

RESPONSIBILITIES OF THE BOARD

Effective Board leadership and performance

The Board of Directors (Board) is responsible for the overall governance of the Company. It establishes and approves the vision, mission, strategic objectives and key policies. It adopts and approves a strategy map and pro-actively oversees strategy execution complemented by adequate control mechanisms and risk management systems for its effective key oversight and monitoring of Management performance. It monitors implementation and corporate performance covering financial and non-financial aspects.

The Board establishes decision authority policies, levels, limits and guidelines for Management according to its risk appetite level and required Board approvals for governance matters such as debt commitment, capital expenditures, equity investment, divestitures, change in share capital and asset mortgage, among others.

Vision and Mission

The Board periodically revisits at least once every five years the Company's Vision and Mission Statement, with its last review and approval on October 30, 2012. The Company ensures there is understanding and achievement of its Vision, Mission, corporate values, goals and objectives as part of its annual strategic planning process which also includes integration of a strategy map and top-down communication of such by Management in all levels of the organization.

Board's Good Governance Charter and Code of Conduct

The Board promotes a culture of ethics, social responsibility and good governance. Its Good Governance Guidelines for Board Directors serve as the Board's charter with policies regarding directorship tenure, service in other company boards, conflict of interest, among others. The Company's Code of Conduct (Code) for Directors and Officers embodies its commitment of to conduct business with the highest ethical standards and in accordance with applicable laws, rules and regulations. Code provisions include conflict of interest, gifts, corporate giving, insider trading, corporate opportunities, accounting and financial reporting, influencing external auditor, political activities, fair dealings, confidentiality, protection and proper use of company assets, among others. All Directors and Officers are expected to fully adhere to the principles and provisions set forth in the Code, and are required to annually certify their compliance with the Code. Code provisions. The Code is administered by the Audit Committee and reviewed periodically modified to enhance effectiveness. The Good Governance unit assists the Board in the implementation and monitoring through a robust system of governance and control processes. In 2013, all Directors and officers have certified their compliance with the Code.

Board Structure

The full Board consists of eleven (11) Directors of whom four (4) are regular executive directors, five (5) are regular non-executive directors and two (2) are non-executive Independent Directors. The number of Independent Directors is in compliance with the Philippine regulatory requirement for boards of publicly-listed companies. All Directors are evaluated and nominated by the Nomination and Election Committee as having met the criteria and qualifications in accordance with regulatory requirements and Good Governance Guidelines for the Board of Directors on tenure policy, term limits and service to other boards. All non-executive Directors and executive Directors including the CEO are subject to election or re-election annually at the Annual Shareholders' Meeting. The procedures, process adopted and criteria are defined in your Company's SEC Annual Corporate Governance Report and available in the Company's website. The Company discloses to the PSE and subsequently in its website the nominations and due dates for submission of such nominations.

The number of Board seat memberships held by the Company's Directors are in consonance with best practices espoused by the ASEAN Corporate Governance Scorecard. No individual Director nor Independent Director has simultaneously served in more than five (5) boards of PLCs. Moreover, your Company's executive directors do not serve on more than two (2) boards of listed companies outside of parent DMCI Holdings Inc.'s group. Board profile with concurrent directorships held are fully disclosed in the SEC 20-IS, Definitive Information Statement and Integrated Annual Report.

Board Diversity

The Board represents a diverse mix of highly qualified individuals of such stature and experience in the coal energy and/or power industries, finance, government, business and operations which enable them to effectively participate in Board deliberations and fulfill their fiduciary duties. Two of its non-executive Directors have prior extensive work experience in the coal mining and/or energy industries, both major industries of which the Company and its subsidiaries are operating in. There is no discrimination of gender, age and religion in the selection and appointment of Directors.

Chairman and Chief Executive Officer (CEO)

The roles of the Chairman and CEO are separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board.

