

## ROLE OF STAKEHOLDERS

*respect for rights of internal and external stakeholders*

The Company protects the rights and interests of stakeholders as established by law or through mutual agreements. It promotes stakeholder engagement in the corporate governance process. Activities and quarterly meetings with the Multi-Partite Monitoring Team (MMT) ensure continuous communication and cooperation with various stakeholders, regulatory agencies and sectoral groups such as women, youth, livelihood, religious, landowner and academe.

### Employees

The Company implements organization policies to meet its obligations toward its employees. It invests in talent development programs and performance-enhancing mechanisms to support its corporate mission of empowering employees to prosper in a climate of integrity and excellence. Your Company's compensation reward policy sets remuneration at levels having regard to industry and market standards for similar work responsibilities and positions and gives performance-based cash incentives, with appropriate financial performance of the Company, to affirm or encourage talent. Its competency-based performance management system evaluates employee performance using a Balanced Scorecard that considers technical and behavioral competencies such as adherence to the Company's Code of Conduct, good governance program and Environmental, Health and Safety (EHS) policies. It fosters fair treatment of employees and does not tolerate unlawful discrimination and harassment of any nature on the basis of sex, race, religion, age, color or disability. Its Safety and Health policies, processes, infrastructure, equipment and training aim to ensure a culture of safety, health and welfare of the workforce. The Company's Anti-corruption and Ethics Program provides a robust system of policies, processes and controls. Its whistleblowing reporting mechanism through the Company's website or dedicated email address provides a venue for employees to raise valid ethical concerns.

### Customers

The Company's mission statement is to supply its customers with quality coal that meets their stringent specification. It measures the characteristics of coal to ensure that customer requirements are determined and understood with notification to the customer of significant changes communicated in a timely manner before effecting any change. Tests are conducted and results recorded to evidence conformity with the requirements. Coal shall not be loaded and shipped until all the tests are conducted and all results passed the customer's specification. Customer safety during Mine Site visits is ensured through observance of safety procedures by customers in Company premises.

Client feedback mechanism is implemented through periodic customer satisfaction surveys conducted at least annually to measure client perception in meeting customer criteria on Delivery, Product Quality, Responsiveness, Technical Support and Customer Concerns Addressed. Customer concerns, if any, are addressed and resolved through corrective action and after-sales settlement guidelines.

The Company's continuing recertification to ISO 9001:2008 on Quality Management System affirms the continual improvement of business processes in key performance areas during the year.

QUALITY CONTROL	<ul style="list-style-type: none"><li>• Coal delivery based on agreed quality and contracted delivery schedule.</li><li>• Company laboratory equipped with modern equipment and facilities to test coal sampled from mine pit up to actual loading of coal to customer's vessel with conformance to ISO and American Society for Testing and Materials for monitoring purposes.</li><li>• Third party surveyor/laboratory to sample and test coal shipment ensuring non-biased information in actual coal quality and quantity shipped which shall serve as final basis for billing.</li></ul>
RESPONSIBLE COMMUNICATION	<ul style="list-style-type: none"><li>• Strict adherence to Company's Codes of Conduct on fair dealings and confidentiality in all transactions and business information such as customer data.</li><li>• No reported complaints in violation of customer data privacy in 2013.</li></ul>

CUSTOMER ACCESS	<ul style="list-style-type: none"> <li>• Transparency to all customers in Minesite visits through access in operations, inspection of mining facilities, monitoring of coal quality and witnessing actual loading of coal.</li> </ul>
COMPLAINT RESOLUTION	<ul style="list-style-type: none"> <li>• Timely resolution and updates of concerns or complaints.</li> </ul>
CUSTOMER SATISFACTION	<ul style="list-style-type: none"> <li>• Increased customer engagement in survey from 77% to 88% in 2013.</li> <li>• Higher customer satisfaction index from 88% to 97% in 2013.</li> </ul>

### Suppliers and Contractors

The Company supports strategic partnerships with suppliers and other business partners with honoring commitment to agreements and timely payment of contracted obligations. The Codes of Conduct promote fair dealings with business partners including observance of confidentiality of proprietary non-public information such as contract terms or bids, that might either be harmful to its suppliers and business partners or of use to their business competitors.

