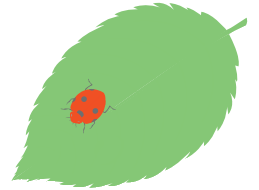




Sustainability Report 2012



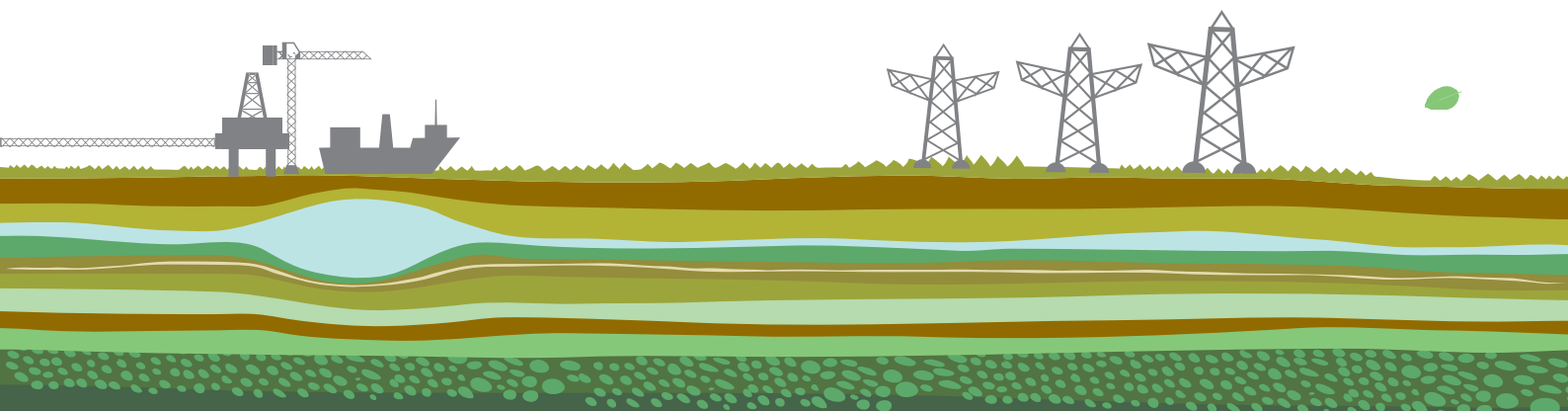
# BUILDING ON SOLID FOUNDATION





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## Vision

To be an energetic Asian energy provider of quality products & services and be recognized for its fairness, professionalism, and concerns for society and environment.

## Mission

- To develop businesses in the fields of energy in pursuit of Asian leadership position.
- To diversify and invest in strategic businesses to enhance competitiveness.
- To provide a variety of quality products and services with commitment, reliability, and flexibility.
- To conduct business in a socially, ethically and environmentally responsible manner.
- To build sustainable value for shareholders, customers, business partners, employees, local communities, and to be a good citizen to host governments.







## CEO Message

Throughout 30 years of Banpu's continued growth and development, new business opportunities and readiness for challenges would not have been possible without a strong business foundation, which is made of an appropriate business strategy, transparency and fairness in business operations, work safety, environmental responsibility, acceptance from community and society, and, most importantly, continual employee development and training. Not only do these factors constitute a solid foundation for the business, they also lead to sustainable partnership and value creation for all our stakeholders.

In 2012, the overall coal demand worldwide dropped below the global supply in consequence of an economic slowdown in Asia and Europe and an increased capacity in hydroelectricity production in China. Moreover, coal production in Indonesia and Australia increased due to the completion of production capacity expansion projects that were started a few years ago. As a result, coal prices were successively pressured throughout the year. For that reason, we have developed our strategies in three dimensions. The "Strengthening the Cores" strategy is to optimize cost management by increasing efficiency throughout the supply chain. The "Synergy Driving" strategy is to focus on creating synergy and maximizing all our assets, for example, mixing coal from different sources to offer products that meet customers' specifications. The "Growth" strategy is to identify new business opportunities to minimize risk from depending solely on one business and to constantly add value to our existing business.

Last year, regarding our occupational health and safety measures, we expanded the structure of our contractor management system to also cover sub-contractors. Meanwhile, we have tested the business continuity plan in entire command line for the first time comprising Banpu's Bangkok headquarter and the head office of ITM, our subsidiary in Indonesia, together with the coal mine on the Kalimantan Island, Indonesia.

As for environmental efforts, we introduced new initiatives to improve environmental performance and, at the same time, reduce operation cost. These included the testing of using liquid natural gas as fuel instead of diesel to save energy in production and transportation at the Indominco mine. Also, as part of our land rehabilitation plan, we worked with a government educational institution to inspect and collect plant species around a mine to study the impact from mining on biodiversity.

The aim of this Sustainability Report is to communicate our sustainable development efforts to all stakeholders. This second volume contains new content, for example, challenges in safety management of overseas businesses and in protection of biodiversity. The progress of new initiatives developed since the first sustainability report is also included.

We truly hope that the Sustainability Report will help all stakeholders to understand and feel confident in the Company's efforts, which consequently will lead to further collaboration between the Company and all stakeholders in sustainable development.



**Chanin Vongkusolkrit**

CEO and Chairman of the Sustainable Development Committee

# ABOUT THIS REPORT

The 2011 Sustainability Report, the first volume of such report for Banpu Public Company Limited, illustrated the Company's long commitment to sustainability, in which business operations interface with environmental and social responsibility, from its founding to the present. In this second volume, perspectives on business challenges of today and tomorrow are included in its reporting, and so are the planned courses of action in dealing with these challenges. The Company's objective is to continue to succeed economically while creating a strong foundation of the people management, environment, and society amidst a fast-changing business environment.

This report is developed based on the internationally-accepted standards of Global Reporting Initiative (GRI) G3.1 Guidelines and GRI Application Levels, Version 3.1. The AA1000 Accountability Principles Standard (2008) has also been applied to this report to cover key attributes including stakeholder inclusiveness, materiality, and responsiveness.

For wider accessibility, the report comes in two languages, English and Thai, and includes a GRI Index at the back for ease of use.



## Boundary

The content of the Sustainability Report 2012 covers businesses in which Banpu Public Company Limited is holding more than 50% of their shares, being the coal business in Indonesia and the power business in China. However, even though the Company wholly owns the Hunnu coal mine in Mongolia, the mine is in the process of streamlining its management and is, therefore, not included in this report.

Regarding the sustainability performance of Centennial Coal, a subsidiary of Banpu, the company publishes its own sustainability report, which is available for download at [www.centennialcoal.com.au](http://www.centennialcoal.com.au). However, Banpu has an intention to include Centennial Coal's sustainability performance in its own report in the future.

For business in which Banpu is holding less than 50% of their shares, either directly or indirectly, and does not involve in management but relies on their board of directors supervision, their sustainability performance are not included in this report. These business are the coal business in China, BLCP power plant in Thailand, and Hongsa power project in Laos.

## Next Step

The Company is determined to constantly improve the quality of its sustainability report. Last year, the Company allowed an external consultancy to comment on the report. The gathered information was used to improve the content of this volume. By self-declaration, Banpu considers the 2012 sustainability report to be at B level according to GRI application level. We expect to offer more disclosure and will allow an external assessment on report content in the future.

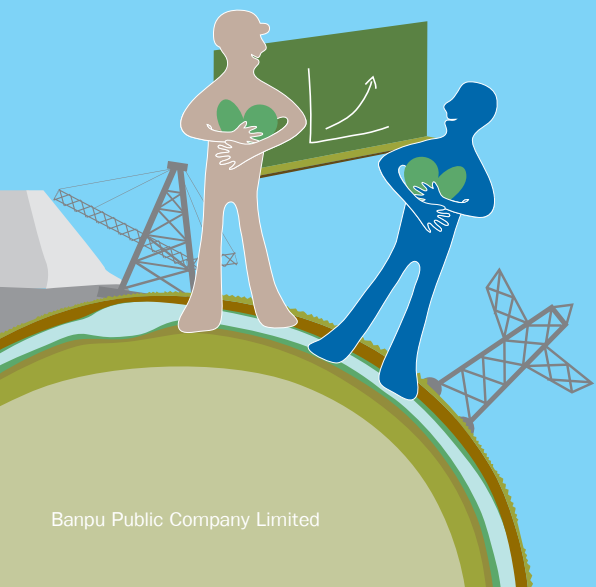


# 1

# BUSINESS & SUSTAINABILITY

## Corporate Governance for Sustainability

To achieve Banpu's mission "to conduct business in a socially, ethically and environmentally responsible manner while building sustainable value for shareholders, customers, business partners, employees and local communities", the Company has institutionalized itself with its Board of Directors and its subsidiaries to run the business in accordance with its strategic directions. In addition to systematic business operations and good governance processes, the Company conforms to law and regulations prescribed by the Stock Exchange, Securities and Exchange Commission, Capital Market Supervisory Board of the capital market where Banpu and its subsidiaries are listed, Articles of Association, and the resolutions of the shareholders' meetings to safeguard interests of all stakeholders.









## Structure of the Board of Directors

Banpu's Board of Directors consists of twelve members, six of whom are independent directors, three are non-executive directors and the remaining three are executive directors. The Chairman of the Board comes from one of the six independent directors. To carry out specific functions on their behalf, the Board of Directors has appointed sub-committees namely the Audit Committee, the Corporate Governance and Nomination Committee and the Compensation Committee. All members of the sub-committees must not be executive directors, and the Chairman of the Board of Directors holds no position in any sub-committee.

## Roles and Duties

The Board of Directors is accountable for shareholders to manage the Company and supervise its management so that the firm achieves its goal and shareholders' interests are maximized. At the same time, the Company's practices are in compliance with the Code of Conduct and the interest of all stakeholders is taken into consideration. The Board entrusts the CEO to run the company's business.

## Performance Review Guidelines for the Board of Directors

In order for the Company to achieve the goals, the Board of Directors follows up management's performance through monthly review meetings that evaluate monthly result against the set target comparing with forecast for the next period. In case the goal is missed, the management is required to explain causes for that deviation. Then, the Board would give a suggestion so that the management could improve and report back to the Board.

## Compensation Management

The Compensation Committee, formulated by the Board of Directors, sets up rules and regulations, structure and system for compensation given to the Board and the management

and presents it to the Board for consideration. However, the remuneration package must be approved at a shareholders' meeting.

- **Board of Directors Evaluation**

The Corporate Governance and Nomination Committee, appointed by the Board of Directors, has a duty of evaluating performance of the Board of Directors as a group. The evaluation, conducted annually, takes into consideration of economic, social and environmental criteria. The result of which is, then, reported to the Board meeting for future improvements.

- **CEO Evaluation**

The Board together with Chief Executive Officer establish CEO's target in the form of Key Performance Indicator (KPI) which covers operations in economic, social and environmental areas in January of every year. The Board, then, evaluates CEO's performance and presents the result to the Compensation Committee respectively.

## Internal Control and Conflict of Interest

In Banpu's 'Code of Conduct' handbook, there are chapters on Conflict of Interest and Inside Information, both of which are important policies that prevent Board members, executives, and employees from taking advantage of non-public information. The Company's Internal Control and Audit policies are as follow:

- Internal Audit office is established independently within the Company.
- Board members and high level executives are required to report changes in their asset holdings to the monthly Board meetings.
- Members of the Board and the management must submit name lists of their related parties, by the Securities and Exchange Commission's rule, to the Board of Directors and the Audit Committee. Furthermore, related party transactions and changes occurred must be reported to the quarterly Board meetings and published in the annual report of the Company.



- Once a Director or executive has disclosed a conflict or potential conflict of interest, that Director or executive must not attend that meeting or refrain from voting.
- The Board has delegated its authority to the Audit Committee to ensure an effective internal control mechanism that covers Banpu's overseas subsidiaries by COSO standard. There is a 33-point checklist for the Company's internal control adequacy evaluating framework that covers five criteria, namely 1) Corporate and environment, 2) Risk management, 3) Operations control over the management, 4) Information and communication technology system, and 5) Monitoring system. The Audit Committee must submit this evaluation to the Board for consideration on an annual basis.

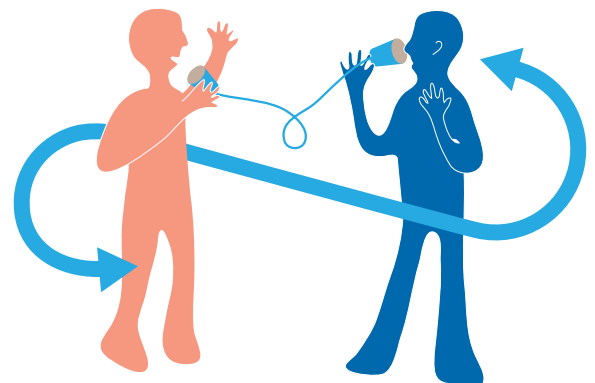
## Anti-Corruption

Banpu has declared its intention of anti-corruption with the Thai Institute of Directors Association (IOD) in November 2010.

## Communication Channels

Banpu has set up communication channels or systems to provide accurate and transparent information on its operating results regarding economic, social and environmental topics to stakeholders as well as to receive opinions and suggestions. Our various channels can be elaborated as follow:

- Annual General Meeting of Shareholders is organized to provide an opportunity for shareholders to lodge their opinions, ask questions and vote to elect the board of directors.
- 'Corporate Governance Policy' and 'Code of Conduct' handbooks are made available for directors, executive officers and employees. Moreover, members of the Board also follow the guidelines in the 'Director's Manual of Listed Companies' published by the Office of the Securities and Exchange Commission in 2005.
- Corporate Governance is periodically communicated to stakeholders through annual reports and to employees via 'CG of the Month' column in 'Banpu Insight' internal journal.
- Seminars and orientations on CG policy are conducted for both current and new employees. CG issues can be accessed through company's portal. Furthermore, internal events on CG are held regularly, for instance, 'CG talk of the town', 'CG in my Department' and 'CG Day'.
- Stakeholders, who are customers, investors and employees, are provided with channels to voice their complaints to the Board via company website and portal. The complaints will be forwarded to the secretary of the Corporate Governance and Nomination Committee for further action.



- Investor Relations department is established to serve as direct communication channel for both domestic and international investors.
- Operating Results Analyst meeting is organized quarterly to provide information to investors and analysts.
- Company and subsidiaries site visits, i.e. overseas mines and BLCP power plant site visit, for shareholders, customers, community members, media and academic.

## Banpu's Participation and Membership

Organization	Membership Status	Roles within Organization
Thai Listed Companies Association	Banpu is currently in the Board Committee, holding the Chairman title.	<ul style="list-style-type: none"> <li>• Serving as the Chairman at the Board Committee meetings.</li> <li>• Overseeing association management by formulating policies that benefit members of the association, for instance, competency enhancement training programs for executives, coordinating with government sector in law and regulation amendments as well as giving opinion and raising issues of business sector to the government for the betterment and benefits of all related parties whether in public, business or government sectors.</li> </ul>
Federation of Thai Capital Market Organizations (FETCO)	Serving as Vice Chairman in the Board of Directors. There are 7 capital markets related institutes that hold FETCO membership. The Thai Listed Companies Association is among them.	<ul style="list-style-type: none"> <li>• Attending meetings, as one of representatives of capital market related organizations, in order to develop Thailand's capital market as a whole to contribute to the nation and all levels of investors in a sustainable manner.</li> <li>• Key participation includes policy formulation of capital market development, voicing opinion regarding obstructions removal to make Thai capital market an efficient and standardized source of fund raising, supporting Thai business development in all sectors.</li> </ul>
Thai Capital Market Development Committee	Representing the Thai Listed Companies Association in the Board of Directors.	Representing private sector in bringing forward policy and development plan for Thai capital market, accelerating the solving of problems and capital market development obstructions and co-formulating capital market development policies with government agencies to ensure that they are in line with macroeconomics outline of the country.

## Awards and Recognitions



- ▶ ‘Companies with Excellent CG Scoring’ and ‘Top Quartile Companies by Market Capitalization’ awards

By  
Thai Institute of Directors - IOD



- ▶ Ranked 4<sup>th</sup> of ‘300 Best Public Companies for the Year 2012’ and 2<sup>nd</sup> in the resources sector

By  
Money & Banking Magazine



- ▶ Ranked Banpu 5<sup>th</sup> of ‘8 Best Managed Companies’, 4<sup>th</sup> of ‘7 Best Corporate Governance Companies’, 4<sup>th</sup> of ‘6 Best Corporate Social Responsibility Companies’. Ms. Somrudee Chaimongkol was ranked 3<sup>rd</sup> ‘Best CFO’.