Chairman

The Chairman is a non-executive director who oversees and leads the Board on behalf of the shareholders. His Board duties include, among others, presiding over the meetings of the Directors and shareholders, ensuring that Board meetings are held in accordance with the by-laws or as the Chairman may deem necessary; coordinating the agenda of Board meetings with the Corporate Secretary and proposed inputs of the CEO, Management and Directors; and maintaining qualitative and timely lines of communications between the Board and Management. The current Chairman is not an immediate past CEO of the Company. The current Board Chairman is not the immediate past CEO of your Company.

CEO

The CEO implements the key strategies and policies as well as annual targets and objectives set by the Board. He provides leadership, direction and overall management of the Company's business and activities. He leads Management in the development and implementation of short and long term plans, financial management and annual budget, controls and risk system, among others. The Vice Chairman concurrently holds the position of CEO.

Independent Directors

An Independent Director (ID) is defined as one with no interest or relationship with the Company that may hinder his independence from the Company or its management, or may reasonably be perceived to materially interfere in the exercise of his independent judgment in carrying out the responsibilities expected of a director. Your Company's IDs possess the qualifications and none of the disqualifications under existing Philippine regulatory rules and requirements for IDs. They have been nominated by a non-controlling shareholder during the nomination period in 2013, and are independent of Management and major shareholders of the Company. More importantly, they bring objectivity and independent mindset during Board deliberations and discussions. Your Company's IDs have been elected and re-elected as Independent Directors with eight years tenure since their appointment as such from May 2005 to reporting year 2013. Their cumulative tenure complies with the SEC's prescribed ten (10) year-limit for Independent Directors, and their election as such in no more than five (5) companies in each conglomerate, both terms effective 2012. They have also been elected as such to the Board of your Company's wholly-owned subsidiary, SEM-Calaca Power Corporation since February 2011.

Board Meetings

The Board had nine (9) meetings including its organizational meeting in 2013. All Directors have fully complied with SEC's minimum Board meeting attendance requirement of 50% Board meetings are open and candid with independent views given due consideration.

SEMIRARA MINING CORPORATION BOARD OF DIRECTORS PERFORMANCE 2013			
Directors	Board Appointment	Meeting Performance	
		Board Meetings, incl. Organizational	Annual Shareholders' Meeting
David M. Consunji	Chairman Non-executive Director	8/9	1/1
Isidro A. Consunji	Vice Chairman, Chief Executive Officer	8/9	1/1
Victor A. Consunji	Executive Director, President & Chief Operating Officer	9/9	1/1

George G. San Pedro	Executive Director, VP-Operations & Resident Manager	6/9	1/1
Ma. Cristina C. Gotianun	Executive Director, Executive Vice President	9/9	1/1
Jorge A. Consunji	Non-executive Director	8/9	1/1
Herbert M. Consunji	Non-executive Director	8/9	1/1
Cesar A. Buenaventura	Non-executive Director	9/9	1/1
Ma. Edwina C. Laperal	Non-executive Director	9/9	1/1
Victor C. Macalincag	<i>Independent Director</i>	9/9	1/1
Federico E. Puno	<i>Independent Director</i>	9/9	1/1

Board and Director Development

The Company's Board and Director Development program aims to raise the quality of its Board operations to a higher level. This includes orientation, training, continuing education, committee assignments and Board evaluations for improvements, among others. New Directors are given a formal Board Director performance expectations list which provides a common ground for their individual performance. Directors are encouraged to visit Minesite and power plant operations at least once in two years. Board Directors have subjected themselves to formal self-assessments of their skills and expertise, including identification of development areas of interest to enhance their qualifications and effectiveness as Directors. All Directors have undergone corporate governance orientation in compliance with SEC regulations.

- **Orientation**
Focuses on knowing your Company's unique aspects such as its history, operations, product, Board policies, etc. Directors are provided with an orientation kit of compiled reading and video materials intended to serve as a useful tool and ready reference resource for the Board's work and duties during the year. They are encouraged to visit the Company's mine sites and subsidiary operating plants to gain a closer understanding of business operations and ongoing Corporate Social Responsibility (CSR) projects.
- **Continuing Development**
Training varies upon each director's requirements, quality and relevance of the training available. All Directors are encouraged to avail themselves of educational opportunities as appropriate and as part of their continuous professional education. They are periodically provided with reference materials on global best practices and governance issues as part of their continuing education. The Company encourages and supports membership of its Directors and key officers in the Institute of Corporate Directors (ICD), a professional organization committed to the professional practice of corporate directorship. Directors and officers participate in ICD's continuing education programs such as roundtables, initiatives such as the ACGS working session, forums governance seminars and updates.

