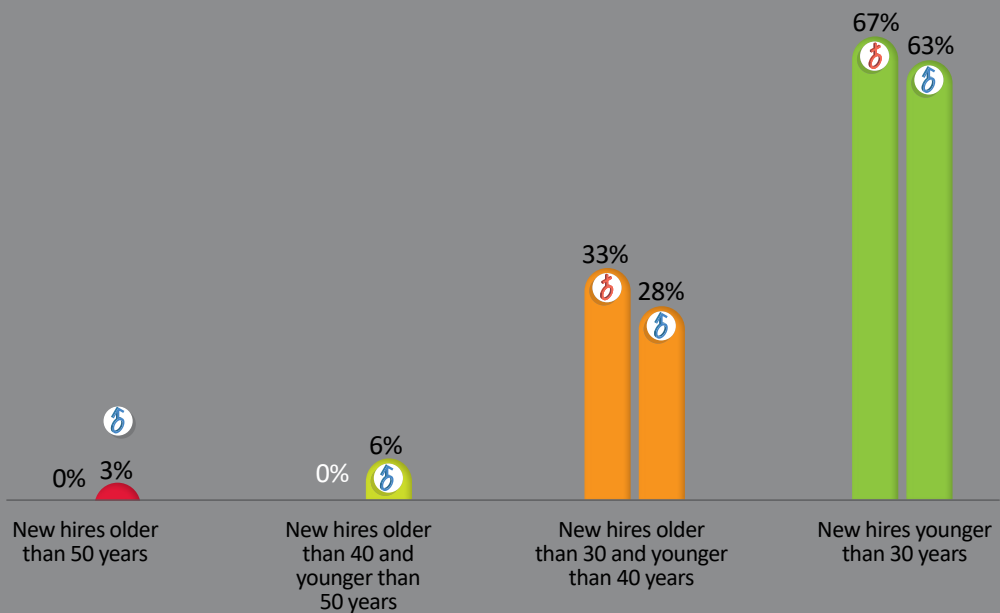


Table 3. New hires 2017

- New hires from the Department of Cesar
- New hires from the Department of Magdalena

- New hires from the Caribbean Region
- New hires from other departments in the country

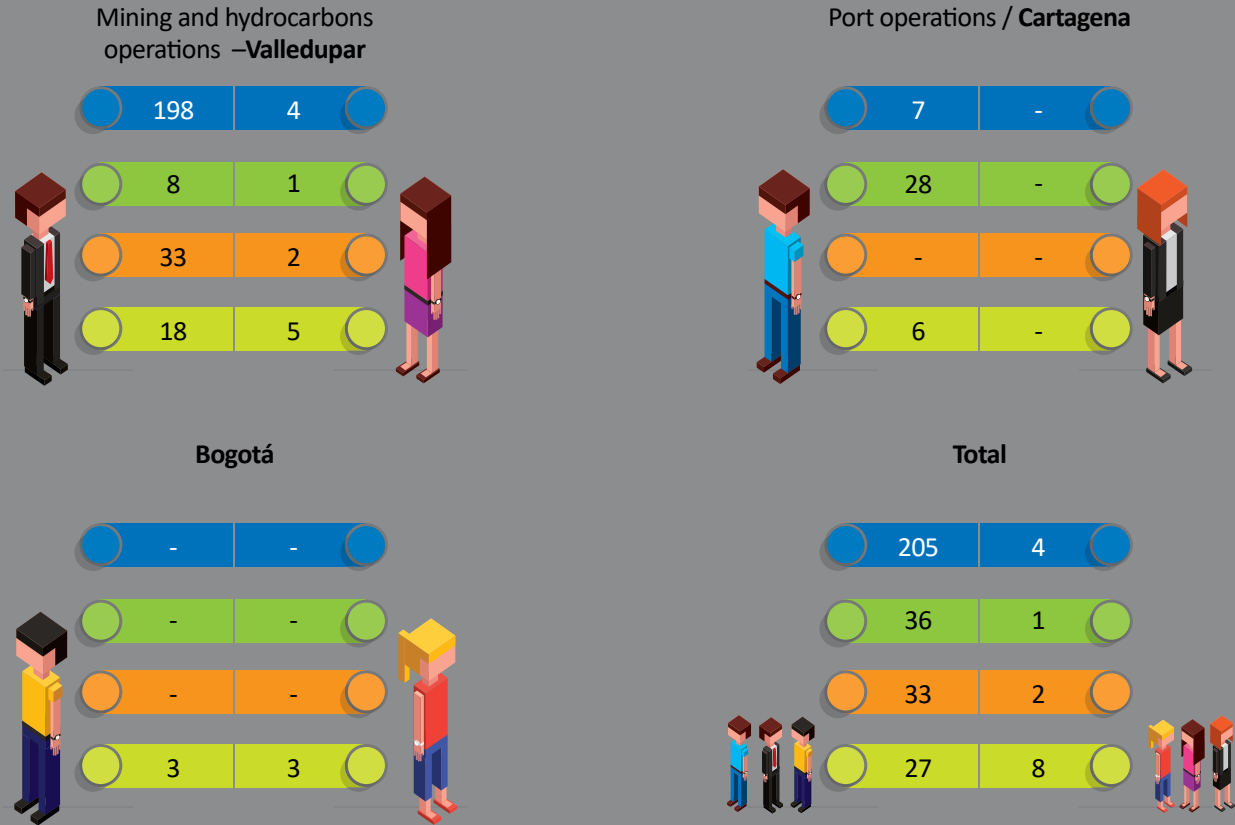


Chart 6. New hires by region 2017

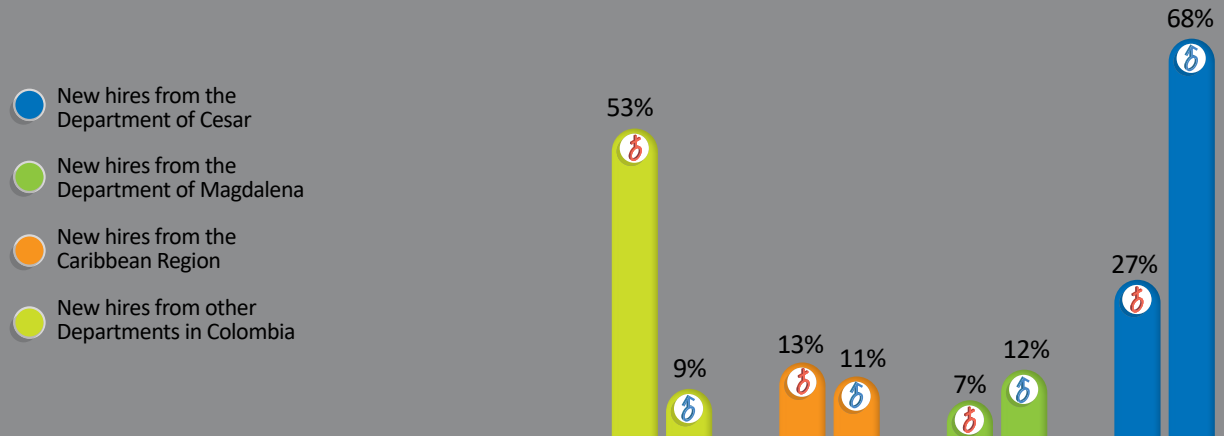


Table 4. Turnover by age 2017

- Employment separations, younger than 30 years
- Separations, older than 30 and younger than 40 years
- Separations, older than 40 and younger than 50 years
- Separations, older than 50 years

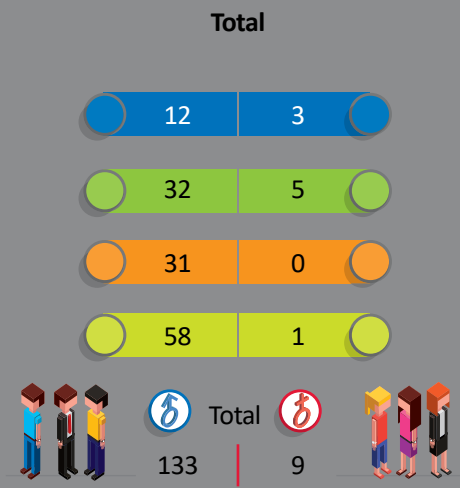
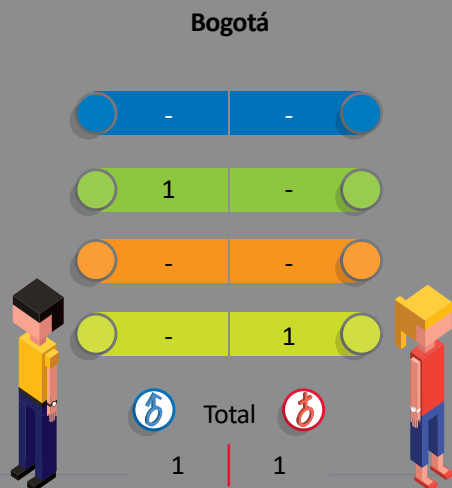
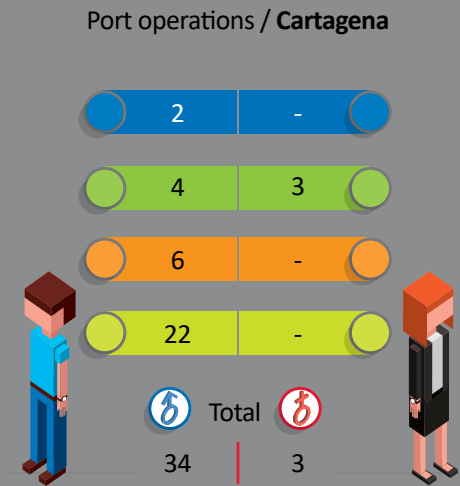
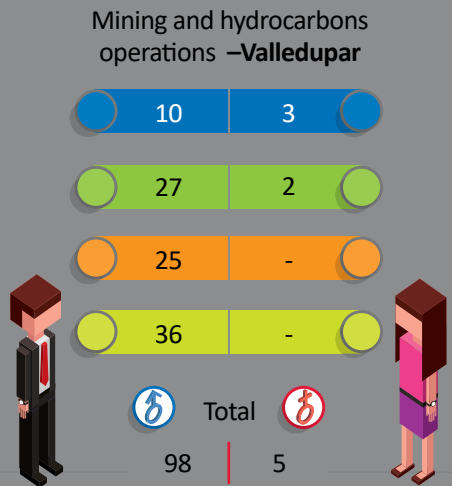
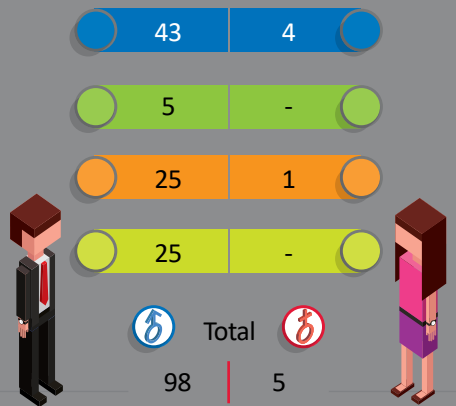


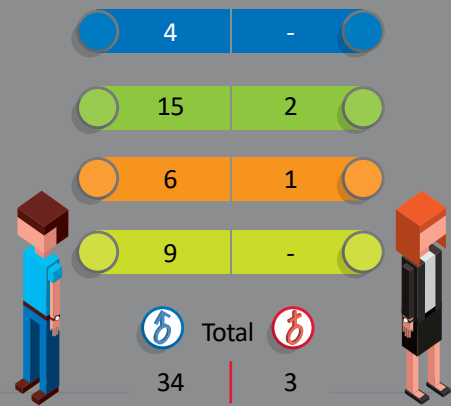
Table 5. Turnover by region 2017

- Separations, people from Department of Cesar
- Separations, people from the Caribbean Region
- Separations, people from Department of Magdalena
- Separations, people from other Departments of Colombia

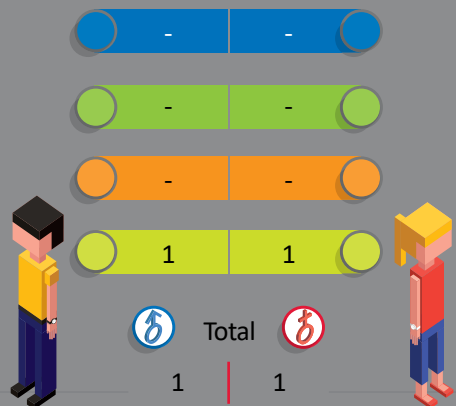
Mining and hydrocarbons operations –Valledupar



Port operations / Cartagena



Bogotá



Total

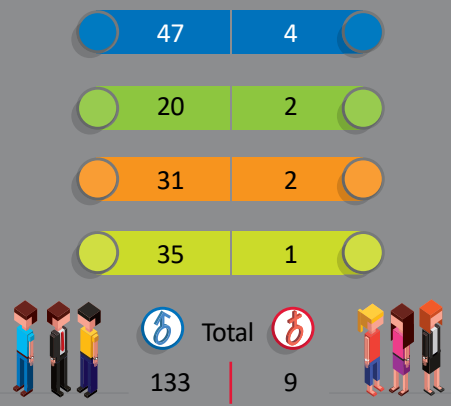


Table 6. Total employees by age 2017

- Employees younger than 30 years
- Employees older than 40 and younger than 50 years
- Employees older than 30 and younger than 40 years
- Employees older than 50 years

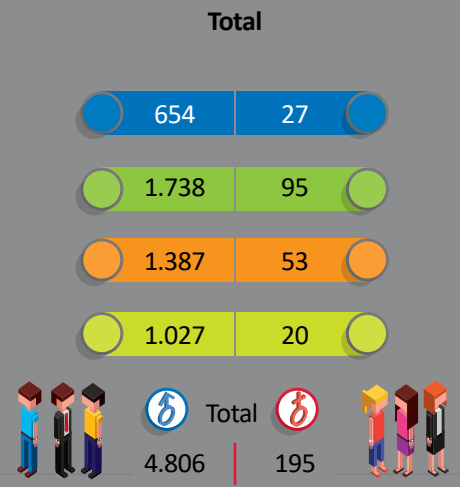
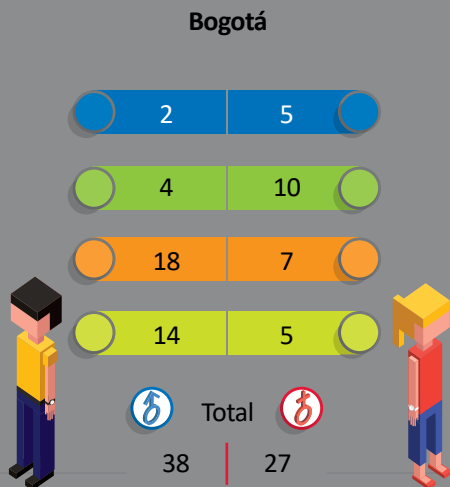
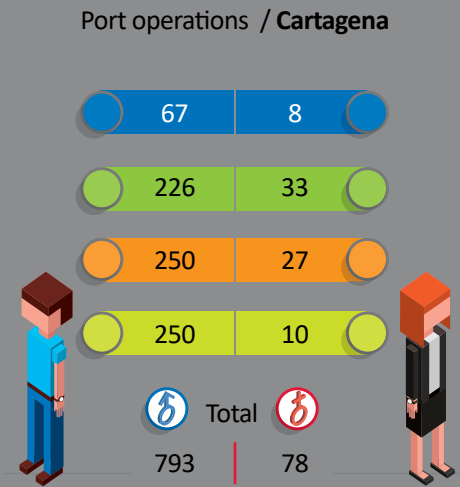
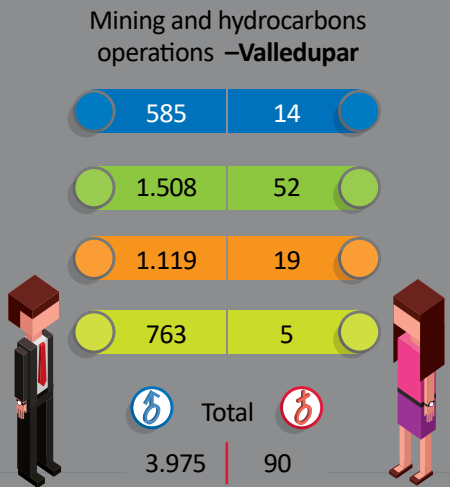


Table 7. Total employees by region 2017

- Employees from the Department of Cesar
- Employees from the Caribbean Region
- Employees from the Department of Magdalena
- Employees from other departments of Colombia

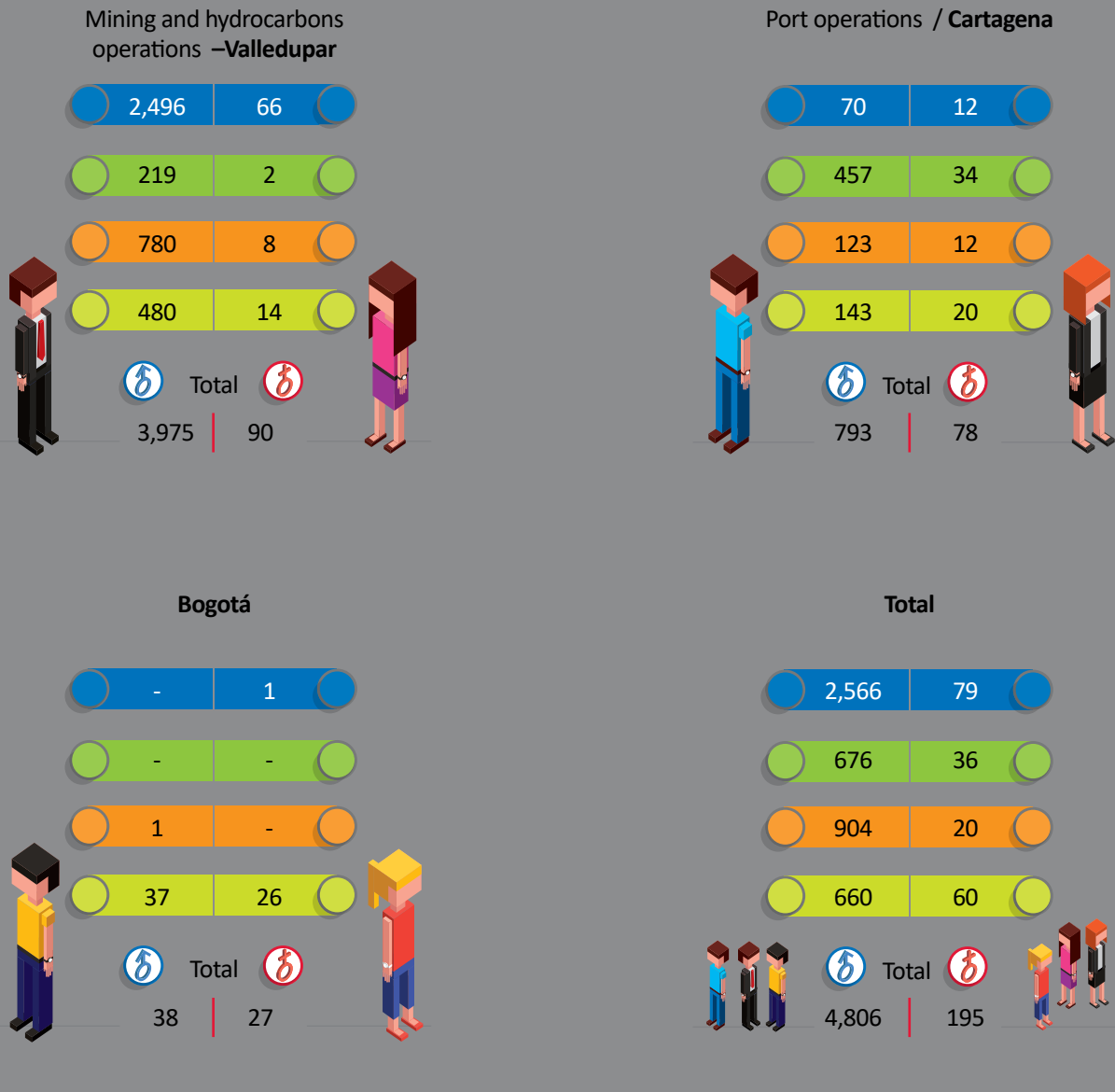


Chart 7. Separations 2016 vs 2017



Chart 8. Turnover rate 2016 vs 2017



Chart 9. Total employees 2016 vs 2017



[GRI 401-2]

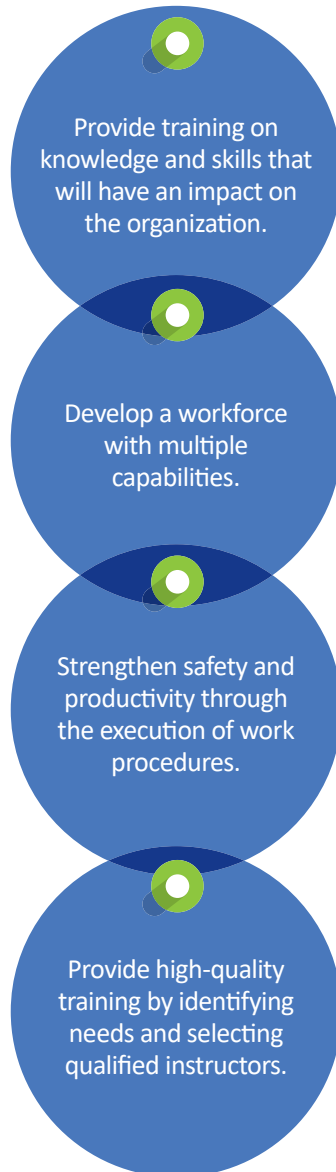
The company offers its direct employees a variety of additional benefits beyond their base compensation, in order to improve their current conditions in all areas, including their families. They include:

- 
 University scholarships for employees
- 
 Hospitalization and Surgery Policy
- 
 School and university aid for children of employees
- 
 Relocation assistance
- 
 Life insurance
- 
 Voluntary Savings Fund
- 
 Transportation assistance
- 
 Extralegal bonuses
- 
 Revolving Housing Fund

The extralegal benefits apply to the mining and port operations, which covers 98.70% of the population of direct Drummond Ltd. employees.

By implementing its policies, the company achieved full compliance with the challenges it set for itself in 2017 in terms of training, dissemination, internal communication and relationships with managers, in addition to integrating employees and their families.

Drummond's training programs are developed through joint efforts by the Training, Industrial Safety, Occupational Health, Human Resources and Environmental Departments, based on the following philosophy:



The training programs are focused on 4 pillars:



Workplace health and safety competencies



Environmental competencies



Technical and operational competencies

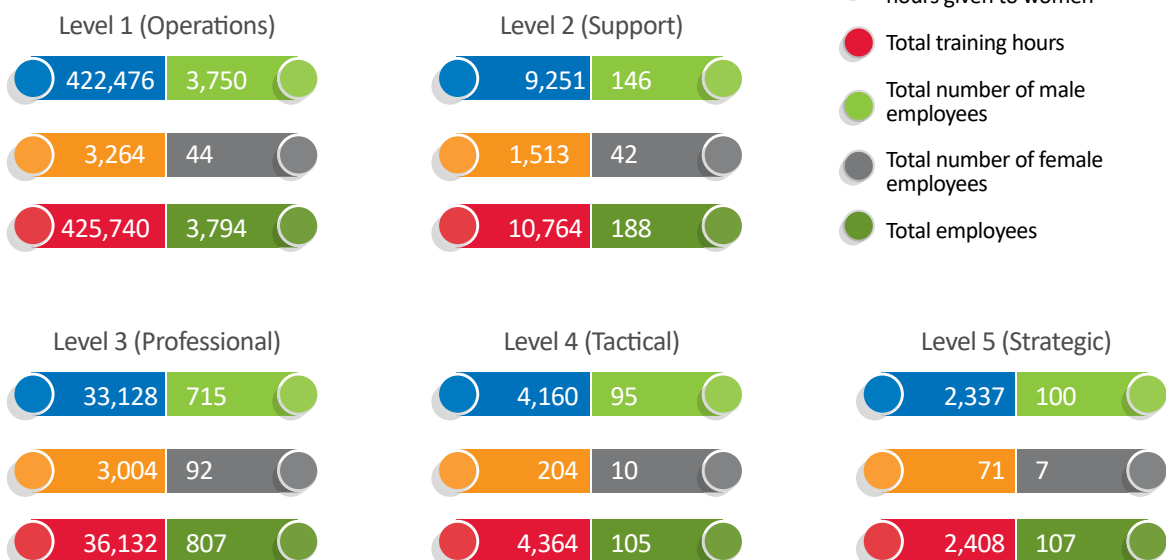


Person-focused competencies



The activities and trainings are varied and match the organization's different profiles, ranks and roles: regular training, classroom training, field training, on-site chats and safety campaigns, among others.

Table 8. Employee training hours 2017

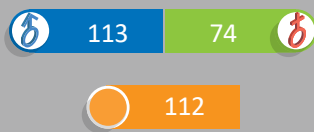


- Average number of training hours given to men
- Average number of training hours given to women
- Total training hours
- Total number of male employees
- Total number of female employees
- Total employees

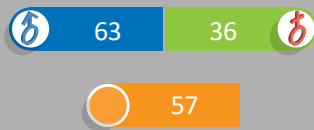
[GRI 404-1]

- Average hours of training received by men in 2017
- Average hours of training received by women in 2017
- Average total hours of training received by employees in 2017

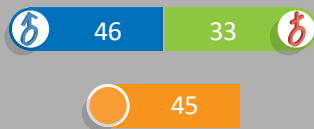
Level 1 (Operations)



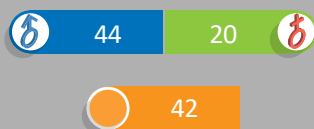
Level 2 (Support)



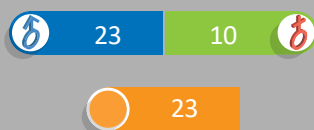
Level 3 (Professional)



Level 4 (Tactical)



Level 5 (Strategic)



[GRI 404-2]

Drummond Ltd. conducts several skills management and training programs on different topics to generate workplace health and safety, environmental, technical and operational competencies, as well as person-focused competencies. Additionally, it has an education program for employees and training development abroad.

In order to maintain and strengthen the management system implemented in the operations to properly identify hazards and assess risks, in accordance with the requirements of standard NTC-OHSAS 18001, 2007 version, and current legislation, Drummond Ltd. holds training sessions on specific elements of the operation according to each employee's role and focused on the person, since it has seen The company recognizes that a large part of



its ability to achieve its health and safety objectives is attributable to the behavior of each person and their self-care.

During the regular training cycles, topics were addressed including zero risk complacency, overconfidence, effective risk management and awareness, effective communication for risk prevention and strengthening communication for risk management.

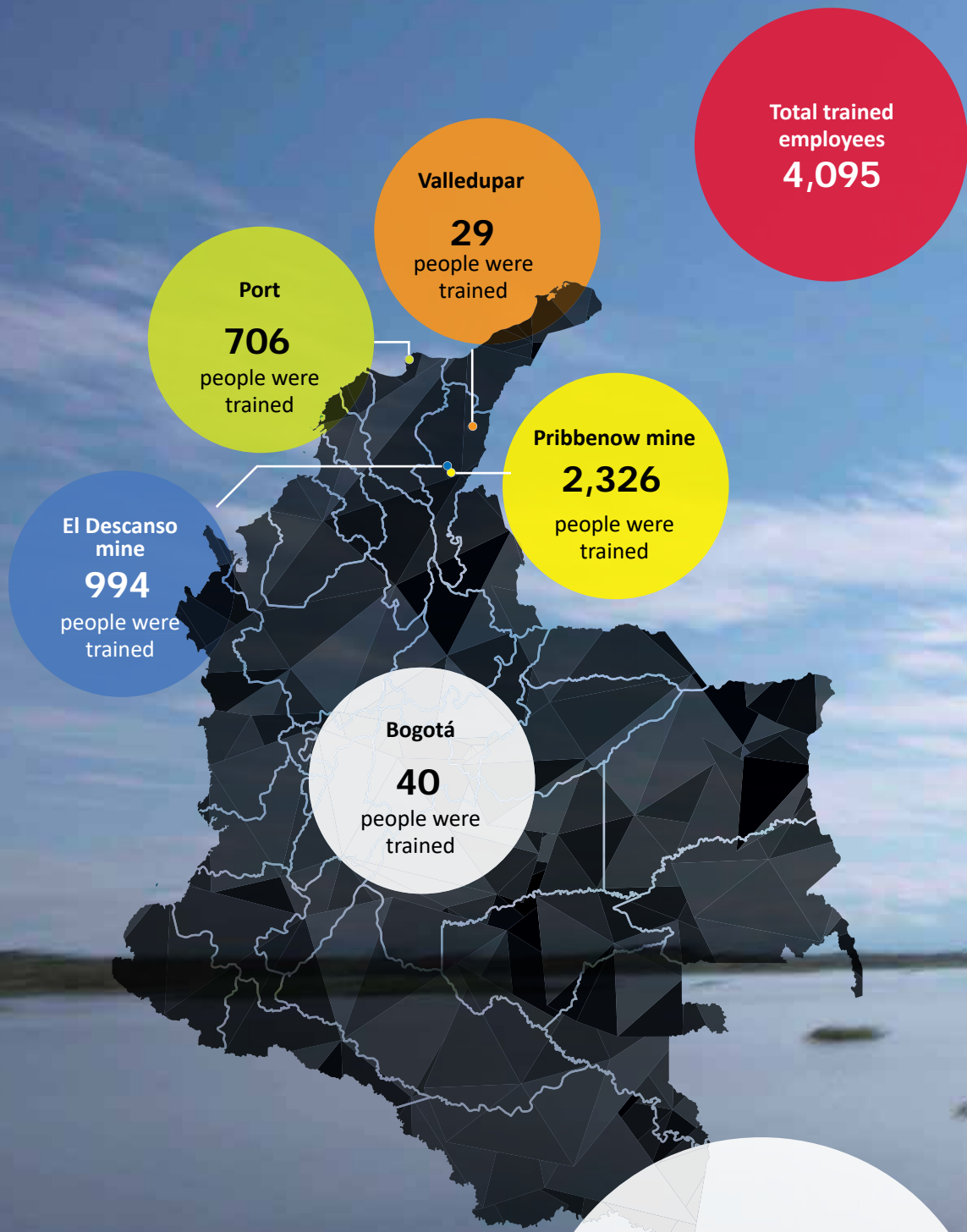
Additionally, trainings were conducted as part of the Emergency Preparation, Response and Control program, and for safe driving a training and re-training program was completed with total participation of 3,911 people.

In terms of environmental aspects, training sessions and the dissemination of information in accordance with

the Environmental Management Plan continued, emphasizing the prevention and control of oil and chemical spills, the prevention and control of unwanted environmental events, the Comprehensive Waste Management Program (CWMP), responsibilities during environmental incidents, and effective environmental management at the mining operations.

For the mining operations under the La Loma and El Descanso contracts, different operational and technical trainings were held for the employees who are and will be part of the mining equipment operation.

As part of the program focused on strengthening self-awareness, a human rights awareness campaign was developed for 2017, through which employees were informed of the Human Rights Policy and the company's risks on this issue, in addition to the work that it has been doing to mitigate them.

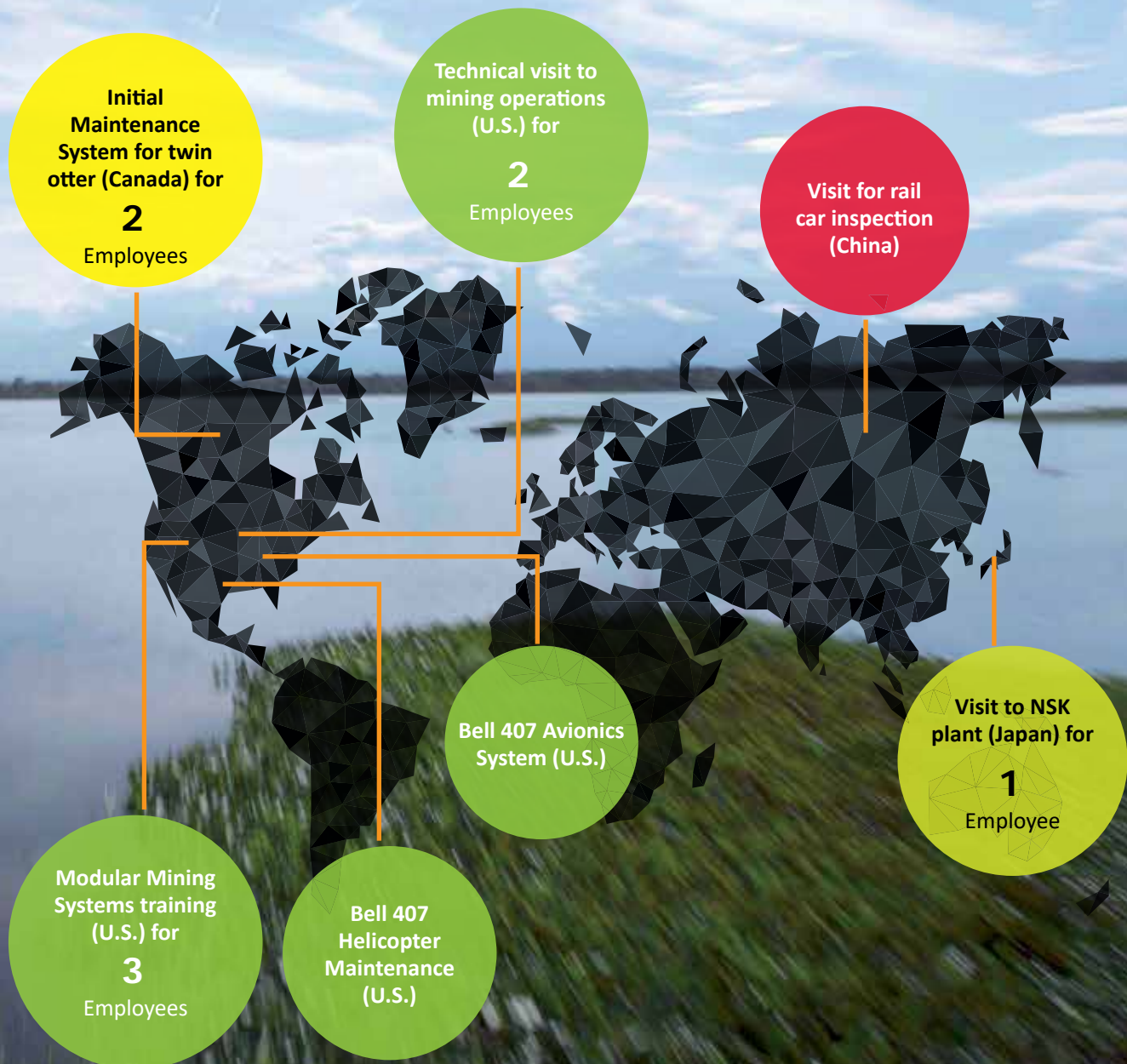


Additionally, trainings related to the code of conduct and anti-corruption and bribery policies were conducted, at which 152 employees were trained.