The Company's quality policy for procurement activities ensure competitive sourcing and pricing of highest quality of goods and services to support the Company's objectives. It includes procedures on accreditation, evaluation of new suppliers and re-evaluation of performance of accredited suppliers of critical materials every twelve months to ensure consistent quality of purchased products and services. Suppliers are selected and evaluated based on their track record, price, payment terms and performance on criteria such as product quality, response to problems and delivery. Canvassing procedures ensure competitive pricing, favorable terms and value-added services without compromising quality. The Company has integrated 'green' initiatives and sustainable practices in its accreditation procedures including those of its power subsidiaries. Suppliers are screened using environmental criteria such as waste management, environmental/regulatory compliance certificates; labor practices in supply chain covering child labor, forced labor; and human rights criteria.

The Company's supply chain management considers the impact and influence of its procurement practices related to raw material inputs and natural resource utilization. It has established controls and procedures in receiving, storing and handling of hazardous materials with due care to the environment, health and safety, applicable laws and regulations, and in conformance to the related ISO standards.

### Creditors

The Company values the contribution of creditors in its sustainable growth and development. Its financial management objectives ensure timely repayment of loans and compliance to the covenant terms of loan agreements. Its capital management strategy is to ensure it maintains a strong credit rating and healthy capital ratios to support its business, maximize shareholder value and safeguard creditors' rights. This is disclosed and further discussed, together with the financial risk management objectives, risks and policies in Note 29 to Consolidated Financial Statements.

### Government

The Company is committed to its vital role in the country's coal mining industry and related energy sector. It partners with the government in economic development through responsible citizenship, judicious use of the country's natural resources and compliance with relevant taxation, laws and regulations. Through payment of mining-specific royalties, your Company assists in providing significant and stable revenues to enable the government fulfill its fundamental objective of optimizing socio-economic benefits and welfare. Royalties paid to the Department of Energy and to the different local government units in the Province of Antique amounted to P 1.56 billion in 2013. The Company's close partnerships with local government units and key sectors also involve community-based emergency preparedness initiatives such as disaster and risk reduction management workshops and drills.

### Community and Environment

The Company works in partnership with its host communities to improve the sustainability of both the community and the environment while promoting local economic empowerment with judicious use of natural resources. Its comprehensive corporate social responsibility program encompasses Five Es – Education, Environment Protection, Economic Empowerment, Employment & Livelihood and Electrification. Likewise, this robust commitment has been cascaded in its power subsidiaries' own programs.

The Company's integrated Environment, Health & Safety (EHS) management system is built on a framework of continuous improvement of applied environmental and social responsibility performance standards. This includes a Hazard Identification and Risk Assessment process to ensure that environmental aspects associated with your Company's coal mining activity, products and services are identified, their impact to the environment, safety and health hazards evaluated for significance and necessary control measures implemented. Employees and contractors are mandated to comply with the Company's EHS objectives and policies such as the conservation and promotion of the local biodiversity, ecological solid waste management that promotes proper garbage segregation and reduced consumption of electricity, water and paper, among others. The Company's commitment toward the sustainability of Semirara Island is described in the CS & R **section** of the Integrated Annual Report (glossy).

The Company integrates value chain processes that minimize pollution and damage to the environment.

<b>Environment-Friendly Value Chain</b>
<b>Air Pollution Management :</b>
<i>Close monitoring of spontaneous combustion activity of coal stockpiles through continuous and thorough compaction.</i>
<i>Inspection of stockpiles every start and middle of the operation shift.</i>
<i>Road watering by six water trucks during dry season and hauling operation.</i>
<i>Setting truck speed limits.</i>
<i>Installation of pollution control facilities on the Mine Site power plant smoke stack.</i>
<i>Use of dust-treat coagulants during product transfers.</i>
<i>Preventive maintenance program of mobile and airconditioning equipment</i>
<i>Inspection of stockpiles every start and middle of the operation shift.</i>
<i>Road watering by six water trucks during dry season and hauling operation.</i>
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<b>Waste Management :</b>
<i>Waste water channelling from Coal Washing Plant operations to settling ponds before recycling for plant watering use or to a constructed dike area for containment.</i>
<i>Handling, containment, clean-up and restoration procedures of industrial materials and wastes.</i>
<i>Progressive rehabilitation program of old Unong mine and a section of current Panian mine.</i>
<i>Ash waste management of Power Plant Station</i>

### **Anti-Corruption & Ethics Program**

The Company's program consists of ethics-related policies, soft controls and audit procedures aimed to promote the highest standards of openness, probity and accountability throughout the organization. Ethics is a core competency required and expected of all employees in the performance of their job responsibilities and a performance measure in their evaluation. The IA management team has adequate fraud training to conduct related assurance work in support of the Company against fraud and corruption.