In 2013, Director governance enhancement trainings included participation in ICD's ASEAN Corporate Governance Scorecard Briefing in April 10, 2013 and ECCI's Sustainability Reporting awareness seminar in August 14, 2013.

Corporate Secretary

At the beginning of each year, the Corporate Secretary advises the schedule of regular Board meetings and Board committee meetings in line with your Company's regulatory reporting dates. Special Board meetings may be called as the need arises. He assists the Chairman in setting the Board agenda and provides Directors with meeting agenda and related materials at least five (5) days in advance of Board meeting date to ensure that they have accurate sufficient information as basis for their informed decisions or approvals. He ensures that all Board procedures, rules and regulations are strictly observed. He is responsible for the safekeeping and preservation of the integrity of the minutes of Board meetings. He provides updates to the Directors and Management regarding statutory and regulatory changes. The Corporate Secretary and Vice President - Legal, Atty. John R. Sadullo, possesses the legal qualifications and secretarial competencies to effectively perform the secretarial and related duties.

Executive Succession Planning

The Board-approved Executive Succession Plan Policy is a statement of commitment toward leadership continuity involving assessment of leadership needs and preparation for an eventual permanent leadership change to ensure the stability and accountability of the Company to its stakeholders. It outlines succession procedures for the CEO including the process of appointment and time frame in case of an interim leadership, time frame for appointing a board transition committee and its roles – e.g. communicating to key stakeholders. Your Company shall develop a pool of candidates while at the same time encouraging the professional development and advancement of current employees. Succession processes to ensure continuity of leadership and changes in key officers and critical positions include identifying potential candidates and leadership gaps, assessment of their strengths and developmental needs, readiness of current staff to assume critical positions and implementing strategies.

CEO and COO Performance Evaluation

The Board annually conducts reviews of the CEO's and COO's performance based on key result areas consisting of Board-approved financial performance metrics relating to the Company's business and operating objectives, and non-financial metrics covering strategic objectives, governance, internal processes, business development and corporate social responsibility. The Chief Governance Officer administers the performance evaluation process, tabulates the rating results and summarizes evaluation comments. Evaluation results are submitted to and/or discussed with the CEO, COO, Nomination & Election Committee and Compensation & Remuneration Committee for proper disposition or action. In 2013, the Board evaluated the CEO's and COO's performance in the preceding financial year.

Board Performance Evaluation

The Board's annual performance evaluation process covers full Board self-assessment and individual peer director appraisal. Formal questionnaire for the full Board self-assessment covers Board responsibilities, structure, meetings, processes, and management support, while that of individual director performance evaluation areas cover leadership, interpersonal skills, strategic thinking and participation in Board meetings and committee assignments. In 2013, full Board and peer director evaluations were administered and compiled by the Chief Governance Officer who subsequently reported to the Board the overall rating results, highlighted the Board's strengths and areas needing Board attention, and provided private feedback to each Director as assessed by his peers.

Board Committees and Appraisal

The Board established three (3) Committees to support the performance of its fiduciary functions, namely Nomination and Election Committee, Compensation and Remuneration Committee, and Audit Committee. The Committees are guided by Board-approved Charters in the discharge of their roles and oversight responsibilities. Majority membership of Independent Directors in all Board Committees enhances the Board's key oversight function and independence. The Board Committees annually review their respective Charters for effectiveness, and endorse changes, if any, for Board approval. The Corporate Secretary, Chief Governance Officer and Legal department provide full support to the Board and good governance committees.

The Board Committees annually conduct a review of the effectiveness of the Committees' performance using formal self-assessment questionnaires based on their respective Charters and benchmarked against best practices, with results thereof discussed for appropriate disposition.

In 2013, all Chairmen and Members of the Board Committees attended the Annual Shareholders' Meeting (ASM) to address possible queries on matters of the respective Committees.