In terms of education for its employees, Drummond Ltd. offers semi-annual scholarships to employees who are pursuing university degrees or postgraduate studies, as a way to support our employees' professional growth; during 2017, 101 employees

benefitted. The specialties for which the scholarship is provided must be related to the activities and functions that the employee performs at the company, in order to strengthen their knowledge and competencies in their work.

During 2017, Drummond Ltd. conducted various training sessions abroad:



[GRI 404-3]

Drummond Ltd. conducts annual performance evaluations for supervisors and administrative staff using the 90° methodology, in which employees and their managers establish their fulfillment of the objectives for the year, generate action plans, identify the competencies that the employee needs to improve and set new goals for the next performance period:



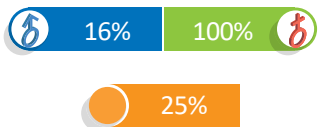
Table 9. Employees who received performance evaluations in 2017

- Number of employees (men) who received at least one performance or development evaluation during 2017
- Number of employees (women) who received at least one performance or development evaluation during 2017
- Total employees who received performance evaluations
- Total number of male employees
- Total number of female employees
- Total employees

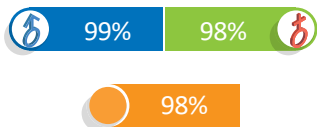
Level 1 (Operations)	Level 2 (Support)	Level 3 (Professional)	Level 4 (Tactical)	Level 5 (Strategic)
15	79	680	87	60
10	41	91	10	5
25	120	771	97	65
91	80	696	95	68
10	42	92	10	6
101	122	788	105	74



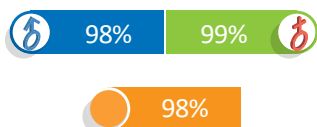
Level 1 (Operations)



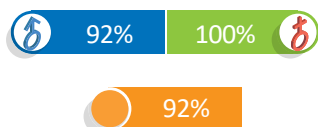
Level 2 (Support)



Level 3 (Professional)



Level 4 (Tactical)

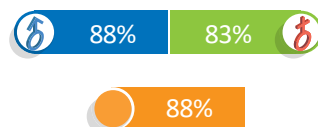


● Percentage of male employees who received performance evaluations during 2017

● Percentage of female employees who received performance evaluations during 2017

● Total percentage of employees who received performance evaluations during 2017, by employee category

Level 5 (Strategic)



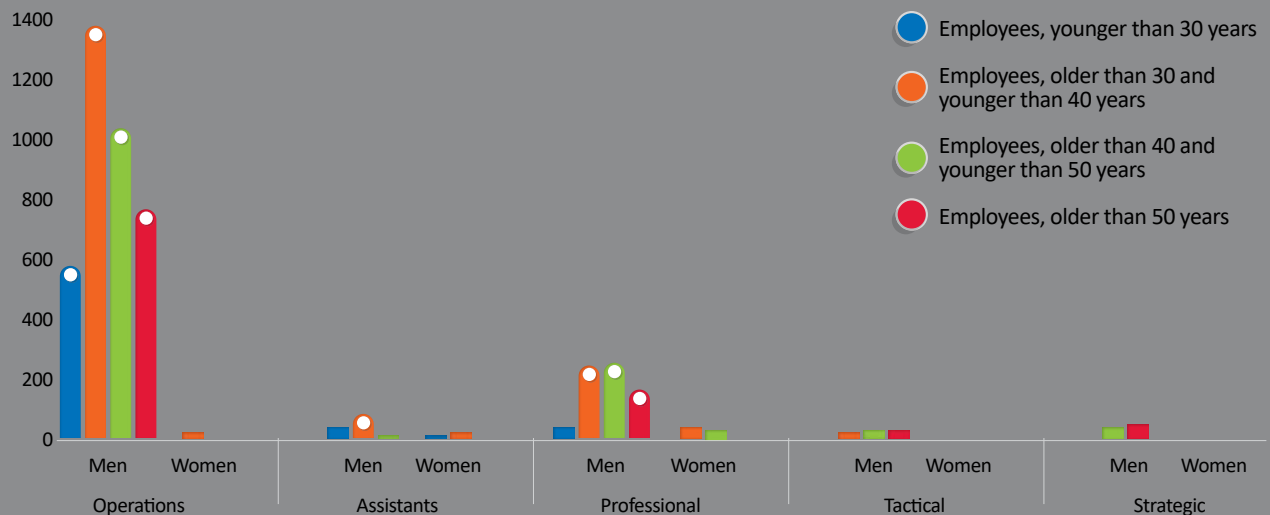
[GRI 405-1]

During 2017, Drummond Ltd. had a workforce of 5,001 employees for its mining, port and administrative operations in Bogotá, Valledupar and Cartagena:

Table 10. Diversity by age



Chart 10. Diversity by age



[GRI 405-2]

The company strives to ensure equal pay for men and women and to see continuous progress in closing the wage gap:

Table 11. Wage ratio for men and women

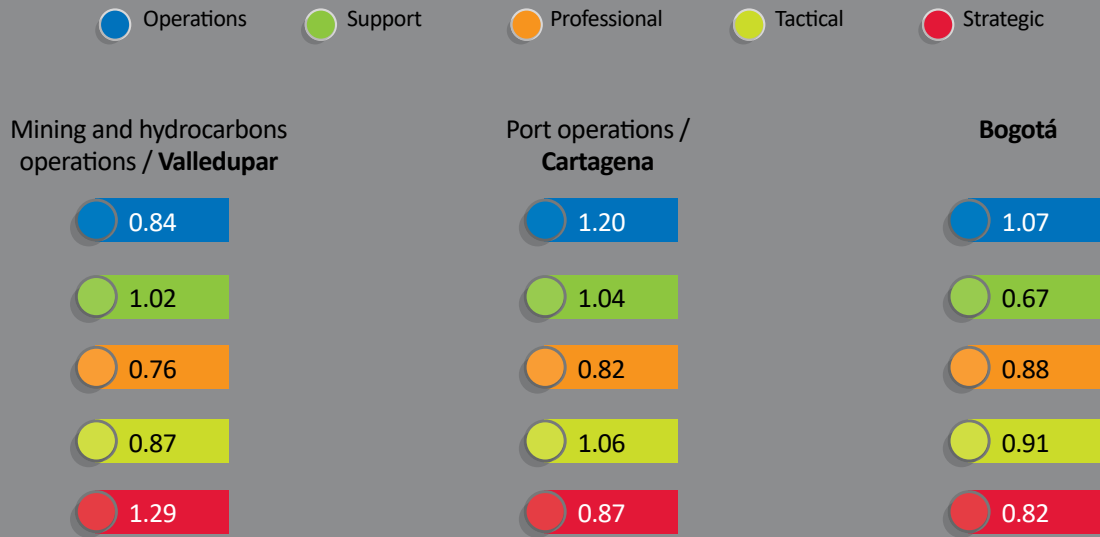
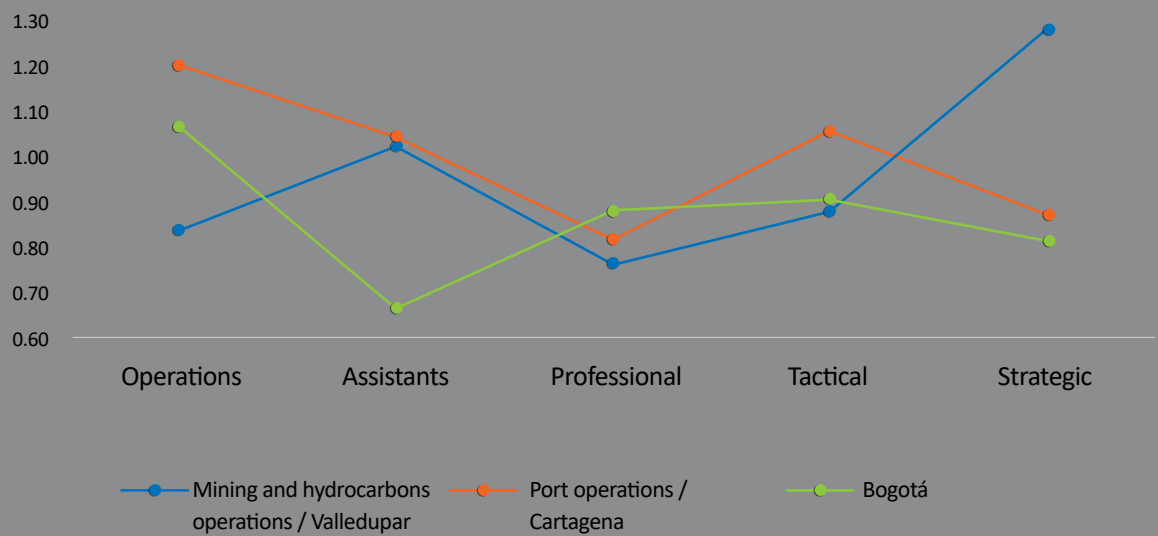


Chart 11. Wage ratio for men and women





Workplace health and safety

[GRI 103-1]

Nothing is more important to Drummond Ltd. than having all of the people involved in the mining and transportation operations return safe and sound. The safety and health of each employee, regardless of their role, post or position, is the most important value of the production process.

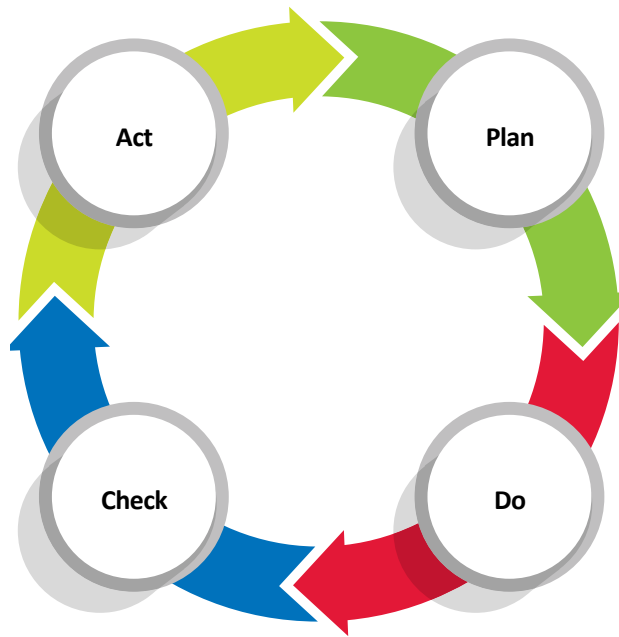
For this reason, managing health and safety at Drummond Ltd. is the main commitment it has made from a moral, social and legal point of view with each of its stakeholder groups (workers, contractors, subcontractors, customers, visitors, unions, communities, government agencies, senior management,

among others) from the moment its operations began.

The company is aware of the impact that its operations have on health and safety. For this reason, Drummond Ltd. ensures, through its management system, the prevention of accidents and diseases, as well as its continuous improvement.



Chart 12. Health and Safety Management Cycle at Drummond Ltd.



[GRI 103-2]

Drummond Ltd. manages this material issue through the implementation and maintenance of a workplace health and safety management system, based on the Deming cycle, as defined in the OHSAS 18001:2007 standard:

To ensure the cycle of continuous improvement, the company's management systems related to handling health and safety have 4 basic elements that are part of the corporate Workplace Health, Safety and Environment Policy, which ensures the resources and commitments necessary to take the actions required to conduct the operations in a safe and healthy manner.

Elements of the system:

01

Planning: in this phase, hazards are identified, risks are evaluated and controls are applied, in order to comply with legal and voluntary requirements. Additionally, targets or goals are established.



02

Implementation: in this phase, the processes, programs and all activities aimed at achieving the desired results are executed, and responsibilities, levels of authority and methodology for accountability are determined at each of the company's hierarchical levels, as well as the allocation of resources, instruments and tools to achieve them.

During 2017, Drummond Ltd. established programs aimed at risk intervention, emergency plans and training, with the latter allowing it to reach employees through different tools, thereby strengthening the culture of self-care.



03

Verification: as a result of the actions taken in the implementation, activities are conducted to monitor, verify and measure the results obtained, to give way to the corrective actions that make it possible to close gaps and meet the established objectives, while also setting new goals that ensure continuous improvement.

04

Evaluation: Finally, there is the phase for evaluating the effectiveness of the management system that was implemented. The company has processes that allow it to periodically check the planned actions, compared to those executed, and the effectiveness of their results. These processes include meetings, committees, inspections and internal and external audits for all of Drummond Ltd.'s tasks.



For Drummond Ltd. it is critical to review its processes, which is why it has different mechanisms that allow it to evaluate the effectiveness of its occupational health and safety management.⁶ A clear example of this is the Safety Culture Measurement at all of Drummond Ltd.'s operations, which seeks to determine the current state of the safety culture and identify strengths, areas of opportunity and priority recommendations.

The measurement process took place through an external consulting firm with global experience that has a methodology for a comprehensive evaluation of elements that help to understand the characteristics of a safety culture, in addition to proposing strategies to achieve world-class safety performance.

This is how, through the application of this methodology in 2017, more than 1,200 employees participated, making it possible to achieve the objective of identifying the current status of the safety culture at Drummond Ltd.

As a final part of the measurement, Drummond Ltd.'s senior management and the consultants held work sessions to establish the strategy to be implemented, and as a result they formulated a plan of action to develop a safety culture on an inter-dependent level, including:



Grow in the empowerment of employees at all levels.



Make the safety culture proactive, with measurements of the leadership environment (KPIs).



Understand and measure the supervisor's roles, in order to improve their abilities.



Strengthen the corporate governance structure on safety at Drummond Ltd.

⁶ See: <http://www.drummondLtd.com/wp-content/uploads/Health-and-Safety-policy-2018.pdf>



Finally, in carrying out Drummond Ltd.'s operations, the company applies all of the elements of its management systems certified under the OHSAS 18001:2007 international standard, strictly complying with its corporate policy, which seeks to conduct its mining and transportation operations safely, aimed at protecting and conserving the environment and the health and lives of its employees, contractors, subcontractors, visitors and nearby communities, among other stakeholder groups.

Below are the main management indicators from 2017:

Main health and safety indicators

At Drummond Ltd. it is critical that the company conducts its operations safely, so it must apply all measures and controls that allow it to continue to reduce reactive management rates in health and safety.

To achieve this objective, regular training was established as a fundamental pillar, making it possible to provide training on safety, health, environment and behavior issues, among others.

During 2017, unfortunately there were two independent incidents in which two employees suffered fatal accidents. Although the trend in accident rate indicators in recent years shows improvements in lost-time injury rates, frequency rates and a decrease in the number of days lost due to occupational events or diseases, at Drummond Ltd. we confirm that risk management must be a way of life, so it must be a part of the actions of all people who perform activities at our operations.

OHS indicators for direct employees

Accident rates

In 2017, there was a decrease in the lost-time injury rate among men at the mining operations, as well as women at the port operations as compared to 2016:

Table 12. Accident frequency Index

Mining and hydrocarbon operations /Valledupar



2017

2016



Port operations/ Cartagena



2017

2016

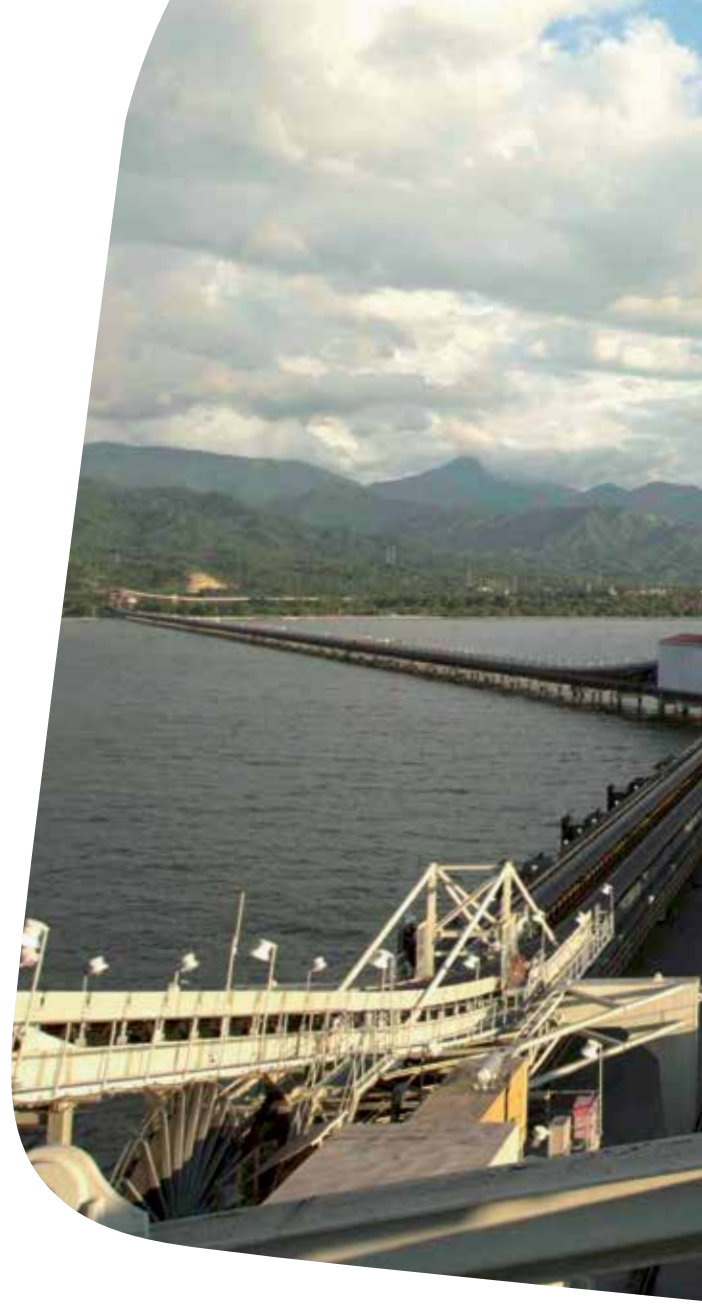


Bogotá



2017

2016



Men

Women

It is calculated by comparing the number of recordable workplace accidents to the total number of actual hours worked by employees during 2017⁷.

⁷ Number of workplace accidents based on OHA 1904.0 criteria for recording and reporting occupational injuries and diseases, with a parameter of 200,000 hours. Does not include first aid.

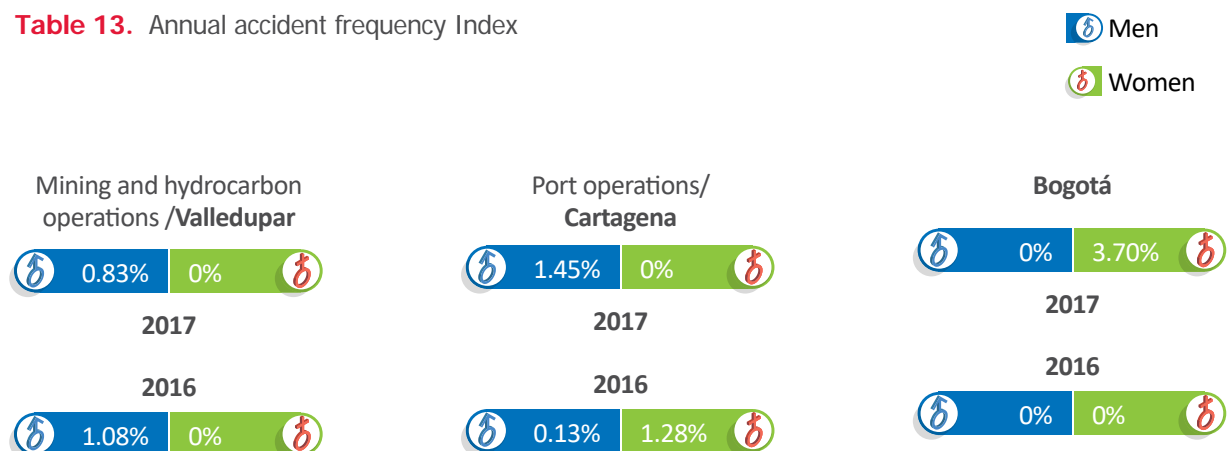


Accident rates

The lost-time injury rate dropped from 1.08 in 2016 to 0.15 in 2017 at the mining operations and at the port operations. However, at the Bogotá office the rate increased:

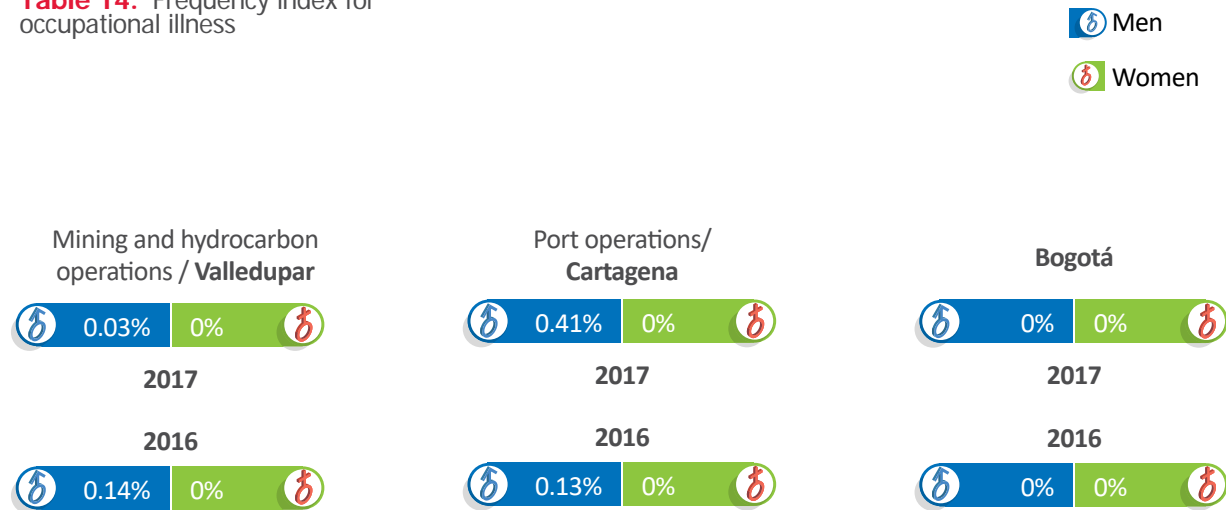
It is calculated by comparing the number of workplace accidents to the total number of exposed workers who were directly employed in 2016 and 2017.

Table 13. Annual accident frequency Index



Frequency of occupational diseases

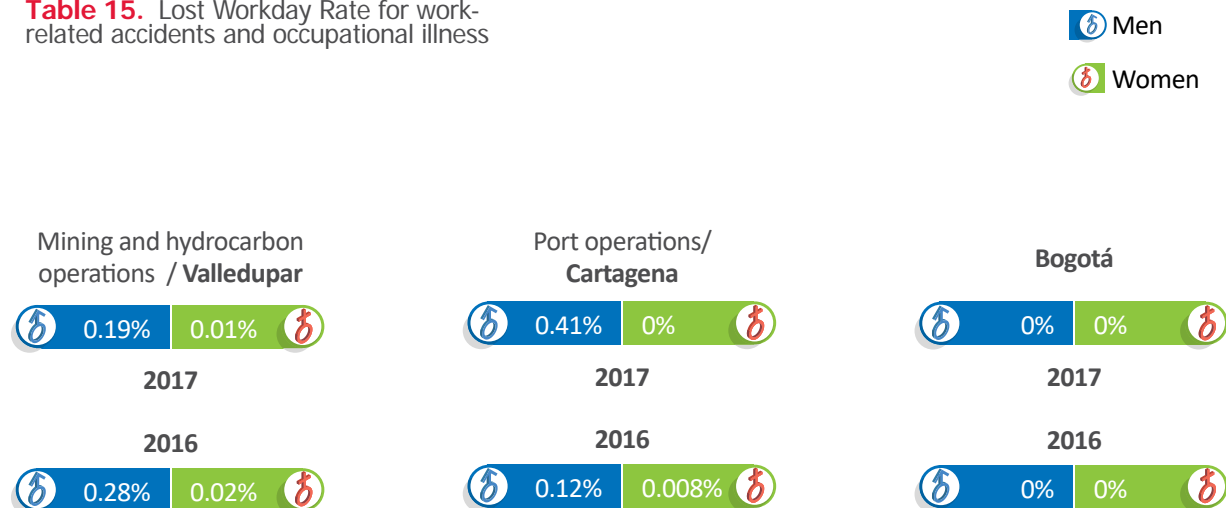
Table 14. Frequency index for occupational illness



It is calculated by comparing the number of occupational diseases⁸ to the total number of actual hours worked for employees during 2016 and 2017.

Lost Day Rate

Table 15. Lost Workday Rate for work-related accidents and occupational illness



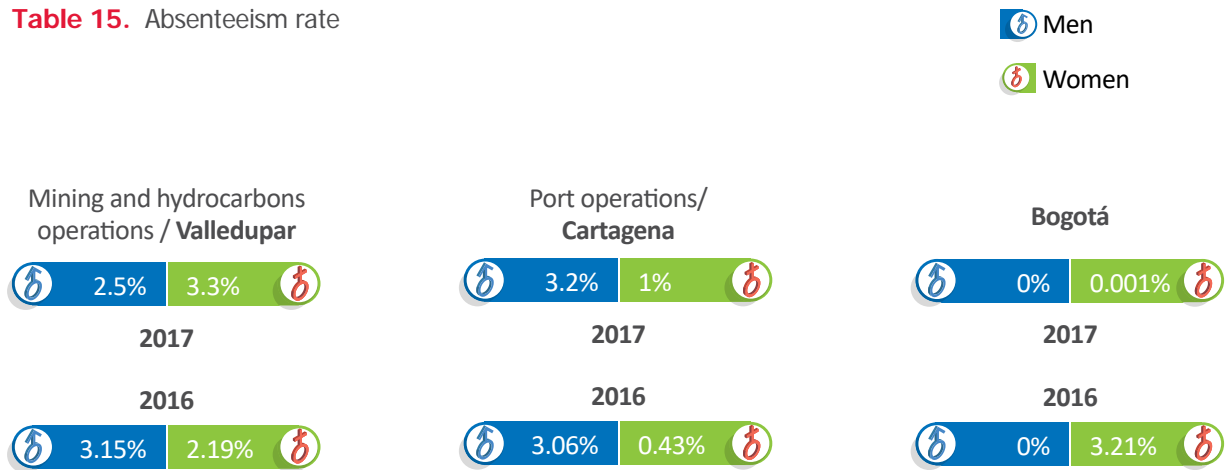
It is calculated by comparing the total number of absences for occupational disease and workplace accidents to the total number of actual hours worked for employees during 2016 and 2017⁹.

⁸ Classified as occupational disease in 2016 and 2017.

⁹ To calculate lost days, calendar days are included, starting the day after the accident occurred.

Absenteeism rate

Table 15. Absenteeism rate



It is calculated by comparing total absences (for occupational disease, workplace accidents and common illnesses) to the total number of actual hours worked for employees during 2016 and 2017.

Main causes of workplace accidents

Applying the root cause analysis from the TapRoot® methodology, it was possible to determine that, in a significant percentage of events, the causes of the accidents are associated with problems in applying and following workplace procedures, some administrative standards, rules or controls that were not used or applied and, also, with communication-related failures.

OHS indicators for contractors

Below is the number of contractors that were included in the measurement:

Table 16. Total number of contractors

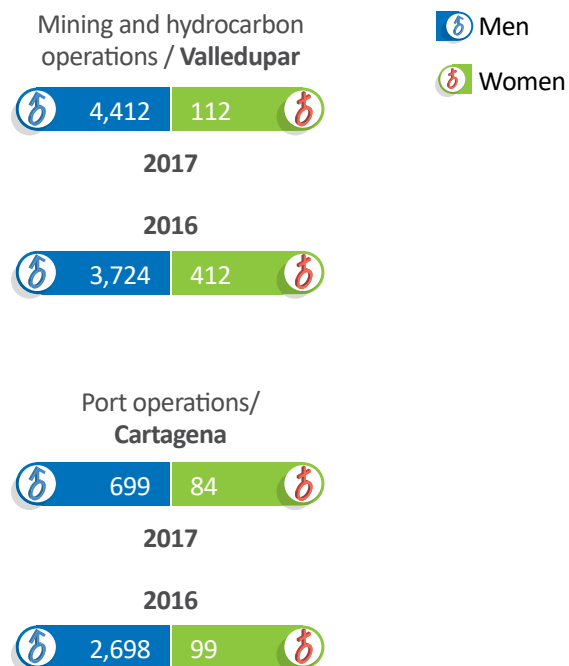
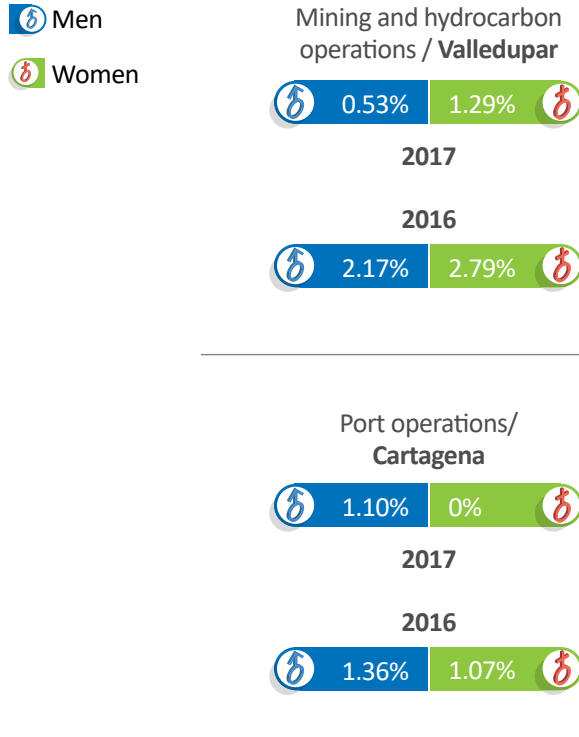


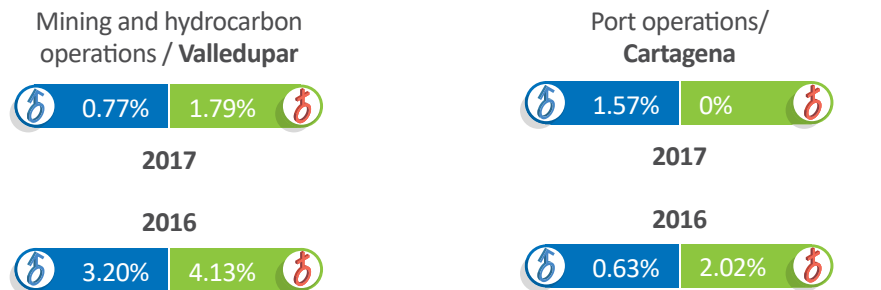
Table 17. Accident Frequency Index for Contractors



It is calculated by comparing the number of workplace accidents to the total number of actual hours worked by contractors during 2016 and 2017¹⁰.

Accident rate

Table 18. Accident rate



It is calculated by comparing the number of workplace accidents to the total number of exposed contractors in 2016 and 2017.



¹⁰ Number of workplace accidents based on OHA 1904.0 criteria for recording and reporting occupational injuries and diseases, with a parameter of 200,000 hours. Does not include first aid.