By  
Finance Asia website



- ▶ Ranked 3<sup>rd</sup> in the resources sector of Thailand’s Top Corporate Brand Value 2012

By  
The Faculty of Commerce and Accountancy



- ▶ Won the ‘Best Social Responsibility’ trophy

By  
The Indonesia’s Environment Week committee



- ▶ Silver Medal

By  
Indonesia Quality Management Association (IQ MA)



- ▶ Gold Medal

By  
Indonesia Quality Management Association (IQMA)



- ▶ The first recipient of ‘Best Practitioner in Industrial Relations’ award

By  
Regent of East Kutai, East Kalimantan, Indonesia



## Sustainable Development Governance

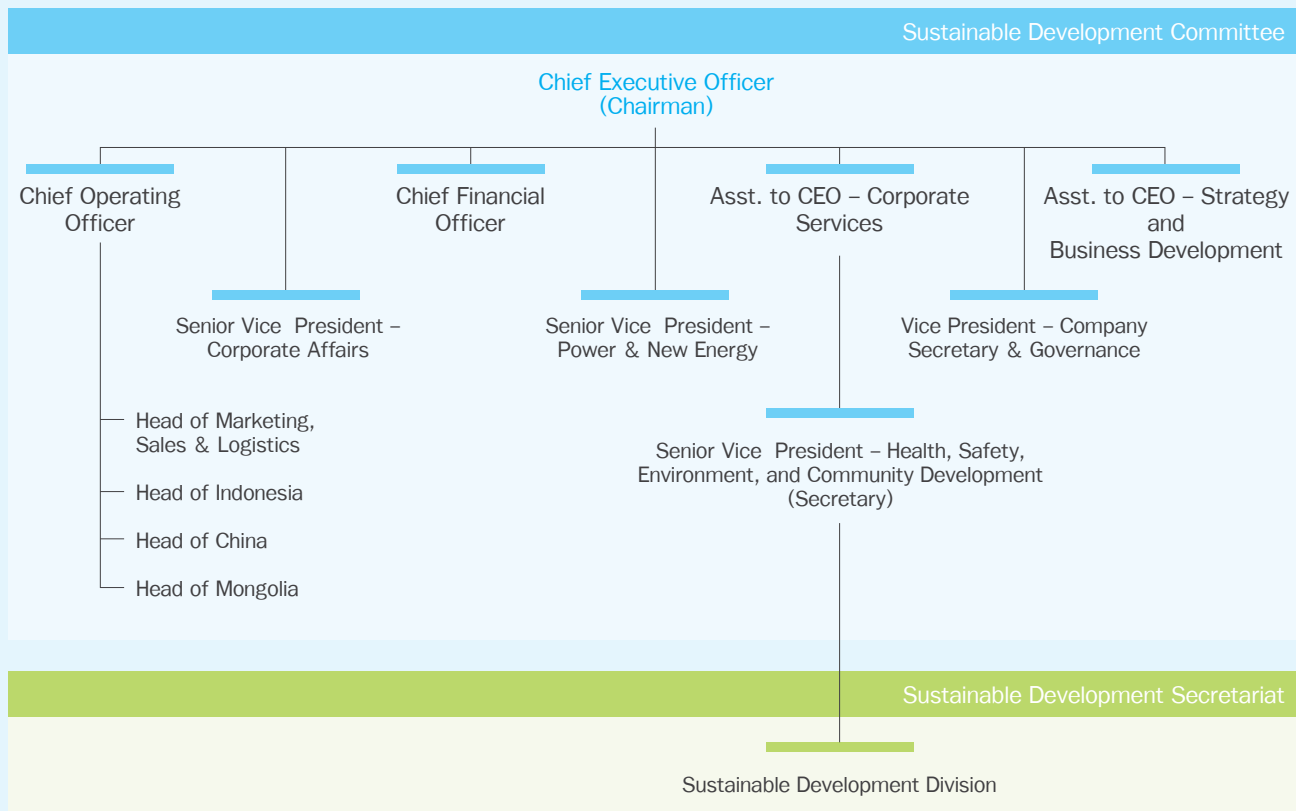
To ensure the substance and continuous development of sustainability, Banpu has formed Sustainable Development Committee in 2008. Chaired by the Chief Executive Officer, the Committee consists of senior executives, and heads of business units in the countries the Company has invested. The Committee performs following roles and functions;

1. To determine the Company's sustainable development policy as well as other policies and management frameworks that are acceptable to the community and

society in order to strengthen the competitiveness of the Company

2. To track the performance of business units within Banpu group in the areas of occupational health, environment, safety, economy and society which can influence the decision making that may affect various stakeholders, thus, their trust in the Company
3. To track the performance of other operations within Banpu group and ensure compliances with sustainable development policy

## Sustainable Development Governance Structure\*



\* As of December 31, 2012



## Stakeholder Engagement

We trust that business can be sustained only when the economic, environmental, and social drives are well balanced among stakeholders, both internal and external ones who create impact and may be impacted because of our operations. We focus our sustainability development efforts on stakeholder engagement throughout our supply chain. Our efforts with various groups of stakeholders are shown in the table below.

### Expectations and Engagement of Stakeholder

Groups of Stakeholders	Expectations	Engagement
Customers	<ul style="list-style-type: none"> <li>• Quality products at reasonable prices</li> <li>• On time delivery of products in accordance with specified quality and quantity</li> <li>• Other services that promote economic, social, and environmental development</li> <li>• Business agreements that are fair to both parties</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction surveys</li> <li>• Channels for customer feedback on quality, quantity, and safety of products and services</li> <li>• International conferences</li> <li>• Customer visits</li> <li>• Technical support on product utilization and services to enhance product effectiveness and ensure utmost benefits for customers</li> <li>• Response to customers' requests for product information disclosure or reports</li> <li>• Joint projects on environmental and social initiatives</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Performance-based pay in relation to targets set in annual action plans</li> <li>• Employee engagement</li> <li>• Human resource development</li> <li>• Respect for individuality and dignity of human beings</li> <li>• Appropriate remuneration and welfare in line with economic and social conditions</li> <li>• Safe working conditions</li> <li>• Fair treatment</li> <li>• Development of competency and skills required for assigned tasks and in line with their career path</li> <li>• Employees' best effort to perform tasks</li> <li>• Employees' commitment to "Banpu Spirit"</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction of performance-based pay in relation to targets set in annual action plans</li> <li>• Employee engagement in performance evaluation in order to reach targets set in annual action plans</li> <li>• Annual performance evaluation based on behavioral factor and Key Performance Indicator (KPI)</li> <li>• Employee engagement surveys</li> <li>• Communication channels between Human Resources and employees, such as e-newsletters and meetings with other departments, etc.</li> <li>• Improvement of Individual Development Program (IDP) and competency system</li> <li>• Communication on career development, such as job evaluation system, key performance indicator system, and competency system</li> <li>• Competitive remuneration system</li> <li>• Development of career succession plan and HR programs for Indonesian employees</li> </ul>

Groups  
of Stakeholders

Expectations

Engagement

Employees		<ul style="list-style-type: none"> <li>• Channels for complaints</li> <li>• Employee involvement in management of welfare and working conditions, such as Welfare Committee, Occupational Health and Safety Committee, etc.</li> <li>• “Banpu Spirit” behavioral surveys</li> <li>• “Banpu Spirit” campaigns</li> <li>• Support to employees’ social activities, including sport clubs, volunteer clubs, etc.</li> </ul>
Contractors	<ul style="list-style-type: none"> <li>• Equal opportunity and fairness in contractor selection</li> <li>• Fair contract rates in line with economic and social conditions</li> <li>• Safe working conditions</li> <li>• Business agreements that are fair to both parties</li> <li>• Commitment to environmental, safety, and social development initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Fair and transparent contractor selection and evaluation process</li> <li>• Regular meetings with contractors to track and improve production, safety, and environment performances</li> <li>• Annual Executive Mine Contractor Meeting in Indonesia to inform contractors about policies, key issues, and concerns</li> <li>• Contractor Management System applied to Indonesian operations</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• Short- and long-term returns on investments</li> <li>• Business growth and stability</li> <li>• Transparency in business management and engagement of minor shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting of Shareholders which enables shareholders to exercise voting rights and give comments or raise questions on equal basis</li> <li>• Annual Report and other reports, such as SEC 56-1 report, press releases, etc.</li> <li>• Channel for shareholder feedback</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>• Fair returns on investments for both parties</li> <li>• Commitment to agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Board meetings at subsidiary and associated companies at which business partners can voice opinions and exercise rights</li> </ul>
Creditors	<ul style="list-style-type: none"> <li>• Fair returns on loans and service fees</li> <li>• Ability to repay debts and punctual payment</li> <li>• Commitment to agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Road shows</li> <li>• Regular visits to provide performance and business updates</li> </ul>
Capital Market	<ul style="list-style-type: none"> <li>• Company performance</li> <li>• Corporate governance</li> <li>• Risk management and business strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Analyst meetings</li> <li>• Presentation on Opportunity Day organized by Stock Exchange of Thailand</li> <li>• Road shows</li> </ul>

Groups  
of Stakeholders

Expectations

Engagement

Capital Market		<ul style="list-style-type: none"> <li>• Publication of Annual Report and other reports</li> <li>• Exclusive executive interviews</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Fairness and equal opportunity in procurement process</li> <li>• Fair prices</li> <li>• Business agreements that are fair to both parties</li> <li>• Commitment to agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent and accountable procurement process</li> <li>• On time payment policy</li> </ul>
Communities	<ul style="list-style-type: none"> <li>• Care for environment</li> <li>• Improvement of life quality</li> <li>• Positive economic and social contributions while preserving local traditions</li> </ul>	<ul style="list-style-type: none"> <li>• Constant communication with community leaders about planning and progress of community development projects</li> <li>• Cooperation with local authorities to support development projects for utmost benefits of people and communities</li> <li>• Coordination with local educational institutions in reviewing development projects that are most suitable to particular communities</li> <li>• Perception surveys</li> <li>• Community visits on various occasions</li> <li>• Community development projects that engage Company, community representatives, and government agencies</li> </ul>
Government	<ul style="list-style-type: none"> <li>• Compliance with regulatory requirements</li> <li>• Care for environment</li> <li>• Technology transfer</li> <li>• Job creation</li> <li>• Tax payment</li> <li>• Certainty in and proper timing for issuing laws and regulations</li> <li>• Fair laws and regulations</li> <li>• Integrated operation based on engagement of major stakeholders, including local government agencies, local educational institutions, and mining contractors.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations and timely reporting of such compliance</li> <li>• Payment of taxes, royalties, and other fees set by government</li> <li>• Support to governmental initiatives/activities</li> <li>• Occasional visits to government agencies</li> <li>• Community development projects that engage Company, community representatives, and government agencies</li> </ul>

## Sustainable Development Policy



Banpu Spirit provides the foundation for our approach to sustainable long term growth - management of economic, environmental and social risks and opportunities.

At Banpu, we have a strong belief in the motto that an industry will be strong only when it is developed in tandem with social and environmental responsibility, which in turn creates shareholder value at each stage of our development. This sentiment underlies our Sustainable Development Policy and commitment to be a good citizen, being committed to social responsibility, high degree of fairness, integrity and ethical standards to all parties.

In every location, we are dedicated to conducting our business responsibly, ethically and lawfully in all matters and to comply with our company standards. We put sustainable development into practice through the effective implementation of QSE management standards which identify, assess and manage risks to our people, contractors, the environment and our host communities, arising from all activities that we control or can influence.

To accomplish these goals, we:

- Minimize and responsibly manage environmental impacts, arising from our activities across the value chain.
- Set and achieve targets that promote efficient use of resources and include reducing and preventing pollution by assessing and considering ecological value and land use aspects in investment, operational and closure activities.
- Establish and maintain greenhouse gas inventory data and publicly report our emissions.

- Care for occupation health and safety of our employees and contractors by taking all practical and reasonable measures to eliminate fatalities, injuries and occupational illnesses.
- Take pride in fundamental human rights and respect people of all races, nationalities, cultures and religions. We will ensure that our employees are provided with fair remuneration, fair management and opportunities for learning and professional development.
- Bring sustainable benefits to our host communities and society, we seek to understand their needs, engage in open dialogue to build trust, and take their views and concerns into account in our decision making.
- Operate efficiently and profitably by maximizing revenue, minimizing costs and investing to achieve long-term growth and value creation.
- Conduct or support research and innovation that promotes the use of our products and technologies that are safe, environmentally sound and efficient in their use.

In implementing this policy, we establish measurable indicators to monitor and review our environmental, health, safety and social responsibility performance, and use these to set goals for continuous improvement.

This commitment will be achieved through environmental, health, safety and social responsibility accountabilities and leadership in all levels of management.

## Strategies for Sustainability



At Banpu, we are committing to the framework of Sustainable Development (SD) by integrating it as crucial part of our business strategy. This is to give clear intention that, not only aiming to create value for shareholders, other stakeholders in the forms of, for example, community and society we are operating in, environment, employees, government agencies, etc., are also important parts of the company's sustainable growth. We recognize that in order for the company to be able to consistently generate value over longer-term, ultimate goals are not just financial benefits but to also make sure those involve with all aspects of our businesses also have access to better lives as well. We need to go together hand-in-hand with our stakeholders to gain win-win solutions and benefits for all.

SD principles are an integral part of our strategy and strategic investment plan; fundamentally critical to the achievement of the following core business objectives:

1. “Strengthening the Cores”: This means we aim to increase efficiency and optimize our cost structure as well capital, by focusing on our key competencies in coal mine operations and power project development. Not only operations, but both operating and administrative costs are to be streamlined to be strong platform for any volatility of commodity market that might come our way.
2. “Synergy Driving”: We intend to be in a stronger position by creating synergy from consolidated and integrated activities within and around our locations across the Asia-Pacific region. This part of the strategy aim to not only maximize potential of our assets on a stand-alone basis, but we also combine different strengths of each operations within the Group to generate more upsides for any condition of the commodity market.

3. “Growth”: This has always been part of our strategy. We aim to grow both by organic projects as well as additions of new assets by merger & acquisition (M&A). Organic projects help the first two parts of the strategy to maximize potential of the assets, while new assets aim to generate more revenue and/or lower cost structure as a whole. Strong cash flow generation and earnings over short- and long-term horizons are priorities to satisfy base of our value investors.

### “Strengthening the Cores”

We recognize volatility of commodity market we are in; therefore ability to push down cost along the cost curve is very crucial for us to stand against any economic cycle. This can be done by focusing on in-house expertise in coal operations and power plant development. In order to create a strong platform for the company in the years to come, we are aiming to improve our cost structure by better optimizing all costs at our operations and supporting functions. This can be done through increasing our efficiency in each part of the value chain, for example, by employing latest technology or streamlining work process/structure. Most importantly, these efficiency and cost-control mindsets are to be built into medium- and long-term strategies as well to make sure we embed these as ones of our cultures. In addition, we also focus on our ability to produce market-driven quantity and quality under controlled environment. This means there must be no interruption to the business from health, safety, environmental, and community perspectives. As a result, strong HSEC-led operations are critical to business success. All programs involving strong discipline and practice on health & safety, compliance with rules and regulations, and consultative approach with the community, are mandatory.



## “Synergy Driving”

To maximize benefits of our Group’s multiple locations and provide more upsides rather than just commodity price movement, we also concentrate on finding synergy among our existing assets in different locations. This is to be done by combining strengths of each location; and share/integrate together to create additional revenue or lower cost from what cannot be achieved from stand-alone basis.

## “Growth”

In order to support our attempt to optimize cost structure and maximize potential of our assets in different locations, organic growth projects (i.e. to grow from what we already have) can add more benefits and help to contribute to the first two parts of the strategy. By exploring more area or employing new technology, for example, can help to increase return from the same project. Not only that, with the current volatile commodity market we are in, adding new assets to help increase scale for additional revenue and/or lower cost, is also among our considerations going forward.

## SD Framework as Fundamentals to our Business Strategy

At Banpu, we blend 3-dimension SD framework as fundamental to our business strategy. Those dimensions will act as platform for the company’s growth no matter how our business strategy is changing in the future. Beside, the

framework also gives us key result areas where we should focus our key performance indicators on, which in turn are linked to our performance management system as a whole as well.

- Operational and financial excellence - meaning our ability to produce quality product and service under planned budget, be able to deliver superior product/service to customer, with access to right sources of fund and proper financial management. This includes our foreign exchange management, financial risk management, investor relations, as well as the balance between right people-process-structure in place, and appropriate business model on how we create value from each of the country we are operating in.
- People development - meaning our ability to develop our human capital, both in terms of quality and quantity. In addition, this emphasizes our belief that out of the people-process-structure framework, “right” people are most important to eagerly steer our organization toward a more promising future.
- License to operate - meaning we would like to also maximize value created for our stakeholders in everywhere we go, by executing high standards of HSEC policy, as well as to fully comply with all relevant rules and regulations. This is also to ensure no interruptions to operations and thus be able to consistently generate good value for all stakeholders.