Nomination and Election Committee

The Nomination and Election Committee (NOMELEC) is comprised of three (3) Board Directors, with majority membership of Independent Directors. Its main function is to review, recommend and promulgate guidelines involving the nomination process and criteria for the Board of Directors as stated in the Amended By-Laws, Revised Code of Corporate Governance and pertinent SEC rules. It reviews each Director's continuation on the Board every year, taking into account meeting attendance, participation and contribution to the Board. The Committee also oversees Board & Director performance and development and succession planning for SMC Group's Board and key officers.

The Committee had three (3) meetings attended by all Members on **March 1, 2013**, **March 20, 2013** and September 26, 2013. During the year, it focused oversight on the following areas:

- **Nomination and selection**

- *Reviewed with the Corporate Secretary the nomination process, criteria, qualifications and final selection of Board nominees for directorship ensuring that they meet the requisite qualifications;*
- **Executive succession planning and leadership**
Discussed and reviewed with senior management the organizational development program, executive succession planning and leadership needs of SMC group, as well as endorsed for Board approval the promotion and appointment of key officers; and
- **Board performance and development**
Lead the Board's annual appraisal process, supported continuing education and development needs of the Board and key officers as part of the continual review and improvement of Board effectiveness.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee is comprised of three (3) Board Directors, with majority membership of Independent Directors. Its main function is to establish a formal and transparent procedure for developing a remuneration policy for Directors, officers and key employees consistent with the Company's culture, strategy and control environment. It annually reviews and recommends for Board approval Director remuneration set within the maximum level by the Company's Amended By-Laws and as approved by the shareholders. It reviews compensation-related disclosures of Directors and Executives in the Company's annual and related reports to be in accordance with regulatory requirements and reporting standards. It also requires Directors and Officers to declare under penalty of perjury all their existing business interests or shareholdings that may directly or indirectly cause conflict of interest in the performance of their duties. As per its Charter, the Committee engaged, at the Company's expense, the services of Rodolfo C. Salazar as key consultant to advise and assist the Committee in its oversight responsibilities, and to assist Management in implementing strategic priorities. He is required to formally disclose any financial, business or personal interests in an Annual Disclosure Statement.

The Committee had two (2) meetings attended by all Members on March 5, 2013 and November 7, 2013. During the year, it performed oversight of the following functions, among others :

- **Board remuneration**
Reviewed and benchmarked SMC's Board and Director remuneration policy, types and levels against latest survey data of a reputable third party to ensure these are at par with current business practices of boards of similar size and type;
- **Executive remuneration**
Reviewed SMC Group's executive compensation and performance management against similar organizations and benchmarked against survey reports of Towers Watson and Mercer to provide a competitive remuneration framework and reward levels calibrated to performance of SMC Group's business objectives and to ensure continued alignment of executive management and shareholder interests; and
- **CEO and COO performance appraisal**
Reviewed and recommended reward levels for the CEO and COO based on the results of the Board's evaluations of their performance in successfully steering SMC Group towards sustained profitability amidst challenging business conditions in 2013.

Director Remuneration

Board Director remuneration consists of an annual retainer fee, per diem, short-term cash incentive and reimbursement of allowances, as appropriate. The shareholders approved in its May 2009 Annual Shareholders' Meeting director compensation at a fixed annual retainer fee of Two Hundred Forty Thousand Pesos (P240,000) per Board Director per calendar year and a fixed per diem of Twenty Thousand Pesos (P20,000) for each Director serving as a Board Committee Chairman or Committee Member for every Board Committee meeting held and attended. There has been no change or increase in Board per diem or retainer fees since then. When appropriate, the Board approves, upon recommendation of the Compensation and Remuneration Committee, short-term corporate performance-based bonuses for Board Directors. Your Company's Amended By-Laws prescribe a limit on the aggregate amount of Director bonuses which shall not exceed two percent (2%) of the Company's profit before tax during the previous year, while limit to total yearly compensation package, including bonuses granted, of Directors as such directors shall not exceed ten percent (10%) of the Company's net income before tax during the previous year.