Classification of events

In order to define a standard that would allow the company to compare its reactive management to similar companies or economic sectors, the company has adopted the event classification criteria established in the OSHA 1904 standards: 1904.0 Injury and Illness Recordkeeping and Reporting Criteria, and 1904.4 Recording Criteria, which classify events as follows:



Non-Recordable Accidents:

First aid



Recordable accidents:

- Fatality
- Injury with lost time-
- Incapacitating
- Medical treatment

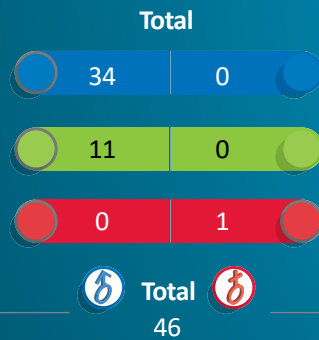
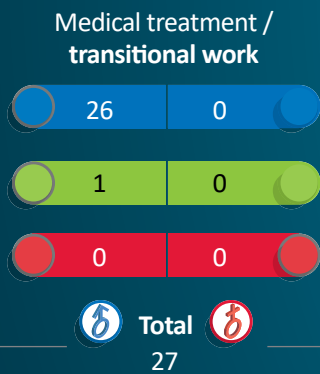
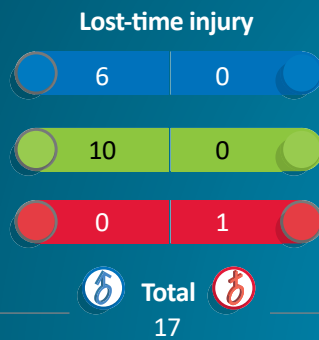
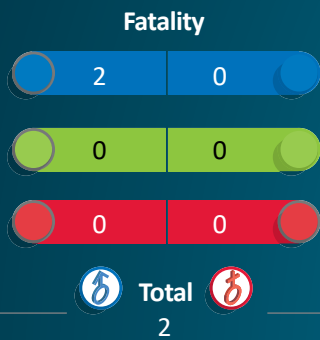
All personal injuries, no matter how minor the diagnosis, are reported to the ARL for proper management. This information is communicated through the publication of reports and documents contained in the Workplace Health and Safety Information Management System.

The types of accidents that occurred in 2017 involving Drummond Ltd. employees are as follows:

 Mining and hydrocarbons operations/Valledupar

 Port operations/ Cartagena

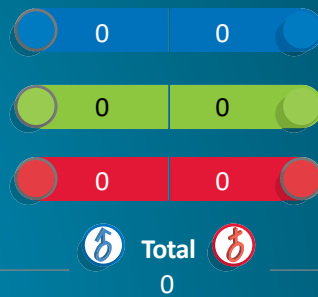
 Bogotá



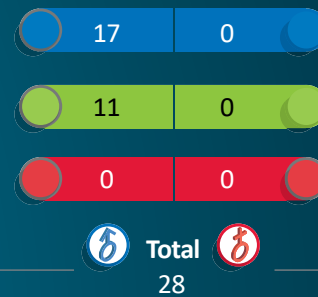
The types of accidents that occurred involving contractors during 2017 are as follows:

- Mining and hydrocarbons operations/Valledupar
- Port operations/ Cartagena
- Bogotá

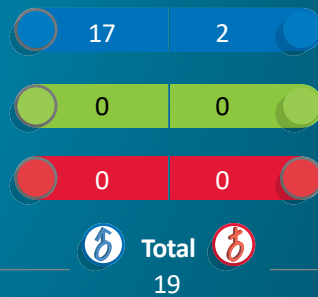
Fatality



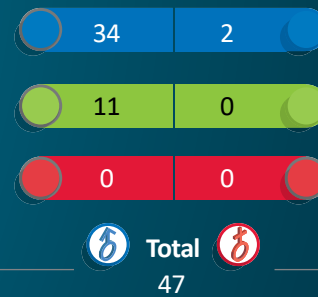
Lost-time injury

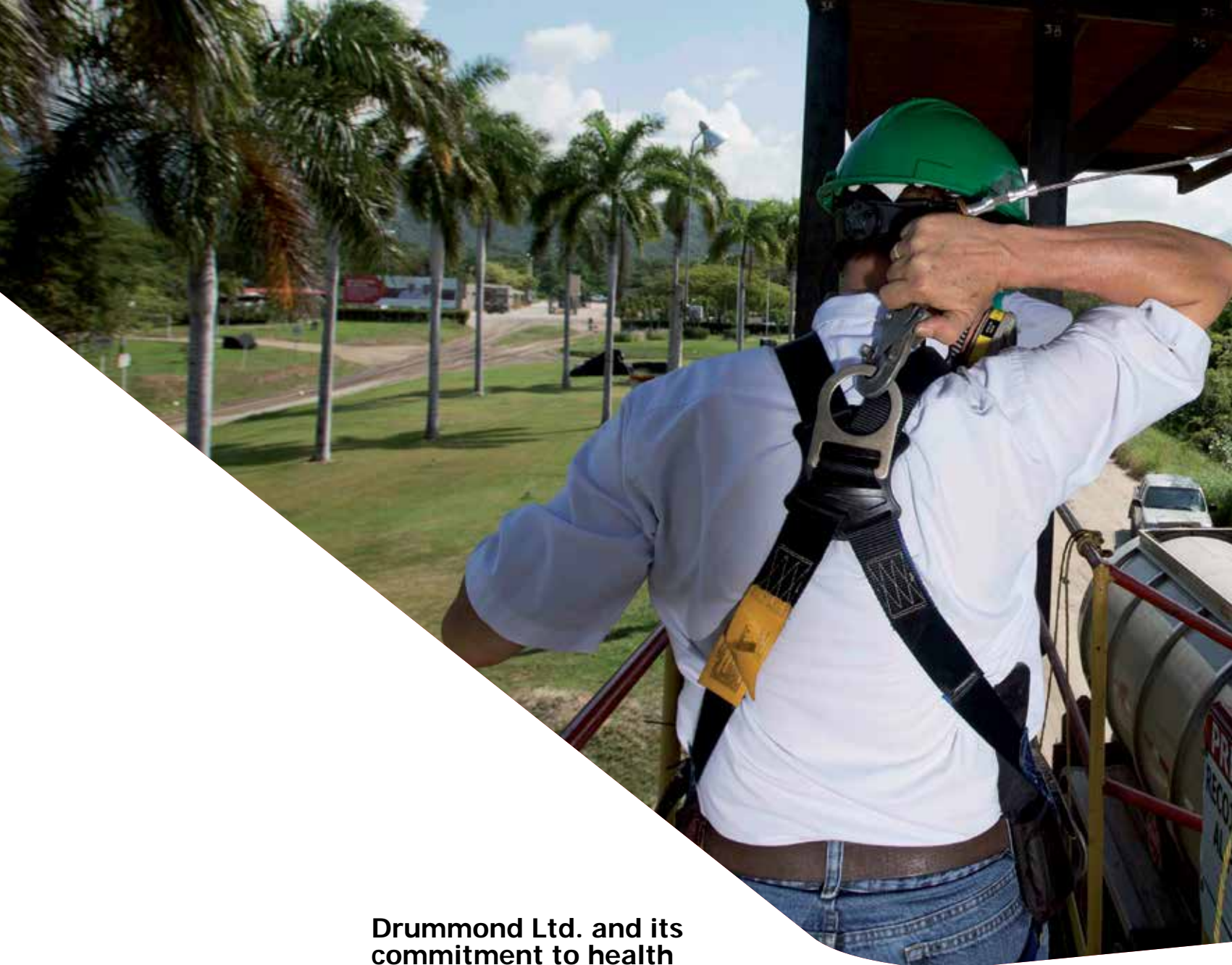


Medical treatment / transitional work



Total





Drummond Ltd. and its commitment to health and safety

[GRI 403-1]

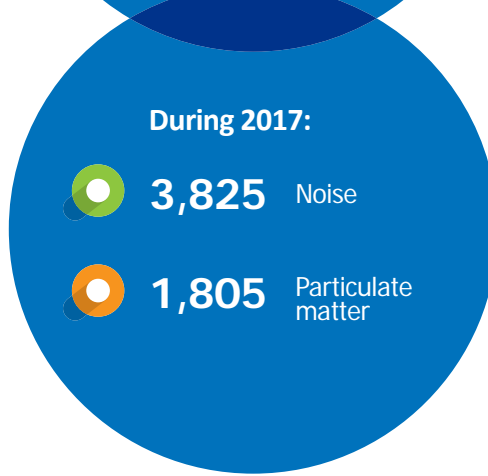
Drummond Ltd., in compliance with the terms of Colombian regulations, has a Joint Committee on Workplace Health and Safety (COPASST, in Spanish), which is made up of representatives from different areas and levels of the company. The objective is to ensure the health and safety of all working groups by monitoring compliance with the rules, standards and procedures established in the Occupational Health and Safety Management Systems.

Additionally, the president of this group holds periodic meetings with senior management, from whom he receives full support to share relevant information. The COPASST participates in investigations into workplace incidents, safety inspections, the

promotion of training activities and the circulating of health and safety policies and guidelines. In this way, during 2017, 100% of the employees were represented on the COPASST.

The agreements that Drummond Ltd. reaches with the different unions are established through collective bargaining agreements. These agreements cover issues related to occupational health and industrial safety in 23 of 67 articles, that is, 34.3%. Nonetheless, they deal with issues regarding agreements, actions related to social security, permits, meetings, committees, benefits, suppliers, protective equipment, etc.; there is also a special commission created to monitor the operation of the hospitalization policy.

[GRI 403-4]



Workers with exposure to risk in the operations

[GRI 403-3]

At Drummond Ltd., the employee groups who are at the greatest risk of developing occupational diseases are those who perform their work where priority risks like noise and particulate matter reach levels above the allowable limit, mainly in the operations areas. Below are the details of the workers exposed to hygiene risks that required periodic medical monitoring:

To identify, assess and control the risks, inspections are carried out in the work areas and sites and chemical, physical and biological hygiene risks are monitored to determine the average exposure. In this way, once the risks have been defined, control measures are implemented aimed at eliminating, replacing or minimizing them.



Material aspect case studies

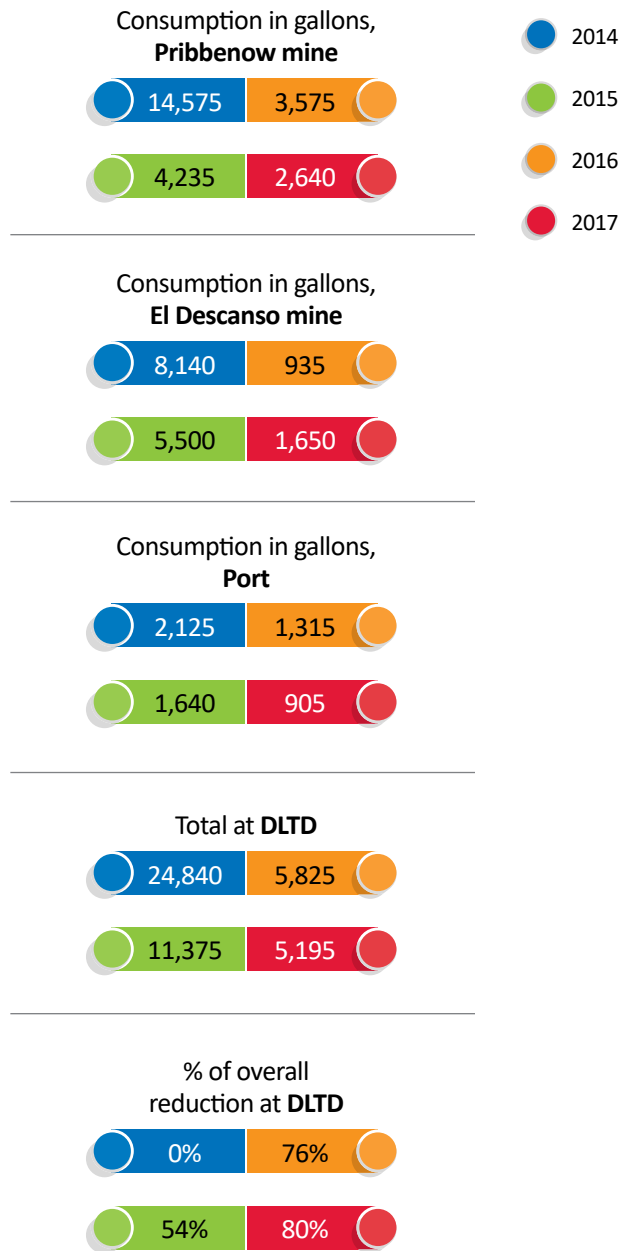
Currently, the use of chemical products has spread to the majority of work activities, so that risks from exposure to chemical products in the workplace have increased.

In the mining process, a large number of machinery, equipment and tools are used, on which major maintenance work is performed in which the company uses chemical products necessary to carry out different activities. Many of these products contain ingredients that are dangerous, both to health and the environment, which makes it necessary to have technical information to establish the proper preventive measures and have tools that allow us to work without accidents and immediate (acute) or

long-term (chronic) health effects. For this reason, Drummond Ltd. Colombia has implemented, in its Comprehensive Chemical Risk Management Plan, criteria for the safe handling of chemical products from their acquisition, transportation, storage, use and disposal. The plan considers the technical and legal requirements that apply to the company's particular conditions, to guarantee health and safe working conditions by identifying processes, implementing procedures, guides, information systems to identify hazards, criteria for communicating hazards, international methodologies for evaluating chemical risks, controlling



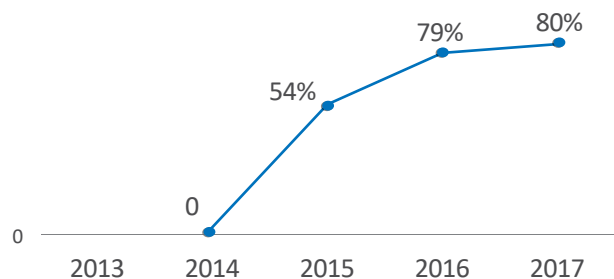
Table 19. Decrease in Varsol consumption



exposure and assigning responsibilities that help to minimize the chemical risk to workers, property and the environment.

Among the processes to support the maintenance of machinery, equipment and tools, the greatest use of chemical products took place in the cleaning and degreasing of machinery parts. This is why, as a successful experience for the company, after the implementation of operational controls, it saw an 80% reduction in the use of Varsol (a chemical product based on organic solvents). See Table 19.

Chart 12. % Overall reduction in consumption of mineral spirits at dltd



MILESTONES:

- During 2017, Drummond Ltd. completed the Safety Culture Measurement Process by applying the DuPont Dynamic Assessment™ methodology, which not only has global recognition for determining the current status of a company's culture, but it also makes it possible to identify strengths, opportunities for improvement and priority recommendations, establishing strategies that allow the company to continue to advance and achieve world-class performance.
- The Department of Transportation's operations (port and railroad) earned the recertification of the management system in accordance with the OHSAS 18001:2007 standard, under the scope of Reception, Handling and Loading Coal at Puerto Drummond.
- The company maintained its ISO 14001:2004 and OHSAS 18001:2007 certifications.
- Drummond Ltd. managed to maintain a risk index (RI) for occupational exposure to crystalline silica of less than 1.0 with the use of personal protective equipment by all similar exposure groups in 2017.





CHALLENGES:

- To continue the implementation of the Four Strategic Lines established in 2017, primarily with the consolidation of Drummond Ltd.'s governance structure for health and safety through the Strategy Safety Committee and the core committees.
- To continue strengthening the Program for Observations for Safe Behavior, as a fundamental basis for the growth of the preventive safety culture.
- The challenge for the Oil and Gas and Mineral Exploration Division in 2018 is to maintain the ISO 14001:2015 and OHSAS 18001:2007 certifications, begin the transition from OHSAS 18001:2007 to ISO 45001:2018, and complete implementation of the GTC 250/2014 "Good social practices for the exploration and extraction of oil and gas".
- To reduce the risk index (RI) for occupational exposure to crystalline silica to less than 0.5 (level that gives rise to an action) with the use of personal protective equipment (PPE) by 2018.

Relationship with unions

Management approach

[GRI 103-1]

Drummond Ltd. believes that good labor relations contribute to generating and maintaining a peaceful coexistence in the workplace, which is fundamental for achieving the company's objectives, since it has an impact on employee productivity, professional development and well-being.

Managing union relationships includes all of Drummond Ltd.'s operations and directly affects all workers. It can also have an impact on other stakeholders, such as customers, suppliers, contractors, communities and administrative and/or judicial authorities. For this reason, through various opportunities for social dialogue, the company seeks to reduce risks related to disruptions in the operations, collective disputes, judicial and/or administrative proceedings that may affect the corporate reputation and the company's sustainability.

[GRI 103-2]

To mitigate these risks, the company has the following tools for managing labor relations:



Complaints Channel: through this mechanism, those interested (employees and/or outsiders) can submit their labor-related concerns or complaints, which are handled guaranteeing complete confidentiality and anonymity. The actions that take place as a result of the use of this mechanism are managed by the Human Resources, Legal and Internal Audit departments, which coordinate user responses with the areas involved. Available on our website: <http://www.drummondltd.com/contact-us/?lang=en>.



The Labor Relations Department, under the Vice President of Human Resources, with officials in charge of managing and coordinating matters that generally affect workers and unions. It is important to note that labor relations at the company are not an exclusive issue of the Human Resources department; rather, each worker builds these relationships every day through the work they perform, and their responsibility and leadership.





Employee Manual, which is given to workers and contains, among others, the following documents: the company's Comprehensive Policy, Human Rights Policy, Human Resources Policy, Wage Policy, Recruitment and Hiring Policy, Code of Conduct, Ethics/Conflicts of Interest Policy, Mechanism for Reporting Complaints and Irregularities, Community Service Manual, Communications Policy, Environmental Sustainability Policy, Industrial Safety Policy, Drug and Alcohol Regulations.

These policies are also published on the company's websites at: <http://www.drummondLtd.com/about-us/our-commitment/?lang=en> and additionally they have been communicated through the company's various publications and scheduled trainings.



Minimum notice periods regarding operational changes

Currently, Drummond Ltd. has no minimum notice periods established in its collective bargaining agreements. Nonetheless, when there are operational changes that affect workers, the company holds meetings with the union organizations to share that information. By doing this, in 2016 the quarterly meetings involving the Vice President

of Operations and the Vice President of Human Resources and all employees were reinforced, with the goal of updating important aspects of the project such as industrial safety, production, human resources, achievements and objectives. New opportunities for feedback were also created for employees and their respective departments.



[407-1]

Freedom of association and collective bargaining

At Drummond Ltd., there are no suppliers or operations whose freedom of association or right to benefit from collective bargaining agreements are at risk. The company expressly prohibits any type of violation of the freedom of association.

Additionally, Drummond Ltd. has a Complaints Channel through the email account denuncias@drummondLtd.com, as a mechanism to process complaints about labor irregularities, which is available on our website: <http://www.drummondLtd.com/contact-us/?lang=en>.

Through this channel, complaints are handled guaranteeing confidentiality and anonymity. This makes it possible to identify the risks related to the violation of the right to freedom of association and collective bargaining, in addition to ensuring compliance with policies, the Code of Conduct and Colombian legislation.



2017 MILESTONES

- Drummond Ltd. signed a new collective bargaining agreement for a total of 4 of the 5 existing unions, since two of them signed the same agreement. Each agreement has a duration of three years and contain competitive benefits within our industry and at the national level.

Due diligence in human rights

Management approach

For Drummond Ltd. it is critical to fulfill its commitment to promoting and respecting the human rights (H.R.) of each person involved in the mining, port or oil and gas operations, or whomever lives in its area of influence, since peaceful coexistence and strong business performance facilitate the sustainable development of the communities in its area of influence and brings only benefits. This, in turn, has the effect of preventing the occurrence of risks related to H.R. in areas such as the physical integrity of people and access to a healthy environment to live and work with dignity. These risks could affect the sustainability of the operations, just as the operations could have an impact on its stakeholders' H.R.

As a result of the above, the company acts in full compliance with international norms and standards,¹¹ implementing practices that promote respect for H.R. and that make it possible to conduct its activities in compliance with corporate policies on this matter. It also promotes the creation of income-generating opportunities and the mitigation of risks associated with H.R.

Drummond Ltd. has identified the relevant risks associated with the mine or port operations, which are listed below:

¹¹ Drummond Ltd. uses the United Nations' Guiding Principles on Business and Human Rights, the Voluntary Principles on Security and Human Rights, and the Colombian government's Plan of Action on Human Rights and Business as a benchmark.





Some of the risks mentioned above could be caused directly by the company, while other risks related to labor issues, SST, resettlement and security could materialize through contractors.

The company has developed specific instruments for risk management, a process in which both employees and suppliers are involved, in order to mitigate the possible impacts detailed in the following outline:

	<p>Environmental risk</p>	<p>Affecting air quality in the areas surrounding the mine, which would affect the workers' and the population's right to a healthy environment and to enjoy good health</p>
	<p>Occupational risk associated with OHS</p>	<p>Affecting the right to a healthy life in some cases, or quality of life in others</p>
	<p>Risk of acquiring property rights to land that was subject to dispossession or forced abandonment for public safety reasons</p>	<p>Resulting in, even unintentionally, the consolidation of dispossession and forced displacement, which is the most common human rights violation in Colombia</p>
	<p>Risk of failing to conduct prior consultations with ethnic communities that the company has not mapped or identified</p>	<p>Involving, primarily, violation of the ethnic communities' right to participate in the decisions that could affect them, and therefore their vision of the development</p>
	<p>Mismanagement of involuntary resettlements</p>	<p>Affecting citizens' right to participate in the decisions that affect them</p>
	<p>Human rights risks related to public and private security</p>	<p>Affecting the right to life, integrity and freedom of:</p> <ul style="list-style-type: none"> • people who are not combatants • the citizens who protest against what they consider unjust, whether or not they are right

While Drummond Ltd. has identified the H.R. from possible shortcomings in its management of involuntary resettlements and public and private security in its value chain, sometimes shortcomings do not only originate from within the company; they are also caused by stakeholder groups.

Additionally, Drummond Ltd. recognizes that respecting the rights of individuals

refers to acting properly and having a positive effect on business and society. In this regard, its commitment to respecting H.R. takes an even greater value considering the opportunities that the company creates in its areas of influence, which are known for being regions that present great challenges on institutional and community matters.



Drummond Ltd. manages due diligence on human rights using the following tools:

1.

Since 2015 it has had a strategy for managing H.R. risks whose execution is monitored every 6 months to ensure compliance, as well as the inclusion of any necessary adjustments or updates. The company's top executive participated in the formulation of the strategy, and the initiatives that were the result of these sessions (policies, identified risks, management measures) have been presented to stakeholders, with the intention of receiving feedback that helps to improve it.

3.

It has specific policies for:

- i) occupational health, safety and environment;
- ii) conflicts of interest;
- iii) water conservation;
- iv) resettlement;
- v) recruitment and hiring;
- vi) environmental sustainability;
- vii) compensation
- viii) social responsibility, among others (available on the website <http://www.drummondLtd.com/about-us/our-commitment/?lang=en>).

2.

It has a policy that aims to reaffirm its respect for human rights (available on the website <http://www.drummondLtd.com/wp-content/uploads/Human-Rights-Policy-Drummond-Ltd.pdf>).

4.

It has a channel for reporting irregularities on labor issues, called the Mechanism for Reporting Irregularities and Filing Complaints, which ensures anonymity and seeks to achieve consensus as the main way to resolve disputes or complaints. More information at: <http://www.drummondLtd.com/wp-content/uploads/MECHANISM-TO-REPORT-IRREGULARITIES-PRESENT-CLAIMS-signed.pdf>.

5.

It has a complaints channel aimed at its stakeholders, especially the communities, whose goal is to understand, analyze and resolve situations in which people express their disapproval, either real or perceived.

Both channels are constantly being monitored in order to comply with the UN Guiding Principles on Business and Human Rights (UNGPs), the Voluntary Principles on Security and Human Rights (VPS) and the National Plan of Action on Human Rights and Business (PNA, in Spanish).

[103-3]

Drummond Ltd. evaluates its work on H.R. using the following mechanisms:



External, independent audit by Bettercoal. This organization, made up of utility companies in Europe, and in which NGOs such as CREER-IHRB are also involved, established some standards that promote responsibility in the value chain that provides them with raw materials. In their annual audits (that are conducted with expert firms such as ERM Consulting), they analyzed different aspects and practices in Drummond Ltd.'s performance to ensure that it complies with the principles and standards that they propose. Drummond Ltd. agreed to be the first in the world to be studied by Bettercoal.



External, independent audits by international companies such as RWE, EnBW and Enel, which are also part of Bettercoal, that demonstrated Drummond's strong performance regarding human rights.



Internal biannual monitoring of the execution of management measures.



Observations made by stakeholders during the dialogues that the company has held to communicate its H.R. strategy and request feedback.

Cases of discrimination, child and forced labor

During 2017, Drummond Ltd. did not identify, from the community, any cases of discrimination, child or forced labor in its operation centers, suppliers and geographic areas using its formal mechanisms. However, as part of its H.R. management, as a result of dialogue with employees, unions, contractors and suppliers with operations in the field, the national government and peer companies, it was able to learn that some of the contractors and suppliers believe that some of these risks (discrimination, child or forced labor) should be analyzed in greater detail.

[406-1
408-1
409-1]

For this reason, in 2018, the company, in cooperation with its stakeholders, will delve deeper into understanding these risks, in order to define the appropriate management measures to prevent them.

It is worth mentioning that 6 cases were received from the "employee" stakeholder group that could be classified as discrimination or harassment via email to denuncias@drummondLtd.com. Each case was referred to the responsible area (Human Resources), which analyzed, managed and evaluated the merit of the complaints. In those cases, no grounds were found to bring them to the attention of the Labor Coexistence Committee, resulting in the closure of the six cases in 2017.

[406-1]



Preventive actions taken
by Drummond Ltd.

[408-1]

Child labor



Does not directly hire any person under 18 years of age.



Requires that its contractors, through specific clauses established in the contracts signed with them, refrain from hiring any person under 18 years of age.



Has mechanisms for complaints and claims through which suppliers and contractors can report cases, confidentially and anonymously if the complainant desires.



Has access control that forces all persons entering the mining and port operations to identify themselves with their citizenship identification card, which prevents entry by minors.



Conducts random checks of social security payments and random inspections of contractors that would identify cases of child labor.

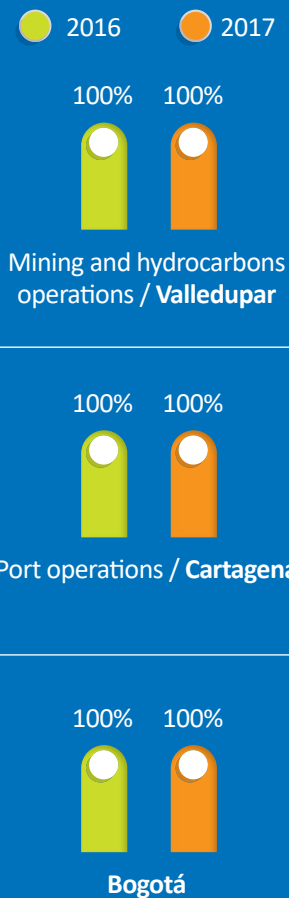


[410-1]

Security personnel trained on human rights policies or procedures

Security personnel plays an important role in an organization, since they are responsible for ensuring a safe and productive operation, in addition to informing the relevant authorities in cases when the company obtains information that presents a risk to one or more people. Drummond Ltd., aware of this, included sessions related to H.R. in its training strategy, in order to strengthen its employees' competencies.

Chart 13. Directly employed security personnel who received human rights training



[409-1]

Forced labor



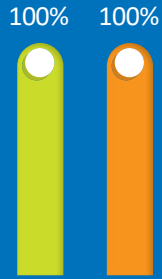
The following measures reduce the risk of forced labor:

Random audits of contractors that evaluate different aspects, including compliance with:

- Hiring guidelines
- Payment of staff salaries
- Work shifts and rotations
- Social security payments

Chart 14. Security personnel (third party) who received human rights training

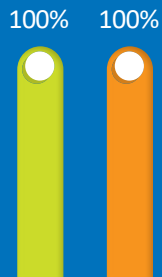
● 2016 ● 2017



Mining and hydrocarbons operations / Valledupar



Port operations / Cartagena



Bogotá



The topics addressed during these trainings were:

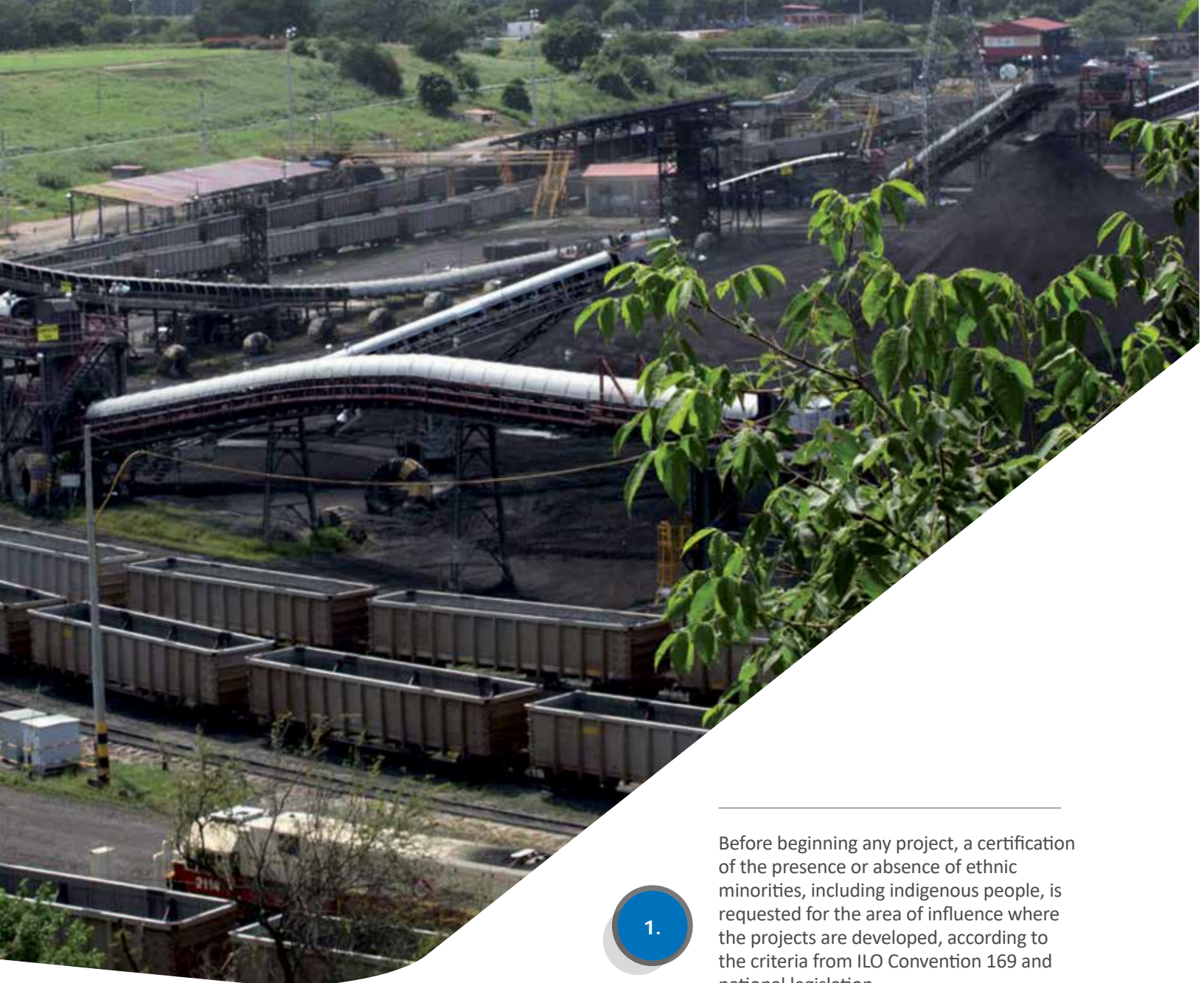


Risk matrix analysis on H.R. and VP and UNGPs



Risk management measures for H.R. and VP and UNGPs

Their applicability lies in identifying and preventing the emergence of social conflicts arising from the mining operations through appropriate review of H.R. risk and the methodical preparation of management plans that establish a harmonious relationship with the authorities and communities in the area of influence.



[406-1
408-1
409-1]

Incidents of violations of the rights of indigenous peoples

H.R. management is focused on respecting the rights of indigenous people, mainly those who are in the areas of influence where the company develops its projects.

It is worth noting that in the oil and gas area, the rights of the indigenous populations are managed in the following manner:

1.

Before beginning any project, a certification of the presence or absence of ethnic minorities, including indigenous people, is requested for the area of influence where the projects are developed, according to the criteria from ILO Convention 169 and national legislation.

2.