# Map of Operations



## Products and Services

### Coal Business



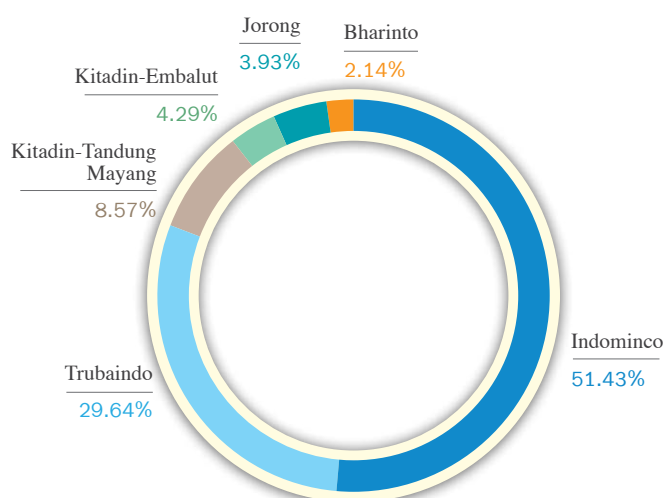
### Coal Market Situation

In 2012, Banpu produced 28.1 million tonnes of coal from the six mines in different parts of Indonesia as shown in the following chart.

Coal Production Volume in Indonesia in 2012

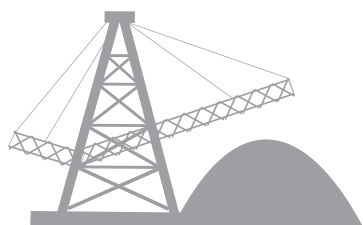
Coal Mine	Production Volume (million tonnes)
Indominco	14.4
Trubaindo	8.3
Kitadin-Tandung Mayang	2.4
Kitadin-Embalut	1.2
Jorong	1.1
Bharinto	0.6

Percentage of 2012 Coal Production from Indonesia Operations



The Company sells coals produced from its many mines located in different parts of the country. Some shipments consist only of coals produced straight from that particular mine while some are coals blended from several sources to match the quality specified by an individual customer. Banpu's coal products can be categorized as per quality into five main variants as follow:

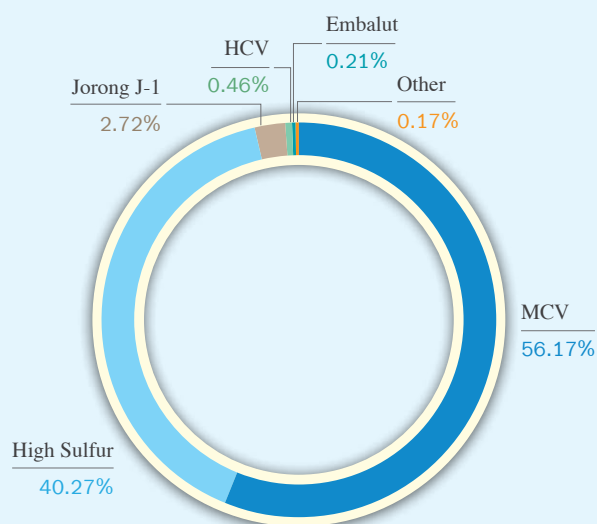
- **HCV (High Calorific Value)** is the highest quality variant from Banpu's Indonesia operations. It has high heating value of approximately 6,700 kcal/kg on an air dried basis while sulfur content is lower than 1%. In addition, its ash and moisture property is also low, making it popular for market demand.
- **MCV (Medium Calorific Value)** is also of a high rank coal and Banpu's main product. MCV has heating value of approximately 6,500 kcal/kg on an air dried basis, sulfur content of less than 1% as well as low ash and moisture property. It is suitable for use in power plants and cement factories. The Company's well known brand from this category is Bontang MCV from Indominco mine. Moreover, this product variant is also produced at Trubaindo mine, another key Indonesia mine of Banpu.
- **High Sulfur** is a high sulphur coal. Products from this category is very diverse in terms of heating value, ranging from 6,000 to 6,700 kcal/kg on an air dried basis, and sulfur content of 1.2 - 2.2%. Coal of this kind is normally sold to the cement industry market and power plants that are equipped with sulfur capture system.
- **J-1** is a sub-bituminous coal, produced at Jorong mine. It has high moisture and low heating value. However, J-1's strong point is it consists of very low sulfur content.
- **Embalut** belongs to the high rank coal variant. Produced at Kitadin-Embalut mine, it has medium heating value but its ash property is suitable for use in the metal producing industry.



## Coal Sales Volume (by Product Quality)

Order	Product Variant	Sales Volume (tonne)	
		2011	2012
1	MCV	14,478,211	15,340,803
2	High Sulfur	9,024,064	10,997,895
3	Jorong J-1	782,436	741,500
4	HCV	365,878	124,211
5	Embalut	26,400	57,141
6	Others	60,982	46,452
<b>Total</b>		<b>24,737,970</b>	<b>27,308,002</b>

## Percentage of 2012 Sales Volume (by Product Quality)



## Customer Profile

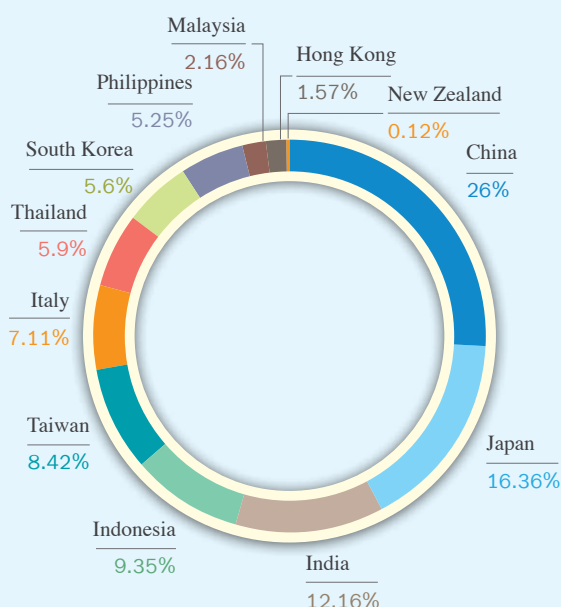
Banpu's primary customers remain large power plants with demand for high coal volume to generate electricity. These customers are located in many parts of the world, namely Japan, South Korea, Taiwan, China, India, Malaysia, the Philippines, Indonesia, and several countries in Europe. Last year, the Company sold 88% of its Indonesia coal to this power market. The rest is sold to the cement, petrochemical, paper, plastic and chemical industries. Since Banpu's customers are large scale manufacturers which are under strict government regulations regardless of where they are located, one can rest assured that their uses of Banpu's products will be in compliance with each country's regulations and, hence, will cause the least effect possible on environment and community. During the past year, there was neither report

on community's complaints to Banpu's customers nor government's warning on use of product's causing problems to environment or community.

## Coal Sales Volume (by Country)

Order	Country	Sales Volume (tonne)	
		2011	2012
1	China	5,776,864	7,095,836
2	Japan	4,053,761	4,466,748
3	India	2,324,976	3,321,791
4	Indonesia	2,134,391	2,552,887
5	Taiwan	2,088,526	2,299,423
6	Thailand	1,765,252	1,941,855
7	Philippines	1,307,310	1,612,404
8	South Korea	1,328,739	1,531,252
9	Italy	1,812,472	1,434,000
10	Hong Kong	880,520	590,002
11	Malaysia	1,265,159	429,464
12	New Zealand	0	32,341
<b>Total</b>		<b>24,737,970</b>	<b>27,308,003</b>

## Percentage of 2012 Sales Volume (by Country)



In 2012, Banpu did not conduct customer satisfaction survey as coal is a product that, by nature, does not significantly change. Quality of coals depends on the source where they are produced. Meanwhile, customer profile itself does not change within a short period of time either. For new competitors to



launch their products to the market, it takes them three to five years to develop a new mine. Therefore, the Company plans to conduct customer satisfaction survey every two years. However, in 2012, Banpu referred to the 2011 customer satisfaction survey findings to improve its internal process to better satisfy customer needs as well as to better match each customer's requirements. List of improvements includes:

- Installing an inquiry and complaint tracking system to ensure that all feedback from customers are taken care of
- Sending marketing analysts out to meet with customers and to give a talk on global coal market situation and trends
- Providing teleconference calls to update customers on coal market situation
- Sending out a quarterly operational results report to customers and stakeholders
- Improving internal process on quality control to achieve product consistency

Among other things, Banpu also sends out staff from production and quality control departments and coal utilization experts to visit customers, not only to exchange knowledge and to follow up on each adjustment but also to listen to customers' feedback.

Regarding communication with customers, it is done regularly via e-mails, telephone calls and faxes. Also, the Company's marketing team frequently visits customers to maintain good relationship and to give them updates on Banpu's information to ensure customers that the Company is capable of producing and delivering coals as promised. Furthermore, Banpu organizes Board visits, events when Banpu's Board makes a trip to meet with a customer's management board, to strengthen relationship between the two firms even further.

For customer privacy, the Company insists on protecting customer's confidential information from loss, theft, misuse, unauthorized disclosure, modification, and unauthorized destruction. Our track records in 2012 have proven that there were no complaints regarding the mentioned issues.

## Responsibility for Coal Products

Banpu always gives priority to production process and product quality in order to produce a product that is safe

for users and the environment. Therefore, the Company continually improves its production process as well as quality control system. Last year, Banpu had implemented a system to control dust from coal conveyors at Indominco mine. This installation serves as preventive control measure to protect both mine workers and nearby communities. Regarding product quality, it is the Company's policy to manufacture products whose quality matches an individual customer's requirements and causes no harms to users. During the past year, Banpu has added and strengthened its preventive coal quality control measures as follow:

- **Contamination Prevention in Coal Products**

- Banpu has installed a GPS system to all tractors that push coal onto conveyor belts at Bontang Port's stockyard. The system prevents a tractor from pressing its blade down to the rock surface of stockyard, the action that may cause some loose rocks to mix in with coals.
- The Company has commissioned a surveyor team to monitor every step of its stockyard activities from prehauling, stockpiling, coal forwarding to coal loading onto a bulk carrier for customer delivery. This is to ensure customers that, in every step of our product handling, there will be no contaminant in our coal product.

- **On-line Coal Analyzer**

The Company has installed an on-line coal analyzer at the production site. As the system instantly reports coal quality once produced, it enables Banpu to manage quality of products delivered to customers effectively.

Moreover, Banpu is upgrading the existing Coal Quality Forecasting System to work on-line in order to make monitoring of all processes, from production planning, production, transportation and stockpiling to customer delivery, faster and more effective. The on-line system is expected to complete and go live in 2013.

Although it is unnecessary for product of this nature to have packaging or label, plus coal users are specialists who possess extensive knowledge and expertise in Banpu's coal products, the Company has prepared a Material Safety Data Sheet (MSDS) if required by a customer. As of 2012, there is no report on harms caused by using the Company's products.

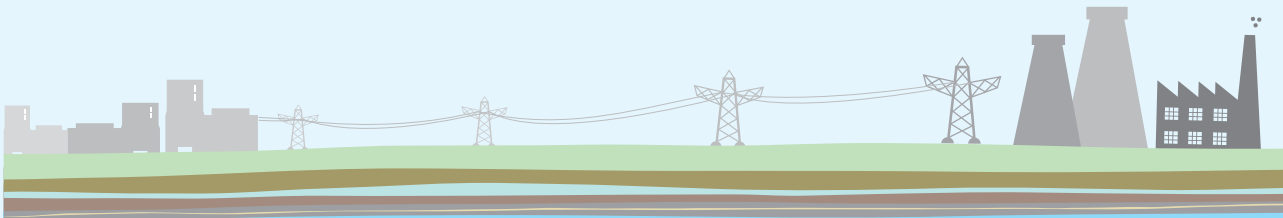
## Products and Services: Power Business

### Power Business in China



The power business in China enjoyed a continual growth thanks to growing demand from both the industrial sector and domestic consumption. Here are the growth rates of electricity consumption in China:

#### Growth Rate of Electricity Demand in China



	Unit	2009	2010	2011	2012
Growth Rate of Total Consumption	%	6.0	16.0	11.7	5.5
Growth Rate of Industrial Sector Consumption	%	4.2	17.0	11.9	3.9
Total Production Capacity	MW	874,073	941,372	1,055,760	1,143,060

However, due to effects on air quality from the industrial sector, the Chinese government has laid several stringent policies on energy efficiency and pollution control. Nevertheless, since Banpu's combined heat and power plants possess higher efficiency and better pollution control, they receive more support from the Chinese government as a result. The list of benefits includes guaranteed power purchase agreements with local power authorities and an exclusive right to sell steam and heat in designated districts.

Furthermore, Banpu administers its business to be in line with market opportunities. In winter time when demand for steam is high, Banpu dedicates its full capacity to producing and distributing electricity and steam. During other times when the need for both power and steam is low, we would shift our focus to production efficiency to reduce production costs. This strategy allows the Company to manage its costs and sales effectively. The competitiveness is also attained through the achievement of production and sales targets.

## Products and Customers of Power Business

At present, Banpu operates three combined heat and power plants located in northern China, with total capacity of 248 MW of electricity and 898 tonnes per hour of steam. The details are as follows:



Main products from these combined heat and power plants are electricity and heat. The latter is distributed in the forms of steam and hot water for industrial and household customers.

The Company pays close attention to quality of its products and services. Readiness and stability in the production and sales of both power and steam is key to our customer satisfaction. Maintaining good customer relationships through honesty and mutual benefits enables Banpu to win trust and confidence from customers. In addition, contracts signed with industrial steam customers allow us to adjust selling prices in case fuel prices exceed the rates stated in the contracts. This helps the Company better manage increasing fuel costs.

In addition, in conducting business with the government sector, relationships with local authorities are created based on the mutual goal of providing fundamental utilities (power and steam) to local communities and building credibility and equality. Banpu also constantly supports community activities. In return, when affected by external factors, the Company received helpful support from local authorities to alleviate the negative impact to its operations, for example, in terms of financial support or permissions to increase steam prices. The Company has been recognized by local authorities and communities as a role model in conducting business with responsibility.

# 2

## OCCUPATIONAL HEALTH AND SAFETY (OHS)

### Vision

Our vision regarding Occupational Health and Safety is to create a safe workplace. We believe that with our executives' commitment, proper safety management, continual safety system development, and initiative promotion, we would maintain acceptance and competitive edge in the long run.







## Commitment

Under Banpu Sustainable Development Policy, we are committed to create a safe working environment for everyone by taking all measures to eliminate risks that potentially lead to fatalities, injuries or illnesses of both our staff and contractors. In addition, the Company has set the Occupational Health and Safety Policy for its staff at all levels and all areas of operations to follow. The safety policy aims for:

- **Zero Incident** : All incidents must be prevented,
- **Zero Repeat** : Any previous incidents must not recur, and
- **Zero Compromise** : No compromise is to be made regarding safety issue.

## The Challenge

### At Corporate Level

Since the corporate is the one who sets policies and goals for the entire corporation, its challenge is to ensure that each Business Unit (BU) carries out the policies properly and reaches the targets effectively under different legal and social conditions of each locality. Hence, the Company focuses on regulating and monitoring mechanism, using the following success factors as benchmarks:

- Individual empowerment in both managerial and technical capacities.
- Proper operations following the regulating and monitoring standard to ensure full compliance to all regulations.

### At Business Unit Level

Each Business Unit may have rooms for improvement regarding health and safety management, for instance, on contractor management a BU should apply the Contractor Management System (CMS) to deal with all contractors regardless of sizes, and on enhancing capacity and knowledge of safety staff in each location, a BU should develop an Individual Development Plan (IDP) and curriculum to suit each individual.

## Occupational Health and Safety Management

### Long-Term Plan

To brace the firm with readiness for any crisis, Banpu has implemented the Business Continuity Management (BCM) project since 2008 with key focus on Executives coordination at both domestic and inter-unit levels. In 2012, the Company organized collaboration practices among an Indonesia mine, Jakarta office and Bangkok headquarters.





Moreover, staying true to the policy to provide safety environment to both employees and contractors, Banpu introduced the Contractor Management System (CMS) in 2008 and has been improving it ever since. The system catalyzed most contractors in Indonesia to stay active on safety management, making incident rate decreasing continuously since 2009.

## What We Did in 2012

The Company established training programs on safety and environment in the Individual Development Plan (IDP). In addition, we organized the HSEC Summit for each country's executives to set direction and guidelines on Occupational Health and Safety to create safe environment for employees at all levels and working locations.