In 2013, aggregate amount of cash bonus variable pay related to the preceding year's financial performance received by executive and non-executive Directors, including Independent Directors and the CEO, did not exceed abovementioned limits set by the Company's Amended By-laws. Details of Director compensation are disclosed in relevant sections of the Company's SEC 20-IS Information Statement and 17-A annual report.

Audit Committee

The Board's Audit Committee is comprised of three (3) Board Directors, with majority membership of Independent Directors. Its main function is to assist the Board in fulfilling its oversight responsibilities of financial reporting, external audit performance, internal audit function, internal control and risk management processes as well as compliance in reporting, legal and regulatory requirements. It is primarily responsible for the appointment, re-appointment and removal of the external auditor.

The Committee is chaired by an Independent Director who is a Certified Public Accountant. Its Members possess the requisite levels of financial and accounting competencies, experience and other qualification requirements set by the SEC, as well as having an adequate understanding of the Company's mining business and related industries. Both Independent Directors have prior extensive working experiences and held key positions in accounting, finance and treasury functions of government and government-owned & controlled corporations.

Audit Committee	MEETING PERFORMANCE 2013								TOTAL
	Mar 5	Mar 19	May 9	June 26	Aug 6	Oct 8	Nov 7	Dec 11	
Victor C. Macalincag Chairman <i>Independent</i> Director	✓	✓	✓	✓	✓	✓	✓	✓	8/8
Federico E. Puno Member <i>Independent</i> Director	✓	✓	✓	X	✓	✓	✓	✓	7/8
Victor A. Consunji Member	✓	✓	✓	✓	✓	✓	✓	X	7/8

Committee Meetings are scheduled at appropriate points to address matters on a timely basis. Written agenda and materials are distributed in advance to allow for meaningful review and full discussion during meetings. Minutes of the Committee meetings are provided to the Board. The Compliance Committee, Chief Governance Officer & Compliance Officer and the management team of Finance, Legal, Internal Audit including those of the Subsidiaries are regularly invited to Committee meetings to discuss updates in regulatory developments, financial reporting, tax and compliance matters. The Committee reviewed and discussed the Company's financial performance, annual budget, strategic issues, equity investments, risk management, conflict-of-interest, related party accounts, tax planning, equity issues and market/industry developments.

In 2013, the Committee assisted the Board in its oversight of the following functions :

- **Financial reporting process and the financial statements**
Reviewed, approved and endorsed for Board approval the quarterly unaudited and annual audited consolidated financial statements; ensured that financial statements are in accordance with the required accounting and reporting standards; and reviewed the adequacy of financial reporting disclosures, including significant related party transactions to provide a transparent and fair view that meet shareholder needs.
- **External audit**
Discussed and approved the external audit work engagement, scope, fees and terms; discussed with SGV & Co. and Management significant financial reporting issues, audit observations, and overall quality of the financial reporting process as well as regulatory updates in financial and tax reporting; and recommended to the Board

the reappointment of SGV & Co. as external auditor in 2014 based on SGV's performance, independence, qualifications and with due regard of Management's feedback;

- **Internal audit**
Reviewed and approved Internal Audit's annual plan based on a risk-based approach and ensured Management provided adequate resources to support the function and maintain its independence; and met in executive sessions to review and discuss Internal Audit's assurance and advisory work during the year;
- **Internal control**
Reviewed and discussed with Management, SGV & Co., Internal Audit and Compliance Committee the results of assurance reviews on controls and compliance issues and ensured Management responded appropriately for the continuous improvement of controls and processes;
- **Risk management**
Discussed with Management and Internal Audit the results of risk reviews and identified key risks to the Company's mission and strategic objectives, ensuring the adequacy of the Company's Enterprisewide Risk Management framework, risk management processes, systems, mitigation measures, monitoring and reporting;
- **Compliance with regulatory and legal requirements**
Discussed and reviewed with the Compliance Committee significant updates and actions on SEC, PSE, legal, tax, claims, litigations, environmental, safety and other regulatory matters.

The 2013 Audit Committee Report to the Board of Directors is included in the Consolidated Financial Statements section of the Integrated Annual Report.