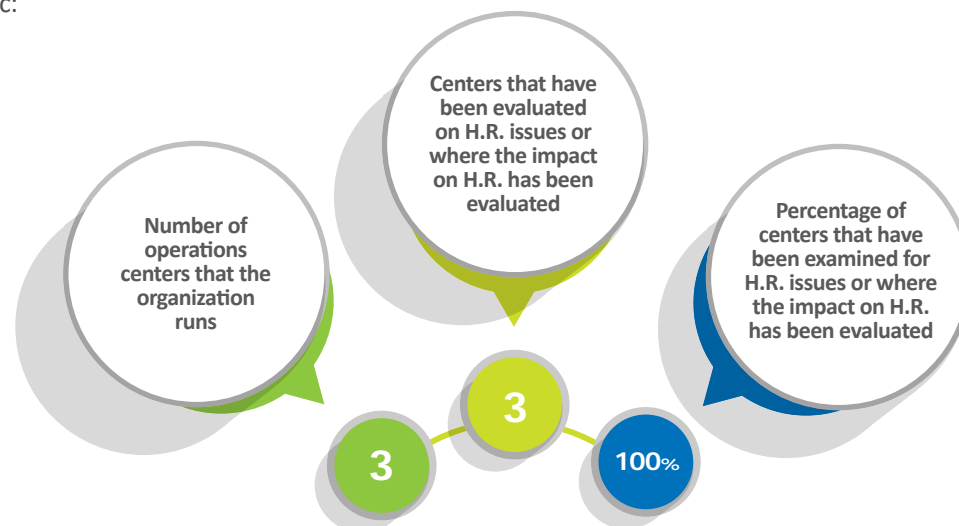
In the event that an indigenous group states that it is present in the area of influence of some project and it is not certified, the company immediately asks the Office of Prior Consultation of the Ministry of the Interior for a verification visit to certify their presence.

However, Drummond's operations are not conducted in areas where indigenous peoples are present, which is why there have been no violations of the rights of these population groups, as certified by the Ministry of the Interior for 2017.



[412-1] **Human rights evaluation**

In terms of the evaluation of the company's human rights performance, below is a list of the segments of the value chain (mine, port and oil and gas) that have been subject to inspections or assessments on this topic:





Drummond Ltd. has two complaint mechanisms. Their main purpose is to serve as a vehicle to understand, analyze and resolve situations in which the complainants believe their rights have been violated. It also makes it possible to identify issues that, rather than corresponding to specific (real or perceived) shortcomings, may be systematic.

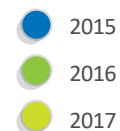
The first complaint mechanism is available to employees and is managed by the Office of the Vice President for Human Resources; the second mechanism is aimed at other stakeholders, especially the communities, and is managed by the Community Relations Department.

Both mechanisms have been studied to identify how to improve them, better matching them to the criteria of legitimacy, accessibility, predictability, fairness, transparency, rights-compatibility, learning, participation and dialogue set out in the United Nations Guiding Principles on Business and Human Rights (UNGPs).

The improvement decisions are also inspired by recommendations made by CREER-IHRB and considered in the Working Group on Human Rights and Coal, of which Drummond Ltd. is a member. In addition, at the dialogue sessions on H.R. strategy with all stakeholders, the mechanism for filing complaints is shared systematically.

Employee training on human rights policies or procedures

Below are the results of the trainings conducted by Drummond Ltd. on human rights topics.



Total training hours for workers on human rights policies and procedures relevant to the operations.



Total training hours for security personnel on human rights policies and procedures relevant to the operations.



Total employees at year end.



Workers trained in human rights policies and procedures.



Percentage of workers trained in human rights policies and procedures that are relevant for the Organization.



Percentage of security personnel trained in human rights policies and procedures that are relevant for the Organization.



[412-3]

Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

For Drummond Ltd., significant investment agreements are those managed by the company's Contracts Department to supply essential goods or services to the operation, which, in general, have a value exceeding USD 100,000 per year. Exceptionally, there may be some with a value lower than this amount.

Total number of significant agreements and investment contracts with clauses on human rights or subject to a human rights evaluation.



Percentage of significant agreements and investment contracts that include clauses on human rights or that have been analyzed in this area.



To extend the human rights strategy to suppliers and contractors, as well as other stakeholder groups:



Starting in 2015, the Terms and Conditions appendix that is attached to the commercial offers made to Drummond Ltd. includes, in Section 39, a commitment by the parties to understand the fundamental rights related to human rights and to provide their services in strict compliance with them.



Drummond Ltd. holds dialogue sessions with them regarding the human rights strategy, in order to increase commitment to the Policy, disclose the risks and management measures and receive feedback.

GOALS

- Every six months, review or update the risk matrix associated with H.R. for each person responsible; that is, increase efficiency in the handling of information related to H.R.
- **97%** compliance with management measures in 2018.
- **100%** compliance with management measures in 2019.
- **100%** progress reports on the management measures.
- Manage the Certifications of the presence or absence of indigenous communities and other ethnic minorities with the Office of Prior Consultation of the Ministry of the Interior for 100% of the oil and gas projects prior to the start of operations.



2017 MILESTONES

- The company achieved 81% coverage of employees (4,130 of 5,001) in the H.R. modules, which are part of the regular training cycles. Growth in the number of employees trained in H.R. as compared to 2016 was 116%, which shows the company's effort and commitment to training and receiving feedback from its employees on H.R. issues.
 - The strategy was shared with the leaders of the 5 unions, and they were also asked for feedback. The same was done with the national government and peer companies in 2016.
 - The Human Rights Policy was adjusted, taking into account contributions from the stakeholder groups to which the H.R. strategy was disclosed. The new version includes a commitment to the United Nations Guiding Principles on Business and Human Rights.
 - All information on progress in executing the strategy was collected by the two deadlines and within the following 3 months.
 - Only 3% of the management measures had zero progress by the end of the year (vs. 25% by the end of 2016).
- Drummond actively participated in the "Working Group on Human Rights and Coal," along with other mining companies, the Presidential Council on Human Rights, the Ministry of Mines and Energy and the National Mining Agency.
 - Drummond was admitted as a member of the Mining and Energy Committee on Security and Human Rights.
 - Drummond Ltd. participated in the Third Regional Consultation for Latin America and the Caribbean on business and human rights, which took place in December in Santiago, Chile, organized by the Office of the United Nations High Commissioner for Human Rights.
 - Drummond continued to work on the development of social dialogues and good practices with its stakeholders groups, which contributed to the implementation and updating of the National Plan of Action on Human Rights and Business.





06

Managing Local Communities

Regional participation and relations

[GRI 103-1]

The existence of a large scale mine causes social, economic and political transformations in a region where local institutions have a limited capacity to face changes in the needs and expectations of the communities.

For this reason, the future of the departments and municipalities in Drummond Ltd.'s area of influence is directly related to the future of the project; a business cannot be viable in an unviable region.

Therefore, the company's relationship with the government, the community and the civil organizations and associations, all of which are fundamental stakeholders, is extremely important. The objective is to promote actions that make it possible to mitigate the various risks that, in the current operations and the project closure plan in the future, could arise in the departments and municipalities in the area of influence of the mine and the port.

The main risks include the difficulties that the communities could face in maintaining their social and economic activities, with direct impacts on their human rights. This is where the company's involvement in the issue represents an opportunity to promote initiatives that contribute to defining the region's future in the medium term.

[GRI 103-2]

Internally, this material issue is managed at Drummond Ltd. through two lines of action. The first is focused on the company's internal organization, with corporate social responsibility, human rights, communications, communities and resettlement policies. Additionally, the company issued a Declaration on the peace process and post-conflict society. In terms of its complaint mechanisms,



Drummond Ltd. has a Community Service Manual that contains guidelines for filing requests, suggestions and complaints on any topic of interest, as well as the internal procedure that is used to respond to them.

The second line of action takes place at the external level. There, the company takes actions to connect and partner with its national and regional stakeholders, aimed at managing the impacts of the operations in the different areas of interest.

The company's evaluation of this material issue, on an internal level, is monitored and analyzed based on statistical results derived from the implementation of the Community

[GRI 103-3]



[GRI 415-1]
At Drummond Ltd. it is prohibited to make donations/contributions to political parties and/or their members. This is included in the Company's Code of Conduct.

Service Manual, specifically the company's Requests, Complaints and Claims System (RCC).

Externally, the evaluations of each initiative in which Drummond Ltd. is involved uses different measurement methods. In the case of the Working Group on Human Rights and Coal, the evaluation is carried out on specific business days when the analysis and evaluation of the initiatives promoted each year as part of this project are conducted.

The Extractive Industries Transparency Initiative (EITI) led to the publication of the 2017 Colombia Report. In this case, and as a result of this report, Colombia was certified as the only country in Latin

America in the "Satisfactory Progress" category, which identifies it as a state that is meeting the transparency standard in its management of non-renewable resources.

Support for CSIR Cesar (Royalties Oversight Spending Committee) is evaluated based on annual follow-up meetings. Additionally, there is an activity report prepared by the University of Área Andina, which is responsible for the initiative's technical secretary's office.

In the case of Drummond Ltd.'s participation in the MEC, its formal membership in the initiative took place in December 2017, so the evaluation of its work will take place in 2018.

Drummond Ltd.'s contribution to issues of public interest comes through various working groups that do not require financial contributions, and that focus on different issues that relate to the sector and provide best practices for the operation:

Working Group on Human Rights and Coal



Human right and business

This group shares experiences, identifies replicable lessons and opportunities for improvement; it also prepares recommendations regarding public policy, promotes joint working initiatives at the companies and their operational areas.

Mining and Energy Committee (MEC)



Human right and business

The MEC is a forum where companies that face human rights challenges related to security come together to develop better responses based on a proactive and respectful dialogue with the companies, civil society, embassies and the national government.

The main standards for the MEC are the Voluntary Principles on Security and Human Rights and the Guiding Principles on Business and Human Rights, which are the two main tools that Drummond Ltd. uses to manage human rights risks.

Membership in the MEC is one more step in the company's human rights agenda that, in the medium term, will allow us to apply to the international Voluntary Principles organization.

Extractive Industries Transparency Initiative (EITI)



The standard consists of preparing a joint report with the Colombian government and companies from the sector based on the information provided by the parties on economic, tax, legal and circumstantial issues.

It is a tool that complements the government's work, focused on providing transparency and accountability for the extractive sector. Since 2013, government entities and companies have participated voluntarily, facilitating the involvement by representatives of civil society. Drummond Ltd. has been involved since the start of this initiative.

The main sources of income that extractive activities generate for the Colombian government come from the payment of taxes and royalties. The first, collected by the DIAN, are part of the Nation's General Budget; royalties are collected by the ANM or the ANH and transferred to the General Royalties System.

The EITI Secretary's Office conducted a validation of the implementation process, resulting in a satisfactory rating, with Colombia fulfilling the requirements established by the standard.

Being at the top of the measurement's hierarchy represents an improvement in the transparency indicators and in the mining and energy investment climate. Additionally, it generates an environment of trust with civil society, which has greater access to information on the use of public-private resources.

Monitoring and Evaluation Committee for the Investment of Royalties in the Department of Cesar (CSIR Cesar)



Education, health, infrastructure, democratic culture, citizen participation, social control and participatory planning.

The CSIR Cesar is a citizen initiative aimed at promoting adequate oversight, monitoring, evaluation and social control in managing the investment of funds from royalties in the Department of Cesar, especially through training processes for civil servants and community leaders.

MILESTONES

- Drummond Ltd. was accepted as a member of the Mining and Energy Committee. This is one of the actions that was identified last year as strategic within the company's Human Rights agenda, and it strengthens the interaction and networking with other companies, government institutions, embassies and NGOs. Participating in the Committee will allow Drummond Ltd., in the medium term, to apply to the international Voluntary Principles organization.



CHALLENGES

● Challenge for 2018

● Short, medium or long term goal (include year of goal)

Working Group on Human Rights and Coal

- Definition and implementation of a regional dialogue initiative, along with departmental and municipal institutions.
- Continuous and effective participation in meetings.

(MEC)

- Continuous participation in meetings and the preparation of recommendation documents.
- Continuous and effective participation in meetings.

● Challenge for 2018

● Short, medium or long term goal (include year of goal)

(EITI)

- Effective participation through the delivery of relevant information.
- Effective participation through the delivery of relevant information.

(CSIR Cesar)

- Implementation of a project for training public servants and community leaders on the creation of local development projects.
- Consolidation of the Committee as a regional monitoring and oversight body in the management of royalty resources.

[GRI 103-1]
[GRI 103-2]
[GRI 103-3]

Resettlement work

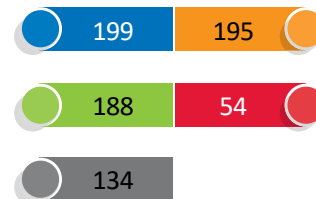
To comply with the resettlement order issued by the government to the mining companies in 2010, a consultation process with the community has been aimed at jointly structuring Resettlement Action Plans (RAP).

It is essentially a participatory process, broad and public, with support and monitoring by authorities from the National, Regional and Local Governments, and with the presence of agencies to protect human rights such as the Office of the Ombudsman. The parties involved (spokespersons and representatives of the companies and the community), with mediation and facilitation by a technical operator with experience in involuntary resettlements, jointly build agreements on how to carry out the resettlement of the town.

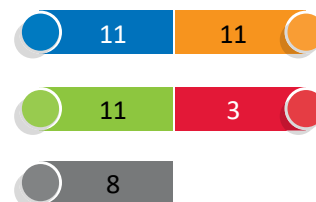
Any disagreements, concerns, requests and complaints are addressed through a reporting procedure established for each community. Using this mechanism, the procedure for receiving requests and their response time is provided. During 2017, 228 requests were received and 215 were closed:

- Requests received
- Requests answered
- Requests closed
- Positive requests
- Negative requests

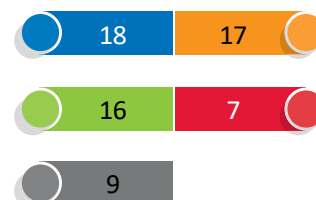
El Hatillo



Boquerón



Plan Bonito



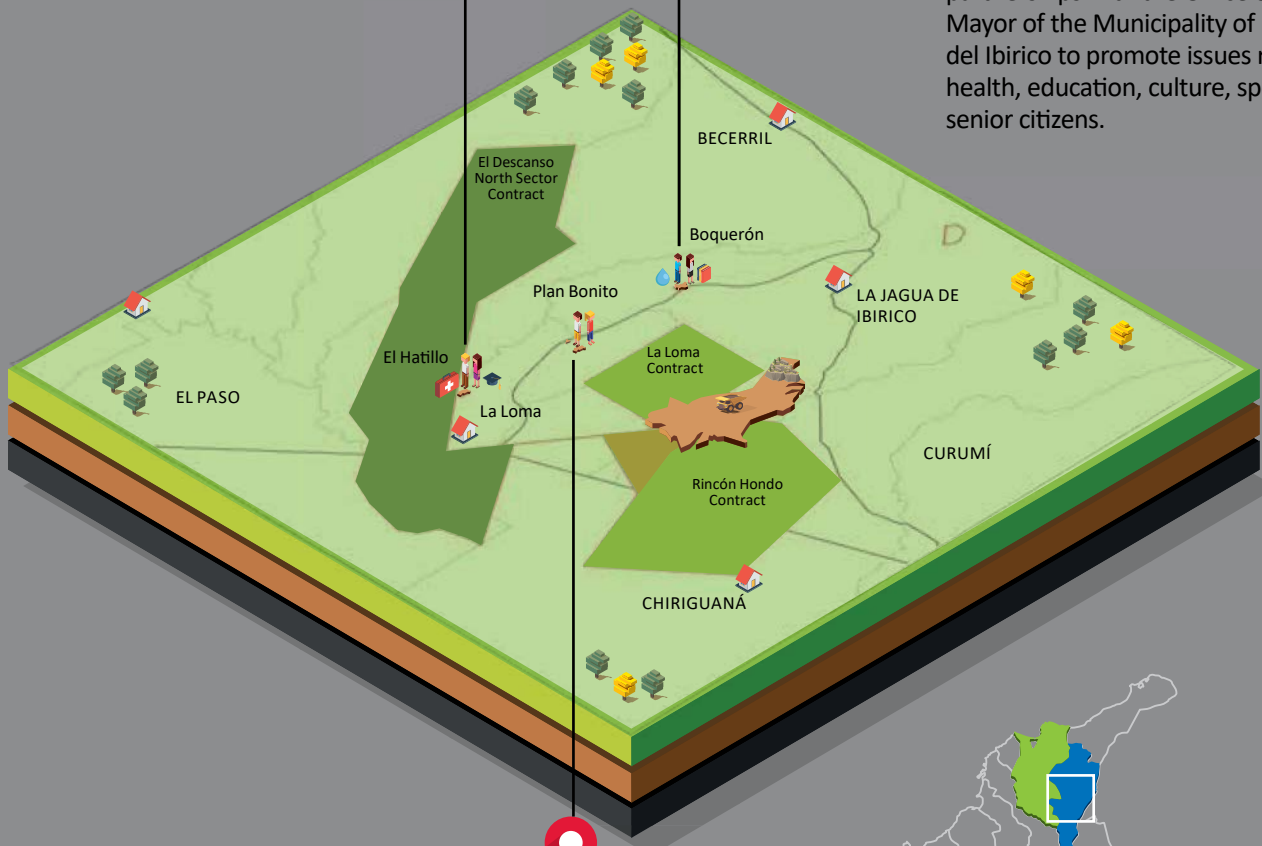
[GRI- MM9]
[GRI 413-1]

Below is a description of the activities carried out in 2016 and their respective progress in 2017.

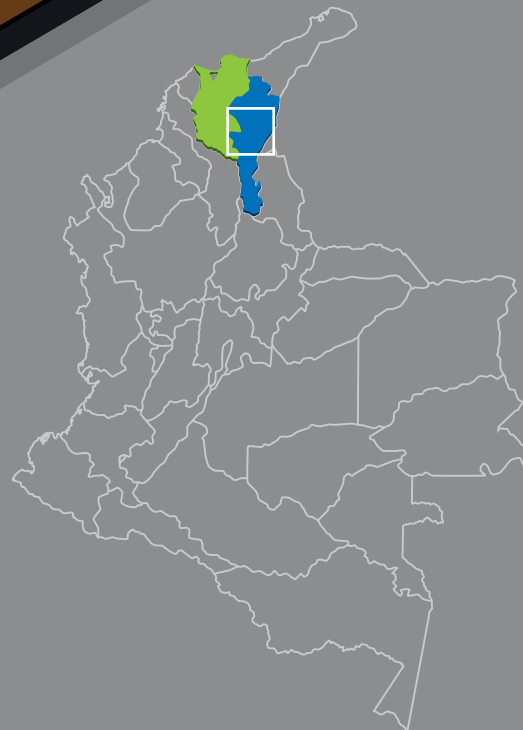
In El Hatillo, bearing in mind that at the end of 2016 the Operator prepared and delivered for community review the Resettlement Action Plan (RAP) for the resident and non-resident families benefitting from the process. During 2017 roundtable discussions were held to agree to and endorse all of the components of the RAP, as a preliminary stage before structuring the final text that is expected to be signed in 2018.

In Boquerón, after completing the topographic survey to determine the number of properties involved, work was carried out in 2016. During 2017, progress was made in agreeing on the methodology for structuring and preparing the socio-economic census; work continues on communication meetings to achieve this objective.

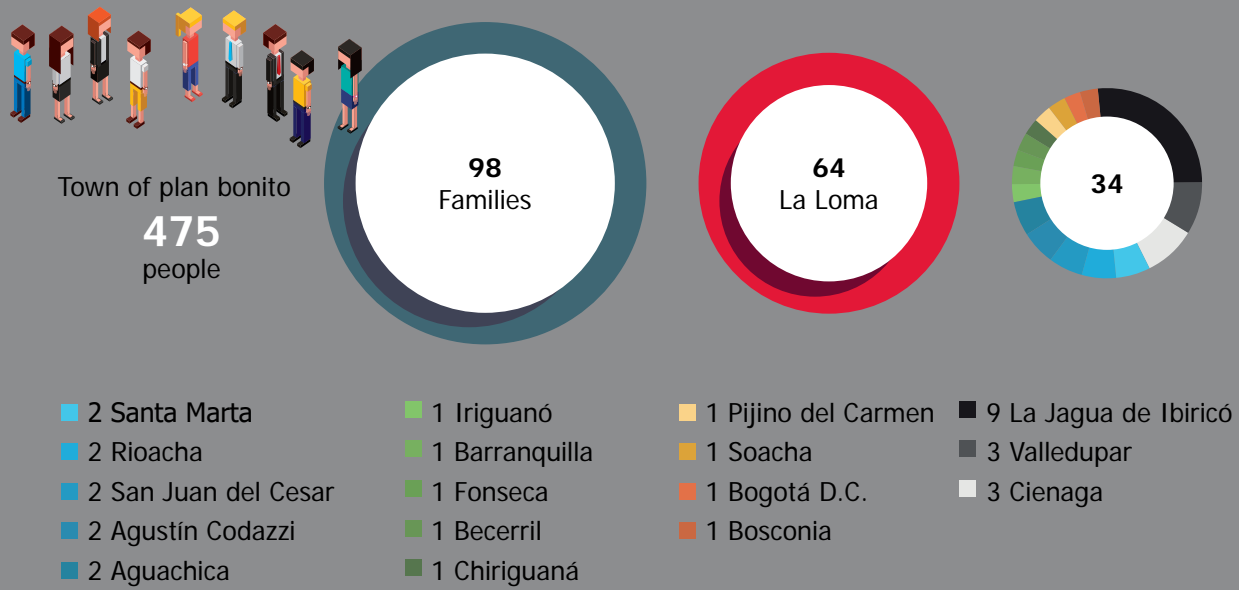
Simultaneously, during 2017, actions were taken to improve the quality of life of the families residing in Boquerón, such as: maintenance and improvement of the town's drinking water treatment plant, the delivery of school kits for children, work with senior citizens and partnerships with the Office of the Mayor of the Municipality of La Jagua del Ibirico to promote issues related to health, education, culture, sports and senior citizens.



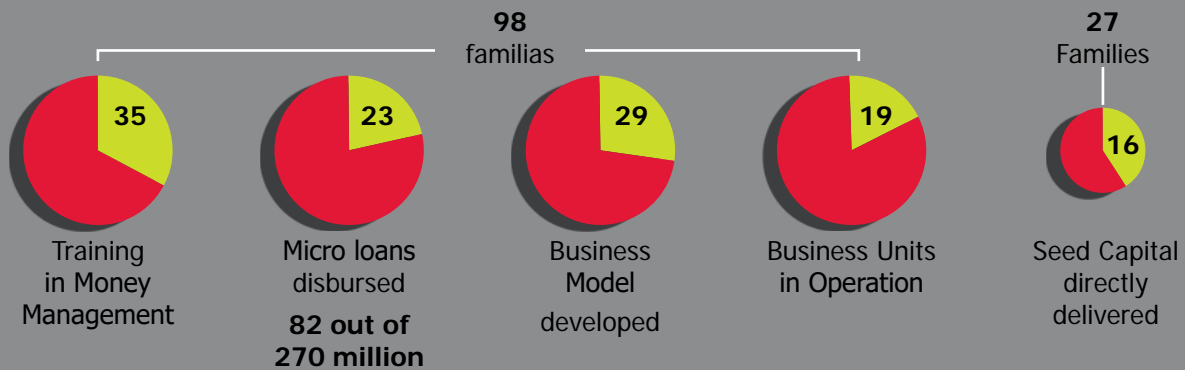
In Plan Bonito progress was made in the implementation of the Livelihood Restoration Program (LRP) for the families relocated in 2015, with the implementation of a social intervention framework with education, healthcare and entrepreneurship programs for the 475 people that make up the 98 families who used to live in the former village of Plan Bonito. The application of this framework for intervention will continue throughout 2017.



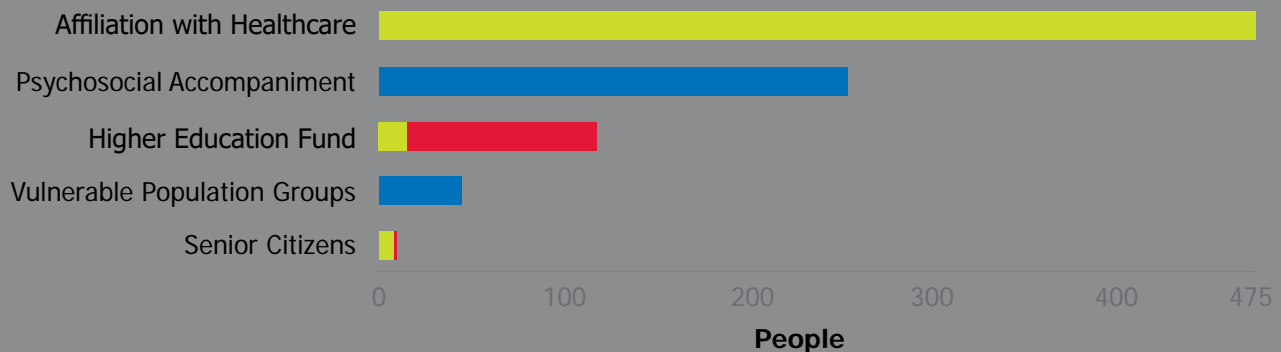
Restoration of livelihood program – december 31, 2016



Financial capital



Human and social capital



EL USO DE LOS EPP.



NOTABLE MILESTONES

1. In the communities involved in the resettlement process, in terms of employability, the following results have been achieved:
 - 66 people in the community of El Hatillo, 17 of them in direct employment with Drummond, and 49 in indirect employment with contractors at the operations.
 - In the case of Boquerón, 47 people were hired to work at the operations, 21 directly and 26 with contractors.

CHALLENGES

1. To continue to strengthen the employment generation and income figures, increasing employability by 10% in the communities that are involved in the resettlement.
2. In terms of the productive development projects, in 2018 the company plans to strengthen and consolidate the business units' production chain based on agricultural frameworks through the sale and expansion of products associated with the local market chain in the area of influence.





Community relations

Management approach

[103-1]

For Drummond Ltd., it is very important to respect and have a positive impact on the communities where it operates; progress for the communities in its area of influence is a fundamental pillar for the organization's sustainable development. The company continually strives to become a model corporate citizen and to build stronger communities, preserving and caring for the local heritage.

Carrying out its mining and sales operations without taking the local communities into account would imply certain risks, including the loss of its social license to operate and the weakening of the feedback relationships on the needs and expectations of civil

society, public entities, contractors, suppliers and other companies from the sector that are present in the areas of influence. This could make it more difficult to clearly identify the most important sectors, the scope of action, the key actors and the scope of the projects.

The company recognizes that its stakeholders may be affected by any decision or activity undertaken by the company, or that the company could be affected by a decision or activity carried out by its stakeholders. As such, it is important to identify the company stakeholders and they have been identified using the following criteria at both the mining and the port projects (study conducted by Grupo DIS):



As a result of the study with Grupo DIS, the company has identified the influence, dependence and favorability perception of its stakeholders through semi-structured interviews with the company's different executives.

The organization generates equal footing in its relationship with the communities, with respect to good dialogue and for human rights taking precedent. The strategy and communication tactics change when it addresses a vulnerable group due to their age, gender, origin or ethnic minority status.

Nearness



Stakeholders who have close interactions with our operations, with groups inside the company, or whose relationships are long-term.

Influence



Stakeholders who influence (or could influence) the development of an activity or its limitation. This includes local, departmental, and national authorities.

Dependence



Stakeholders who depend on the activity of the organization. This group includes employees, contractors, and suppliers.

Representation



People or organizations with regulatory, religious, or cultural or traditional structures. This includes the church, cultural foundations and folklore groups.

Responsibility



Stakeholders with which we have legal, financial, or operational responsibilities based on regulations, contracts, policies, or practices.

A commitment to the communities

Drummond Ltd. works constantly on the development and implementation of mechanisms that seek to continuously improve its relationship with the residents of the towns located in the area of influence of its activities through ongoing information and communication programs with the communities, its responses to requests, complaints and claims, its prioritization of job creation and local hiring, and environmental education and awareness, among others.

Drummond's commitment through the Community Strengthening Program includes various projects in the education sector:





Additionally, in other programs, it provides equipment and improves the physical infrastructure at hospitals, health centers and clinics; health brigades, childhood nutrition projects through the Childhood Development Centers, all of which contribute to providing greater coverage and improving the quality of these services. This commitment is reflected through the company's work on consolidating joint actions by the public sector, private businesses and the community. This involves action by three parties, in which community empowerment is a key factor to ensure the development of the projects in the medium- and long-term.

The tools for working with the communities under Drummond Ltd.'s social management guidelines are based on three main objectives:



Safeguard and optimize conditions for living together in peace, and for good dialogue between Drummond Ltd. and the community.



Promote, encourage, and execute projects that improve local capabilities in Drummond Ltd.'s area of influence.



Remain in continuous contact with the community, social organizations, and government institutions.

Based on these objectives, the company uses municipal development plans, projects coordinated with local governments, community meetings and awareness-raising sessions and other documents as management tools that make it possible to confirm the start implementation and track the projects.

The company has various mechanisms that facilitate and promote the continuous improvement of relationships with the residents from its area of influence and also seek to build efforts to strengthen communication between stakeholders and the company's various departments. These mechanisms include:



Community Assistance Policy: its goal is to generate well-being, mitigate the operation's negative impacts and promote social development. See more information on our website: <http://www.drummondltd.com/wp-content/uploads/DTLD-Community-Services-Manual.pdf>



Community Services: its goal is to respond to any type of request, complaint or suggestion (including those of a social or environmental nature). The community in the area of influence can communicate by telephone, physically at the community service offices (La Loma, La Jagua, Valledupar and the port) or via email. This information is entered into the CCP system, which codes and distributes it to the appropriate department. The communities can also submit this information in person to the Community Relations Coordinators who visit the municipalities in the area of influence on an ongoing basis. See more information on our website: <http://www.drummondltd.com/wp-content/uploads/DTLD-Community-Services-Manual.pdf>



External publications: through social networks, press releases to all media outlets, radio advertising, and magazine ads.



The company also has internal publications, such as Revista Drummond and the Drummond Te Informa newsletter.



To ensure that Drummond Ltd. applies these mechanisms properly and works to use best management practices, it carries out the following:

1

Perception surveys conducted each year in the communities in the area of influence of the mining and port projects. This feedback drives continuous improvement of processes and of community projects.

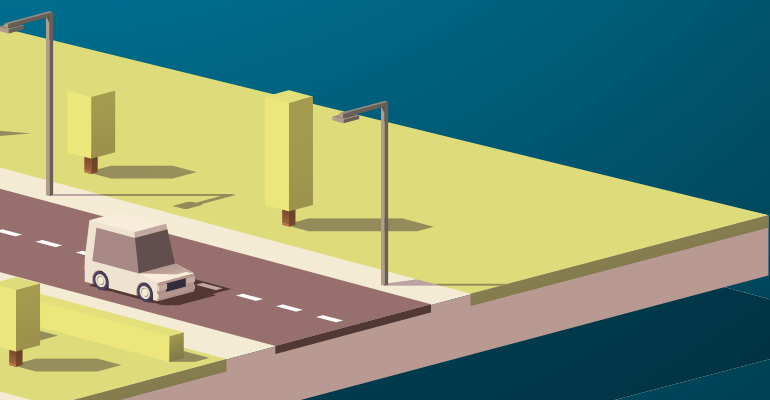
2

Outside audits by Bettercoal. The findings from these processes are reported each year to the competent authorities through Environmental Compliance Reports (ICA for the Spanish) and the Regional and Community Development Report presented to the National Mining Agency (ANM). The National Authority for Environmental Licenses (ANLA) also monitors social management projects. For further information go to: <https://bettercoal.org/>

3

Coordinated work with different institutions, foundations, and other enterprises in the private sector. This initiative is very important to Drummond, permitting the replication of best practices, with their adaption to the unique characteristics and context of the areas of influence. Some of our strategic partners in this work are:

- Agency for Reincorporation and Normalization ARN
- Municipal and departmental administrations
- United States Agency for International Development USAID
- Association of Banana Growers of Magdalena and La Guajira ASBAMA
- AUNAP
- Club deportivo Quique
- COMFACESAR
- COMULBANANO
- CSIR
- Colombian Army
- Japanese Embassy
- Naval School of Barranquilla
- FUNACO
- Amigos Forjando Futuro Foundation
- Casa en el Árbol Foundation
- Proceder Siglo XXI Foundation
- Pro-sierra Nevada de Santa Marta Foundation
- Soydoy Foundation
- Fundacion Universitaria del Área Andina
- FUNDAUNIBAN
- Fundeban
- FUNDEMICROMAG
- Genesis Foundation
- Colombian Family Welfare Institute ICBF
- Public Schools in the municipalities in the area of influence
- Community Action Boards
- LBH Colombia
- Prosperidad Social
- Prosperidad Social
- National Learning Service - SENA
- Universidad del Magdalena
- Universidad Sergio Arboleda (Santa Marta)
- UNOPS




Operations with local community participation, impact assessments and development programs

In 2017, 100% of Drummond Ltd.'s operations (mines and port) had development programs, impact assessments and participation by the local community.

Drummond Ltd. is committed to respecting human rights, so the activities developed to assess its impact on the communities include thorough processes to identify, prevent, mitigate and repair the real or potential impacts involving stakeholders. Based on this perspective, each year the company holds meetings with unemployed groups and, meetings with contractors, in order to include the local population in the goods and services link in of the supply chain, and conducts opinion surveys about its compliance with the Environmental Management Plan. These, activities that allow it the company to identify the community's needs and expectations in terms of the mining and port projects, to and orient our its actions under the Corporate Social Responsibility (CSR) program.

Social impacts can vary significantly based on different factors that depend on general variables, such as the duration of our mining projects, the location of the populated areas in relation to the area of the projects, and the expansion plans for the mines. The common factors that are taken into account in evaluating the impacts include the characteristics of the population in our area of influence (location, population growth rate, distribution by age group, etc.); access to education, healthcare and sports;¹² the programs proposed in the municipal development plans, and the local government's ability to generate productive chains and labor opportunities in other economic sectors.