## Giving Health Consultancy and Advices to Employees, Families and Communities

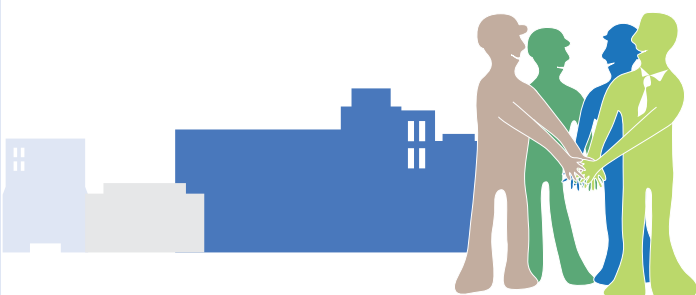
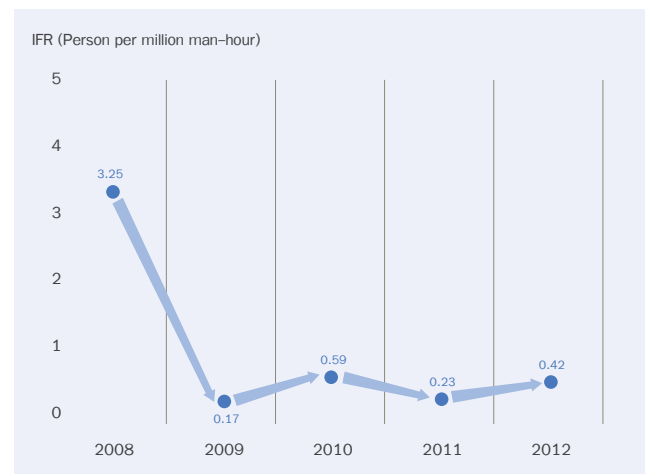
Every year, Banpu provides an annual physical check up to employees, family members and local community residents by giving monetary supports to public mobile medical units. Furthermore, the Company supports local public health stations to give knowledge on health and safety to the mother and child.



## Performance

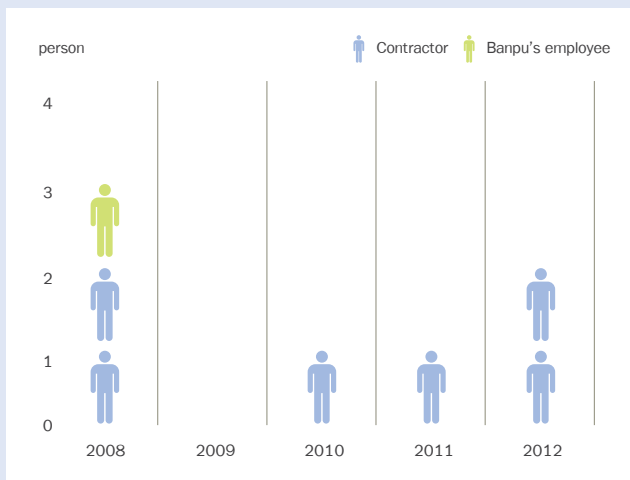
The following 2011-2012 Safety Index, Injury Frequency Rate (IFR) shows that Banpu has succeeded in reducing and controlling risks that lead to accidents. However, the Company still takes it as a challenge to improve its current management style and safety promotion program in order to decrease the accident target down to "Zero Incident" status.

### Injury Frequency Rate (IFR)



The Company deeply regrets for the 2012 incidents that led to the fatalities of two minor works contractors who worked in a short operational to support a project. This accident posted the urgency for stricter monitoring of subcontractors and minor works contractors working in the support activities whose time frame is usually short and workers are not familiar with the site.

### Number of Fatality



- Banpu organized the Health, Safety, Environment and Community Development Summit (HSEC Summit) for the second year running to brainstorm ideas and opinions from the Company's top executives of all regions. The Summit aimed to lay out safety operational direction and guidelines for employees at all levels and locations.
- Moreover, the Company operates under the Business Continuity Management mindset at all times whether at the mines, power plants or each country's head offices. This is to prepare for and reduce the effects of any emergency incident or crisis such as fire, flood, earthquake, epidemic, protest and uprising. In 2012, Banpu practiced the Business Continuity Management plan among its Bangkok's headquarters, Indonesia head office and Indonesia mines representatives to ensure that everyone could handle a crisis with confidence.

### What's Next

- Banpu insists on implementing its OHS policy by organizing Health, Safety, Environment and Community Development Summit (HSEC Summit) to brainstorm ideas from top executives continually in 2013.
- To reduce workplace accidents occurring to contractors regardless of size, the Company will continuously execute the Contractor Management System and implement site-focused operational disciplines strictly at every level. Moreover, Banpu will support and promote the use of Quality Assurance Review (QAR) to facilitate monitoring at the operational level.
- To enhance team's skills and understanding on Business Continuity Plan and to build up working confidence once a crisis takes place, Banpu, in 2013, will focus on having each country's head office practicing coordination with its local operational units. Furthermore, the Company will participate in a preparation program to qualify for the Business Continuity Management Standard Certificate (TIS 22301: BCM) in the future.

## Banpu's Participation and Membership

Organization	Membership Status	Roles within Organization
University of Indonesia (Jakarta)	General member	Guest speaking to students at the Faculty of Public Health, University of Indonesia
National Rescue Team Association - Bananas Indonesia	General member	Joining the National Rescue Team in natural disaster rescue operations such as flood, earthquake, tsunami, etc.
Indonesia OHSAS Association Forum	General member	Attending meetings to make suggestions and updates on OHS information and international standards
Indonesia Mining Association (IMA) and Indonesia Coal Mining Association (ICMA)	Board of Environment, Health and Safety Committee	Attending meetings to make suggestions and regulations on environment, health and safety in mining and coal business operations

## Awards and Recognitions



# 3

## HUMAN RESOURCES SUSTAINABILITY

Banpu puts great emphasis on its employees and human resource management and has adopted three major principles for its HR policy: Equity, Performance, and Competency.







## Major Principles for Human Resources Management

1. Equity	Emphasis on the recruitment of the most capable and competent people and rewarding them in a way that is seen as internally fair and externally competitive.
2. Performance	All staff participates in the performance management system, which entails the setting of agreed business goals, monitoring, and evaluating assigned tasks in a way that is intrinsically linked to compensation and annual bonus payments.
3. Competency	It is our belief that every individual's capability can be developed and enhanced. Therefore, it is Banpu's policy to support and provide an opportunity for everyone to maximize their professional growth through self-development, on-the-job training, coaching, training, and job rotation. This system is also applied to all levels of the Company.

## The Challenge

With the price crisis in the global coal market in 2012, Banpu made several adjustments to its human resource management in order to maintain competitiveness. Particular attention was paid to the development and training program and the foundation of HR management to ensure that the Company's employees are ready to take on current and future challenges.

### Reviewing Compensation Structure

In 2012, the Company reviewed its compensation structure and shifted to a performance-based system, which can better reflect the actual results of performed tasks. The new compensation scheme evaluates the performance in relation to the goal set in the annual plan, which all employees are engaged in target setting.

## Employee Engagement

Employee engagement is another challenge for the Company after having conducted an employee engagement survey. The Company recognizes that its employees are the most important resource and that training and retention are crucial to building a strong and sustainable organization. For that reason, the Company has decided to conduct an employee engagement survey every two years, which will be performed by an international consultant, first starting in Bangkok before moving on to Indonesia and China. The year 2012 was the second time such survey was conducted.

The 2012 Employee Engagement Survey shows that the Company's engagement score is at 56%, or in the Indifferent range, which means the employee engagement is average. Meanwhile, the average score for companies in the mining industry in the Asia-Pacific region is 58%. However, the Company aims to improve its employee engagement score to be on the same level of leading organizations.

Based on the 2012 survey, people practice and communication on the practice are two key areas that affect scoring. Therefore, the Company plans to improve its employee engagement by:

- Introducing more communication channels between the Human Resource Department and its employees, e.g. e-newsletters, meetings with other departments, etc.;
- Improving the service level of Human Resource Department by establishing a service level agreement (SLA);
- Developing tools and organizing training to assist supervisors in applying and improving human resource management guidelines.

functions and could be outsourced. Outsourcing was then made following the regulations for the utmost benefits of all involved parties.

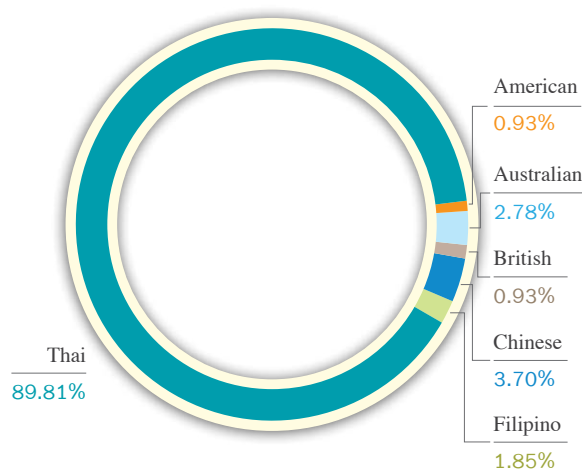
Over the past several years, the Indonesia government has introduced several environmental laws, which also cover coal mining, and has made amendments to laws concerning employment of foreigners. Therefore, ITM, which has 108 foreign employees (as of December 2012), 90% of whom are Thai, has adjusted the ratio of local to foreign employees to comply with the new regulations and has put in place career/succession planning in conjunction with training for open positions for Indonesian workers.

## Challenges in Human Resource Management in Indonesia

Indonesia welcomes foreign investors to do business in its country, particularly in the energy industry, where there are many local and international companies competing. Therefore, recruitment is highly competitive, especially among specialist professions, such as geologists and mining engineers, where the labor market is limited. PT. Indo Tambangraya Megah Tbk (ITM), a subsidiary of Banpu in Indonesia, has been facing fierce competition in the labor market. In order to increase the competitiveness of its recruitment, ITM has improved its applicant database system to ensure selection of the right candidates, the compensation system, and the employee development program.

Another major challenge in 2012 lays in the laws related to outsourcing in the mining business, which regulate types of job that can be outsourced as well as guidelines for outsourcers. The Company's Human Resource Department made an analysis to find out which jobs were core functions and could not be outsourced and which were non-core

Number of Foreign Employees in Indonesia



## Human Resource Management

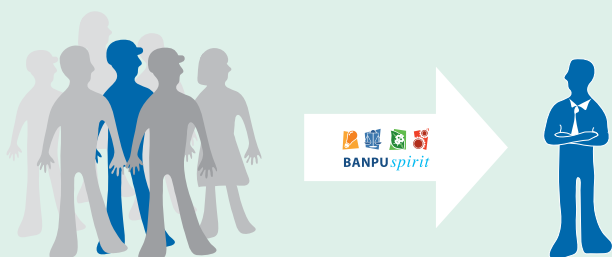
Success of an organization depends on its capable people with the right behavior. Giving an equal opportunity to employees regardless of their race, language, and gender, and treating all employees with fairness by focusing on accomplishing a common goal are crucial to the business and must be practiced with commitment. Key concerns for the Company's human resource management are as follows:

### Recruitment and Selection

Our employee selection process is based on a fair and effective system, giving all candidates an equal opportunity regardless of race, ethnicity, language, religion, and gender, and is designed in accordance with our "Banpu Spirit" corporate culture. At present, the Company has 12 nationalities of employees, and the number of female employees at the Bangkok headquarters amounts to 46%. However, female workers in Indonesia and China amount to only 10% and 24% respectively due to the nature of the businesses, which are coal mining and power generation. The Company puts emphasis on capability, competency, and behavior consistent with the "Banpu Spirit."

The Company's recruitment and selection comply with the employment laws and regulations of the countries the Company operates in.

In addition, for transparency and fairness in human resource management, the Company refrains from recruiting individuals who are related by blood or marriage to the Company's employees for positions in the same unit or in a supervisor-subordinate relationship.



## Compensation

Banpu believes in paying for performance. The compensation structure is designed to be internally fair and competitive with the market. In line with good corporate governance principles, we have adopted an internationally-accepted compensation practice and appointed Compensation Committee and Job Evaluation Committee emphasizing on transparency and fairness. Compensation based on job grades is assigned systematically to each position by considering the scope of responsibility and competency. Salary surveys are periodically conducted and the salary base is adjusted accordingly to reflect the market rate as well as consumer price index (CPI), the inflation rate, and other economic conditions that affect the livelihoods of employees.

### Performance Management

The Company uses the Key Performance Indicators (KPI) in every countries it operates in. Targets and success indicators are in line with the Company's strategies and are all linked together, from the executive level to the operational level. However, both competency and behavior are underlined. Individual performance accounts for 60% of the evaluation, while behavior in accordance with the "Banpu Spirit" corporate culture accounts for 40%.

### Welfare and Benefits

Apart from the training and development of its employees, the Company also emphasizes on their welfare and benefits and its practice complies with labor laws, which includes the number of leaves, holidays and financial aid for different situations. Also, the Company provides additional benefits in accordance with the working environment of each location, such as having a gym at the Bangkok office, providing uniforms for employees working at mines and power plants as well as protection gear such as safety helmet, safety vest, and



rubber boots, healthcare including group health insurance, travel insurance when employees travel overseas for business, winter jackets for employees working in Mongolia, and cafeterias for mining staff.

## Training and Development

Despite global economic challenges, Banpu's success from the past to the present is proof of the importance of its employees. These people are the force that drives the organization forward through difficult times. For this reason, the Company considers human resource development among the top of its priorities. Even when the Company was going through a period of declining coal prices and had to cut spending in certain areas, the Company kept the spending on its human resource development and even further focused on leadership training. In 2012, the Company organized a total of 36 training programs for employees in Thailand, Indonesia, and China with a budget of over 20 million baht, particularly

focusing on the executives' skills in people management. Here were some of the human resource efforts:

- Organizing the "Roles of Supervisors in People Management" workshop, plus a follow-up on knowledge application and on-the-job training for new managers.
- Developing the Individual Development Program (IDP) and the competency management system. Communicating about competency and the IDP to create understanding and raise awareness about human resource development through evaluation and workshops in which supervisors and subordinates work together.
- Communicating about the career management system, which is linked to other systems, including the job evaluation system, the key performance indicator system, the competency system, and the promotion policy.

Regarding the training and development framework, Banpu classifies its employees into two groups based on their roles and responsibilities: management and specialists. Here are the programs the Company offers:

1. **Banpu Leadership Program:** A program to promote leadership for management from the entry to top levels.





2. **Banpu Foundation and Managerial Skills:** A course focusing on people management and work administration.
3. **Technical or Professional Programs:** Programs tailored to specific needs of management, from the staff level to managers and specialists. These are mostly external training programs. However, the Company designs internal training programs for areas that are essential to the organization, including technical areas such as engineering and geology, and professional areas such as finance, information technology, legal system, human resources, etc.
4. **Rotation Program:** A mechanism to promote employees' career growth, allowing employees to tab on a range of experience and a broader knowledge.
5. **Coaching Program:** A program by which executives are trained one-on-one with a number of consultants.
6. **Short Courses:** Short training programs that meet the needs of middle to top management.
7. **Further Education:** Scholarships granted to management from the division manager level and upper and specialists to enhance their knowledge and experience. Employees are selected based upon defined qualifications. The program was initiated in 1994 and continues today.

New employees have a role in the success and innovations of the Company. Therefore, these employees will receive training in order to understand different aspects about the Company and its operations along with the “Banpu Spirit”. The Company has developed an e-learning system that new employees can access directly to learn the required basic courses on their own. The employees will then have to pass these courses during the probation period and then take additional courses to enhance their knowledge. Aiming to equip new employees with understanding about the Company’s business and operations, the basic courses include:

1. Basic Coal Mining Knowledge
2. Coal Knowledge and Its Application
3. Corporate Governance
4. IT Orientation
5. QSE: Hazard Identification and Risk Control
6. Orientation on QSE Management Standard and 5S
7. Risk Management
8. Sustainable Development Policy


## Prevention of Child Labor and Forced or Compulsory Labor

Banpu places a great deal of emphasis on the prevention of child labor and forced or compulsory labor. Regarding child labor, the Company has clearly set the age qualification above the age limit enacted in different countries. For forced or compulsory labor, the Company has designed a recruitment system, which requires employment agreements between the Company and the employees. Since 2012, the Company has put in place the Quality Assurance Review on Human Resources Practices at its headquarters to ensure that its practices are of international standards and comply with relevant laws and regulations.

It is our policy to respect and comply with local laws, regulations, and traditions of every place we conduct our business. We intend to treat employees with respect for their individuality and dignity of human beings.

The Company provides employees at all levels with accurate and adequate information related to their rights and welfare to create understanding and good relationships between the Company and its employees through proper communication channels. In Indonesia, labor unions have been set up to protect the employees' rights and welfare and oversee work agreements, particularly for miners.

Currently, there are eight labor unions at mine sites in Indonesia with members of over 2,200 employees.



