

Vattenfall's Hard Coal Procurement Explained Bettercoal



Vattenfall sources hard coal from different countries from all over the world. In order to help improving business practices in the coal mining industry, Vattenfall is one of the founding members of "Bettercoal". Bettercoal is a membership-based organisation of energy companies and other stakeholders such as terminal operators. It is set up to advance continuous improvement in corporate social responsibility in the coal supply chain.

Bettercoal has developed the Bettercoal Code through a global public consultation process involving coal producers, trade unions, social and environmental organisations, governments, mining related service providers, and utility companies. The Code sets out the ethical, social and environmental principles and provisions that members of Bettercoal expect organisations producing coal in their supply chain to align with. Bettercoal continuously encourages mining companies and operators to implement the Bettercoal Code and Bettercoal tools in order to improve good practices to protect workers, local communities and the environment from the impact of coal mining.

Bettercoal and Vattenfall approach coal mining companies to participate in the Supplier Assessment Process. This process includes, amongst others, site-assessments performed by independent 3rd party assessors at mine level. Vattenfall incorporates the results of the assessments into its due diligence processes. As a result, we will be able to make better informed coal purchasing decisions. At the time of writing, 20 mining companies are participating in the Suppliers Assessment Process. These companies are publicly listed on the Bettercoal website¹ and are located in different countries such as Russia, South

Africa, Kazakhstan, the US and Germany. Of these companies, 13 have already had a site-assessment conducted. The results of the assessments are currently only available to Bettercoal and its members. Vattenfall is in favor of more transparency on results of assessment and is addressing this within Bettercoal. However, we need to take into account that results of these assessments can include business sensitive information for mine operators and that demanding full transparency of assessments results is not a feasible way forward at this stage.

In 2017, Bettercoal made great progress on number of site-assessments, the development of the Bettercoal Assessment Procedure and building new partnerships to push the agenda of responsible coal supply chain management which are described in their annual report². In 2017, Vattenfall continued to participate in the Bettercoal Technical & Advisory Committee (TAC). In this multi-stakeholder committee, we continue to support and advance Bettercoal's purpose and values with civil society, mining companies and other stakeholders.

Bettercoal, like all industry initiatives, is made up of companies with different ambitions and internal decision-making processes. Going forward, we will continue to cooperate with Bettercoal to address areas which we see as development areas. We believe that a joint push from companies can ultimately achieve more and therefore remain committed to this initiative. However, we also believe that in 2017 and 2018, Bettercoal has made great progress on, amongst others, the number and quality of site-assessment and the Assessment Procedure.

¹ <https://bettercoal.org/bettercoal-suppliers/>

² https://bettercoal.org/wp-content/uploads/2018/08/Bettercoal-Annual-Report-2017_v10_wide.pdf