In 2017, 100% of Drummond Ltd.'s operations (mines and port) had development programs, impact assessments and participation by the local community.

¹² Thanks to the periodic monitoring of the population's needs in this area, in 2017 alone, through the Community Relations Department, approximately 70 projects at public schools, childhood development centers, health centers and recreational parks were completed, which make it possible to have a positive impact on their infrastructure through painting, remodeling, expanding and building spaces and strengthening the early childhood assistance programs, projects that currently benefit close to 12,000 residents and more than 80,000 young people, children and adolescents from our area of influence in Cesar and Magdalena.



Community strengthening or community development

With investments in the areas of education and culture, health and nutrition, recreation and sports promotion, infrastructure and improving the environment.

Institutional strengthening

Through scheduling activities, seminars, workshops and courses that strengthen the management capacity of civil society and the local governments.

Peacebuilding and reintegration

Through the execution of projects that strengthen the company's commitment to be facilitators of the reintegration into society (postconflict) and in building values.

Community and institutional information

Through the dissemination of the PMA, guided visits to the mine and the port, community assistance at the service and reception areas, management of the requests, complaints and claims system.

These factors are analyzed periodically to develop the projects that are executed in 4 four programs:

Local community participation and development programs:

For Drummond Ltd., it is important to have decision-making tools that make it possible to guide efforts to address the current needs of the communities. This needs assessment is carried out in two ways: endogenously, that is, the project proposals are generated within the company, and exogenously, when the

initiatives are identified and proposed to Drummond Ltd. by the community, so the company can assess their viability and the scope of its participation in the projects. To strengthen its understanding of these needs, in 2017 the company carried out the following:

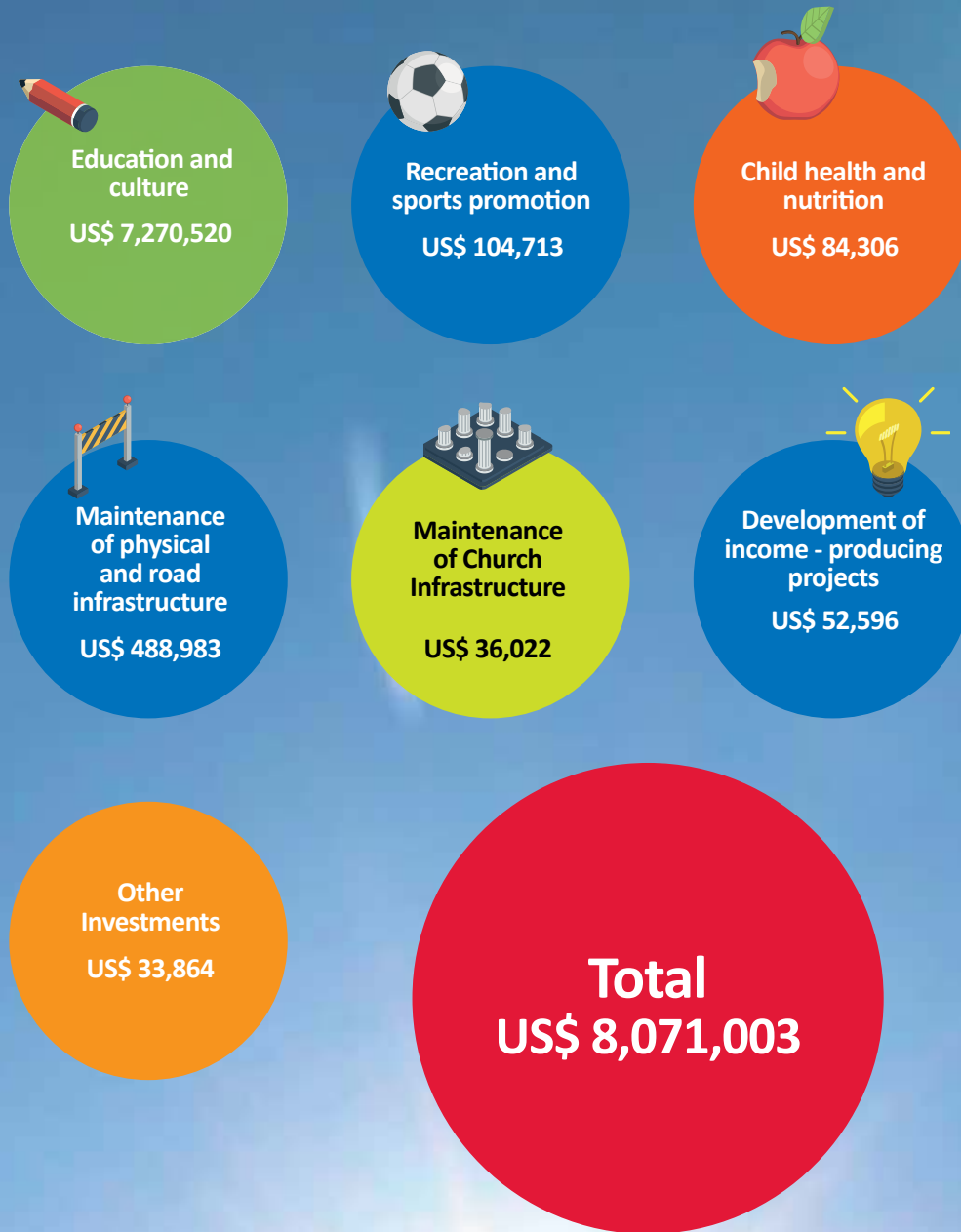


Infrastructure investments and services supported

For Drummond Ltd., community relations are fundamental in carrying out its activities; the The company is concerned with generating strategies that will have a positive impact and contribute to creating value for

the community. Below is a list of its significant investments. For more details on the programs or projects that make up these categories, please see Appendix GRI 203-1 Infrastructure investments and services supported.

Investment
(Budget executed through 2017)



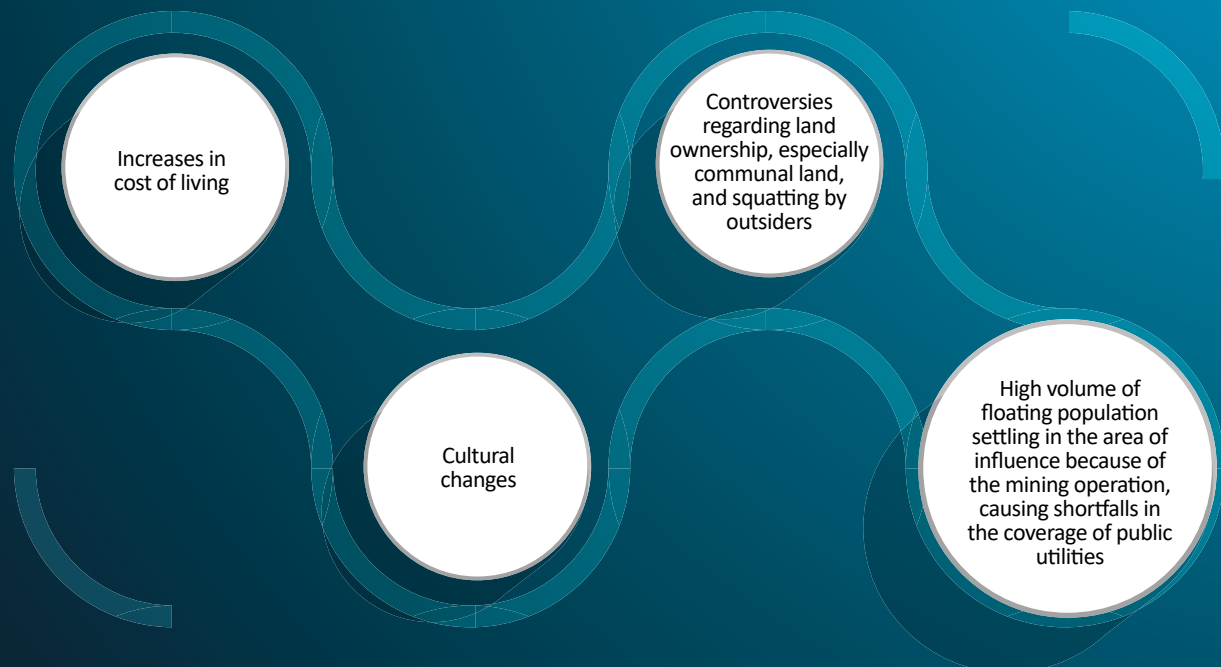
During 2017, we the company continued with the implementation of programs for community strengthening, institutional strengthening and community and institutional information, within the structure of the compliance with the Social Management Plan. Drummond Ltd. contributed construction materials, the local administration provided labor, and the beneficiary community carried out the oversight role.

Impacts on the local communities and economies as a result of the mining operations in 2017

Positive Impacts



Negative Impacts



Identification of risks and impacts on the population

Drummond Ltd.'s two main centers of operation (the coal mining and transportation operations) generate great development opportunities for the

surrounding regions and for the country, but it can also create various risks and impacts on the local communities in the area of influence where it operates.

Main negative indirect economic impacts on the community

- Increase in the cost of living in the surrounding areas as a result of Drummond's presence
- High volume of floating and outside populations that settle in the municipalities due to the mining operations. This leads to a deficiency in providing utility services and pressure on land ownership, especially for communal use
- Cultural changes in the source population
- Higher taxes in the municipalities in the area of influence

Main opportunities and positive indirect economic impacts on the community

- Creation of direct and indirect employment associated with the mining operations
- Income generation through entrepreneurship, with the implementation of business units based on pork and poultry production, as well as the implementation of income-producing backyards and ongoing training on alternative activities to mining
- Income generation related to strengthening of the commercial, financial, hotel, food and service sectors in general
- Addition of small- and mid-sized businesses from the area of influence to Drummond Ltd.'s supply chain, which meet all of the specifications and conditions to provide goods and services
- Reduced risk of the inappropriate use of free time by adolescents and young people, through support for education and sports

When characterizing these risks and the impacts on the population, Drummond Ltd. could clearly identify the best practices to mitigate and prevent these risks from materializing in all stages of the operations:

Before entering the community

Baseline identified via environmental and social impact study

During the operation in the community

Throughout the project, social and environmental modifications are made and the impact study is updated. Different plans are thus generated, such as, for example, a plan for saving and efficiently using water to make the most of water resources and reduce the use of natural resources. The natural environment is also made more robust for the conservation and reproduction of species.

Upon leaving the community

A Plan for Closure is prepared, with management and monitoring measures. These plans include programs for sharing information with the community about the closure of the project and the applicable restoration or compensation measures for the region.

Closure plans:

Both Drummond Ltd.'s mining and port operations have closure and decommissioning plans approved under their respective environmental licenses.

[GRI- MM10]

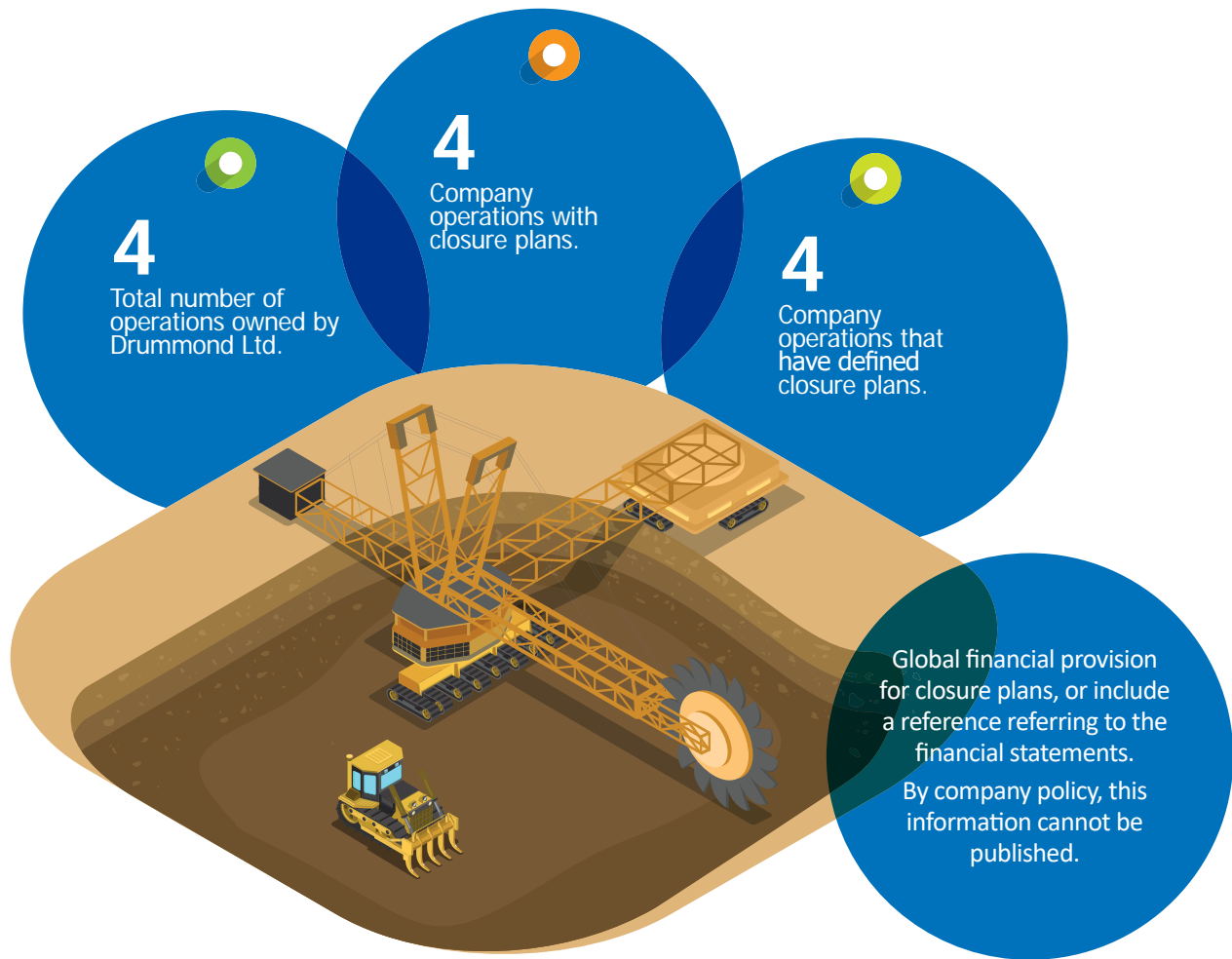
These plans are executed progressively in the areas that remain available after being affected, and are developed in phases or stages, mainly in the mines. They start with dismantling the facilities, and include the physical and chemical stabilization of the affected land, geomorphological reshaping, the reincorporation of the organic soil layer and replanting of the area, all to induce the ecological recovery and rehabilitation of the area.

Subsequently, the communication with the environmental authorities, local public institutions and community organizations must take place, in order to identify and prioritize programs and projects that ensure the social, economic and environmental sustainability of the area of influence of the operations and determine the possible use and/or maintenance of the infrastructure.

Likewise, it is important that physical, biotic and social monitoring be completed during the different stages of the plan to assess the results and make adjustments as required.

Additionally, according to the requirements by the agencies that regulate mining activities, and in accordance with the commitments made by the company to the Colombian government, the environmental liabilities will be determined or updated periodically, and a provision will be assigned to cover the obligations arising from the development of the projects.

Operations with closure plans 2017



Land use

[GRI- MM6
GRI- MM7]

In 2017, there were no disputes with local communities or indigenous communities associated with land. There are ongoing land restitution proceedings filed by individuals seeking to have the Nation return property that was sold in the past to other individuals, which was acquired by Drummond Ltd. years later, in compliance with the obligations

and requirements established in the environmental licenses issued so that it could carry out its mining operations. Drummond Ltd. has participated in these land restitution proceedings and continues to exercise its right of defense, opposing restitution in its position as a third party purchaser in good faith.

A photograph of children in a schoolyard. In the foreground, two young boys in red school uniforms are smiling and holding hands. In the background, a girl in a white shirt and red patterned shorts stands near a building with a purple and green facade. Other children are visible in the distance.

MILESTONES

- With an investment of **US\$ 8,071,003**, during 2017 the company benefitted more than 99,587 people in the area of influence of our operations.
- With **119** projects in the education, culture, sports, infrastructure and income-producing development in 2017, the company accounts for its commitment to the communities.
- To strengthen its role as a good neighbor, 55 projects were executed in the 11 municipalities in the area of influence in Cesar and Magdalena.



MILESTONES FOR THE PROJECTS IN CESAR AND MAGDALENA

- Thanks to Drummond's contribution of machinery to the Beatriz García de Vigna Women's Workshop, women in vulnerable conditions in Valledupar and the municipalities in the mining area of influence will receive training in dressmaking and leatherwork to promote income generation and entrepreneurship initiatives that allow them to improve their quality of life and that of their families.
- Drummond not only builds projects, it ensures that they are maintained. Already 8,545 people have benefitted from the contribution of materials to maintain the physical infrastructure at schools and sporting venues.
- The Agency for Reincorporation and Normalization – ARN recognizes Drummond as its ally in contributing to peace-building in the country, for the development of Spaces for Reconciliation.





07

**Environmental
Work**

Managing water resources

[GRI-MM9]
[GRI 413-1]

Water is an essential natural resource for operating Drummond Ltd.'s mining and port projects. Its importance is derived from the multiplicity of the processes in which it is used, ranging from activities directly associated with coal production and domestic use, to the implementation of environmental management measures that make it possible to mitigate and control emissions of particulate matter.

This has represented a challenge for the company, since it has required the study of the meteorological, hydrological and hydrogeological conditions of the area in detail. The purpose of this is to understand how they work and to be able to design a comprehensive program for water resource management to ensure that it is constantly available for the operation, causing minimal impact on the bodies of water from which it is collected.

[GRI 103-1]
[GRI 103-2]

In corporate terms, the management of water resources at Drummond Ltd. is governed by the Health, Safety and Environment Policy¹³ in the workplace, the Water Conservation Policy¹⁴ and the Environmental Sustainability Policy,¹⁵ whose premise is that the coal mining and transportation operations must be performed to the highest standards, always protecting and conserving the environment, especially the water resources.

Consequently, the mine's progress is planned around not only production, but also the biophysical characteristics of the area. This means that different alternatives were evaluated to choose the one with the least impact on the supply of ecosystemic goods and services, avoiding diverting or using channel, stream or riverbeds (unless absolutely necessary), excluding

riparian buffer zones and flood zones from impact and strategically locating water concessions to optimize their use in terms of the source's water capacity.

Additionally, the company has implemented a Water Savings and Efficiency Plan for the mines and the port, which includes specific actions for the comprehensive and sustainable management of this resource, whose starting point is a detailed understanding of the physical conditions of the area and the needs of the projects.

13 <http://www.drummondLtd.com/wp-content/uploads/Drummond-Comprehensive-Policy-2016.pdf>

14 <http://www.drummondLtd.com/wp-content/uploads/Water-Conservation.pdf>

15 <http://www.drummondLtd.com/wp-content/uploads/Environmental-Sustainability.pdf>





The cornerstone of the plan is reducing the volume of water collected in terms of the flows approved by the environmental authorities. This has involved designing and executing strategies to reduce the amount of water used in different activities, such as:



Installing a collection and recirculation system for the water that condenses as a result of the internal processes in the explosives and power plants that would otherwise be lost through evaporation.



Strictly controlling water leaks.



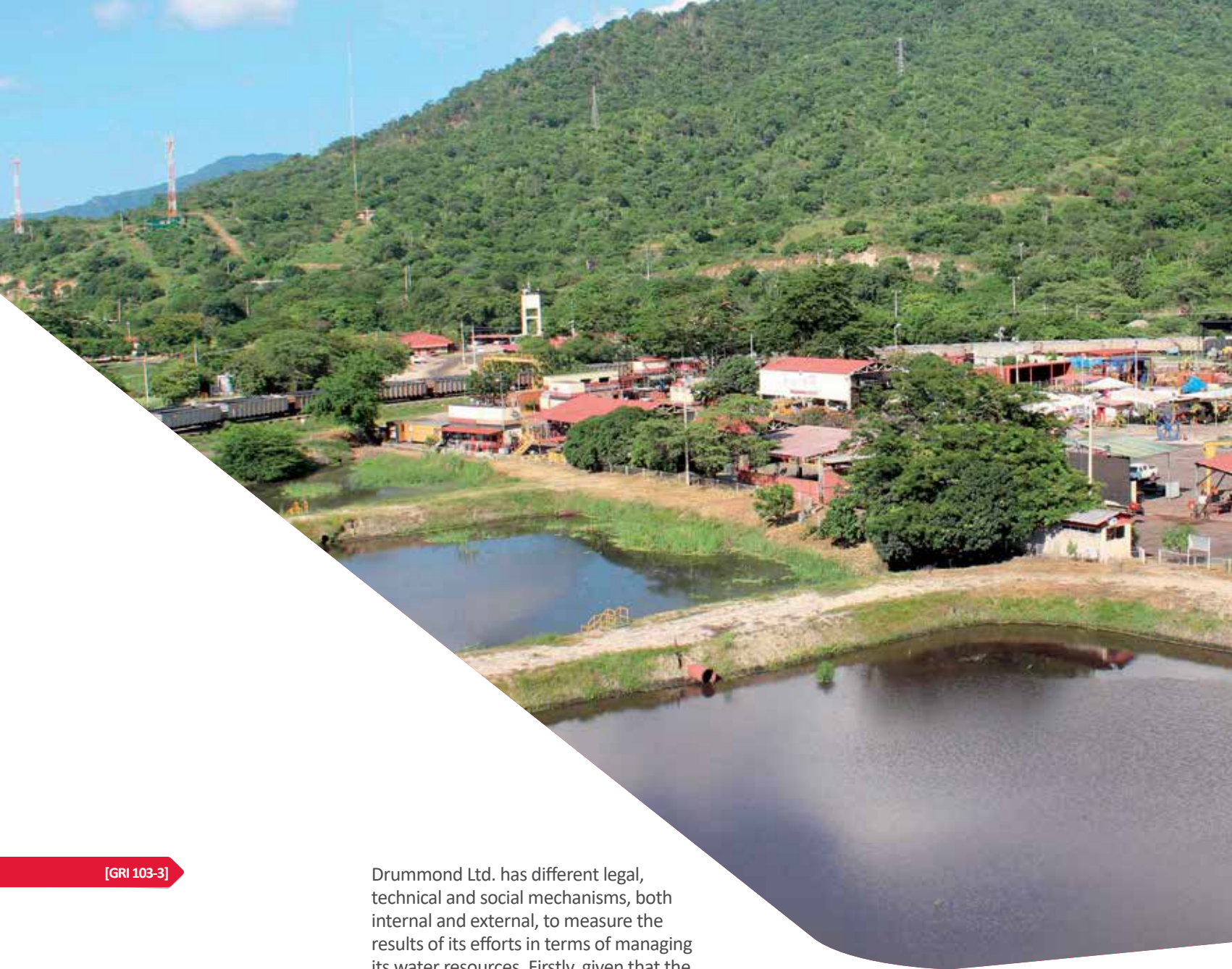
Building a network for rainwater and runoff collection, storage, distribution, management and use.



Using industrial wastewater in wetting the roads to control particulate matter.



Promoting good domestic water consumption practices through awareness campaigns.



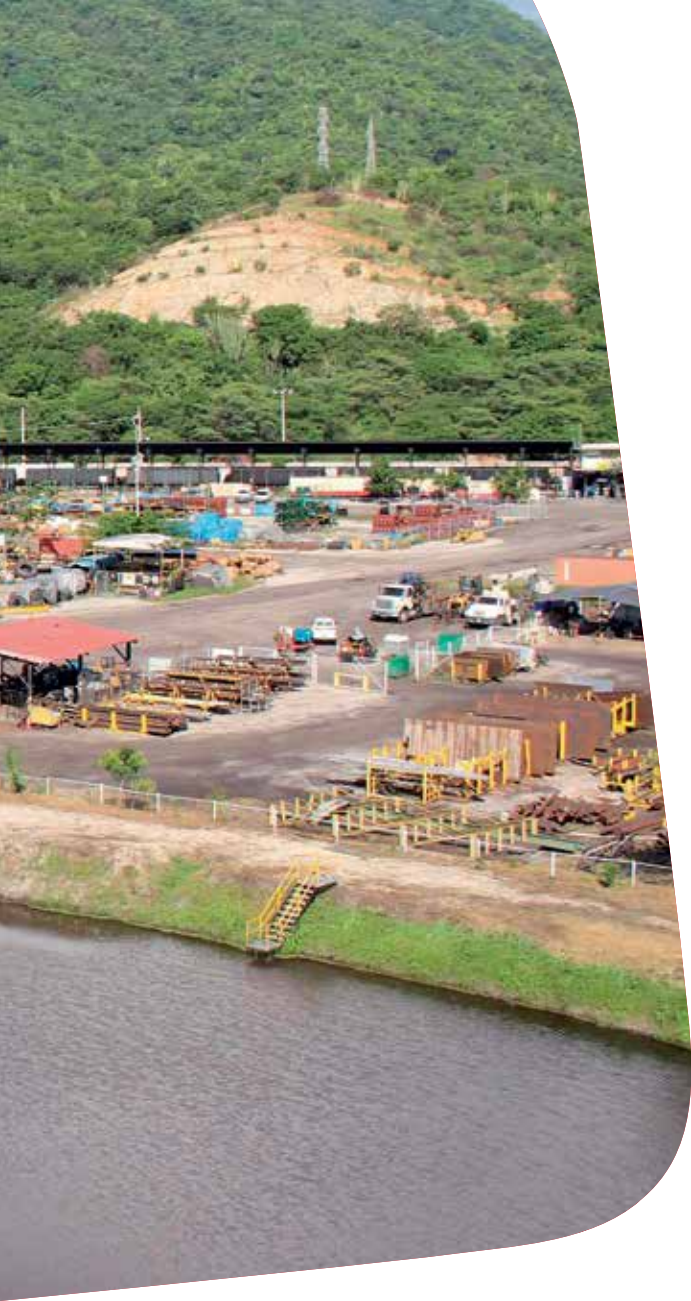
[GRI 103-3]

Drummond Ltd. has different legal, technical and social mechanisms, both internal and external, to measure the results of its efforts in terms of managing its water resources. Firstly, given that the use or exploitation of water is authorized and regulated by the environmental authorities, the National Environmental Licensing Agency (ANLA, in Spanish) and the Regional Autonomous Corporation of Magdalena (Corpamag) periodically conduct environmental monitoring and oversight visits to the Pribbenow and El Descanso mines, and to Puerto Drummond, in order to verify compliance with the obligations established in each permit or license and to record the company's performance in terms of the commitments it has made.

In addition, Drummond Ltd., in the Environmental Compliance Reports that it submits semiannually and annually to ANLA and the Regional Autonomous Corporations, documents by project

the activities from its environmental management and monitoring plans, including those that correspond to the obligations from the permits for the use and exploitation of natural resources.

The current environmental regulations are another one of the pillars of water resource management at Drummond Ltd., since they establish the limits for water quality for human consumption and for wastewater after treatment. In terms of the latter, the standards set by the regulation are compared to the characterizations made upstream and downstream from the authorized discharge points, determining whether or not there are changes in the bodies of water receiving the discharges.

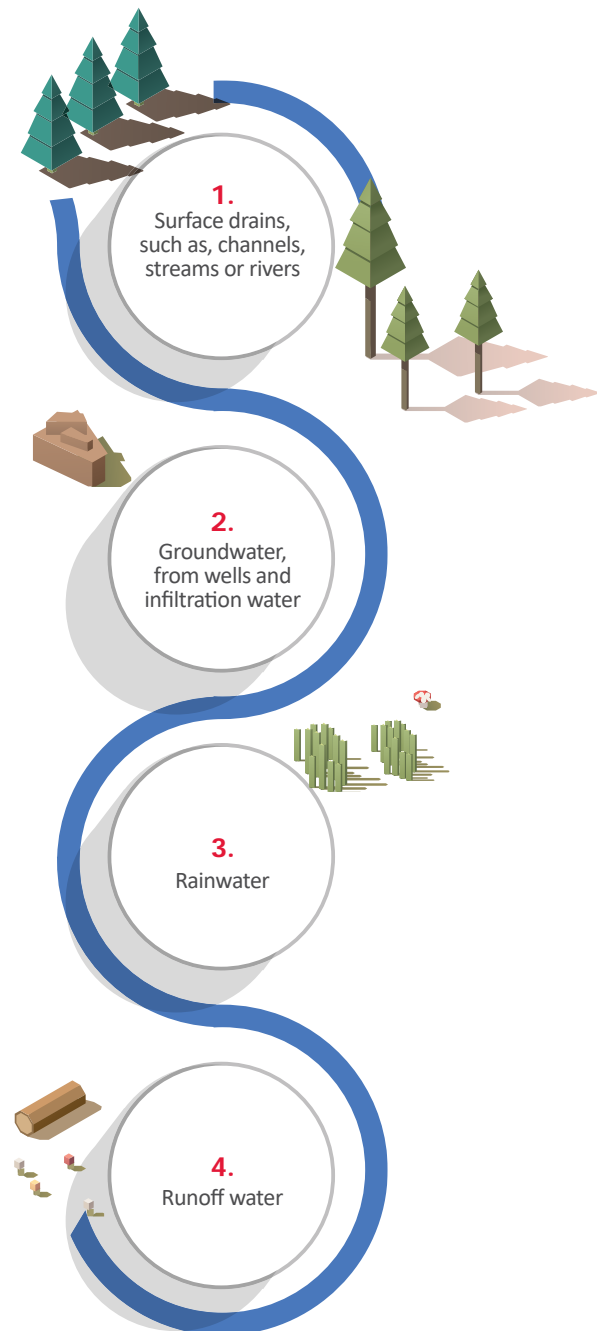


Water collection:

As mentioned above, the water concessions and wastewater discharge permits have been issued by the ANLA or by Corpamag. This means that the use and management of water resources are directly related to the commitments and obligations that the company acquired with the agencies that manage and regulate their use.

Total water collection by source:

The mining projects and the port use water from four types of sources:



Additionally, public agencies such as the Office of the Comptroller General of the Republic, the Office of the Attorney General, and the National Mining Agency, and private organizations such as Bettercoal or consulting firms hired by the company, frequently inspect Drummond Ltd.'s projects to verify its work. Moreover, because the mine and the port already have an ISO 14001-2004 certification, they are subject to constant internal and external audits, through which it monitors the environmental management system, in order to ensure that it is in a process of continuous improvement.

Collection of surface water (m³)

271,947	2015
356,547	2016
486,107	2017

Collection of groundwater (m³)

634,544	2015
683,788	2016
656,133	2017

Total (m³)

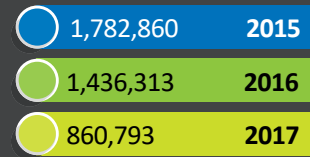
906,492	2015
1,040,335	2016
1,142,240	2017



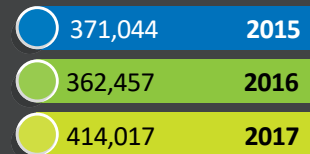
Mining operations



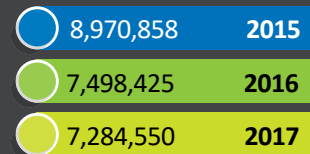
Collection of surface water (m³)



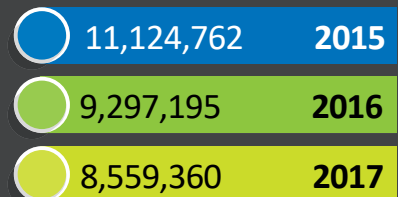
Collection of groundwater (m³)



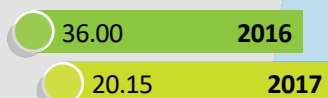
Collection of infiltration water (m³)



Total (m³)



Rainwater, surface and groundwater collected directly and stored by the organization (hm³)

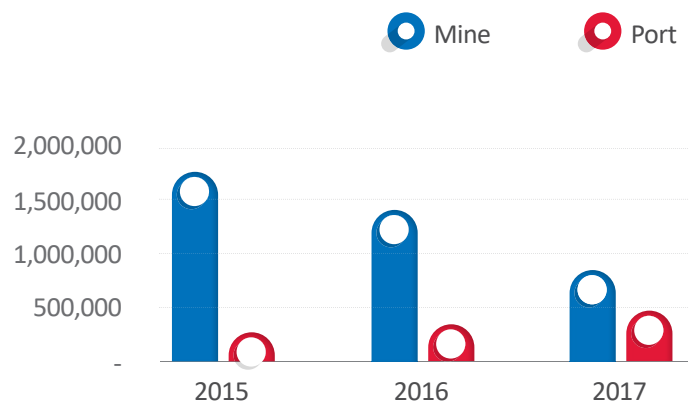


La Loma and El Descanso Norte mines have three rain water reservoirs, for which, thanks to the equipment installed in 2017, it was possible to calculate the total volume stored in each one throughout the year. The "Siete Bocas" and North Pit pools, located at Pribbenow, collected 1.97 hm³ and 12.98 hm³, respectively, and the D1 pit at El Descanso, 5.2 hm³.



The significant reduction in water consumption at the mining projects during 2017 was the result of the increase in rainfall as compared to 2016. This increase led to the collection of a significant amount of rainwater, whose use was given priority to reduce consumption from the Paujil reservoir and infiltration water. This situation was also favored by the application of dust suppressors on some roads at the Pribbenow and El Descanso mines, which meant that less water was required to control particulate matter.