#### ***Risk assessment***

Corruption and fraud risks by risk levels are annually assessed as part of the Risk Control Self-Assessment process of your Company's Enterprise Risk Management. In 2013, all business units have been assessed as to their vulnerability to such risks. Risk review results are evaluated by the Internal Audit (IA) in its annual audit plan and reported to the Audit Committee

#### ***Conflict of Interest Policy***

The Company's Codes of Conduct explicitly provide guidelines for all Directors, Officers and employees, including their immediate family members within a degree of affinity or consanguinity, on anti-corrupt practices

involving conflict of interest, business gifts and entertainment, among others. Conflict of interest situations also refer to ownership of a part of another company or business having interests adverse to the Company and accepting commissions or share in profits from any supplier, customer or creditor. The Company does not seek competitive advantages through illegal, unethical or unfair dealing practices. Improper communications with competitors or suppliers regarding bids for contracts are reported to the senior management, Chairman of the Board or the Audit Committee, as appropriate.

To monitor compliance with the Conflict of Interest policy, the Company requires early submission by a Director, Officer and employee of a “single transaction” disclosure statement, and due before potential conflict of interest arises, of his direct or indirect financial interest in a specific contract or purchase proposed to be entered into by the Company, subsidiaries or its affiliates with or from a particular contractor or supplier. Failure to make proper disclosure as required may result in disciplinary action.

#### ***Gift and Entertainment Policy***

The Company’s Gift and Entertainment policy and guidelines explicitly disallow employees from any interest in or benefit from any supplier that could reasonably be interpreted as inducing favoritism towards a particular supplier over others. Such guidelines enumerate conditions on the propriety of accepting a gift or invitation to meals and entertainment such as it is unsolicited, part of a business meeting or discussion, not being given to influence business judgment or action, does not violate any laws, and a promotional item or token of nominal value of not more than Two Thousand Pesos (P2,000) under the client’s, supplier’s or customer’s relations program. Your Company communicates a reminder of policy expectations to suppliers and business partners usually during the Christmas holiday season.

#### ***Fraud and Ethics Response Policy***

This Policy sets out the procedures and ways in which employees or other stakeholders can voice their concerns or complaints about suspected fraud or corruption. It also outlines how the Company will deal with such complaints and determine its course of action depending on their nature.

#### ***Whistleblowing***

Your Company expressly prohibits retaliation, intimidation, harassment or adverse employment consequences against a reporter who raises a concern or complaint. Reporting of the concern or complaint raised is treated with due care and confidentiality.

The Company shall investigate and address promptly any concern of reprisal and harassment brought to its attention. Its Hotline reporting mechanism provides a secure reporting venue for employees, customers, suppliers and other stakeholders to raise and communicate valid complaints and confidential concerns on fraud, questionable and unethical transactions in good faith. Hotline reporting procedures include the use of a Hotline reporting form to guide the reporter in providing adequate information and basis to enable the Company to effectively investigate, evaluate and resolve the reported matter. The reporter may choose to report a concern anonymously, however there must be adequate information provided for the Company to have sufficient basis to investigate and have an informed judgment to assess the genuineness of an anonymous complaint or concern.

The whistleblowing mechanism is accessible in the Company’s website [www.semiraramining.com](http://www.semiraramining.com) or through the email address [hotline@semiraraminingmkti.net](mailto:hotline@semiraraminingmkti.net). Investor queries on governance matters may also be raised through a dedicated email address [investor\\_relations@semiraraminingmkti.net](mailto:investor_relations@semiraraminingmkti.net)

#### ***Alternative Dispute Resolution Policy***

The Company promotes the use of alternative dispute resolution (ADR) options and processes in the settlement of corporate governance related disputes or differences with shareholders and key stakeholders. The policy aims to encourage fair, efficient and equitable resolution through possible use of ADR processes at the earliest stage of a conflict as possible while avoiding or discouraging recourse to unnecessary litigation.

The Company’s active engagement and partnership with the community encourages open communication of issues or concerns, if any, with affected stakeholder groups. Such matters are discussed and easily resolved during community activities or raised during quarterly monitoring meetings with the Multi-Monitoring Team wherein various sectoral stakeholder groups are represented and heard.