Locations		Number of Members	
Kitadin-Embalut Mine	1 union	145	67% of miners
Kitadin-Tandung Mayang Mine	3 unions	834	82% of miners
Indominco Mine	2 unions	604	86% of miners
Jorong Mine	1 union	164	72% of miners
Trubaindo Mine	1 union	470	69% of miners

The Company's labor unions in Indonesia have an important role in encouraging a good working environment and enhancing the Company's performance. Such success is made possible by cooperation and understanding between the unions and the Company. Meetings are held every quarter to inspect and get feedback from the unions about employment agreements and other benefits so as to come up with initial measures and solutions to solve problems. These are also opportunities for the Company to make announcements or clarifications on certain issues and meet employees of all levels.

In addition to quarterly meetings, the Company has also made collaborative labor agreements (CLA) to stipulate employment and benefit details, which are reviewed every two years. In 2012, the agreements were reviewed at three mines, namely the Kitadin-Embalut and Kitadin-Tandung Mayang Mines (operated by PT. Kitadin) and the Trubaindo Mine, in five areas: meal assistance, housing assistance, annual leave transportation assistance, funeral assistance, and domestic business trip meal.

On August 31, 2012, PT. Kitadin's executives signed agreements with the labor unions at Kitadin mines. To be effective for two years starting from September 1, 2012, the agreements stipulate the workers' rights and responsibilities. The signing ceremony reflects good relationships and trust between the Company and the unions.

### Corporate Shared Values: Banpu Spirit

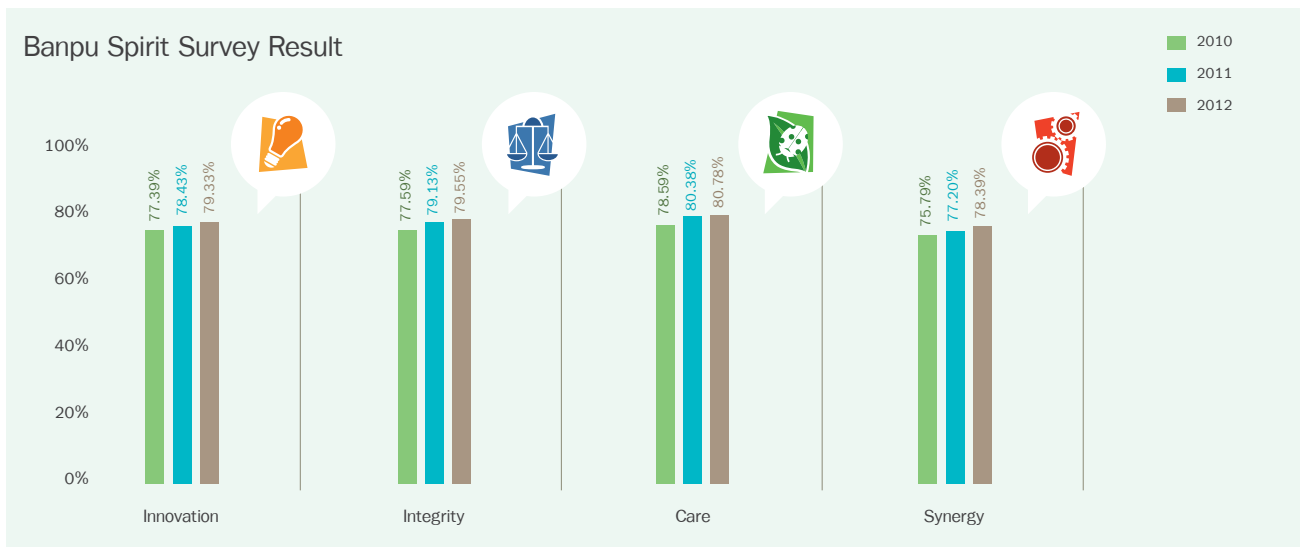
Since 2004, Banpu has institutionalized the "Banpu Spirit", the corporate shared values that consist of innovation, integrity, care, and synergy, as a way of working together and living together for employees in Thailand as well as other countries. The "Banpu Spirit" is derived from the Company's visions that have brought success as well as opinions from executives and employees of all levels to identify the shared values and attributes that characterize Banpu's corporate culture, which will lead to more success and accomplishments in the future. The "Banpu Spirit" focuses on qualities in terms of competency and ethics and all employees are trusted in sharing the responsibility in creating this corporate culture.



The Company sent out questionnaires to employees in Thailand, Indonesia, and China to evaluate their "Banpu Spirit" annually. In 2012, based on the surveys, the "Banpu Spirit" grew higher than that in 2011 and 2010 respectively. "Care" scored over 80%, meaning this value was completely embedded in employees' every action and behavior everywhere. "Innovation", "Integrity," and "Synergy" scored between 78-80%, meaning these values are part of daily workings and actions.







### Banpu Spirit-Building Activities in 2012



#### Banpu Love to Share 2012

Banpu employees came together to build check dams in accordance with HM the King's initiative.



#### Coffee & Listen

Banpu employees who are BCLs (Banpu Change Leaders) joined an informal meeting with the CEO to discuss development of the Banpu Spirit.

## Transparency

The Company values transparency. In addition to compliance with laws and regulations, values that promote transparency, such as the corporate shared value “Integrity”, are embedded in all employees. Business ethics and corporate governance are included in the orientation for new employees. The Delegation of Authority (DOA) is given to all new employees to study and follow. In addition, misconduct is an offence in disciplinary regulations in Thailand, Indonesia, and China.

Corporate governance is a required course for all new employees. Employees can learn via the e-learning system and revisit it as many times as they like.



## 2012: Year of Innovations

Innovation is a crucial factor that enables an organization to increase its competitiveness in the face of changes within the industry or economic fluctuations. That is why Banpu embraces innovation as one of the shared values of the “Banpu Spirit.”

Aiming to enhance its corporate innovation, the Company organized the “Banpu Innovation Convention” for the very first time in 2012 as a forum for employees from Thailand, Indonesia, and China to present and exchange ideas on innovation. The best innovations were judged by the CEO and senior management. This activity encouraged employees to develop innovations or improve their operations that will lead to further success of the Company as an innovative organization.



### Banpu Innovation Convention 2012

The convention encouraged all Banpu employees in Thailand, Indonesia, and China to develop innovations to improve the Company’s performance. The Banpu Innovation Convention 2012 was organized on November 28 at the Renaissance Bangkok Hotel. Around 120 participants including executives and employees joined the event in which 11 innovation projects from the three countries were selected for the final round of the competition.



## Data of Banpu People

	Thailand	Indonesia	China	Total
<b>Total Employees</b>	333	3,322	948	4,603
Permanent Employees	324	2,770	839	3,933
	97.30%	83.38%	88.50%	85.44%
Contract Employees	4	450	94	548
	1.20%	13.55%	9.92%	11.91%
Thai Expatriates	0	88	6	94
	0.00%	2.65%	0.63%	2.04%
Foreign Employees	5	14	9	28
	1.50%	0.42%	0.95%	0.61%
Male	179	2,980	720	3,879
	53.75%	89.70%	75.95%	84.27%
Female	154	342	228	724
	46.25%	10.30%	24.05%	15.73%
Senior Management	23	13	1	37
	6.91%	0.39%	0.11%	0.80%
Middle Management	105	120	52	277
	31.53%	3.61%	5.49%	6.02%
Junior Management	186	238	124	548
	55.86%	7.16%	13.08%	11.91%
Staff and Supervisors	19	2,951	771	3,741
	5.71%	88.83%	81.33%	81.27%
Indonesian	0.00%	96.93%	0.00%	69.95%
Chinese	0.00%	0.12%	98.31%	20.36%
Thai	98.80%	2.74%	0.63%	9.23%
American	0.00%	0.03%	0.63%	0.15%
Australian	0.60%	0.09%	0.11%	0.13%
Filipino	0.00%	0.06%	0.00%	0.04%
Indian	0.30%	0.00%	0.00%	0.02%
British	0.00%	0.03%	0.00%	0.02%
South African	0.00%	0.00%	0.11%	0.02%

	Thailand	Indonesia	China	Total
New Zealander	0.00%	0.00%	0.11%	0.02%
German	0.00%	0.00%	0.11%	0.02%
Japanese	0.30%	0.00%	0.00%	0.02%
<b>Turnover Ratio</b>				
Total				
2011	5.34%	7.20%	7.89%	
2012	4.99%	7.22%	6.90%	
Managers and Upper				
2012	1.72%	5.62%	10.64%	
New Employees				
2012	11.76%	9.15%	9.64%	
<b>Number of Training Days (days)</b>				
Average per Person, 2011	5.0	1.1	5.2	
Average per Person, 2012	4.9	3.0	3.2	
Senior Management (days)				
2011	4.1	1.5	2.8	
2012	2.9	4.9	2.1	
Middle Management (days)				
2011	5.3	2.0	5.2	
2012	6.0	4.1	3.7	
Junior Management (days)				
2011	5.9	2.0	7.3	
2012	5.9	2.3	4.6	
Staff and Supervisors (days)				
2011	4.2	1.0	4.8	
2012	3.6	2.7	1.5	



## Banpu's Participation and Membership

Organization	Membership Status	Roles within Organization	Countries
HR Power Network	Member	An association of companies in the power business in Thailand whose objectives are to exchange knowledge, information, and problem solutions related to human resource management.	Thailand
Indonesia HR Meeting	Member	An association of companies in the mining and mining service businesses in Indonesia whose objectives are to exchange knowledge, information, and problem solutions related to human resource management.	Indonesia
HR Association	Member	An association of companies in China whose objectives are to exchange knowledge, information, and problem solutions related to human resource management.	China

# 4

## SOCIAL SUSTAINABILITY

Referring to Banpu's vision to be an energy provider with concerns for society and environment as well as mission to build sustainable value for stakeholders and to be a good citizen to host governments, the Company engraves in its policy the sustainable development concept to help surrounding communities be strong and able to rely on themselves. The policy is, then, translated to cooperation with local governments, local leaders and the Community Consultative Committee (CCC) to create various projects to answer to the needs and maximum benefits of each community.









## The Challenge

Resulting from a Community Perception Survey, asking opinions of community leaders, Community Consultative Committee (CCC), villagers, local authorities, media and NGOs within vicinities of Banpu's Indonesia mining areas, the Company made adjustments on how to work with the communities. This new community relationship management focused on integration with key stakeholders, such as local governments, local academic institutes and mining contractors, for the communities to obtain maximum effectiveness and benefits out of provided budget and resources. In addition, Banpu improved how it communicated with the local leaders as well as local governments regarding planning and progress of each community development project to be more consistent and inclusive.

Banpu took the above issues into consideration and formulated short-and long-term community development strategic plans accordingly. The Company is determined to answer the true needs of the communities, to create good livelihood and to lead sustainable community development in the future by:

- Increasing collaboration with contractors to work in community development projects,
- Coordinating and seeking consultancy from related local government agencies to provide supports for community development projects that will give maximum benefits to the most number of recipients, and
- Working together with Lambung Mangkurat University in Banjarmasin province to review each development project, both short-and long-term, to ensure that a project would suit given community's conditions.

## Community Development in Indonesia

Because we understand that each community is unique, Banpu regard this as a key success factor for effective collaboration between the Company and local people. Our community development work can be divided into three phases aligning with mining stages, namely Fundamental Embedding in Pre-Mining Stage, Maturity Building in Mining Stage and Sustainability Enhancement in Post-Mining Stage with a summary of operations models as follow:







### Fundamental Embedding (Pre-mining stage)

To create understanding between the Company and local community, and to make plan together with local people, Banpu has done the following:

- Collecting and analyzing data of stakeholders
- Conducting Social Mapping to form basic information for formulating village development plan
- Setting up Community Consultative Committee (CCC) to serve as consultant and coordinator between Banpu and community
- Preparing community development plans
- Giving fair compensation in case mining area is overlapping with community area



### Maturity Building (Mining stage)

To work closely with communities, mining contractors as well as related government and non-government agencies for the betterment of people's lives, the Company has done the following:

- Preparing an annual strategic plan and a long-term plan to keep them up-to-date
- Sponsoring activities according to the community development plan in terms of budget, tools and equipments as well as community development staff to provide consultancy and to work together with the community members
- Empowering the Community Consultative Committee and community leaders in the areas of management, community development and specific knowledge
- Closely following up on all stage of operations to ensure that targets would be achieved
- Conducting operational plan review through the bi-annual Community Development Officer Forum (CDO Forum) to conclude on past performances and to formulate improvement guidelines for the next phase
- Periodically conducting Community Perception Survey to learn how local people, governments and related parties think and perceive of Banpu and CD projects, and using the survey results and suggestions to improve CD programs and community relations.



### Sustainability Enhancement (Post-mining stage)

The Company continually gave community supports no less than those specified by the laws as follow:

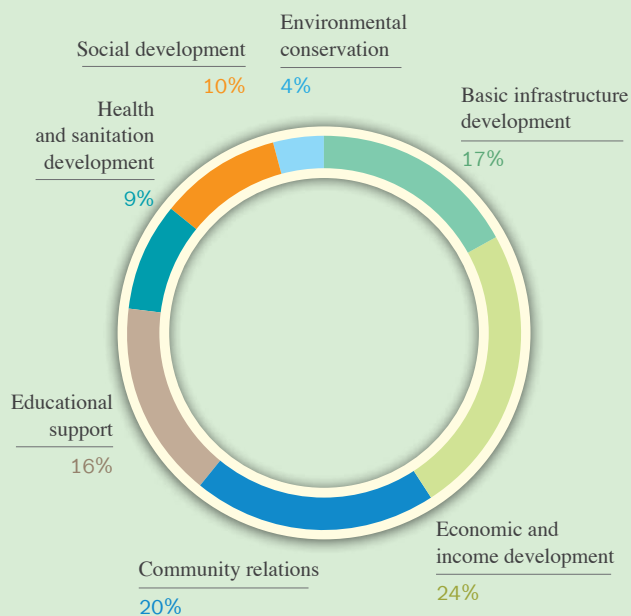
- Preparing post-mining community development plan with the community and related authorities prior to mine closure as regulated, for instance a mine closure plan is under preparation for Jorong and Kitadin-Embalut mines
- Continuing community development support for at least 3 years after mine closure to enable smooth and sustainable operation of the community projects
- Collaborating with related government agencies and local academic institutes to help maintain supports for the community development projects in an ongoing basis

## Results of 2012 Community Development Projects

### Budget Allocation

Banpu allocated budget for the developing of communities in vicinities of the Company's mines based on importance and necessity of the project as follow:

### Percentage of the Budget Used for Community Development Programs



Source: 2012 Annual Report of PT. Indo Tambangraya Megah Tbk (ITM)

### Basic Infrastructure Development

- At Indominco mine, Banpu built the farm road to access the agricultural area of Suka Damai, making transportation of people and farm products faster and more convenient. In addition, the Company constructed two school buildings for young children in two villages, a multipurpose building at the Danau Redan village, and a mosque at the Santan Ilir village.
- At Trubaindo mine, the Company built a Dayak Art and Culture Hall at the Muara Bunyut and Dilang Puti villages, as well as installed a power system with an electric generator at Bergai village.
- At Kitadin-Embalut mine, Banpu constructed a primary school building and a public health center.

## Economic and Income Development

Banpu views occupation and income building as important issues; therefore, it supports various projects of these nature at all sites where the Company operates to create economic stability of the communities in the long run. Examples of economic and income development projects include:

- At Indominco mine, Banpu sponsors the seaweed farming project which has expanded from one to three villages with over 200 participants and is currently in its seventh year of sponsorship. Also, Indominco mine promotes various types of farming, namely vegetable farming, rice farming, rubber tree farming, and cattle farming. Moreover, it supports the village housewives to produce processed foods, dress making and seedlings. The seedlings are sold back to the mine for rehabilitation in the post-mining stage.
- At Kitadin-Embalut mine, the Company promotes the use of post-mining lands for cattle farming, poultry farming, fish cage farming, vegetable farming, palm oil farming and rice farming. Also, the mine organizes truck driving training and seeking job to the participants. Furthermore, Kitadin-Embalut mine is chosen by government agencies and universities as their field trip destination for community development.
- At Trubaindo mine, fish cage farming, rubber tree farming and poultry farming are promoted.
- At Trubaindo and Bharinto mines, the Company organizes repair and maintenance training for heavy machine enabling participants to seek career placement in various companies.
- At Jorong mine, Banpu supports fish farming, rubber tree farming, goat farming, food processing, mushroom farming, organic fertilizer making as well as to establish a savings group (Microfinance) to serve as occupational funds for villagers. Moreover, supports housewives to produce local Sasirangan Batik fabrics.