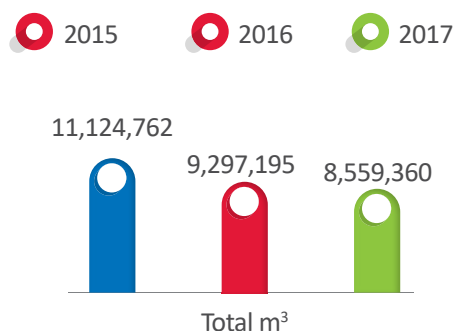
Chart 15. Surface water collection in m³





Notwithstanding the above, it is clear that Drummond Ltd. has managed to reduce, year after year, the amount of water that it collects from the various concession sources, and that the strategies for saving and reusing this resource have worked (chart 16).

Chart 16. Total water collection in m³



In terms of groundwater collection, although consumption increased in 2017, as compared to 2016, it did not exceed the amount granted in concession and the goals set in the Water Savings and Efficiency Plan. The increase is due to a slight increase in consumption due to the operation of mobile cafeterias at sites far away from the operations.

In the case of the port, in 2017 there was a 10% increase in water consumption as compared to 2016. This increase is mainly due to its use to control particulate matter from the start-up of 100% of the new yards, the stacker and the belt conveyor system.

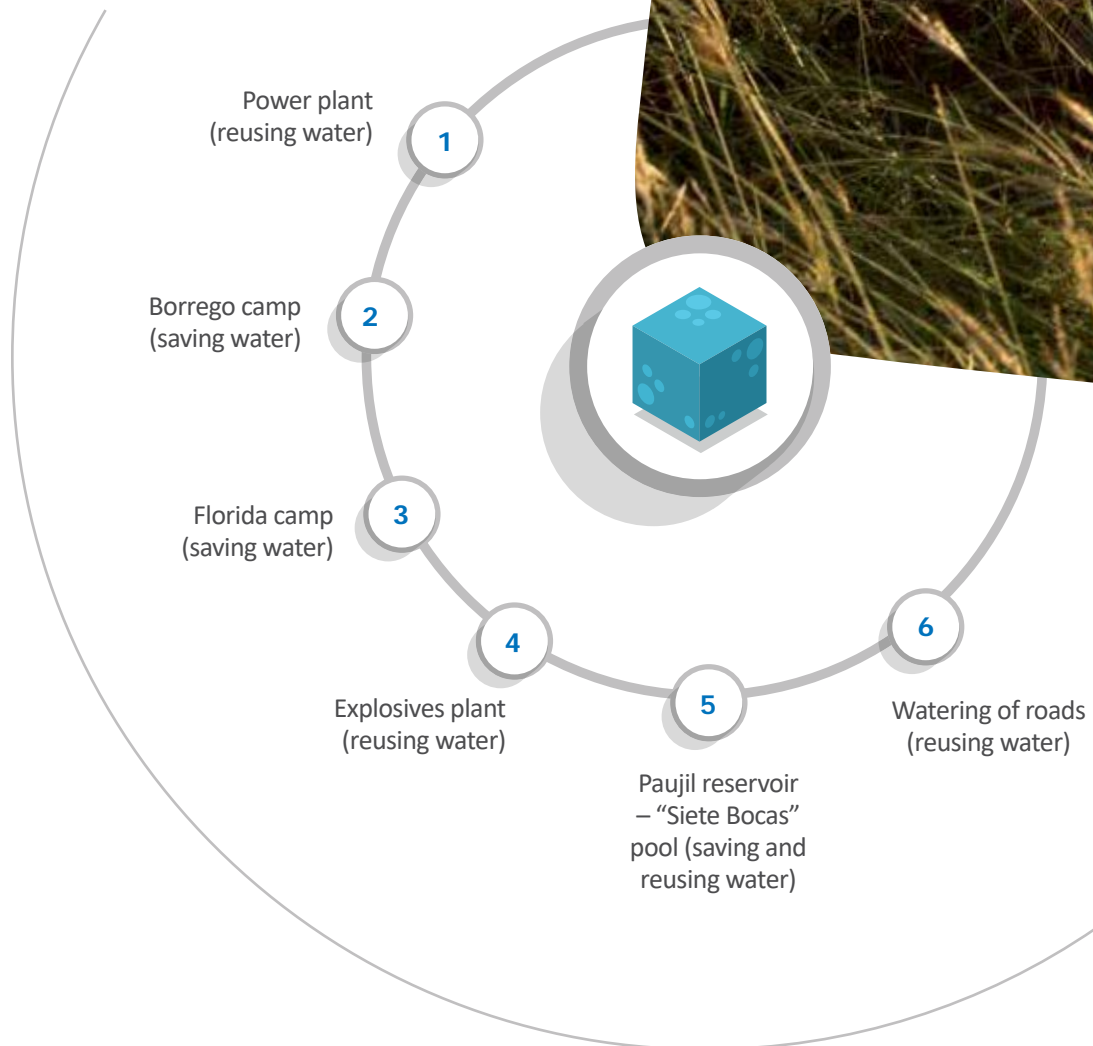
Water sources that have been significantly affected by water collection:

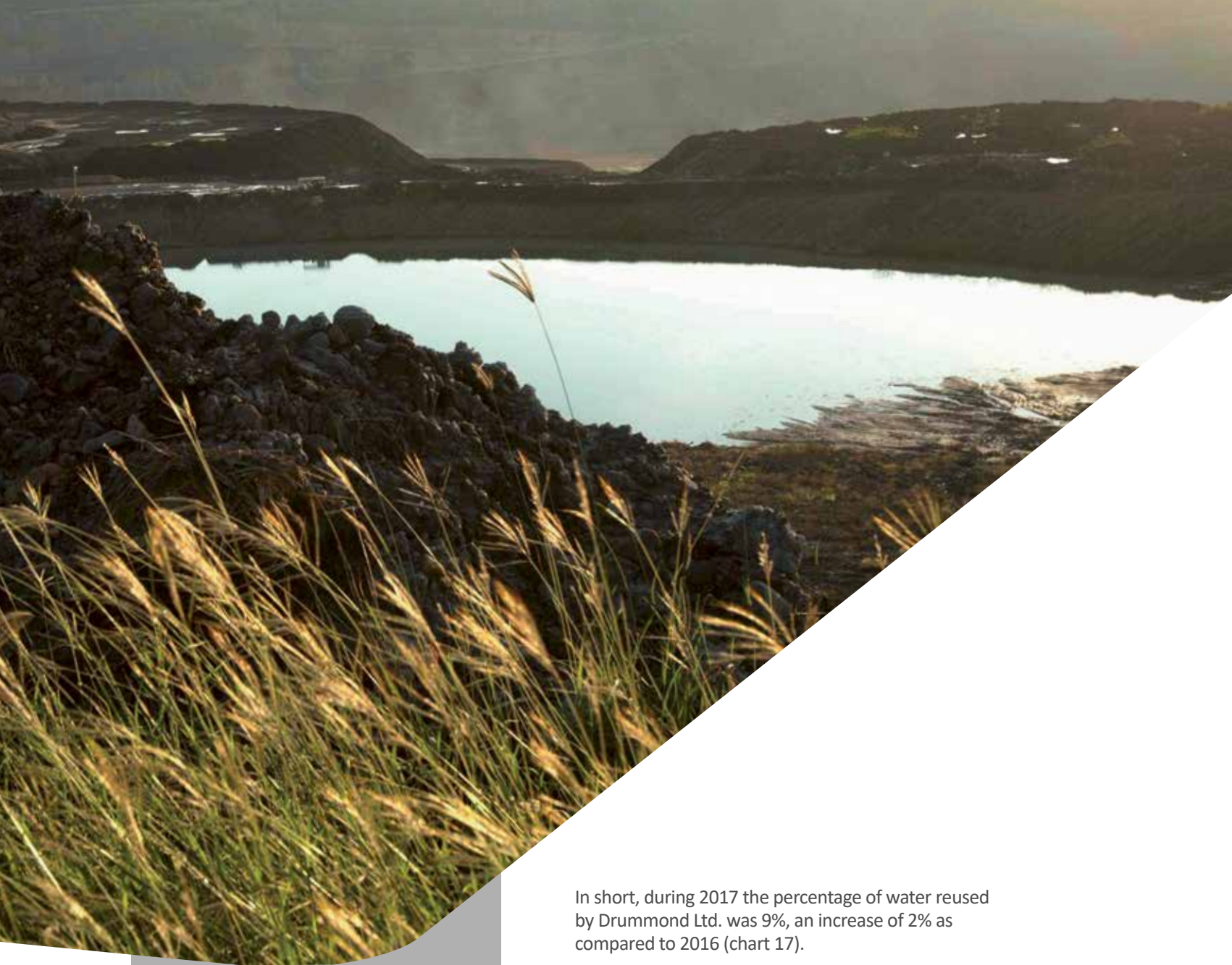
[GRI 303-2]

Drummond Ltd. does not have a significant effect on the bodies of water it collects from or into which it discharges its wastewater. To confirm this, the company, as part of the Environmental Monitoring Program, constantly verifies the physical-chemical and hydro-biological characteristics of the water sources granted in concession, as well as the treated water and the bodies that receive the discharges, which ensures that there are no negative effects on them from their use.

Percentage and total volume of recycled and reused water

According to Drummond Ltd., the strategies aimed at reducing water consumption in the activities inherent in the mining operations are a critical factor in its environmental management; this is why it constantly works to improve its water savings and reuse mechanisms. The goals in terms of these two aspects are set out in the Water Savings and Efficiency Plan, and to comply with them, specific actions have been implemented that are associated with the most important sub-processes at the Pribbenow mine that require the use of water, such as:

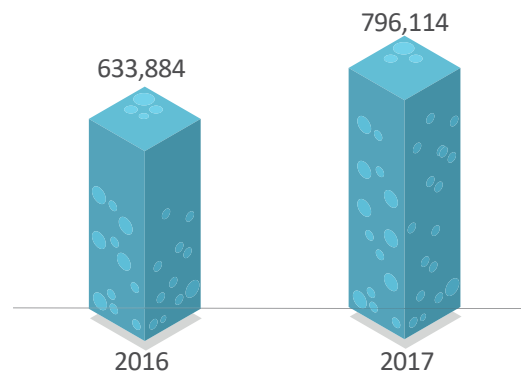




Of the six sub-processes mentioned, the Paujil – “Siete Bocas” pool is the most important in terms of the amount of water saved during 2017: 586,150.4 m³. In the long term, the goal is to completely stop collecting water from the reservoir during the dry season, and to use the rainwater stored in the “Siete Bocas” pool for the activities that it is currently used for.

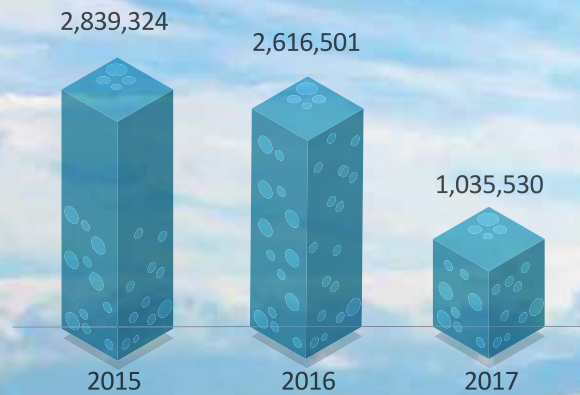
In short, during 2017 the percentage of water reused by Drummond Ltd. was 9%, an increase of 2% as compared to 2016 (chart 17).

Chart 17. Volume of water recycled and reused by the organization




Furthermore, in order to accurately estimate the volume of water used in the coal-washing process, at the end of 2016 a CO71 meter was installed in the plant where this activity takes place. Due to the new meter, it was determined with greater accuracy that water consumption in 2017 dropped by nearly 40% compared to the previous year:

Chart 18. Water used in the coal-washing process



Actions such as those described above, in addition to reducing the volume of water that is captured from the concession sources, ensure its availability for the projects during the dry season, and they also have a positive effect on the neighboring communities that use the basins.

A blue boat with an outboard motor is positioned in the lower foreground of a large body of water. The sky is filled with scattered white clouds. A large blue circle is overlaid on the center of the image, containing text.

It is a fact that, as a result of the use of water resources at the mines and the port, the quantity or quality of the water in the area has not been altered, and the status of the ecosystem associated with the surface water bodies has even improved, due to the creation of habitats for river vegetation and wildlife, and the ecological flow from the channels, streams and rivers that supply the mines and the port.

Discharges

Total water discharge by nature and destination

[306-1]

Managing water resources requires addressing all of the links in the water use process, and therefore the company's responsibility is not limited to reducing its consumption, but rather it includes ensuring that the conditions in which the water is returned to the ecosystem match the standards defined by the current environmental regulations,¹⁶ so that it is suitable for use by the other users of the basin.

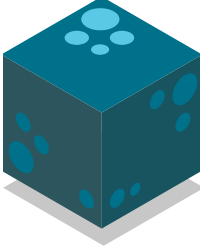
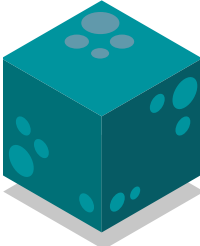
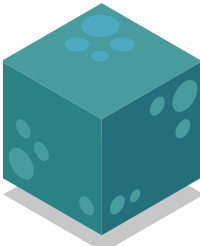
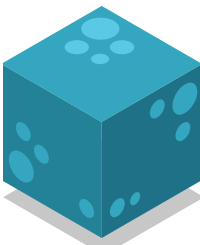
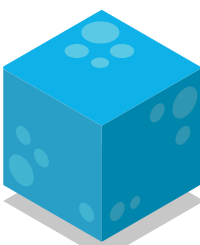
For this reason, as explained above, Drummond Ltd. systematically monitors the water sources that serve the mining and port projects at strategic points, and at the entry and exit from the treatment system. In this monitoring, state-of-the-art equipment is used by personnel that is highly qualified to perform the task. The analyses of the samples are done in laboratories accredited by the Institute of Hydrology, Meteorology and Environmental Studies of Colombia (IDEAM, in Spanish). All of this is to support the accuracy and precision of the results.

Once the data is obtained, the Water Quality Index (WQI) is calculated in order to determine the impact of the discharges on the receiving channels and the effectiveness of the work that the company performs in this area. The WQI is a tool that makes it possible to identify the quality of a body of water, surface or underground, and to detect contamination problems, incorporating physical, chemical and, in some cases, microbiological parameters.¹⁷ The index is interpreted as follows:

¹⁶ Resolution No. 631 of March 17, 2015.

¹⁷ Institute of Hydrology, Meteorology and Environmental Studies of Colombia (IDEAM). (2011). Methodological sheet for the Water Quality Index indicator (Version 1.00). Environmental Indicator System for Colombia - Indicators of surface water quality. Bogotá D.C., Colombia: IDEAM.

Table 21. WQI amounts

	0.00 – 0.25 Water quality rating Very poor
	0.26 – 0.50 Water quality rating Poor
	0.51 – 0.70 Water quality rating Average
	0.71 – 0.90 Water quality rating Acceptable
	0.91 – 1.00 Water quality rating Good

According to the WQI calculated for the San Antonio and El Zorro streams, and the Garrapatas, Paujil and Paraluz streams, before and after the discharge points, water quality did not change from 2016 to 2017, and, in some streams, it even improved (table 22).

It is important to highlight that, in order to implement a restructuring plan for the dumping areas at the mining projects, and adjust the company's water resource management to meet the regulations that went into effect, during 2017 it built

a series of reservoirs, increasing its storage capacity for rainwater, runoff water and infiltration water.

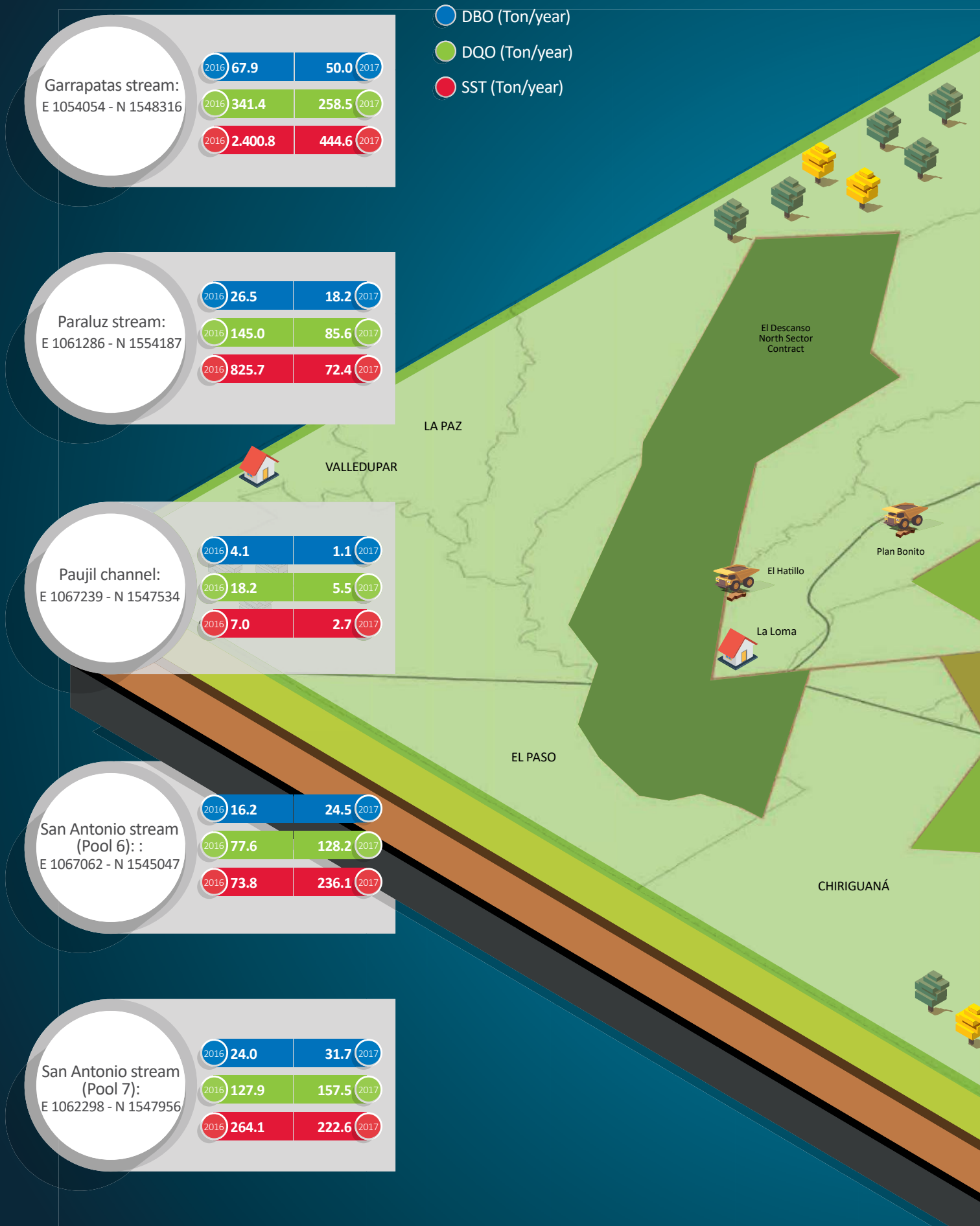
This resulted in a reduction in the volume of water discharged, compared with the figures from 2016 (table 23), and brought about an improvement in the quality of the discharges due to a decrease in sediment concentration as a result of increased sedimentation in the mining pits, and the regulation of discharge flows, since the large volumes of water caused by heavy rainfall were stored in the reservoirs instead of being discharged.

Table 22. Water quality comparison according to WQI

Body	Water quality					
	Result	Rating	Result	Rating	Result	Rating
	2015		2016		2017	
EH10 (San Antonio US)	0.67	AVERAGE	0.74	ACCEPTABLE	0.76	ACCEPTABLE
EH22 (San Antonio DS)	0.66	AVERAGE	0.68	AVERAGE	0.66	AVERAGE
EH18 (Garrapatas US)	ND	ND	0.70	AVERAGE	0.61	AVERAGE
EH14 (Garrapatas DS)	0.68	AVERAGE	0.64	AVERAGE	0.65	AVERAGE
EH15 (Paujil US)	0.69	AVERAGE	0.68	AVERAGE	0.68	AVERAGE
EH29 (Paujil DS)	0.68	AVERAGE	0.72	ACCEPTABLE	0.64	AVERAGE
EH35 (Paraluz US)	0.62	AVERAGE	0.65	AVERAGE	0.72	ACCEPTABLE
EH36 (Paraluz DS)	0.66	AVERAGE	0.67	AVERAGE	0.66	AVERAGE
EHD21 (Zorro US)	0.68	AVERAGE	0.68	AVERAGE	0.66	AVERAGE
EHD12 (Zorro DS)	0.64	AVERAGE	0.61	AVERAGE	0.62	AVERAGE

* US: Upstream. * DS: Downstream

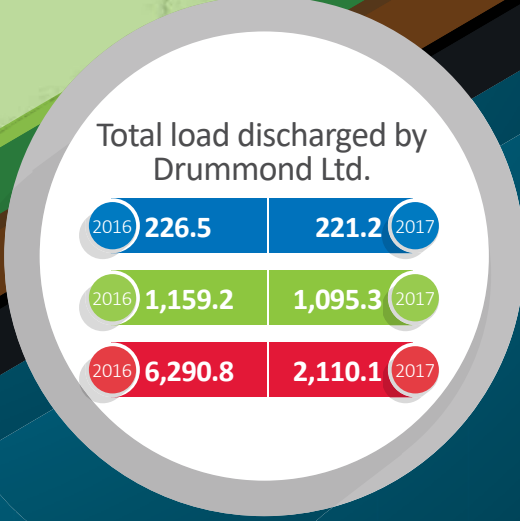
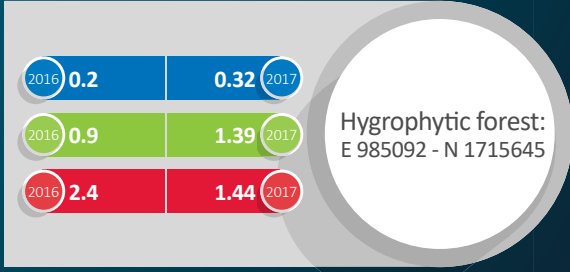
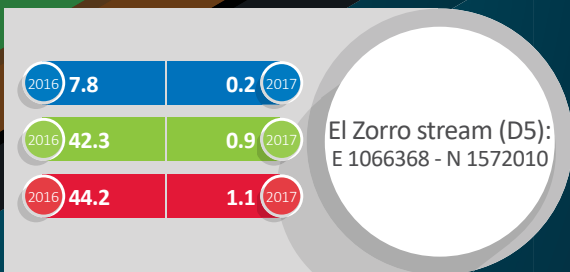
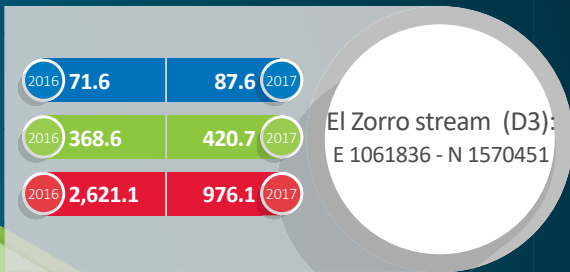
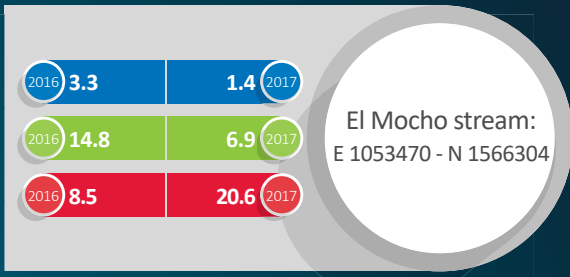
Table 23. Discharge loads



DBO (Ton/año)

DQO (Ton/año)

SST (Ton/año)



On the other hand, to address one of the community's ongoing concerns associated with the conditions of the bodies of water that receive the discharges, a heavy metal analysis¹⁸ is included in the Monitoring Plan (table 5), which, unlike the previous year, was not conducted in the Paujil channel (Pool No. 5) in 2017 because the discharges were very specific and there was no constant dumping throughout the year.

In this sense, it is important to bear in mind that the soil in the area is known for having high iron (Fe) concentrations and, therefore, the water also has high

levels of this metal. Although the high iron concentration has no relation to the mining operations or the water treatment, it makes it difficult to comply with the limits set in the regulations.

Nonetheless, the results of the analysis provide some peace of mind to the community about the quality of the water in the channels that are subject to discharges since they show that, with the exception of iron, the heavy metal concentrations are below the maximum allowable limit and the largest percentage of the data is even below the minimum amount that can be referenced by laboratory analysis.

Table 24. Discharge of heavy metals in mg/l

GRI 306-1 Discharge of heavy metals										
Heavy metals	As (mg/l)	Cd (mg/l)	Zn (mg/l)	Cu (mg/l)	Cr (mg/l)	Fe (mg/l)	Hg (mg/l)	Ni (mg/l)	Ag (mg/l)	Pb (mg/l)
Reference value from Res. 631/15	0.1	0.05	3	1	0.5	2	0.002	0.5	-	0.2
Pound D4 (Garrapatas stream)	<0.004	<0.0007	<0.0447	<0.1	<0.1	<3.01	<0.001	<0.1	<0.0002	<0.00096
Pound 1A (Paraluz stream)	<0.004	<0.00021	<0.0963	<0.1	<0.1	<2.92	<0.001	<0.1	<0.0002	<0.0005
Pound 6 (San Antonio stream)	<0.004	<0.00096	<0.6037	<0.1	<0.1	<2.37	<0.001	<0.005	<0.0002	<0.00118
Pound 7 (San Antonio stream)	<0.004	<0.00089	<0.1489	<0.1	<0.1	<4.98	<0.001	<0.1	<0.0002	<0.00103
Pound D2 (El Mocho stream)	<0.004	<0.0003	<0.3518	<0.1	<0.1	<4.08	<0.001	<0.00327	<0.000714	<0.0005
Pound D3 (El Zorro stream)	<0.004	<0.00062	<0.12	<0.1	<0.2	<6.53	<0.001	<0.0118	<0.009249	<0.00143
Pound D4 (El Zorro stream)	<0.004	<0.00432	<0.0858	<0.1	<0.21	<5.72	<0.001	<0.01139	<0.011692	<0.00203
Pound D5 (El Zorro stream)	<0.004	<0.00052	<0.075	<0.1	<0.15	<1.48	<0.001	<0.018	<0.053118	<0.0007

¹⁸ There is special monitoring of the concentration of metals and metalloids in the water that is discharged, given their important effects on health and the environment; the monitoring has shown compliance with the maximum limits allowed for these variables according to the criteria established in Resolution 631 of 2015.

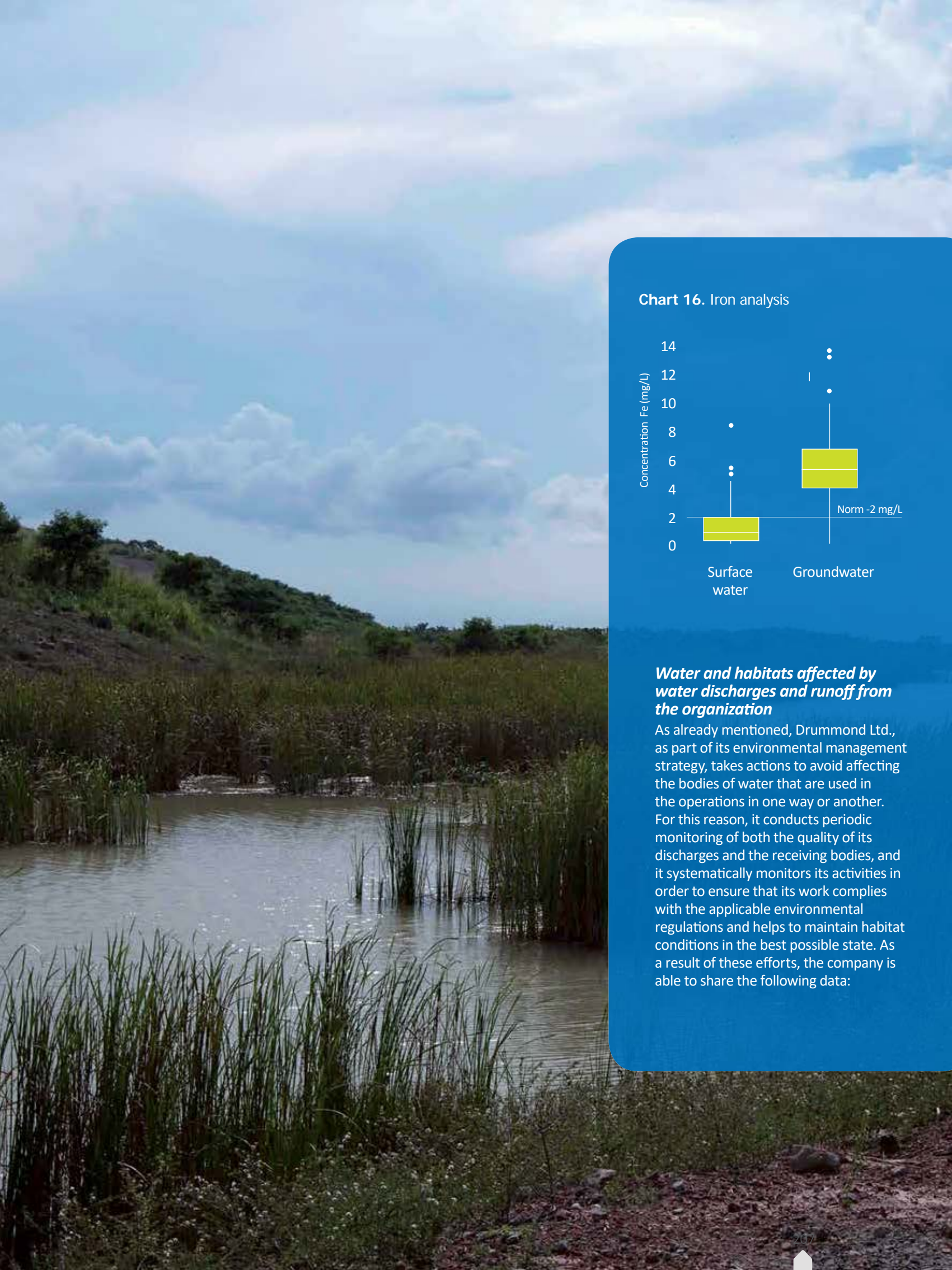
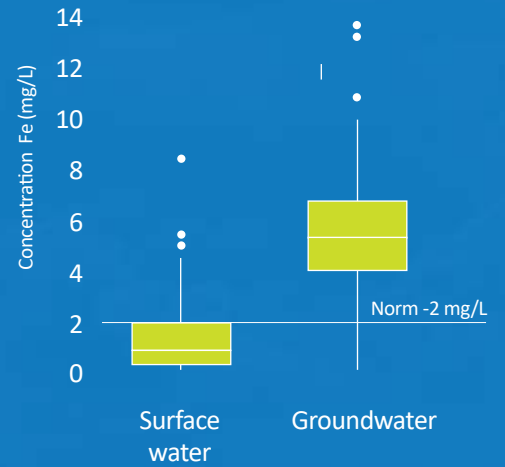


Chart 16. Iron analysis









Water and habitats affected by water discharges and runoff from the organization

As already mentioned, Drummond Ltd., as part of its environmental management strategy, takes actions to avoid affecting the bodies of water that are used in the operations in one way or another. For this reason, it conducts periodic monitoring of both the quality of its discharges and the receiving bodies, and it systematically monitors its activities in order to ensure that its work complies with the applicable environmental regulations and helps to maintain habitat conditions in the best possible state. As a result of these efforts, the company is able to share the following data:







Table 25. Bodies of water receiving discharges









Aspect

- Indicate the percentage of water discharged annually and if it exceeds 5% of the receiving body of water. 
- Are the body of water and related habitat designated as a protected area? 
- Is the discharge to a wetland listed in the Ramsar convention? 
- Does the body of water into which the water have a high biodiversity value (species diversity and endemism, number of protected species)? 
- Does the body of water into which the water is discharged have high value or importance to local communities? 
- If the water discharged annually exceeds 5% of the annual average volume of the receiving body of water, describe the size of the body of water and the habitat 




(Pool 1A)

-  50%
-  NO
-  NO
-  NO
-  NO
-  The Paraluz stream is located to the north of the Pribbenow mine. It covers a distance of 25 Km in an east-west direction, from its source at a place known as "Loma de los Venados," next to the village of Boquerón, until it flows into the Ciénaga de Matepalma, in the jurisdiction of the district of Potrerillo. The size of the body of water is 0.5 m3/s.







(Pool D4)

-  3%
-  NO
-  NO
-  NO
-  NO
-  NA

(Pool 4)

-  100%
-  NO
-  NO
-  NO
-  NO
-  The Garrapatas stream is a seasonal stream that maintains a flow only during the rainy season. It collects the runoff water from the savannah and runs WSW, flowing into the Ciénaga Mata de Palma. The size of the body of water is 0.3 m3/s.