Related Party Transactions Oversight

Per Board-approved Related Party Transaction (RPT) Policy, the Audit Committee shall assist the Board in its review of RPTs. The Committee may establish guidelines to manage and monitor conflict of interest of Management, Board Directors and shareholders, including misuse of corporate assets and abuse in RPTs. The Committee's quarterly review of the financial statements included related party accounts and considered such factors as fairness, materiality, commercial reasonableness of the terms and extent of conflict of interest, actual or apparent, of the related party, as defined by the policy, participating in the transaction. In 2013, the Committee ensured that such RPTs are ordinary in the course of the Company's business, under reasonable terms and did not include financial assistance or loans to Board Directors, affiliates or related entities which are not wholly-owned subsidiaries.

Committee Performance Assessment

Per Audit Committee Charter, the Committee shall annually conduct a self-assessment of its own performance using a formal questionnaire with defined quantitative rating and corresponding qualitative description for such rating. In 2013, the Committee conducted, and reported to SEC, the results of its self-assessment and rating of its performance which indicated an overall compliance level in consonance with abovementioned SEC guidelines on effectiveness of Audit Committee performance.

INTERNAL AUDIT

IA Structure

The Internal Audit (IA) functionally reports directly to the Audit Committee. It is guided by a Board-approved Internal Audit Charter and adopts a risk-based audit approach aligned with the professional auditing standards as mandated by SEC's 2009 Revised Code of Corporate Governance and as set by The Institute of Internal Auditors (IIA). The IA provides the Audit Committee and Management with independent and objective assurance and advisory services on the Company's business processes, controls, and risk management practices and through regular reporting of their audit activities in relation to its annual audit plan, including the significant results of the audit. IA annually attests to the Board that a robust internal audit, control and compliance system is in place and working effectively. In 2013, the IA amended its Charter and updated the IA Policies and Procedures to enhance provisions reflective of the IIA guidelines.

The appointment, performance evaluation and replacement of the internal auditor requires the approval of the Audit Committee. IA Managers, Karmine Andrea B. San Juan and Carla T. Levina, lead and manage the IA function of SMC & its Subsidiaries.

IA Performance

IA's Quality Assurance and Improvement Program (QAIP) aims to provide assurance on the audit quality and value-added services to its stakeholders as well as to ensure operating efficiency and effectiveness of its organization and resources. Formal IA policies and procedures ensure adherence to IIA Standards. IA conducts an assessment of its own performance against its IA Charter and the IIA Standards, the results of which are reported annually to the Audit Committee. Audit client feedback is obtained through a formal survey upon completion of an individual engagement to assess IA's effectiveness in meeting the needs of its audit clients and to identify opportunities for improvement.

In 2013, the Audit Committee reviewed IA's overall performance based on IA's primary mandate of reassurance and value protection and also in providing added value through advisory services and business risk insights. The assessment aims to seek continual improvement of the function's strategic role, independence and effectiveness using a formal questionnaire covering areas on IA's responsibilities and accountability, charter, organization structure, skills, experience, communication and quality performance.

IA Professional Development

The Company supports IA's continuous professional training and career development through memberships in professional organizations such as IIA, Information Systems and Control Association (ISACA), Philippine Institute of Certified Public Accountants (PICPA), and through participation in external and in-house trainings and seminars.

EXTERNAL AUDIT

The Audit Committee oversees the external audit function on behalf of the Board. Its oversight includes the review and approval of the appointment, reappointment or replacement of external auditor, audit work engagement, scope and related fees, among others. In 2013, Your Company's external auditor is SyCip, Gorres, Velayo & Co. (SGV), with Ms. Cyril Jasmin B. Valencia as the Assurance Partner-In-Charge starting 2012, in compliance with SEC regulatory policy requiring audit partner rotation every five years to ensure independence. In 2013, total external audit & audit-related fees paid by your Company and its subsidiaries amounted to P 2.2M and P 2.4M, respectively. There were no tax fees and other assurance services for tax accounting, compliance, advice, planning and any other form of tax services paid to SGV. No Director or Key Officer is a former employee or partner of the current external auditor in the past two years.