### Educational Development

- Educational support every Banpu mine, all together give over 700 scholarships a year to students from primary school to undergraduate levels. At Bharinto mine, the Company grants six scholarships to the youth to study in a nursing college with a condition for them to work in the community after graduation.
- The Company sponsors a school bus service for 200 students at Indominco mine and 120 students at Kitadin-Embalut mine all year long to make it convenient for children to go to school and to lower burden of parents.
- At Kitadin-Embalut and Bharinto mines, Banpu provides computer trainings for teachers. At Indominco mine, non-formal education classes are provided to residents from three villages, giving the underprivileged to have an alternative to formal education.
- Indominco also conducted Smart Teaching project, aiming at improving the teaching capability of the teachers.
- Every mine, sponsors learning and teaching equipments and books to school libraries.

### Health and Sanitation Development

- At Indominco, Kitadin-Embalut, Trubaindo and Bharinto mines, the Company provided medical mobile units to perform health check ups for residents in 37 villages.
- At the Trubaindo mine, Banpu installed a village water supply system in three villages and sponsored drinking water purifiers to two villages.
- At Indominco, Trubaindo and Bharinto mines, the Company holds maternal and child health care trainings and sponsors supplementary foods to pre-school children in every village.



### Environmental Conservation

- At Indominco mine, Banpu partnered with local residents and the Forestry Department to plant 40,000 mangrove trees. This activity aimed for community's participation in taking care of mangrove forest.
- At Bharinto mine, the Company organized environmental conservation awareness projects in schools and tree planting projects in the community.

### Indigenous Peoples' Community Development

In some areas of operations such as Trubaindo and Bharinto mines, there are indigenous peoples' communities living close by. The Company pays special attention to this group of community by:

- Exploring and learning about their cultures, traditions and living conditions since the beginning of operations,
- Inviting experts to educate and give advices to staff on working and living with the indigenous communities,
- Accepting indigenous peoples and local residents to work in all mines,
- Giving preference to indigenous peoples and local residents to work as community development staff in each mine,
- Sponsoring quality of living development project for indigenous peoples, and
- Continually supporting the preservation of arts, cultures and religions of indigenous peoples, for instance, building arts and culture hall, giving sponsorship in terms of clothes and musical instruments to local plays and performances as well as supporting religious activities in constructing and renovating religious sites.

## Artisanal Mining and Small-scale Mining

Among other things, Banpu strives to create public safety for the community, especially in preventing risks from artisanal small-scale mining in the area of Banpu's concession. The Company, therefore, collaborates with related government agencies and surrounding communities to deter and scrutinize this illegal activity from happening at all times.

## Community Development in Thailand

All mines in Thailand are currently closed while some of them have been handed over to the government. However, Banpu continues its community works regularly, for instance, in Li district, Lamphun province, the Company brought community representatives on a community development field trip in order for them to apply the knowledge on their own local culture, and there also were religion promotion activities in the provinces of Lamphun, Lampang and Phayao.

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## Awards and Recognitions



▶ The first winner trophy in corporate social responsibility category

By  
Indonesia's Environment Week Committee



▶ Work of Community Empowerment (GKPM) Award, Platinum, in MDGs 1.a category (New Job Creation initiated by Productive Program) from the IFS project - Integrated Farming System for the cow breeding in the ex mining area

By  
Coordinating Ministry for Peoples Welfare & CFCD



▶ Work of Community Empowerment (GKPM) Award, Silver, in MDGs 1.c category (New Job Creation through Community Financial Institution-Micro Finance) from the Micro Finance project-The Cooperative Business Unit of Batalang Sejahtera

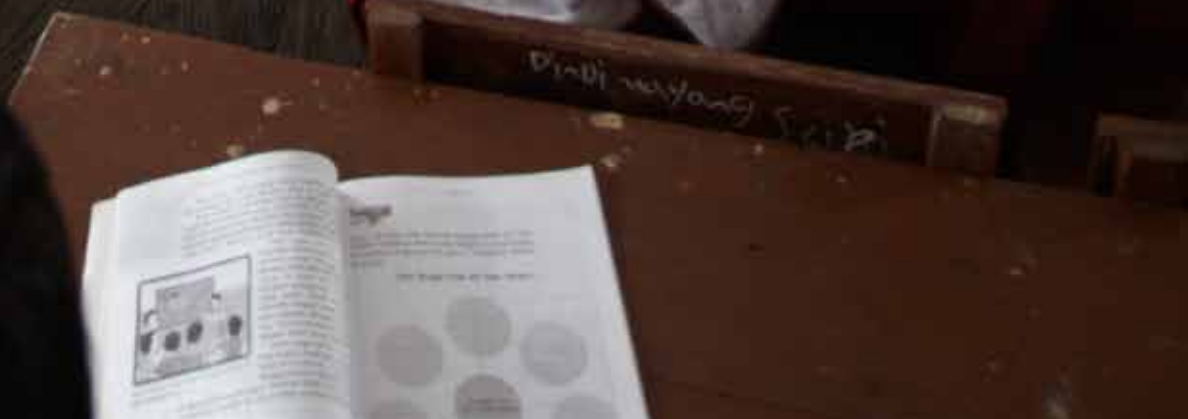
By  
Coordinating Ministry for Peoples Welfare & CFCD



▶ 2012 CSR-DPIM Continuous Award in Coal Processing Plant Category

By  
Department of Primary Industries and Mines





# 5

## ENVIRONMENTAL SUSTAINABILITY

### Vision

Our vision is to grow together with all stakeholders with the right balance of the economic development and the environmental and social responsibility.









## Commitment

To achieve the vision, Banpu is committed to:

- **Strictly following regulations, laws, and relevant standards;**

The Company strictly complies with regulations, laws, and environmental standards and pays close attention to possible legal changes.

- **Managing environmental impact;**

To ensure its operations create economic, social, and environmental value, the Company assesses environmental impacts and risks before commencing any project. Also, short- and long-term plans are made to effectively prevent and minimize environmental impacts.

- **Preserving natural resources;**

For Banpu, natural resources are not only an important production capital, but also something of value to be left behind for the younger generations. We stress the importance of preservation, management, and efficient use of natural resources for utmost benefits, focusing on resources relevant to our business, namely energy, water, and land.

- **Continual development**

The Company encourages improvement of work processes, setting of operating standards, and use of environmental innovations and technologies, as well as urges every production unit to put in place an environmental management system with an aim to improve our environmental efforts in a continuous, systematic manner.

## The Challenge

‘Banpu’s challenges lie in its attempt to maintain business growth while taking environmental and social responsibility and to keep its competitiveness in the face of a market recession and more stringent environmental regulations.’

Despite higher global demand for coal in 2012, an oversupply, coupled with the emergence of new energy sources including shale gas, had forced the coal market into recession. Last year, coal producers made adjustments to improve their production efficiency to maintain growth against declining coal prices.

The increased frequency and severity of natural disasters has made climate change a global issue. In several countries, measures that promote use of clean energy have been introduced to reduce fossil fuel consumption while carbon taxes are also being collected from greenhouse gas emitters, such as electricity producers and industrial factories, to be spent on greenhouse gas reduction programs. Also, there has been indirect pressure to force emitters to improve their production processes in order to cut emissions, which only further adds to production costs. Today, investors do not only pay close attention to the Company’s efforts in greenhouse gas emission reduction, but they are also interested in our prevention and management of risk of natural disasters as a result of climate change.

In 2011, the Chinese government announced more stringent air quality standards for power plants that are on a par with those in Europe and the US. For instance, the limit on sulfur dioxide (SO<sub>2</sub>) emissions by power plants in the area where the Company is operating in is set at 200 mg per cubic meter, lowering from the current rate at 400 mg per cubic meter. The limit on emissions of nitrogen oxide (NO<sub>x</sub>) is set at 200 mg per cubic meter, that of particulates at 30 mg per cubic meter, and that of mercury at 0.03 mg per cubic meter. These new standards have prompted all businesses to streamlined their operations and adopt new and more efficient technologies to get ready for when the new standards take effect in mid 2014.

Another environmental concern that over the world is paying close attention to is biodiversity, since it is an indicator of the condition of our ecosystem in which humans, animals, and plants co-exist and depend on each other. At present, deforestation for agricultural purposes and industrialization and deterioration of the environment have put biodiversity at risk. In several cases, the degree of damage is so great that biodiversity cannot be revived. Therefore, it has become an important global issue that prompts action in different localities, such in Indonesia where the government has enacted land protection laws. Meanwhile, economic mechanisms, clean trade agreement in natural resources, and forest protection programs are tools that developed countries are using to ensure preservation of biodiversity and lower



greenhouse gas emissions in developing countries where biodiversity is threatened by deforestation. There is no doubt all these environmental concerns are all linked together.

Regarding its environmental strategies, Banpu has relied on a preventive measure, which is to make an assessment of environmental impacts before commencing a project so that planning of a mining layout and the most effective mining process can be made. Yet, at a time when the Company is facing a shrinking market, stricter environmental regulations in several countries, and higher expectations from stakeholders concerning environmental responsibility, organizational adjustments in accordance with these changes are necessary. The Company recognizes that challenges come with an excellent opportunity to promote initiatives that reduce resource consumption for better cost effectiveness, promote reuse of waste, and further engage environmental conservation. These initiatives will enhance the Company's performance, allowing it to maintain a good level of growth and at the same time demonstrate its environmental and social commitment.

## Major Issues

Maintaining business growth while taking social and environmental responsibility presents a great challenge for coal and power businesses. Banpu is well aware that without assessment of environmental risks and impacts in order to design appropriate prevention and management measures, the Company's activities can cause of a long-term impact on the environment and society.

Therefore, the Company carries out assessment of environmental risks and impacts that can happen in every area, in all production units, and at every location in order to create an efficient production plan while putting in place appropriate measures against these risks and impacts at different stages of a project. With our commitment to environmental responsibility and communities we operate in, these practices have become part of our strategy, annual action plans, and daily operational control procedures at every production unit. Also, the Company has installed a quality control system to ensure environmental risk control and compliance with regulations.

Regarding activities of Banpu's core businesses, which are coal mining and power production, the Company places great emphasis on assessment of environmental risks and impacts in relation to its business activities in four major areas: energy conservation, reduction of greenhouse gas emissions to mitigate the effects of climate change, efficient land use, and protection of biodiversity.

- **Energy Conservation**

Diesel is the main fuel for Banpu's coal production and coal is the main fuel for its power and steam production. As energy consumption is an important cost for the Company, a great deal of emphasis is placed on energy conservation in order to cut production costs and protect the environment while significantly reducing greenhouse gas emissions. The Company conducts several energy-saving programs, including improvement of production processes for utmost efficiency, change of fuel sources, waste reuse, as well as campaigning for energy conservation across the organization.



- **Climate Change**

Climate change is a global agenda and the Company is an emitter of greenhouse gases. The main activities responsible for the emissions include power generation, coal production, and transportation. In addition, methane is also released from coal beds and stockyards.

Recognizing both challenges and business opportunities arising from climate change and having incorporated the issue into its sustainability efforts, the Company is committed to:

- Creating understanding about greenhouse gas emissions from the Company's products and impacts from business activities;
- Assessing and analyzing risks and impacts created by climate change on the business;
- Reducing direct and indirect greenhouse gas emissions appropriately;
- Supporting ideas and research and development related to low-emission technology.
- In 2010, the Company officially introduced its carbon policy. Focusing on efficient management and use of energy, the policy aims to cut greenhouse gas emissions per production unit in the coal business by 5% by 2015 using the figures in 2010 as the baseline.

- **Land Use**

Land use is an important environmental issue in coal mining as it involves stripping the surface of the soil to extract coal. Sometimes, mines are located in forests with a good ecosystem. The Company acknowledges that when land use has been well planned and managed, risk to the ecosystem can be minimized.

As a result, the Company attempts to manage land use right from the beginning of a project to the end and well into the rehabilitation period. Before an area is mined, site exploration is made to collect physical and biological data, which is important for the planning of and rehabilitation in the future.

During mining, the Company avoids using areas in great biological condition and soil stripping is only done in limited areas to minimize environmental impacts and the burden of land rehabilitation. After a mine is closed down, the rehabilitation program is carried out as quickly as possible.

- **Biodiversity**

Biodiversity is related to land use. With good management of land use, Banpu realizes that biodiversity at the concession can be preserved effectively and with sustainability. Putting emphasis on biodiversity protection, site exploration is made before any other activity in order to gather necessary information for mining planning and land rehabilitation in the future. The Company avoids using areas with high ecological value and tries to use the least amount of land necessary for mining.

Data from site exploration before mining is used for the planning of a rehabilitation program to revive biodiversity, bringing it closest to the original state. In addition, engagement of communities in the area will play a crucial role in preserving biodiversity with sustainability in the future.

## **Environmental Management**

Although Banpu has made a strategic plan to manage important environmental issues related to its business, focusing on preventive measures that will become part of its annual action plan, and has issued several operating standards, challenges in 2012, which included a market recession and more stringent environmental regulations, prompted the Company to make adjustments to its operations. The Company now encourages initiatives that reduce resource consumption or improve consumption efficiency and promote reuse of waste to cut costs and protect the environment.

With strong determination to be a provider of energy necessary for socio-economical development while taking social and environmental responsibility at the same time, as evident in last year's performance, Banpu has carried out the following environmental efforts:

## Energy Management


In 2012, energy management was combined into the business goal of every production base as energy consumption is a major cost, both in terms of economics as well as the environment. Since energy consumption is the main source of greenhouse gas emissions, last year the Company focused its efforts on establishing cooperation in order to achieve reduction of energy consumption, from an organizational level to the production unit.

## Coal Business

Regarding its coal business, the Company uses energy in the stripping of the earth surface, transportation, and power

generation for activities at the mine, which include milling, washing, and transporting coal on conveyor belts powered by diesel. In 2012, the Company's major coal business in Indonesia consumed approximately 4.78 million MW-hr of electricity, 99.9% of which was direct energy. The rest 0.1% was indirect energy due to import electricity from a power plant located near the Jorong Mine.

Diesel accounts for 95% of the Company's direct energy consumption. The fuel is used in the land preparation and excavation processes as well as by small power generators. Since most of the Company's mines are located in a remote area, there are limitations on access to power cables and stability. For the rest of energy sources, coal amounts to 4.7% of energy consumption. It is used as fuel at the Bontang Power Plant to generate electricity for mining activities and at the seaport near the Indominco Mine. The Company also uses gasoline as fuel for passenger cars, but the amount is minimal in comparison with diesel and coal.



	Units in MW-hr	Percentage
Total Energy (Scope 1+2)	4,779,319	100%
Direct Energy (Scope 1)	4,775,958	99.9%
Diesel	4,551,812	95.2%
Coal	223,575	4.7%
Gasoline	571	0.01%
Indirect Energy (Scope 2)	3,360	0.07%
Imported Electricity	3,360	0.07%

Source: Coal Indonesia Operations (Mining and Barging), 2012

The Company initiated a project to study the use of liquid natural gas (LNG), produced by a nearby gas separation and production plant, in lieu of diesel, which has been the Company's main fuel. Liquid natural gas presents several advantages in terms of energy stability and cost reduction, minimizing risks from a tight supply and price fluctuations of diesel and lowering its import and delivery costs from a distant source. In addition, liquid natural gas produces lower greenhouse gases and particulates from combustion when compared to diesel.

This project is made possible by cooperation among the Company, the Company's mining contractors, and a gas separation and production plant in a nearby area. In the first stage, liquid natural gas is used as fuel for haul trucks around

mine pit area. The use of liquid natural gas is expected to be in full scale by 2015. In addition, in the next stage, the Company will expand the study to transportation barge, excavators, and haul trucks.

Moreover, other energy management processes have been introduced, including a geophysical survey to calculate the right amount of explosives suitable for stripping the soil of different conditions, improvement of machinery efficiency, improvement of conveyor belts to increase transportation capacity, and installation of a damage prevention system to reduce energy and time loss. These initiatives and innovations played an important role in directly and indirectly controlling the Company's economic and environmental costs in the past year.

## Power Business

Coal is used as the direct energy for all of Banpu's power production. As the Company operates combined thermal power plants, which produce both electricity and steam, the Company has many options in how it manages its energy consumption for the production of electricity and steam:

- Reducing energy loss by adjusting proportions of electricity and steam production in accordance with market demand at different periods;
- Introducing new alternatives related to production processes and products, such as selling energy in the form of hot water instead of steam for space heating;
- Increasing the energy efficiency of production processes by applying appropriate control and maintenance systems;
- Enhancing the adaptability of boilers to be able to use coal of different qualities.



	Units in MW-hr	Percentage
Total Energy (Scope 1+2)	8,417,892	100%
Direct Energy (Scope 1)	8,417,892	100%
Coal	8,410,233	99.9%
Diesel	7,657.7	0.09%
Gasoline	1.6	< 0.001%
Indirect Energy	0	0%

Source: Power China Operations (Combined Heat & Power Plants), 2012

Since 2010, Banpu has been studying the possibility of investing in renewable energy, such as wind power, solar power, and biofuel energy, in addition to streamlining its coal and power businesses. At present, the Company is investing

in the production and distribution of biofuel in order to reduce greenhouse gas emissions, focusing on ethanol for the time being.