(Pool D5)

-  0.1%
-  NO
-  NO
-  NO
-  NO
-  NA



(Pool D2)

100%

NO

NO

NO

NO

The El Mocho stream is located northwest of Pit 1 in the El Descanso Norte mine, in the vicinity of properties including El Platanal, Santa Elena, La Chiquita, La Sirena, Filadelfia and Santa Rita. It runs northwesterly and flows into the Cesar River. The size of the body of water is 0.0001 m³/s.

(Pool 7)

7%

NO

NO

NO

NO

Pool No. 7 discharges at deviation No. 3 of the San Antonio stream, which drains an area of approximately 170 km²; it originates in the Serranía del Perijá, from which it runs east-west until it discharges in the Las Ánimas stream. It has a defined course and has gallery forests on both sides of its banks, and it receives the water from the Paujil reservoir, built by Drummond Ltd.

(Pool D3)

23%

NO

NO

NO

NO

The El Zorro begins to the north of pit 3 at El Descanso mine, near the Serranía del Perijá (municipalities of Becerril and Codazzi). It runs east-west, passing by pit 1 and flowing into the Sicarare River.

(Pool 5)

0.3%

NO

NO

NO

NO

NA

(Pool 6)

4%

NO

NO

NO

NO

NA

Finally, the Company has different channels of communication with the community (regular meetings, announcements, responses to complaints and requests, etc.), through which it disseminates information related to the progress of the projects and addresses different types of concerns. The most frequently recurring issues include concerns about the availability and quality of water for their daily lives and productive activities. For this reason, the Environmental Department is always ready to clear up any doubts, arguing and technically supporting their answers, letting them know the effects and real impact of our activities in their towns and supporting them, whenever possible, to resolve problems that are beyond the scope of the company's operations.

In 2017, two complaints¹⁹ were received from the community related to water resources. In both cases, owners of properties adjacent to the mining projects suggested that the depletion of the groundwater wells that served their farms was a consequence of Drummond Ltd.'s operations; it was necessary to have the environmental team conduct a technical analysis in order to establish whether or not the company was responsible for the event mentioned above. Based on the evaluation, it was determined that the reduction was the result of climate conditions in the area for the last five years and the way the owners had managed the well, and technical recommendations were made to improve the quality and availability of water on the farms.

[DLTD-03] To execute all of the strategies established by the Environmental Department regarding water resource management, \$ 1.011.152 was invested in the mining projects and COP 1,058,889,746.00 at Puerto Drummond.

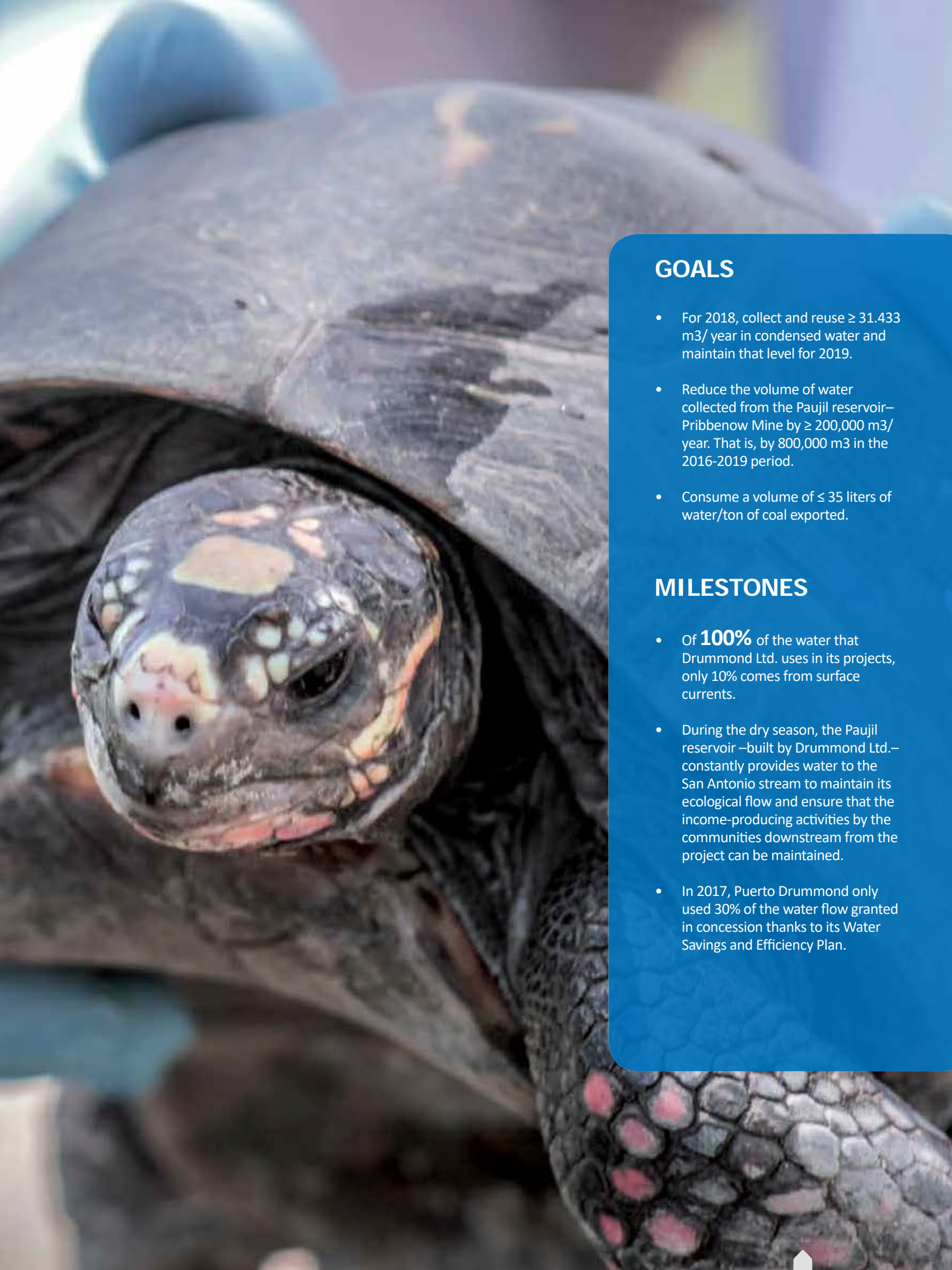
[DLTD-03]

Due to the sustainable management of the water sources granted in concession of the authorized discharge points for rainwater and runoff water, as well as the Environmental Monitoring Program, the company can be sure that it has had a net positive impact. The scope, in terms of water resources, includes the entire network of surface and groundwater streams in the projects, including protection of resources where no water is collected or discharged.

Case study

In 2017, work began on the projects authorized through the amendment to the license for the La Loma –Pribbenow Mine project for the realignment of the San Antonio stream, strictly complying with the approved designs. Before starting construction, the appropriate management measures were implemented: moving and translocating fauna, collecting seeds and rescuing seedlings. At the same time, the company's tree nursery is producing the plant material that is needed to carry out the restoration work, which will be executed once all of the work associated with the deviation has been completed.

¹⁹ Anyone interested in filing a complaint should send an e-mail to denuncias@drummond.com or send a report to Calle 72 No. 10-07 Office 1302, Bogotá, Colombia, to the attention of the Complaints Committee.



GOALS

- For 2018, collect and reuse ≥ 31.433 m³/ year in condensed water and maintain that level for 2019.
- Reduce the volume of water collected from the Paujil reservoir–Pribbenow Mine by $\geq 200,000$ m³/ year. That is, by 800,000 m³ in the 2016-2019 period.
- Consume a volume of ≤ 35 liters of water/ton of coal exported.

MILESTONES

- Of **100%** of the water that Drummond Ltd. uses in its projects, only 10% comes from surface currents.
- During the dry season, the Paujil reservoir –built by Drummond Ltd.– constantly provides water to the San Antonio stream to maintain its ecological flow and ensure that the income-producing activities by the communities downstream from the project can be maintained.
- In 2017, Puerto Drummond only used 30% of the water flow granted in concession thanks to its Water Savings and Efficiency Plan.

Air quality and health impacts

[GRI 103-1]

Generally speaking, open-pit coal mining involves the excavation, movement, storage and transportation of large volumes of soil, overburden and, of course, coal. These activities, as well as the use of refrigeration equipment, the operation of machinery and vehicles, the clearing, drilling, and blasting, the creation of dumping areas and the grinding of coal, among others, contribute particulate matter and greenhouse gases to the atmosphere, which is why a specific type of control has been implemented for each of them.

Additionally, due to the intrinsic nature of the air, the climate conditions in the area and the socio-economic dynamics of the region, air quality management must be continuously reinforced. This is done by breaking down and analyzing the details of the internal and external factors that affect its quality, and by precisely identifying the most effective mechanisms and procedures in terms of mitigating the impact on the operations and keeping emissions at levels that do not represent a health risk.

For this purpose, Drummond Ltd. has an Air Quality Management and Environmental Monitoring Program, which includes the actions to be taken at each step in the coal mining process, and the method for measuring its effectiveness. This means that the main components of the program are the use of emission mitigation and control techniques, and constant environmental monitoring.

[GRI 103-2]

Additionally, since Drummond Ltd. has identified that the transportation of material at its projects generates 60% of emissions, the mitigation strategies are mainly focused on:

01



Reducing the amount of material to be moved, increasing backfilling.

02



Placing the soil and/or overburden in strategic, nearby sites to avoid long trips.



Emissions of particulate matter are controlled by spraying or sprinkling water using tanker trucks, cannons and micro-sprinklers, in order to encapsulate the particles of coal or dust and make them sink to the ground or coal piles. This process prevents them from being dispersed into the atmosphere. Depending on the activity, different types of equipment are used. During the dry season, control on the roads is increased, using chemical dust suppressors that, in addition to being biodegradable, help with the efficient use of water resources during critical periods.

In addition, thanks to the results of the air quality studies, modeling and chemical speciation conducted in the area of influence of the mining projects, it has been demonstrated that the sources of emission that contribute the most to the concentrations of particulate matter in the towns are traffic on urban roads, burning garbage and forest fires. For this reason, Drummond Ltd., along with the other mining companies in the area, aimed its efforts during 2017 at three areas:

- 1. Development of a plan to improve air quality based on a traffic study and an inventory of emissions from the urban area of the town of La Loma.** The plan is based on three main actions: reorganizing traffic, paving and cleaning critical roads. It is expected that the proposal will be implemented in the short term by the corresponding regional agencies, with the support of the mining companies.
- 2. Priority response to forest fires.** During 2017, significant resources were allocated and special attention was given to managing forest fires in the mining projects. Additionally, in order to respond in a timely manner to these types of events on lands that the company does not own, direct, on-going communication was established with fire brigade group in the central region of the Cesar department.
- 3. Economic and logistical support for the implementation of an Integrated Solid Waste Management System in the town of Boquerón, in order to avoid waste incineration.**

[GRI 103-3]



Drummond Ltd.'s commitment to air quality is primarily a response to the effects that it could have on the health of its workers and the surrounding communities.

Therefore, to establish the effectiveness of the measures, the company has implemented a modern system to monitor particulate matter, which consists of two types of networks: an external one, which has equipment located in the towns near the projects, and an internal one, made up of stations located inside the mining projects and the surrounding towns. The internal network is made up of six automatic devices that measure concentrations of PST, PM10 and PM2.5 particles in real time, and that collect meteorological data such as wind speed and direction.



01 The effectiveness of the results are verified through the information recorded, by using the maximum allowable emission levels as a reference, as well as the monitoring, tracking, control and oversight protocols that have been established by the environmental authorities in both the atmospheric emission permits for the mines and the port and in the Colombian environmental regulations that cover this issue.





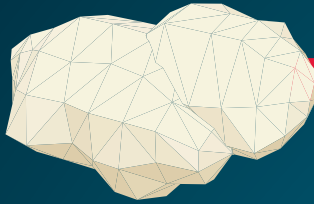
02

Similarly, the ANLA and the Regional Autonomous Corporations, through their monitoring and control visits or their review of the Environmental Compliance Reports, periodically confirm compliance of Drummond Ltd.'s responsibilities regarding air quality.



03

Finally, all efforts are aimed at preventing the mining and port activities from affecting the health of the workers and the neighboring communities and, by sharing knowledge, investment in resources and working together, to ensure that the company contributes to improving their quality of life.



[GRI 305-2]

Indirect GHG emissions from generating energy

The energy consumed at the mining projects comes from an internal plant; for this reason, its emissions are accounted for in Scope 1. In the case of the port operations, to estimate indirect GHG emissions from energy generation, which amounted to 12,330 tons of CO₂ equivalent in 2017, CO₂, CH₄ and N₂O gases were taken into account and the 2016 FECOC factors for Colombia were used.

[GRI 305-1]

Direct GHG emissions

In the calculation of GHG emissions from the mining projects, Drummond Ltd. included CO₂, CH₄ and N₂O. In terms of biogenic emissions, the 2016 FECOC factors for Colombia were used. Emissions from the use of explosives were estimated based on the Australian Guidelines, and those generated by the coalbeds were estimated using UPME factors. The consolidation approach for emissions is operational control.

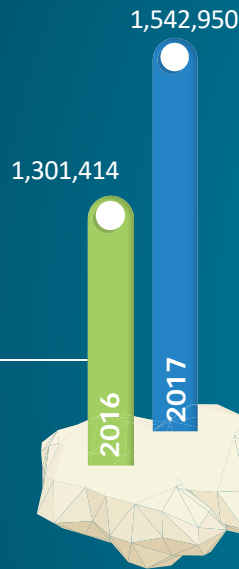
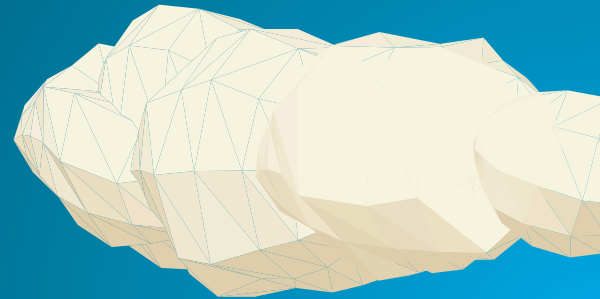


Chart 17. Direct GHG emissions at the mine - Ton CO₂eq. Scope 1

Regarding the port, in 2017, the amount of GHG emissions was 82,188 tons. The calculation was made using a bottom up exercise to directly apply the available and standardized emission factors for Colombia.



NO_x, SO_x and other significant atmospheric emissions

As mentioned above, the internal network for the particulate matter monitoring system at the mining projects measures concentrations of PST, PM10 and PM2.5 particles in real time. When levels are recorded that exceed the limits and the wind is blowing toward the towns in the area of influence of the two mines, the system sends an alert and the controls are immediately intensified in the different areas of operation to keep emissions at levels that do not represent a risk to the health of the neighboring communities.

This is an example of how the information from the monitoring networks has been very useful in managing air quality. In addition, it has made it possible to understand and model the behavior of the emissions over time and under different operating and climate scenarios, helping the company to meet important environmental performance goals. This is how Drummond has historical data available that makes it possible to analyze the factors that affect air quality, and to take the appropriate measures to properly manage this critical issue:

Chart 18. TSP Tons/year

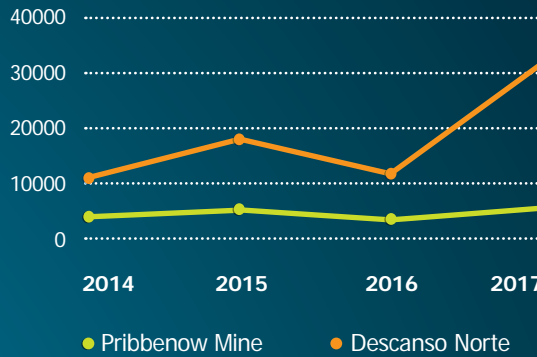


Chart 19. PM10 Tons/year

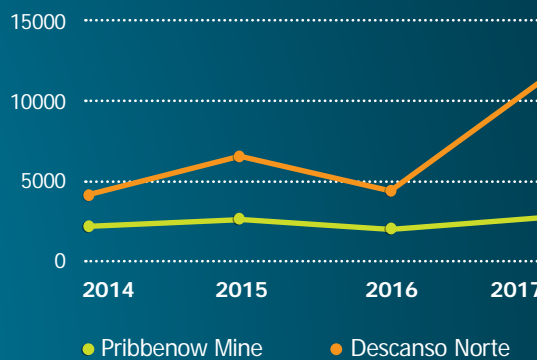
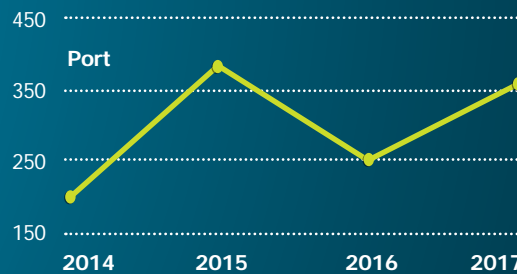


Chart 20. TSP Tons/year



To estimate the emissions of particulate matter, AP42 emission factors were used from the U.S. Environmental Protection Agency (EPA). Based on the results, emissions of TSP and PM10 particulate matter have remained constant for the last four years at the Pribbenow mine. In contrast, there was a considerable increase in emissions at the El Descanso mine in 2017, which is consistent with the growth in production and movement of materials that took place at that project during the last year.



MILESTONES:

- Drummond Ltd. has **33** tanker trucks: **13** at the Pribbenow mine, **17** at the El Descanso mine and three at the Port. It is the largest tanker fleet per unit of production in the country and the one with the largest irrigation capacity.
- The resources allocated to air quality management at Drummond Ltd.'s mining projects amounted to **\$ 358.806** in 2017, and **COP 208,510,587** for the port project.
- Drummond Ltd. has a real-time internal air quality monitoring network for each of its mining networks, thanks to which it is able to provide more effective operational control.



CHALLENGES:

- Begin an epidemiological study to determine whether there is any relationship between personal risk factors, access to healthcare and environmental risk factors to the respiratory and dermatological health of the people living in the area of influence of the coal mining operations in the center of the Cesar department. In the event that there is a direct relationship between the health of the neighboring populations and the activities associated with the mining operations, a strategy will be designed and implemented to adopt the necessary measures before 2020.
- Keep daily emissions of particulate matter at the port below $300 \mu\text{g}/\text{m}^3$.
- Achieve daily emissions of PM10 particulate matter at the mining projects below $300 \mu\text{g}/\text{m}^3$.

Protecting biodiversity

[GRI 103-1]

Protecting biodiversity is one of the most important aspects of Drummond Ltd.'s environmental management, not only because of the size of the area affected by the progress of the mines or the port operations, which requires exemplary management of the physical and biotic components of the ecosystem, but also because of the responsibility that the company has to return the land that was mined to an ecologically functional status.

[GRI 103-2]

This is why Drummond Ltd. undertakes interdisciplinary planning work with all of the company's departments, and under a strict rule only the necessary polygons (areas) are affected by the progress of the projects, in such a way that those that are excluded become part of the network of areas for restoration and preservation of the biodiversity within the mines and the port.

In addition, and before the removal of the vegetation cover and soil, a protocol for the removal and relocation of fauna and rescuing seedlings and seeds is implemented, to avoid affecting the wildlife and ensure that it has a germplasm bank to rehabilitate the affected areas and the soil storage areas, which, ultimately, represent the start of the biodiversity recovery and conservation processes.

These processes take place in several stages throughout the project's lifespan. The first corresponds to the creation of deposits of soil excavated during coal extraction that, once they are geomorphologically structured, undergo replanting using both rescued seeds and seedlings and those propagated in the company's nursery.

Similarly, and with the goal of improving the habitat, water reservoirs are built around the overburden deposits that encourage the creation

of specific microclimatic conditions, speeding up the recovery of the area and generating shelter and food for the wildlife which, in turn, connect with the patches of forest or grasslands that have been preserved or restored.

The second stage is the closure plan for the mines and the port, which, although they won't be executed until the mining activity is complete, they have been designed since the projects were licensed and are adjusted in accordance with the progress of the mining plan and the results of the recovery and rehabilitation of the affected areas.

Moreover, to complement the biodiversity protection strategy, Drummond Ltd. has a Forestry Compensation Program that is based





Secondly, the environmental management systems, both at the port and the one that is in the process of being certified for the Pribbenow and El Descanso mines, have their own performance indicators that demonstrate the activities are in a process of constant self-evaluation and improvement.

on the creation of biological corridors at a landscape scale between the tropical dry forest, the high Andean forest, the sub-plains areas and the swamps in the Department of Cesar.

This program is executed through the implementation of different landscape-management tools on community lands located in the basins of the Sicarare, Fernambuco and Casacará rivers and the San Antonio and Las Ánimas streams. The tools are based on the restoration, conservation and preservation of ecosystems through the coordination of productive projects and payment for environmental services.

To evaluate the actions that Drummond Ltd. has taken in terms of protecting biodiversity, different mechanisms are used. First, given that the national and regional environmental authorities²⁰ are the ones responsible for monitoring and overseeing compliance with the obligations arising from the environmental licenses and the permits for the use and exploitation of natural resources that have been granted to the company, they are the ones that, after reviewing the Environmental Compliance Reports or conducting field visits, issue administrative acts giving an account of the company's environmental performance.

²⁰ Ministry of the Environment and Sustainable Development (MADS), National Environmental Licensing Authority (ANLA), the Regional Autonomous Corporation of Cesar (Corpocesar), and the Regional Autonomous Corporation of Magdalena (Corpamag).

[GRI 103-3]

Habitats preserved, restored or compensations

It is clear that open-pit coal mining involves the total removal of vegetation and soil in the areas where the resource is extracted, and the partial disturbance of areas where the support infrastructure for the operation is installed.

For this reason, Drummond Ltd., in addition to having developed thorough knowledge of the ecosystems in the area, follows rigorous management protocols to avoid, mitigate and control the impact of its activities on biodiversity and compensate for their residual effects.

This means that the company has a strategy that ensures that the necessary steps are taken to protect, conserve and restore the biodiversity of the ecosystems in the mines and the port. Below is a description of the most representative projects being carried out at Pribbenow and El Descanso:

Table 26. Habitats preserved, restored or compensation processes at the mining operations

SORORIA RIVER

Status: Compensation – Restoration

Municipality of La Jagua de Ibirico

Area: 11 ha

The areas are in the process of being restored. In 2018 monitoring will be carried out to establish the progress of the recovery.

Verified by: Office of Forests, Biodiversity and Ecosystem Services of the Ministry of the Environment and Sustainable Development (MADS), National Licensing Agency (ANLA) and Regional Autonomous Corporation of Cesar (Corpocezar).

The degree of restoration of the areas where the measures were implemented is 100%.



SORORIA RIVER

Status: Compensation – Restoration

Colombia, municipality of La Jagua de Ibirico

Area: 382 ha

The restored areas are in excellent condition, even though they have been affected by water stress.

Verified by: Office of Forests, Biodiversity and Ecosystem Services of the Ministry of the Environment and Sustainable Development (MADS), National Licensing Agency (ANLA) and Regional Autonomous Corporation of Cesar (Corpocesar).

The agreement process with the ANLA and the Office of Ecosystems of the MADS continues regarding the activities that must take place during the maintenance phase and the addition of new areas for conservation and agroforestry systems. There was also an assessment that determined which properties could be used for one use or another, in a way that guarantees the sustainability of the project, hand-in-hand with the associated communities.



DUMPING AREAS NORTH, NO. 9 AND REALIGNMENT NO. 4 DEL SAN ANTONIO STREAM.

Status: Rehabilitated – Replanted

Colombia, municipalities of Chiriguana, El Paso and La Jagua de Ibirico – Pribbenow mine

Area: 980 ha

Advanced recovery with the presence of representative species in different successional states, mainly pioneers.

Verified by: National Licensing Agency (ANLA) and Regional Autonomous Corporation of Cesar (Corpocesar).

The rehabilitation process continues.

DUMPING AREAS NO. 1 AND NO. 8

Status: Rehabilitated – Replanted

Colombia, municipality of Becerril – El Descanso mine

Area: 50 ha

Advanced recovery with the presence of representative species in different successional states, mainly pioneers.

Verified by: National Licensing Agency (ANLA) and Regional Autonomous Corporation of Cesar (Corpocesar).

The rehabilitation process continues.

In the case of the port, the following processes are being implemented:

Table 27. Habitats preserved, restored or compensation processes at the port

HYGROPHYTIC FOREST

Status: Compensation –
Preservation and Compensation

Hygrophytic Forest Compensation

Country: Colombia

Department: Magdalena

Municipality: Ciénaga

District: Papare

Location: Puerto Drummond

Average altitude: 2 mamsl

Total trees planted: 697 trees

Coordinates: North 1,715,629 – East 985,100

Area: 0.9 ha

The hygrophytic forest at Puerto Drummond is in an intermediate successional state, and its dynamic corresponds to climatic seasonality. A significant natural regeneration process can be seen, and the individuals show good phytosanitary status.

Verified by: National Licensing Agency (ANLA) and Regional Autonomous Corporation of Magdalena (Corpamag).

To comply with Resolution No. 5114 of 1997, which established the obligation to protect a hygrophytic forest in an area measuring 0.9 hectares, in October 1998 700 trees of the following species were planted: oak (*Tabebuia rosea*), ceiba (*Ceiba pentandra*), saman (*Pithelelobium saman*), laurel (*Ficus* sp.), Panama tree (*Sterculea apetala*), yellow mombin (*Spondias mombin*), palm (*Atalea* sp.), wild cashew (*Anacardium excelsum*), golden fig (*Ficus* sp.), barraco (*Matisia* sp.), Cecropia (*Cecropia* sp.), mango (*Mangifera indica*), and copperwood (*Licania* sp.).



TORIBIO RIVER

Status: Compensation –
Preservation and Compensation

Middle basin of the Toribio River

Country: Colombia

Department: Magdalena

Municipality: Santa Marta DTH

District: East, Property: El Recreo

Distance from Santa Marta: 33 Km.

Average altitude: 1150 mamsl

Total area: 20 ha

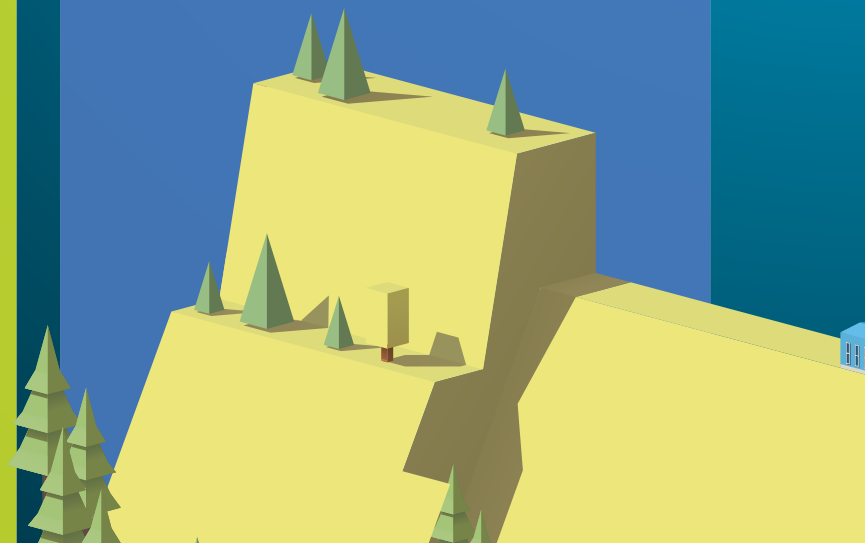
Released area to be replanted: 20 ha

Total trees planted: 18,380

The area consists of two lots: Lot 1, with 5 ha, and Lot 2, with 15 ha, located on the slope of the mountain in the middle basin of the Toribio River.

Verified by: Regional Autonomous Corporation of Magdalena (Corpamag).

The planting took place in 2011. The developing forest is strengthening connectivity among the relics of the natural forest in the basin.





Number of species included in the International Union for Conservation of Nature (IUCN) red list and on national conservation lists whose habitats are in areas affected by the operations, according to the species' level of danger of extinction.

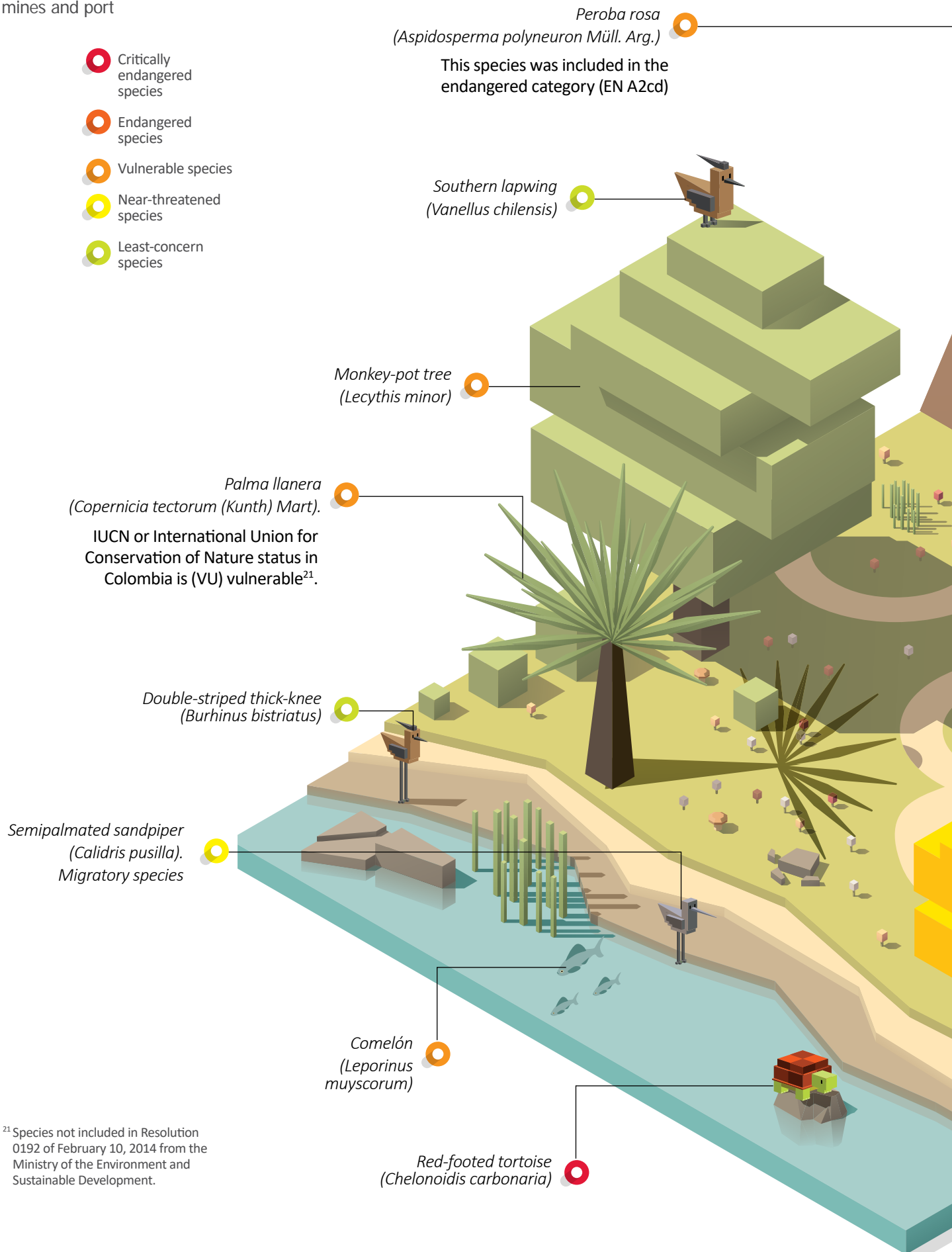
[GRI 304-4]

In ecological terms, the development of the mining and port projects suggests the alteration or elimination of the habitat for various flora and fauna populations (land and aquatic) and a change in the ecological dynamics in the areas adjacent to the operations.

Consequently, for Drummond Ltd. it is critical to be able to measure the success of the recovery and rehabilitation of the affected areas, or the protection of biodiversity within the mines or at the port, based on the results of the annual biotic monitoring, which includes specific monitoring of the following species of flora and fauna included on conservation lists:

Table 28. Species on conservation lists at the mines and port

- Critically endangered species
- Endangered species
- Vulnerable species
- Near-threatened species
- Least-concern species



²¹ Species not included in Resolution 0192 of February 10, 2014 from the Ministry of the Environment and Sustainable Development.



Orange-chinned parakeet
(*Brotogeris jugularis*)

Wild cashew (*Anacardium
excelsum* (Bertero ex Kunth)).
Near-threatened species (NT),
according to the red book of
Colombian plants (Cárdenas
and Salinas, 2007)²²

Roble
(*Tabebuia bilbergii*)

Blue-billed
curassow
(*Crax alberti*)

Rusby
(*Parynarium pachyphyllum*)

²²Species not included in Resolution 0192 of February 10, 2014 from the Ministry of the Environment and Sustainable Development.

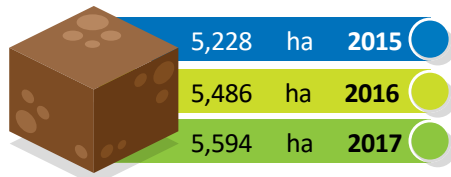
It is worth noting that, although all of the species reported at the wildlife stations are categorized on the International Union for Conservation of Nature (IUCN) lists as being of "least concern," for Drummond Ltd. their preservation is a priority.

Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated

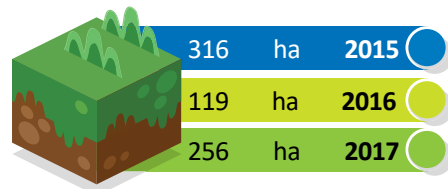
The dumping areas, although they are areas that could be considered artificial due to their anthropic origin, become naturalized land over time, where they lead to dynamics that are characteristic of plant succession. Hence their importance for protecting biodiversity. During 2017, Drummond Ltd. was able to rehabilitate 143 hectares of land at the Pribbenow and El Descanso mining projects, as described below:



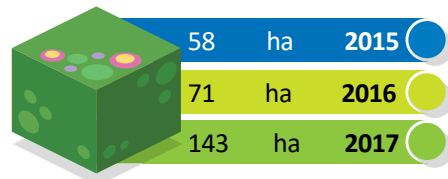
Total amount of land disturbed and not rehabilitated at the start (A)



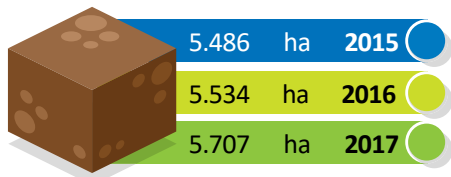
Total amount of land disturbed, excluding the land taken into account in the previous item (B)



Total amount of land rehabilitated (C)



Total amount of land disturbed and not rehabilitated A+B-C= (D)



Regarding the port project, although no new areas were affected in 2017, 2 hectares were reforested and replanted where the process had begun during 2016.



Case study

The rehabilitation program for the affected areas in the mines includes soil improvement through the planting of legumes such as beans and chickpeas. Their results have exceeded expectations, given the productivity of these two species.

MILESTONES

- Working with Corpocezar during 2017, 220 wild animals were released in the Paujil reservoir, belonging to different bird, turtle and snake species.
- In 2017, at least 1,030 hectares of affected areas were recovered and rehabilitated, planting 13,263 trees from 29 native species.

CHALLENGES:

- To receive approval in 2018 by the ANLA of the Forestry Compensation Program for the Pribbenow mine.
- To recover and rehabilitate at least 150 hectares of affected areas at the Pribbenow and El Descanso mines.
- In 2019, begin execution of the Forest Compensation Program at the Pribbenow mine, on at least 1,000 hectares of the San Antonio stream basin.



MARITIME
POWER

MAJURO



08

Appendices

Appendix: Infrastructure investments and services supported

Significant Investments	Estimated year of completion	Execution target in 2017	Degree of progress in 2017	Investment
COMMUNITY-BUILDING PROGRAM: EDUCATION AND CULTURE				
Francisco de Paula Santander School	2018	100%	90%	\$ 7,578
Las Flores School	2018	100%	80%	\$ 21,432
Antonio Galo Lafaurie School	2018	100%	70%	\$ 21,398
General repairs and updates to the Trujillo School, Primary Building	2018	100%	95%	\$ 67,570
Equipment for the Geriatric Center in the town of La Victoria de San Isidro	2018	100%	95%	\$ 12,616
Furniture for the La Palmita and La Estrella Rural Schools	2017	100%	100%	\$ 11,837
Repairs and expansion of the school in the village of El Zumbador – Phase I	2018	100%	70%	\$ 36,854
Improvements to the school in the village of Alto de las Flores – Phase II	2018	100%	100%	\$ 3,657
Construction of a cafeteria at the Rafael Argote Vega School (new campus)	2018	100%	95%	\$ 49,727
Construction of a child development center in the village of Arenas Blancas, municipality of Chiriguana	2017	100%	100%	\$ 83,897
Second stage of the restoration of the La Francia School in the Simón Bolívar neighborhood in the municipality of Ciénaga	2017	100%	100%	\$ 42,356
Uniforms and instruments for music academies in Cesar and Magdalena	2017	100%	100%	\$ 17,305
Scholarship program	2017	100%	100%	\$ 203,595

Significant Investments	Estimated year of completion	Execution target in 2017	Degree of progress in 2017	Investment
Humanitarian education fund	2017	100%	100%	\$ 162,508
In-house training program	2017	100%	100%	\$ 6,493,626
Support for cultural events	2017	100%	100%	\$ 34,563
TOTAL EDUCATION AND CULTURE				\$ 7,270,520
COMMUNITY-BUILDING PROGRAM: RECREATION AND SPORTS PROMOTION				
Updates to sports venues in the municipal seat of Bosconia	2017	100%	100%	\$ 26,363
Construction of Ayacucho Park	2017	100%	100%	\$ 26,962
Donation of uniforms and sports equipment to teams, sports training academies and schools in the municipalities in the areas of influence in Cesar and Magdalena	2017	100%	100%	\$ 51,388
TOTAL RECREATION AND SPORTS PROMOTION				\$104,713
COMMUNITY-BUILDING PROGRAM: HEALTH AND CHILD NUTRITION				
Updating and furnishing the health clinic in the village of El Carmen	2018	100%	80%	\$ 25,229
Updating and furnishing the health clinic in the village of El Vallito	2018	100%	90%	\$ 26,418
Strengthening early childhood programs (nutrition and comprehensive education) at the following CDCs (Child Development Centers): Nueva Esperanza, El Poblado and La Milagrosa in Ciénaga; Mis Primeros Pasos and Infancia Feliz in Tucurinca; Sevilla in Zona Bananera; and Macondo in Aracataca, in partnership with the Genesis Foundation.	2017	100%	100%	\$ 30,117
Funding for the 5th Cardiology Brigade in support of the Volunteer Group from the Hospital Rosario Pumarejo de López and the Fundación Cardioinfantil in Bogota	2017	100%	100%	\$ 2,541
TOTAL HEALTH AND CHILD NUTRITION				\$ 84,306

Significant Investments	Estimated year of completion	Execution target in 2017	Degree of progress in 2017	Investment
COMMUNITY-BUILDING PROGRAM: MAINTENANCE OF PHYSICAL AND ROAD INFRASTRUCTURE				
Paving 10th Street, Barrio Juan XXIII	2017	100%	100%	\$ 14,879
Remodeling and equipment for the kitchen at the Sagrado Corazón de Jesús Nursing Home	2017	100%	100%	\$ 16,939
Infrastructure maintenance in the area of influence in the departments of Cesar y Magdalena (painting)	2017	100%	100%	\$ 20,063
Road maintenance program	2017	100%	100%	\$ 437,102
TOTAL MAINTENANCE OF PHYSICAL AND ROAD INFRASTRUCTURE				\$ 488,983
COMMUNITY-BUILDING PROGRAM: MAINTENANCE OF CHURCH INFRASTRUCTURE				
Donation of a sound system for the Cathedral of Santa Marta	2017	100%	100%	\$ 10,166
Painting of the Church of Nuestra Señora del Rosario in Chiquinquirá, in the municipality of Chiriguana	2017	100%	100%	\$ 1,459
Contribution of concrete blocks for the construction of the Santo Ecce Homo Cathedral, in the municipality of Valledupar	2017	100%	100%	\$ 24,397
TOTAL MAINTENANCE OF CHURCH INFRASTRUCTURE				\$ 36,022
COMMUNITY-BUILDING PROGRAM: PRODUCTIVE DEVELOPMENT				
"Planting the Future" project, Humberto Velázquez García School, training for organic banana production. Zona Bananera.	2018	100%	100%	\$ 16,943
Social projects for the eradication of extreme poverty and income generation / agreement with DRUMMOND LTD., USAID ACDI/VOCA, FUNDEMICROMAG	2018	100%	50%	\$ 30,497
The Beatriz García de Vigna Women's Workshop	2017	100%	100%	\$ 5,157
TOTAL PRODUCTIVE DEVELOPMENT				\$ 52,596

Significant Investments	Estimated year of completion	Execution target in 2017	Degree of progress in 2017	Investment
Other donations: green towns	2017	100%	100%	\$ 11,685
Other donations: visitor program	2017	100%	100%	\$ 7,270
Other donations: assistance for victims	2017	100%	100%	\$ 14,909
TOTAL OTHER DONATIONS				\$33,864
TOTAL		100%	95%	\$ 8,071,003

Appendix: GRI Content Index



For the Materiality Disclosures Service, GRI Services has reviewed that the GRI content index is clearly presented and the references for content 102-40 to 102-49 are aligned with the appropriate sections.

GRI Content Index Drummond Ltd.

GRI Standard	Content	Page / URL / Comment	Omission	Verification	Sustainable Development Goal (SDG)	
GRI 101: 2016 Foundations						
Organizational profile						
GRI 102: General Disclosures 2016	102-1	Name of the organization.	12			
	102-2	Activities, brands, products and services.	12			
	102-3	Location of headquarters	Bogotá, D.C.			
	102-4	Location of operations	12			
	102-5	Ownership and legal form	Branch of a foreign private corporation			
	102-6	Markets served	13			
	102-7	Scale of the organization	12.24		Yes	
	102-8	Information on employees and other workers	25			Goal 8: Decent work and economic growth (Employment)
	102-9	Supply chain	16			
	102-10	Significant changes in the organization and its supply chain	There were no significant events during 2017 at Drummond Ltd.			

GRI Content Index Drummond Ltd.

GRI Standard	Content	Page / URL / Comment	Omission	Verification	Sustainable Development Goal (SDG)
	102-11	Precautionary principle or approach	The Company's position regarding the precautionary principle is to refrain from conducting operations when it could supposedly cause serious risk to public health or the environment, even without definitive scientific evidence of that risk.		
	102-12	External initiatives	52	Yes	
	102-13	Membership of associations	53		
Strategy					
GRI 102: General Disclosures 2016	102-14	Statement from senior decision-maker	8		
	102-15	Key impacts, risks and opportunities	8		
Ethics and Integrity					
GRI 102: General Disclosures 2016	102-16	Values, principles, standards and norms of behavior	http://www.drummondLtd.com/about-us/our-commitment/?lang=en		Goal 16: Peace, justice and strong institutions (Ethical and lawful behavior)
	102-17	Mechanisms for advice and concerns about ethics	40		Goal 16: Peace, justice and strong institutions (Ethical and lawful behavior)
Governance					
	102-18	Governance structure	38		
	102-19	Delegating authority	39		
	102-20	Executive-level responsibility for economic, environmental and social topics	38		

GRI Content Index Drummond Ltd.

GRI Standard	Content		Page / URL / Comment	Omission	Verification	Sustainable Development Goal (SDG)
GRI 102: General Disclosures 2016	102-26	Role of the highest governance body in setting purpose, values and strategy	38			
	102-32	Highest governance body's role in sustainability reporting	7			
	102-33	Communicating critical concerns	39			
	102-34	Nature and total number of critical concerns	39			
Stakeholder Engagement						
GRI 102: General Disclosures 2016	102-40	List of stakeholder groups	54		Yes	
	102-41	Collective bargaining agreements	54		Yes	Goal 8: Decent work and economic growth (Freedom of association and collective bargaining)
	102-42	Identifying and selecting stakeholders	54			
	102-43	Approach to stakeholder engagement	54			
	102-44	Key topics and concerns raised	54		Yes	
Practices for Preparing Reports						
	102-45	Entities included in the consolidated financial statements	Companies included in the sustainability report: Drummond Ltd., Drummond Coal Mining L.L.C., Transport Services L.L.C., American Port Company Inc., Coal Resources Colombia Ltd. C.I., Drummond USA Inc.		Yes	

GRI Content Index Drummond Ltd.

GRI Standard	Content	Page / URL / Comment	Omission	Verification	Sustainable Development Goal (SDG)	
GRI 102: General Disclosures 2016	102-46	Defining report content and topic boundaries	60		Yes	
	102-47	List of material aspects	63		Yes	
	102-48	Restatements of information	There were no restatements of information published in previous reports.		Yes	
	102-49	Changes in reporting	Although the materiality changed, the mining, port and hydrocarbon operations have been maintained, where applicable.		Yes	
	102-50	Reporting period	6		Yes	
	102-51	Date of most recent report	6		Yes	
	102-52	Reporting cycle	6		Yes	
	102-53	Contact point for questions regarding the report	7		Yes	
	102-54	Claim of reporting in accordance with the GRI Standards	6		Yes	
	102-55	GRI Content Index	120		Yes	
102-56	External assurance	7		Yes		

GRI Content Index Drummond Ltd.

Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
Desempeño económico						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	72		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	73		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	74		Yes	
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	76		Yes	Goal 2: Zero hunger (infrastructure investments) Goal 5: Gender equality (infrastructure investments) Goal 7: Affordable and clean energy (infrastructure investments) Goal 8: Decent work and economic growth (economic inclusion) Goal 9: Industry, innovation and infrastructure (infrastructure investments) (research and development)
	201-2	Financial implications and other risks and opportunities due to climate change	79			Goal 13: Climate action (Risks and opportunities due to climate change)
	201-3	Defined benefit plan obligations and other retirement plans	83			
Market presence						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	72		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	73		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	74		Yes	
GRI 202: Market presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	76			Goal 1: No poverty (Income, wages and benefits) Goal 5: Gender equality (Equal pay for men and women) Goal 8: Decent work and economic growth (Income, wages and benefits)
	202-2	Proportion of senior management hired from the local community	84			Goal 8: Decent work and economic growth (Employment)

GRI Content Index Drummond Ltd.

Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
Indirect economic impacts						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	72		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	73		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	74		Yes	
203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	180		Yes	Goal 2: Zero hunger (infrastructure investments) Goal 5: Gender equality (infrastructure investments) Goal 7: Affordable and clean energy (infrastructure investments) Goal 9: Industry, innovation and infrastructure (infrastructure investments) Goal 11: Sustainable cities and communities (infrastructure investments)
	203-2	Significant indirect economic impacts	183			Goal 1: No poverty (Availability of products and services for low-income people) (Economic development in high-poverty areas) Goal 2: Zero hunger (Changing the productivity of organizations, sectors or the whole economy) Goal 3: Good health and well-being (access to medicines) Goal 8: Decent work and economic growth (Changing the productivity of organizations, sectors or the whole economy) (Indirect impact on job creation) (Work supported in the supply chain) Goal 10: Reduced inequalities Economic development in high-poverty areas) (indirect foreign investment) Goal 17: Partnerships for the goals (indirect foreign investment)
Procurement practices						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	86		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	87		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	90		Yes	
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	93		Yes	Goal 12: Responsible consumption and production (Procurement practices)

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
Water						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundaries	190		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	190		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	192		Yes	
GRI 303: Water 2016	303-1	Water withdrawal by source	194		Yes	Goal 6: Clean water and sanitation (Sustainable water withdrawals)
	303-2	Water sources significantly affected by withdrawal of water	197			Goal 6: Clean water and sanitation (Sustainable water withdrawals)
	303-3	Water recycled and reused	198		Yes	Goal 6: Clean water and sanitation (water efficiency) (Water recycling and reuse) Goal 8: Decent work and economic growth (water efficiency) Goal 12: Responsible consumption and production (water efficiency)
Biodiversity						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	220		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	220		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	221		Yes	
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Drummond Ltd. does not have operating facilities that are owned, leased or managed that are adjacent to, contain or are located in protected areas and areas of high biodiversity value outside protected areas.			Goal 6: Clean water and sanitation (Ecosystems related to water and biodiversity) Goal 14: Life underwater (Marine biodiversity) Goal 15: Life on land (Mountain ecosystems) (Degradation of natural habitats.) (Land and freshwater ecosystems)
	304-2	Significant impacts of activities, products, and services on biodiversity	Drummond Ltd. does not generate significant impacts on the biodiversity of protected areas or areas of high biodiversity value arising from its activities, products and services.			Goal 6: Clean water and sanitation (Ecosystems related to water and biodiversity) Goal 14: Life underwater (Marine biodiversity) Goal 15: Life on land (Mountain ecosystems) (Degradation of natural habitats) (Land and freshwater ecosystems).
	304-3	Habitats protected or restored	222		Yes	Goal 6: Clean water and sanitation (Ecosystems related to water and biodiversity) Goal 14: Life underwater (Marine biodiversity) Goal 15: Life on land (Mountain ecosystems) (Degradation of natural habitats) (Land and freshwater ecosystems)

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	225		Goal 6: Clean water and sanitation (Ecosystems related to water and biodiversity) Goal 14: Life underwater (Marine biodiversity) Goal 15: Life on land (Mountain ecosystems) (Degradation of natural habitats) (Land and freshwater ecosystems)	
G4-MM1	GRI-MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	228			
G4-MM2	GRI-MM2	The number and percentage of total sites identified as requiring biodiversity management plans, and the number (percentage) of those sites with plans in place.	To date, neither the Mining nor the Port operations have requested a Biodiversity Management Plan (BPM), although recovery and compensation activities are included in the environmental management plans.			
Emissions						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	212		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	212		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	214		Yes	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	216		Yes	Goal 3: Good health and well-being (air quality) Goal 12: Responsible consumption and production (air quality) (transportation) Goal 13: Climate action (GHG emissions) Goal 14: Life underwater (Ocean acidification) Goal 15: Life on land (Forest degradation) (Land and freshwater ecosystems)
	305-2	Energy indirect (Scope 2) GHG emissions	216			Goal 3: Good health and well-being (air quality) Goal 12: Responsible consumption and production (air quality) (transportation) Goal 13: Climate action (GHG emissions) Goal 14: Life underwater (Ocean acidification) Goal 15: Life on land (Forest degradation)
	305-6	Emissions of ozone-depleting substances (ODS)	Drummond Ltd. does not produce, import or export ozone-depleting substances.			Goal 3: Good health and well-being (air quality) Goal 12: Responsible consumption and production (air quality) (transportation) Goal 13: Climate action (GHG emissions)

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	217	The air quality information does not include other components that are not particulate matter since this is the pollution criterion that Drummond Ltd. considers to be a determining factor in its operations.	Yes	Goal 3: Good health and well-being (air quality) Goal 12: Responsible consumption and production (air quality) (transportation) Goal 13: Climate action (GHG emissions) Goal 14: Life underwater (Ocean acidification) Goal 15: Life on land (Forest degradation)
Effluents and waste						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	190		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	190		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	192		Yes	
GRI 306: Effluents and waste 2016	306-1	Water discharge by quality and destination	202		Yes	Goal 3: Good health and well-being (water quality) Goal 6: Clean water and sanitation (water quality) (Ecosystems related to water and biodiversity) Goal 12: Responsible consumption and production (water quality) Goal 14: Life underwater (Water discharge into oceans)
	306-5	Water bodies affected by water discharges and/or runoff	208			Goal 6: Clean water and sanitation (Ecosystems related to water and biodiversity) Goal 15: Life on land (Degradation of natural habitats) (Land and freshwater ecosystems)
Environmental compliance						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	190		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	190		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	192		Yes	
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	The company was not involved in breaches of laws or regulations on environmental matters related to water resources.		Yes	Goal 16: Peace, justice and strong institutions (Compliance with laws and regulations)

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
Supplier environmental assessment						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	86		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion) Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-2	The management approach and its components	87		Yes	
	103-3	Evaluation of the management approach	90		Yes	
GRI 308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	Drummond Ltd. did not evaluate new suppliers based on environmental criteria.			
	308-2	Negative environmental impacts in the supply chain and actions taken	95			
Employment						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	100		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion) Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-2	The management approach and its components	101		Yes	
	103-3	Evaluation of the management approach	102		Yes	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	102	Drummond Ltd does not report its new hire rate because it is not representative in relation to the total number of employees.	Yes	Goal 5: Gender equality (gender equality) Goal 8: Decent work and economic growth (Employment) (youth employment)
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	109			Goal 8: Decent work and economic growth (Income, wages and benefits)
	401-3	Parental leave	Direct response in GRI Table:			Goal 5: Gender equality (gender equality) Goal 8: Decent work and economic growth (Employment) (youth employment)
Labor/Management relations						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	140		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion) Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-2	The management approach and its components	141		Yes	
	103-3	Evaluation of the management approach	142		Yes	

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
GRI 402: Labor/ Management relations 2016	402-1	Minimum notice periods regarding operational changes	142		Goal 8: Decent work and economic growth (Labor/Management relations)	
G4-MM4	GRI-MM4	Number of strikes and lock-outs exceeding one week's duration, by country.	During 2017 there were no strikes or closures of the operations.			
Occupational health and safety						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	140		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	141		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	142		Yes	
GRI 403: Occupational health and safety 2016	403-1	Worker representation in formal joint management-worker health and safety committees	134			Goal 8: Decent work and economic growth (Occupational health and safety)
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	126		Yes	Goal 3: Good health and well-being (Occupational health and safety) Goal 8: Decent work and economic growth (Occupational health and safety)
	403-3	Workers with high incidence or high risk of diseases related to their occupation	135			Goal 3: Good health and well-being (Occupational health and safety) Goal 8: Decent work and economic growth (Occupational health and safety)
	403-4	Health and safety topics covered in formal agreements with trade unions	134			Goal 8: Decent work and economic growth (Occupational health and safety)
Training and education						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	140			Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	141			Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	142			
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	112		Yes	Goal 4: Quality education (Employee training and education) Goal 5: Gender equality (gender equality) Goal 8: Decent work and economic growth (Employee training and education)

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
404-2	Programs for upgrading employee skills and transition assistance programs	112	Partially reported: Drummond Ltd. does not have assistance programs to facilitate the adaptation and management of the end of the professional careers of the organization's employees.		Goal 8: Decent work and economic growth (Employee training and education)	
404-3	Percentage of employees receiving regular performance and career development reviews	116	Partially reported: only salaried employees are considered, whose performance is assessed regularly. Hourly employees receive regular feedback from their leader.	Yes	Goal 5: Gender equality (gender equality) Goal 8: Decent work and economic growth (Employee training and education)	
Diversity and equal opportunity						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	140		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	141		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	142		Yes	
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	118	Partially reported: the information from the entire workforce is broken down, omitting information from the organization's governance bodies.		Goal 5: Gender equality (gender equality) (women in leadership) Goal 8: Decent work and economic growth (Diversity and equal opportunity)
	405-2	Ratio of basic salary and remuneration of women to men	119	Drummond Ltd., does not report its employees' base salaries since it is sensitive and confidential information.		Goal 5: Gender equality (Equal pay for men and women) Goal 8: Decent work and economic growth (Equal pay for men and women) Goal 10: Reduced inequalities (Equal pay for men and women)

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)
Non-discrimination					
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	100	Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	101	Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	102	Yes	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	149		Goal 5: Gender equality (non-discrimination) Goal 8: Decent work and economic growth (non-discrimination) Goal 16: Peace, justice and strong institutions (non-discrimination)
Freedom of association and collective bargaining					
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	140	Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	140	Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	142	Yes	
GRI 407: Freedom of association and collective bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	143		Goal 8: Decent work and economic growth (Freedom of association and collective bargaining)
Child labor					
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	100		Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion)
	103-2	The management approach and its components	101		Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-3	Evaluation of the management approach	102		
GRI 408: Child labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	149		Goal 8: Decent work and economic growth (Abolition of child labor) Goal 16: Peace, justice and strong institutions (Abolition of child labor)

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
Forced or compulsory labor						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	100			Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion) Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-2	The management approach and its components	101			
	103-3	Evaluation of the management approach	102			
GRI 409: Forced or compulsory labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	149			Goal 8: Decent work and economic growth (Elimination of forced or compulsory labor)
Security practices						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	144		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion) Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-2	The management approach and its components	148		Yes	
	103-3	Evaluation of the management approach	149		Yes	
GRI 410: Security practices 2016	410-1	Security personnel trained in human rights policies or procedures	151		Yes	Goal 16: Peace, justice and strong institutions (security)
Rights of indigenous peoples						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	100		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion) Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-2	The management approach and its components	101		Yes	
	103-3	Evaluation of the management approach	102		Yes	
GRI 411: Rights of indigenous peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	Drummond's operations are not performed in areas with the indigenous presence, so there have been no violations of this population's human rights.			Goal 2: Zero hunger (Indigenous rights)

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
Human rights assessment						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	100		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion) Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-2	The management approach and its components	101		Yes	
	103-3	Evaluation of the management approach	102		Yes	
GRI 412: Human rights assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	154		Yes	
	412-2	Employee training on human rights policies or procedures	156			
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	157			
G4-MM5	GRI-MM5	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities	Drummond's operations are not performed in areas with the indigenous presence, so there have been no violations of this population's human rights.			
Local communities						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	162		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion) Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-2	The management approach and its components	162		Yes	
	103-3	Evaluation of the management approach	162		Yes	

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
GRI 413: Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	190			
	413-2	Operations with significant actual and potential negative impacts on local communities	183		Goal 1: No poverty (Access to land)	
G4-MM6	GRI-MM6	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples	185			
G4-MM7	GRI-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	185			
G4-MM10	GRI-MM10	Number and percentage of operations with closure plans.	184			
Supplier social assessment						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	72		Yes	Goal 1: No poverty (economic inclusion)
	103-2	The management approach and its components	73		Yes	Goal 5: Gender equality (economic inclusion)
	103-3	Evaluation of the management approach	74		Yes	Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
GRI 414: Supplier social assessment 2016	414-1	New suppliers that were screened using social criteria	Drummond Ltd. did not evaluate suppliers based on social criteria.			Goal 5: Gender equality (Violence and harassment in the workplace) Goal 8: Decent work and economic growth (Labor practices in the supply chain) Goal 16: Peace, justice and strong institutions (Violence and harassment in the workplace)
	414-2	Negative social impacts in the supply chain and actions taken	95			Goal 5: Gender equality (Violence and harassment in the workplace) Goal 8: Decent work and economic growth (Labor practices in the supply chain) Goal 16: Peace, justice and strong institutions (Violence and harassment in the workplace)

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
Public policy						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	162		Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion) Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)	
	103-2	The management approach and its components	162			
	103-3	Evaluation of the management approach	162			
GRI 415: Public policy 2016	415-1	Political contributions	Drummond Ltd. does not make contributions to political parties.		Goal 16: Peace, justice and strong institutions (Anti-corruption)	
Socioeconomic compliance						
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	72		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion) Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-2	The management approach and its components	73		Yes	
	103-3	Evaluation of the management approach	74		Yes	
GRI 419: Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	During 2017 Drummond Ltd. had no cases of non-compliance with laws or regulations associated with the social or economic area.		Yes	Goal 16: Peace, justice and strong institutions (Compliance with laws and regulations)
Resettlement						
G4-MM9	GRI-MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	190			

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Thematic content		Page / URL / Comments	Omission	Verification	Sustainable Development Goal (SDG)	
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	168		Yes	Goal 1: No poverty (economic inclusion) Goal 5: Gender equality (economic inclusion) Goal 8: Decent work and economic growth (economic inclusion) Goal 16: Peace, justice and strong institutions (Claim mechanisms)
	103-2	The management approach and its components	168		Yes	
	103-3	Evaluation of the management approach	169		Yes	

Independent Assurance Statement

Adherence to GRI Standards



BOGOTÁ D.C., DECEMBER 21, 2018

BSD Consulting carried out for the fourth consecutive time the independent assurance of the Drummond Ltd. Sustainability Report, corresponding to the year 2017. The purpose of the assurance is to evaluate and provide conclusions on:

- The application of the principles for the definition of content in accordance with the GRI Standards in the report preparation process.
- Compliance with the Standards in relation to the disclosure of the contents according to the chosen option of compliance.

Independence

We work independently and ensure that no member of BSD maintains consulting contracts or commercial links with Drummond Ltd.

Our competence

BSD Consulting is a company specialized in knowledge and solutions for sustainable development. The assurance works were developed by a team of professionals with experience and training in the preparation of sustainability reports, stakeholder engagement and external assurance.

Responsibilities of Drummond Ltd. and BSD Consulting

Both the preparation of the Report and the processes of stakeholder engagement and materiality definition are Drummond's responsibility. The Report's evaluation, the application of GRI principles of content and quality, and the confirmation of the "in accordance" option with the GRI Standards, are BSD's responsibility.

Scope and limitations

The scope of this work corresponds to the non-financial information of Drummond Ltd.'s Sustainability Report, year 2017. This was a

Type 1, moderate level assurance, and included both the application of content and quality principles and the disclosure of general and thematic contents of GRI Standards.

Methodology

BSD's assurance process included:

- Review and accompaniment as an observer in the materiality definition process.
- Interviews with employees of key areas in Drummond Ltd., who are responsible for the management and reporting of material issues (Environmental Management, Human Talent, Health and Safety, Purchasing and Contracts, Community Relations, Human Rights, Social Responsibility, Resettlement, Communications, Labor Relations, Finance and Legal).
- Review of the quality and reliability of reported information, through verification visits in the mine, port and Bogotá.
- Review of internal documents and qualitative and quantitative information management systems.
- Study of sustainability issues related to the company or the industry that had resonance in the media.
- Request for adjustments and clarifications on the Report's final draft.

External Assurance Report based on GRI Standards

BSD Consulting made a critical reading of Drummond Ltd. 2017 Sustainability Report, and concluded that it complies with GRI's content and quality principles. Specific observations and opportunities for improvement on each of these are presented below:

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Adherence to GRI Standards



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Content principles

Stakeholder Inclusiveness

Drummond Ltd. has information on what is important for its stakeholders thanks to the multiple communication channels available. These are permanent, operate according to the needs and characteristics of the target audiences and the provided inputs are considered for the management improvement on several fronts. In the future, it is recommended to measure its effectiveness and analyze its impact on the relationship with the different stakeholders. Likewise, it is suggested to integrate the different systems and channels, so that they work systematically and serve to identify risks and opportunities in engagements in a timely manner.

Materiality

- During the first quarter of 2018, Drummond Ltd. adjusted its materiality analysis with the support of a third party, based on what is established in standards such as GRI, Global Compact and SASB; the company's Corporate Social Responsibility and Human Rights strategies; materiality exercises carried out by other mining companies; and news on Drummond and the mining sector in Colombia.
- For this reporting period, no direct consultation with stakeholder was made. The 2016 Identification, Mapping and Consultation of Relevant Stakeholders was taken as reference, and limited focus groups were made with some community members, suppliers and contractors.
- The analysis complied with the phases of review, identification, prioritization and validation of topics.
- As a result of this exercise, 13 material topics were identified, which were used to define this Report's content.

- From the 13 material topics, information on its context, management and performance is reported in a reasonable and sufficient manner.
- Within the materiality analysis, it is evident that is being assessed the importance of the topics for stakeholders and for Drummond Ltd. in terms of its policies, strategies and management.
- A qualitative assessment of the most significant impacts of the company on the economy, the environment and society is also carried out.

Sustainability context

The social, environmental and economic performance of the organization can be understood within a broader context of sustainable development for the industry, the region and the country.

Completeness

This Report presents information on the performance of material topics indicating and adequately disclosing its boundaries as well as the stakeholders impacted by them.

Quality principles

Balance

The main achievements of the company during the reporting period are presented in a balanced manner, as well as the challenges that it faces in the short and medium term. The same applies to unfavorable events or unfulfilled goals.

Clarity and Accuracy

The quantitative information contained in the Report is accurate and the qualitative information is presented in a concise manner. In addition, a clear and accessible language is used throughout the text, and relevant explanations are provided where necessary.

Independent Assurance Statement

Adherence to GRI Standards



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Reliability

- Drummond has information management systems, databases, and records that support what is disclosed in this Report. In addition, it applies internal and external audit processes in order to ensure the reliability of the reported information.
- BSD Consulting verified the traceability and quality of the information of all the contents included in the Report, without evidencing that the information did not come from reliable sources or management systems, or that the information reported led the reader to misleading or wrong conclusions about the company's performance.
- BSD strongly recommends applying this principle to Drummond's grievance mechanism and reinforcing it, since it is currently manual and works analogously.

Comparability

This Report includes quantitative information from the last 3 years, which allows comparing the company's performance from one reporting period to another and identifying trends.

Timeliness

- Drummond Ltd. presents sustainability reports on a regular basis annually since 2010.
- This Report is published by the end of 2018, which affects the timeliness principle and prevents the information from being available to stakeholders in a timely manner. For the next fiscal year, it is necessary that the Sustainability Report be published on a date closer to the cut-off date of the information and within the year following the last report.

General and specific disclosures

BSD Consulting reviewed in detail all the Report contents, in order to ensure that they complied with the technical requirements stipulated in the GRI Standards, finding that:

- Drummond Ltd. reports the general contents corresponding to the GRI Standard 102 (2016), as well as all the thematic contents associated with the material topics.
- The contents of Management Approaches, Standard GRI 103 (2016), were included for all material topics.
- The specific contents of the Mining and Metals Sector Guide were included.
- The general and thematic contents comply with the requirements established in the GRI Standards.

In cases where it was deemed necessary, BSD requested Drummond Ltd. to include adjustments both to the Report's text and to the GRI Content Index, to ensure compliance with the requirements of this methodology. Below are specific findings on them:

- **403-2:** Although the data presented for the construction of these indicators come from reliable information systems, the information varies permanently and it is not possible to obtain the exact data that were taken at the cut-off date. In addition, the indicators presented here are not the same as those monitored by Drummond in its Occupational Health and Safety Management System.
- **410-1:** There are no records of Human Rights training for 305 members of the mine surveillance staff in 2017, because the surveillance contractor who had them no longer works with Drummond.

Independent Assurance Statement

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In accordance option

In line with the foregoing, BSD Consulting states that Drummond Ltd. 2017 Sustainability Report meets the criteria corresponding to the "Core" in accordance option of the GRI Standards.

A handwritten signature in black ink, appearing to read "Marcela Romero Merino".

Marcela Romero Merino
General Director
BSD Consulting Colombia

Assurance support:
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BSD Consulting Colombia





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