

Executive Summary

Coal India Limited (CIL) is one of the largest coal producing companies in the world with a total production of 431.32 million metric tonnes of coal in 2010-11. CIL has eight wholly owned subsidiaries.¹ As of March 31, 2011, it operated 470 mines in 21 major coalfields across eight states in India, including 164 open cast mines, 275 underground mines and 31 mixed mines (includes both open cast and underground mines).

Coal mining raises serious environmental and social concerns, including soil erosion, dust, noise and water pollution, and impact on local biodiversity. The environmental and social issues associated with coal exploration and production such as displacement are of special nature as the coal reserves are located in river basins such as Damodar, Barakar, Sone, Wardha, Bramhani, Mahanandi, etc. which are rich in forest cover and are habitats of precious wildlife and indigenous tribal communities. CIL and its subsidiaries being profit making companies have sufficient resources to discharge its responsibilities towards environment management, resettlement and rehabilitation of displaced persons, community and peripheral development.

The performance audit of the CIL and its subsidiaries was conducted with a view to assess whether the companies were able to fulfill their corporate social responsibilities (CSR) in an effective and efficient manner towards environmental protection, safety requirement, occupational health of the workers and community and peripheral development. A total of 18 open cast mines, eight underground mines and four washeries in seven coal producing subsidiaries, selected on random sampling; were reviewed in audit.

Significant audit observations are discussed below.

CSR Policy Framework:

CIL has adopted a comprehensive CSR policy with effect from December 2009. However, to reap the benefits of the policy, the company needs to implement it effectively by ensuring adequate allocation of funds and setting up measurable targets. Allocation of funds for community and peripheral development was below the norms of ₹ one per tonne of coal produced in five out of seven coal producing subsidiaries. In fact, the budget allocation of ₹ 211.80 crore for community and peripheral development during the period 2004-10 was only 0.7 per cent of the aggregate net profit of ₹ 31,062.36 crore of CIL over the same period. Even the allocated amount was not fully utilized as the utilisation of funds (₹152.96 crore) during the period 2004-10 fell short of budgeted allocation (₹ 211.80 crore) in all the subsidiaries and was least in MCL (46 per cent) followed by NCL (53 per cent) and CCL (65 per cent) thus, allowing their CSR activities to remain unfulfilled. The companies were not carrying out any need assessment survey in the periphery to assess the requirements of the society and were also not assessing the impact of their CSR activities on the society.

Environmental Issues:

Coal is extracted predominantly through open cast mining which disfigures the countryside and tends to pollute the atmosphere within the locality. On the other hand, land subsidence may

¹Bharat Coking Coal Limited (BCCL), Central Coalfields Limited (CCL), Central Mine Planning and Design Institute Limited (CMPDIL), Eastern Coalfields Limited (ECL), Mahanadi Coalfields Limited (MCL), Northern Coalfields Limited (NCL), South Eastern Coalfields Limited (SECL) and Western Coalfields Limited (WCL). All the subsidiaries except CMPDIL produce coal.

occur as a result of underground mining, if appropriate precautionary measures are not taken. Consequently, protection of environment in terms of reclamation of land, dust suppression, treatment of effluent and sewage, disposal of slurry and rejects and impact on ground water level due to mining assumes great significance.

- Audit observed that there was a backlog in backfilling and technical reclamation of 12,643 hectare land in seven subsidiaries of the Company as on 31 March, 2010. The backlog increased in five out of seven coal producing subsidiaries.
- Out of 18 open cast mines covered in Audit; topsoil was found preserved only in five mines, density of tree plantation was found satisfactory (more than 2500 plants per hectare) in only eight mines;
- There was no effluent treatment plant in two mines and four mines did not have sewage treatment plant. Out of 10 areas in Northern Coalfields Limited, rainwater harvesting had started in only four areas. Similarly, Mahanadi Coalfields Limited had started roof top rain water harvesting in residential and non-residential buildings in four open cast projects. Thus, only a handful of projects had the rain water harvesting arrangement.
- Out of 239 mines in CIL, which existed prior to 1994, 48 open cast mines, 170 underground mines and 21 combined mines were found to be working without environmental clearance.
- Environment Management System enables an organisation to evaluate and continually improve its environmental performance and operating efficiency. As of March 2011 only 71 out of total 629 units of CIL had got Environment Management System certification i.e. ISO 14001 accreditation.

In essence, CIL and its subsidiaries have taken initiatives in areas impacting environment. However, activities like backfilling, land reclamation, preservation of topsoil and plantation of trees and other environmental issues need to be identified so that CIL's vision of increasing coal production from 324 million tonnes in 2004-05 to 782 million tonnes in 2024-25 is achieved. The Company was also lagging behind in taking prior environment clearance for mines. The Company should take early action to construct Effluent Treatment Plant at the earliest and the subsidiaries should make continuous efforts to keep the level of the quality of effluent in the water discharged from the mines within the norm to avoid adverse effect of these chemicals.

Safety Issues

- Mine safety including safety in stacking of overburden is a significant safety issue. In 10 out of 18 open cast mines selected in sample, there were cases of violation of safety parameters such as excess height and gradient of overburden dumps.
- Though the number of fatal accidents, number of fatalities and number of serious accidents showed decreasing trend but it was not able to achieve the zero harm target.
- Initial and periodical medical examinations were being done for the company employees. However, only 1.58 per cent to 7 per cent of contractors' employees underwent medical examination, although mandatory.

This performance audit report contains seven recommendations to help the companies to improve their performance in discharge of corporate social responsibilities. These were accepted by Ministry of Coal, Government of India.

Significant recommendations are:

- *CIL and its subsidiaries should evolve a mechanism to set up measurable targets with timeline so that performance on CSR activities can be monitored effectively.*
- *CIL and its subsidiaries should plan and spend constructively on community and peripheral development after assessing the needs of the society.*
- *Topsoil should be preserved at earmarked sites without violating guidelines of Ministry of Environment and Forests and proper record of its storage and use should be maintained.*
- *In order to arrest depletion of ground water level as a result of coal mining, subsidiaries may take up rainwater harvesting.*
- *Independent safety audit of every mine should invariably be conducted at a frequency of two years as suggested by the safety committee of CIL.*
- *All subsidiaries may maintain computerized database of medical history of employees as is being done in NCL for effective medical care.*