Greenhouse Gas Emission in 2012



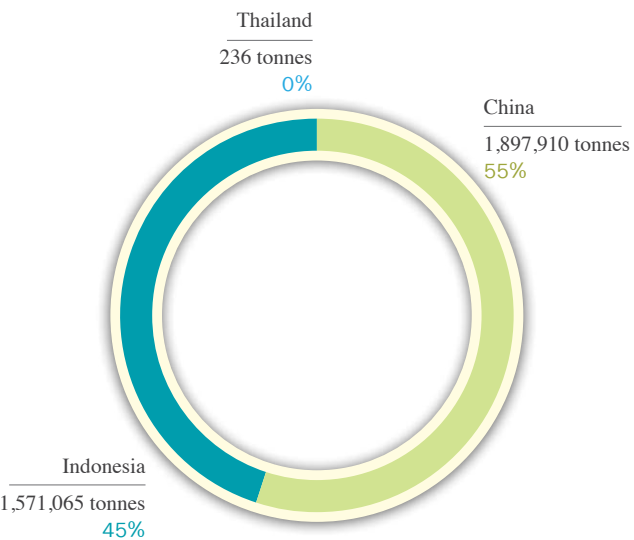
Source: Coal Indonesia Operations (Mining and Barging), 2012

Climate Change and Air Quality Management

Coal is the main energy source for power production. Thanks to a reliable supply, large global reserves, and safety for electricity generation, coal is an important energy source for economic and social development.

Banpu has placed importance on greenhouse gas emission reduction programs, including having more efficient energy consumption, introduction of innovations and improvement of production processes, and development of clean production technologies. By starting with internal management, the Company believes good results can be expanded to suppliers, customers, and other stakeholders, and bring about cooperation in reducing greenhouse gas emissions together.

Proportion of Greenhouse Gas Emission (tonnes CO<sub>2</sub>e)





## Coal Business

Activities that emit greenhouse gases include:

- Use of diesel as fuel for heavy machinery and haul trucks, transportation, and other land use activities;
- Use of diesel and coal in electricity generation to power coal production, crushing, washing, and other mining activities;
- Use of explosives to strip soil;
- Release of methane from coal beds and stockyards.

Introducing limits on the greenhouse gas emissions per product unit, the Company aims to reduce the emissions by 5% by 2015 using 2010 figures as the baseline. Last year, the Company carried out various initiatives to reduce greenhouse gas emissions as follows:

- Managing the efficiency of coal production with an aim to minimize energy consumption by conducting a mining plan and designing efficient transportation and production;
- Improving and maintaining the conditions of machinery, trucks, and other vehicles;
- Studying the possibility of shifting to clean energy to reduce greenhouse gas emissions, such as working with contractors to adopt the use of liquid natural gas as fuel for trucks;
- Improving production processes, including conducting a geophysical survey on the soil to calculate an appropriate amount of explosives for soil stripping;
- Studying the possible of using methane from coal beds to power electricity generation. However, the amount of methane found at the Company's mines is low, making it not worth the investment.

In 2012, the Company succeeded in reducing greenhouse gas emissions. The figure was 0.0582 tonnes of carbon dioxide emissions per tonne of product, or decrease of 5.9% from the 2010 baseline.

## Amount and Rate of Direct and Indirect Greenhouse Gas Emissions (Scope 1 and 2) of Coal Business in Indonesia (tonne)



Source: Coal Indonesia Operations (Mining and Barging), 2012

Throughout last year, Banpu's particulates and other air emissions complied with all relevant standards. Yet, the Company is aware that particulates are intrinsic to mining activities, including drilling, blasting, excavating, pouring, and transportation. With a focus on prevention and control measures, each project begins with planning a mine layout and an engineering design in order to reduce particulates. The measures include avoiding mining in areas close to communities, planting trees to form a wind break, having some sort of enclosure for activities that produce particulates, using water spray, and controlling the speed of transport trucks as well as the speed of pouring at stockyards.

Odor generated by spontaneous combustion is another problem that affects air quality and causes a nuisance to nearby communities. Although the concentration may be far below the threshold limit, the odor can still cause health problems. Therefore, it is essential for every operation to take preventive measures to reduce the odor at its source, such as compacting coal stockpiles to lessen exposure to air and water and routinely inspecting them to prevent and control spontaneous combustion.

Due to the remoteness and vastness of the Company's operational sites, diesel generators and small coal-fired power plants are two sources of power for coal production and office. The Company manages its air pollutants, including sulfur dioxide (SO<sub>2</sub>), nitrogen dioxide (NO<sub>2</sub>), and carbon monoxide (CO), by inspecting air quality at the stacks and regularly maintaining the machinery to ensure complete combustion. This is to minimize environmental impacts and comply with regulations, not causing health problems to the Company's employees, contractors, or communities in the area.

Measures	Details	Locations
<b>Prevention</b>	Enclosure of sources of pollution	Conveyor belts
		Machinery (e.g. coal screeners and crushers)
		Transport trucks (blanketing the coal container when driving on public roads)
		Coal stockyards (blanketing the coal that is to be stocked for a long time)
	Wind break	Coal/material stockpiles, mining areas, and hauling tracks
	Maintenance	Large machinery, trucks, diesel generators, and small power plants
<b>Control</b>	Water spray	Hauling tracks
		Loading/unloading points (e.g. hopper, spreader)
		Machinery (e.g. coal screeners and crushers)
	Tire wash	Trucks and vehicles
<b>Personal Protection</b>	Isolation	Stations with air filters within the areas of emissions (e.g. crushing plants and stockyards)
	Use of personal protective gear	All areas with high particulate concentration

## Power Business

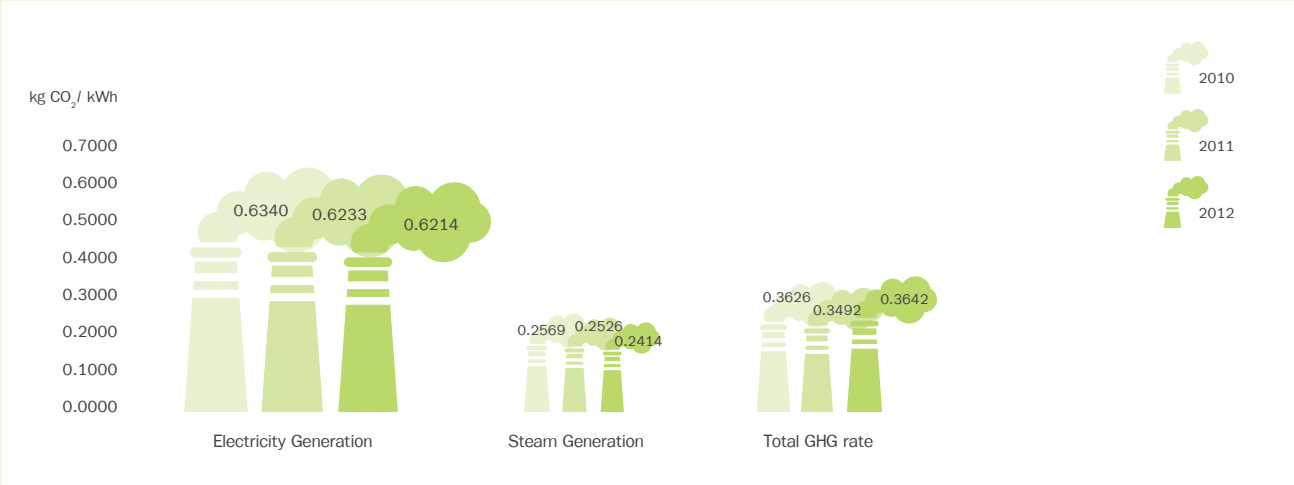
Banpu operates three combined heat and power plants in China, using coal as the fuel for power and steam production, which is the main source of greenhouse gas emissions. The Company aims to limit its greenhouse gas emissions per product unit to a minimum level. Last year, the Company

carried out various initiatives to reduce greenhouse gas emissions in its power business, focusing on increasing energy efficiency and improving production processes as mentioned earlier. As a result, the efficiency of power consumption was increased and greenhouse gas emissions were reduced.

The Company has been successful with its attempt to reduce greenhouse gas emissions with the emission rate dropping continuously. In 2012, the emission rate declined to 0.3642 kg CO<sub>2</sub>e/kWh.



GHG emission Rate of Banpu Power China



Source: Power China Operations (Combined Heat & Power Plants), 2012


Emphasis is placed on control of air pollutants released from power plants’ stacks. These gases include sulfur dioxide, nitrogen oxide, and carbon monoxide. Various controlling techniques are applied taking into account coal types and characteristics as well as types of boiler furnaces. In general, electrostatic precipitators and bag filters are used to capture particulates released from boiler chimneys. As for other air pollutants, control starts from emission sources (e.g. co-feeding of coal and quicklime for SO<sub>2</sub> removal in Circulating Fluidized Bed (CFB) boilers, wet scrubbing of SO<sub>2</sub> by using the Flue Gas Desulfurization (FGD) system.

As for monitoring by government agencies, the Company has installed a real-time system to monitor the concentration of sulfur dioxide released from power plants’ stacks. In 2012, the average concentration of emitted sulfur dioxide was kept well below the level set by the National Standard of China, which is 400 mg per cubic meter.

Nonetheless, Banpu is in the process of studying appropriate technology for pollution control in order to comply with new air quality standards set by the Chinese government, which will take effect in mid 2014.

## Air Quality Standards

Regarding the new air quality standards for coal-fired power plants set by the Chinese government in 2011, here are the details:



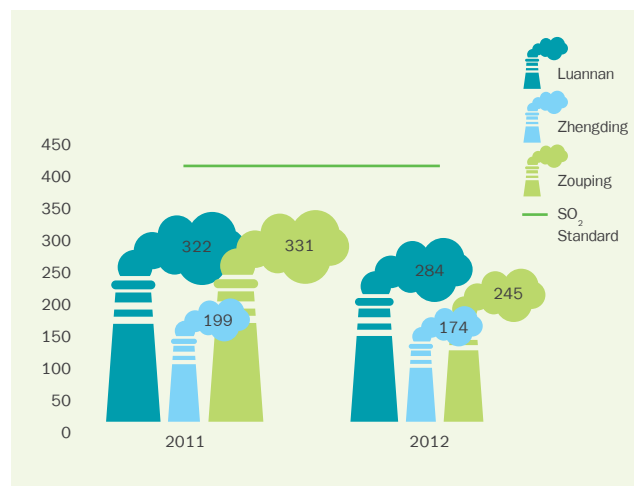
Parameter	Unit	Old Standards (GB13223-2003)	New Standards (GB13223-2011)			
			Non-Key Area		Key Area	
			Existing Power Plants	New Power Plants	Existing Power Plants	New Power Plants
Particulates	mg/Nm <sup>3</sup>	50	30		20	
SO <sub>x</sub>	mg/Nm <sup>3</sup>	400	200		50	
NO <sub>x</sub>	mg/Nm <sup>3</sup>	450	100		100	
Effective		January 1, 2010	July 1, 2014	January 1, 2012	July 1, 2014	January 1, 2012

The Company is ready to improve and develop its production to comply with the new standards. The Luannan Power Plant and the Zouping Power Plant are located in key areas, while the Zhengding Power Plant is located in a non-key area. The Company has set aside budgets for the improvement of air quality control systems at the Luannan and Zouping plants. Meanwhile, the air quality control system at the Zhengding

plant already has the capability to comply with the new standards.

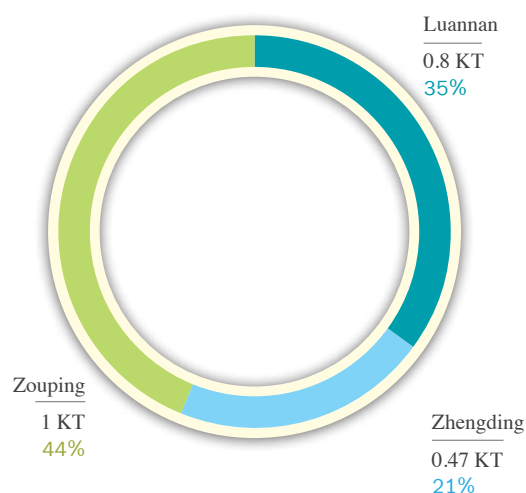
In addition to improving the air quality control system, the Company has also planned to use low-sulfur coal in its production, which will further enhance the production process.

Concentration of Sulfur Dioxide (mg/m<sup>3</sup>)



Source: Power China Operations (Combined Heat & Power Plants), 2012

Amount of Sulfur Dioxide Released (kilotonnes)



## Land Use and Rehabilitation

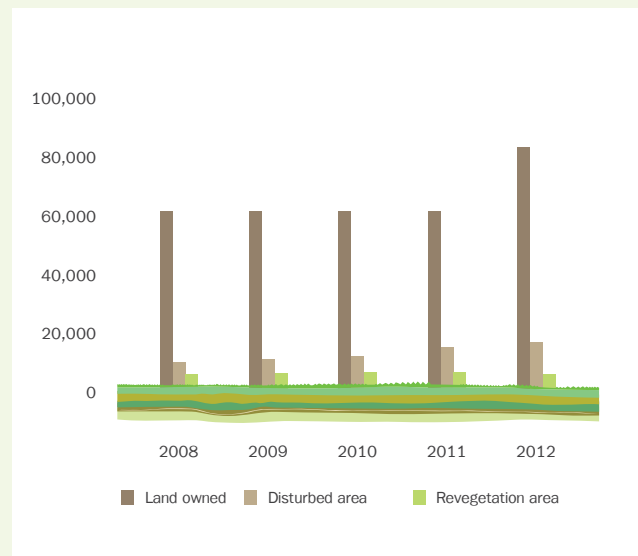
Having efficient land use with as little disturbance as possible to the ecosystem is a great challenge for coal mining. For open-pit mining, stripping the topsoil in order to excavate the coal is inevitable. To minimize the impact, the Company always studies the condition and ecosystem of the site prior to any other mining activity to collect information and evaluate the potential of the site. Then mining and rehabilitation planning is carried out concurrently to avoid mining in areas with vulnerability and high ecological value and to limit mining areas to a minimum. All these are part of the Company's land use management, which aims to preserve the original condition of the ecosystem as much as possible



and lower the burden of rehabilitating the land after a mine is closed down. The Company studies and conducts closure plans for every mine and frequently adjust its short-term land-use plans to be in line with production plans.

Regarding the Company's coal business in Indonesia, in 2012 the Company owned 87,561 hectares of land, but only 15,237 of which was used, or about 17.4% of the total land ownership. At the same time, the Company had rehabilitated 7,371 hectares of land, or about 48% of the disturbed area. For the rest of the area that was not used, the Company kept it in its original state so as to preserve forests and enhance biodiversity.

Land Use (Ha)



Source: Coal Indonesia Operations (Mining and Barging), 2012

## Biodiversity

### Coal Business

Biodiversity is crucial to environmental concern for open-pit coal mining. Without good biodiversity management in place, mining will create a long-term impact on the ecosystem. Therefore, management of biodiversity must begin before mining to optimize its benefits.

The Company's coal mines in Indonesia are located on the Kalimantan Island, which boasts great biodiversity. In the mining area, threatened animal and plant species listed in the IUCN Red List, including *Eusideroxylon zwageri* (Borneo Ironwood), *Shorea lamellata* (White Meranti), and *Pongo pygmaeus* (Bornean Orangutan), have been found. These species are losing their natural habitat and have decreased in number as a result of land clearing, legal deforestation, the El Niño phenomenon over the past few decades, as well as severe draughts and wildfires, such as those happening in 1983 and 1999.



The efforts to lower the impact from open-pit mining on biodiversity must be carried out concurrently with land management, starting with site exploration to study its biodiversity and collect necessary information before other activities can take place in the area. Planning must be made to avoid disturbing areas with high biodiversity and limit mining areas. Then, rehabilitation will be made as soon as possible after a mine is closed down to mitigate the impact.

The data collected before mining will be used to form a rehabilitation program in order to revive the land condition and the species in the area to be as close as what they originally are. This is to ensure an ecosystem restoration after the Company closes down a mine.

#### **Biodiversity Study at Bharinto and Indominco Mines in Indonesia**

Indonesia is home to some of the highest levels of biodiversity in the world. The Company is careful with its operations in every project in order to avoid or minimize its impact on the ecosystem. In 2010, PT. Indo Tambangraya Megah Tbk (ITM), a subsidiary of Banpu, entered into collaboration with the Purwodadi Botanical Garden to establish a biodiversity study and preservation project at the Bharinto Mine on the Kalimantan Island. The Bharinto Mine sits between the border of the East and Central districts of the Kalimantan, which is in an area of high environmental value. The program included field studies to examine the biodiversity richness in the area by producing an inventory of flora and

fauna and measuring carbon stocks. Particular attention was paid to large indigenous trees, their abundance and keystone species. The study became the foundation for the rehabilitation program, which will be implemented by local authorities and communities after the mine is closed down for the sustainability of the area.

In addition, studies were made into the variety of wild orchids as they can be used as an indicator of the environmental quality of the area. Local communities were engaged in the assessment of their dependencies on the biodiversity function in the area, such as use of local plants as food, medicine, and other activities, so as to create partnership between the Company and the communities for the preservation and rehabilitation program in the future.

In 2012, Banpu made advancement in its biodiversity study. The area for the study was expanded, more carbon stocks were measured, and keystone species were classified and propagated to be used in the rehabilitation program in the future. In the first stage, species have been collected and preserved at the Purwodadi Botanical Garden and will be propagated in the area after the mine is closed. The efforts to collect keystone species at the Bharinto Mine cover an area of around 2.6 hectares in this year. So far, about 4.6 hectares of the area has been studied. The Company expanded the study area to cover an additional area at the Indominco Mine which had planned to be mined. That additional area covers an area of about 4 hectares.

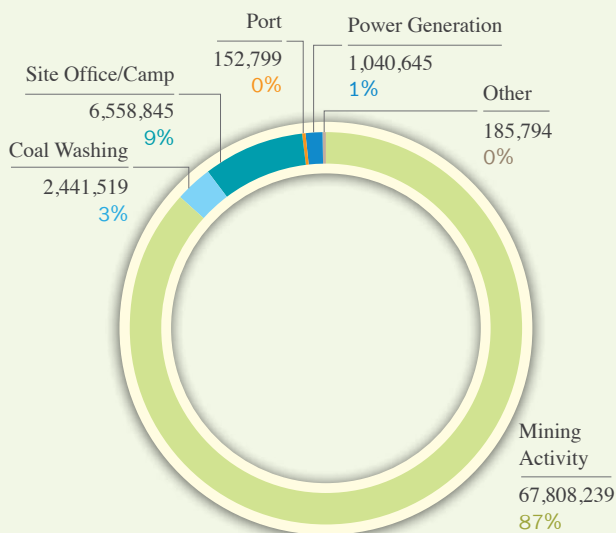


## Water Management

### Coal Business

Because the Company's open-pit mines in Indonesia are all located in a tropical region where annual rainfall is high, there is no problem related to water shortage. Water consumption in mining is very minimal when compared to the amount of rainfall and natural water flowing through the concession area, or less than 5% of total natural water indicated in the GRI reporting guideline. Therefore, water used in mining is mainly the rainfall preserved at mines. However, the Company considers water management to be a crucial activity, putting weight on the management of waste water discharge.

#### Water Consumption of Coal Indonesia (m<sup>3</sup>)



Source: Coal Indonesia Operations (Mining and Barging), 2012

To comply with regulations related to the quality of waste water discharge, the Company conducts the following quantitative and qualitative measures to reduce the impact:

- Separating natural water (e.g. rainfall and water from natural sources) from contaminated water used in mining (e.g. effluent streams from pits, coal washing, and soil dump sites);

- Reducing water consumption and applying re-circulated water in a closed loop system for activities that may cause pollution, such as coal washing, which can produce high concentration of tailings;
- Enhancing the water treatment system, such as positioning a settling pond in the direction of the water flow and researching and developing effluent treatment techniques and facility design in line with different pollutants in the water;
- Using treated water in other activities, including water spraying and watering plants.

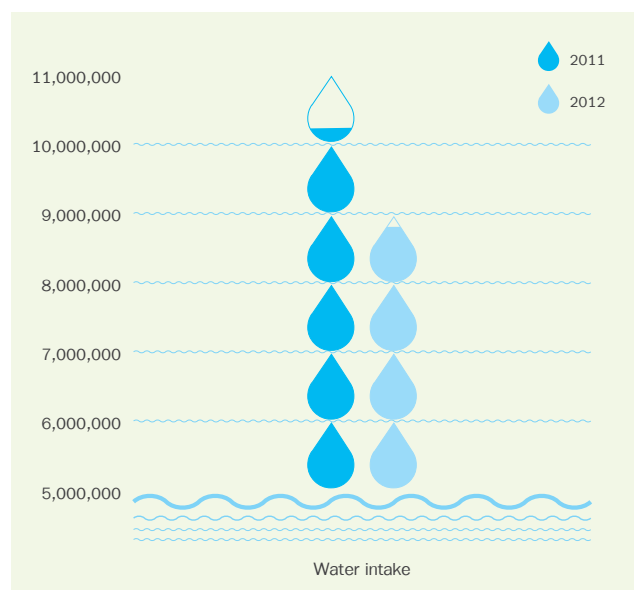
In 2012, the Company was able to manage the water discharge to be in compliance with the required standards. The parameters included acidity, the amount of total suspended solids, dissolved metals such as iron and manganese. The Company regularly monitored the quality of its water discharge and natural water both downstream and upstream of the discharge location to ensure its effluent discharge does not cause harm to the environment and surrounding communities.

### Power Business

Water is one essential resource for power and heat production. In 2012, all the three power plants in China, which are combined heat and power plants, consumed a total of 8.9 million cubic meter of fresh water, dropping by 13% from 2011. Half of the consumption was turned into products as steam and hot water. The other half, about 4.3 million cubic meter, was used to compensate the loss of water through:

- Evaporation in cooling systems (mainly at cooling towers);
- Water discharges, waste water from a water treatment system, and effluent from the plant and equipment cleaning process;
- Water generally consumed at offices, laboratories, and camps.

## Water Consumption of Power China (m<sup>3</sup>)



Source: Power China Operations (Combined Heat & Power Plants), 2012

For the power business, waste water is mostly rain run-off rather than process water. The management of waste water is then based on preventing the rain run-off from getting contaminated in the first place. The main concern is the amount of suspended solids that may be washed away from operational areas (e.g. coal stockyards).

## Waste Management

### Coal Business

At coal mines, overburden and waste rock account for most of the waste generated by mining. Even though they are not harmful, but without good management, they can lead to acid mine drainage, which is created when acidic soil and rock is exposed to air and water for a long time.

The Company studies the condition of the soil to carefully plan mining. In areas with highly acidic soil, the soil will be separated, compacted and later covered with neutral soil to prevent the acidic soil from being exposed to water and air for too long, which can lead to acid mine drainage.

Overburden and waste rock are dumped back into mine pits as much and as soon as possible after a mine is closed down. Unless there is not enough space, these wastes will be disposed elsewhere as a last resort. On-site disposal does not only cut costs, but can significantly reduce environmental impacts on the disturbed area and the ecosystem.

In 2012, the Company's operations in Indonesia removed and managed over 374 million bank cubic meters of overburden. To effectively manage environmental impacts from waste, a good mining plan must take into consideration these factors:

- Location of dump sites (in-pit versus outside dump);
- Geological stability and hydrology at the dump sites and their surroundings;
- Dumping sequence and design for waste encapsulation;
- Treatment of leachate and water run-off from dump sites and environmental monitoring systems.

Tailings and dirty coal are also waste materials that need proper management. As they are normally non-hazardous by nature, tailings and dirty coal are disposed at the designated disposal areas within the concession following the standard practice of sanitary land-filling.

In addition, there is also a small amount of other wastes, including hazardous wastes from machinery maintenance such as used engine oil and car batteries, and wastes from offices, such as light bulbs and toner cartridges. These are managed by authorized hazardous waste disposal operators. The Company has a strict procedure in the selection process of qualified waste disposal operators that have been authorized by related government agencies to ensure proper waste management and safety of the environment and surrounding communities. Last year, there were no leakages of chemical and hazardous wastes.

#### Case Study: Using Used Oil in Combination with Diesel in Making of Explosives

The Company adheres to the 3R concept of waste management: reduce, reuse, and recycle. Not only do reduction, reuse, and recycling help decrease production costs, but also waste treatment costs and impacts on the environment.

The Kitadin-Tandung Mayang Mine, a subsidiary of PT. Indo Tambangraya Megah (ITM), requires 2.2 million liters of diesel a year in the making of explosives for the soil stripping process in areas with hard rock. In 2011, the use of diesel at the mine there went over budget by 22% as the rock at the concession was very hard. Therefore, in 2012, the mine made an initiative to use used oil in combination with diesel and built a facility for the storage, filtering, treating, and mixing of used oil and diesel for the making of explosives.

Approved by government agencies, this initiative helps to reduce diesel consumption and greenhouse gas emissions as well as promotes effective waste reuse. In 2012, the amount of used oil in substitution of diesel was around at 0.43 million liters.

#### Power Business

Wastes from power plants are mainly ash, which can be reused in the production of cement, bricks, roads, etc. Buyers examine ash properties to see if they are suitable for their production. In case of unsuitable properties, the ash is disposed by authorized disposal operators.

#### Case Study: Classification of Fly Ash from Power Plant for Sale

Located in the Shandong Province, China, the Zouping Plant is a combined heat and power plant in which the Company is holding 70% of its share. It has a power production capacity of 100 MW per hour and a steam production capacity of 500 tonnes per hour. Previously, the plant could sell 240,000 tonnes of fly ash a year to cement and brick producers. However, with an increased supply of fly ash in the market, competition has become more aggressive. Also, there has been pressure from buyers regarding the qualities of fly ash as customers are looking for a wider variety. Distance between the plant and its buyers can also create a disadvantage.

Therefore, the Zouping Plant initiated a project to study the classification of fly ash to match customer needs. After the classification, fine ash amounts to 60% and coarse ash 40% of the whole production. With higher demand for fine fly ash, its price can be six times higher than that of coarse fly ash.





Thanks to the classification based on market and customer surveys, fly ash from the Zouping Plant is in great demand, generating revenues of approximately USD 2 million a year while enhancing the plant's waste management.



## Compliance

Banpu places great emphasis on compliance. In 2012, the Company did not find any non-compliance cases that were fined by government agencies. However, being aware of possible environmental impacts, the Company focuses on preventive measures and regularly holds internal inspections. Last year, the Company also put in place an environmental quality assurance system and conducted a quality assurance review (QAR) of its mining business, which included these areas: acid mine drainage management, mine site rehabilitation, environmental impact assessment, and environmental management system. These programs will be further developed in the future.

## Value Chain Management

Environmental management planning cannot be done by an organization on its own, but requires cooperation from every

business unit, from upstream to downstream businesses. Banpu recognizes the importance of engaging all business partners in its environmental management programs throughout the value chain so that these efforts can produce sustainable results.

## Customers

The Company's coal and power businesses are in the upstream sector of the energy industry, so its customers are industries that require energy in their production as well as the government sector that buys electricity from private energy companies. As an energy provider, the Company is committed to delivering products that meet customer needs at a reasonable, competitive price. Therefore, the Company pays close attention to the inspection of its product quality before delivery to ensure the customers receive the exact products they order and in a timely manner as agreed.

In addition, customers expect proper environmental management in every production process, especially those with good environmental management themselves. These customers have their own environmental standards and carefully select their suppliers who will benefit their value chain. The Company acknowledges the opportunity in assisting its customers to comply with their environmental management, thus creating additional value to the Company's products while increasing its competitiveness and gaining trust from the customers. Moreover, the Company has set up a system for receiving customers' feedback and complaints regarding the quality, delivery, and safety of its products and services, and provides quick response to the customers. Support on product utilization is offered to enhance product effectiveness and ensure optimal use of resources.



## Suppliers

The Company conducts business with its suppliers with honesty, equitability, and fairness, based on mutual benefits and commitment. As the Company's coal and power businesses are in the upstream sector of the energy industry, producing energy for other industries' consumption, the Company's raw materials are mostly natural resources required for energy production, including oil and coal. Other raw materials also include machinery and other chemicals. The Company offers local suppliers fair access to the market. Not only can hiring of local suppliers help the Company reduce transportation costs, but it can also boost the local economy and development in the area. Last year, the Company collaborated with a liquid natural gas separation and production plant in a nearby area to study the possibility of using liquid natural gas in replacement of diesel for its transportation. Once the use of liquid natural gas is in full fleet, greenhouse gas emissions from transportation will be reduced significantly.

## Contractors

Most of the Company's contractors are hired for the soil stripping process, excavation, and transportation. Committed to its environmental responsibility, the Company has established the contractor management system to find qualified contractors in terms of price, environmental management, occupational health and safety, which are all indicators of the suppliers' risk management capability. There is also communication between the Company and its suppliers regarding environmental targets and regulations and regular evaluation of the suppliers' environmental performance. This is to ensure that all processes conducted by the suppliers have proper environmental management and continual improvement.

Last year, the Company introduced the 'Control Your Right Foot' campaign to promote safe driving among its own and the contractors' drivers for passenger cars, trucks, vans, and buses. Its objective is to promote safe driving and raise awareness, which will lead to proper handling of the vehicles, energy consumption reduction, and reduction of vehicle-related accidents.

## Banpu's Participation and Membership

Organization	Membership Status	Roles within Organization
Environmental Engineering Association of Thailand	Regular Member	General Meetings



## Awards and Recognitions

In addition to compliance with the Quality Management System: ISO 9001, the Occupational Health and Safety Management System: OHSAS 18001, and the Environmental

Management System: ISO 14001, the Company's environmental commitment and performance have been recognized consistently by stakeholders who have direct contact with our operations. In 2012, the Company received the following awards and certificates:



▶ Green System Certificate-Level 3 (Systematic Environmental Management with Evaluation and Review for Continual Development)

By  
Ministry of Industry

▶ CSR-DPIM 2012 Award in Coal Processing Plant Category

By  
Department of Primary Industries and Mines



▶ Blue Level-PROPER

By  
State Minister of Environment of the Republic of Indonesia



▶ Blue Level-PROPER

By  
State Minister of Environment of the Republic of Indonesia



▶ Blue Level-PROPER

By  
State Minister of Environment of the Republic of Indonesia



▶ Blue Level-PROPER

By  
State Minister of Environment of the Republic of Indonesia



▶ Blue Level-PROPER

By  
State Minister of Environment of the Republic of Indonesia



▶ Advanced Enterprise on Water Saving of Tangshan City for the Year 2011

By  
Tangshan City People's Government

▶ Demonstration Enterprise of Administration of Precursor Chemicals for Year 2011

By  
Narcotics Control Committee Office of Hebei Province

# 6

## ECONOMIC SUSTAINABILITY

### The challenge

How the company can provide appropriate economic contributions to key stakeholders in coherent with economic and social situation while maintaining its financial strength and pursuing business growth to guarantee continual return on investment to shareholders in the long run.









## Economic Situations

In 2012, developed nations were busy trying to solve their economic problems, including the U.S. Federal Reserve's measures in buying bonds and maintaining low interest rates to reduce unemployment and the European Union's bailout programs that included buying bonds from troubled economies. These measures led to excess liquidity, currency fluctuations, and commodity speculation. The company closely followed these situations and introduced the following risk management measures:

## Our Strategies

### Managing Financial Resources

Financial strategy has been formulated in line with Banpu's business strategy. Various scenarios relating to both internal and external sources of funds have been made and carefully analyzed. The Company focuses on maintaining a good relationship with financial institutions in order to ensure accessibility of the sources of funds. It also focuses on managing efficient cash flows.

### Managing Exchange Rate Risks

The Company manages foreign currencies to prevent exchange rate risk both at the corporate level and at the group level through a natural hedging policy where it strives to create

a balance between its foreign-currency assets and liabilities in Thailand, Indonesia, China, and Australia. On December 13, 2012, the Company has liability in Baht 23%, US Dollar 70%, Australian Dollar 6% and RMB 1%. Other financial instruments are being chosen from time to time as appropriate. The Company has adjusted its foreign currency forward contracts based on its estimated revenues and expenses so as to match its foreign currency assets and liabilities and to be in line with market trends and circumstance. At the same time, the Company also maintains an appropriate proportion of its foreign currency revenues and allocates funds in US dollar or converts them into other foreign currencies respectively to accommodate overseas investments.

### Managing Financial Costs

Banpu manages interest rate risk by closely monitor the trend of interest rates in the world's markets as well as in Thailand. It allocates debt portfolio in both short-and long-term with fixed and floating interest rates corresponding to the types of investments. The Company has chosen financial instruments to create an alternative source of fund and to manage financial structure properly in every country it invests. For example, interest rate swap is being used to manage the proportion of fixed interest rates to meet the market trends. On December 31, 2012, the Company has fixed interest rate and float interest rate at 44% and 56% respectively.



## Managing Coal and Oil Price Fluctuations

Banpu has managed risks from coal prices that affect its incomes and risks from oil prices that affect its operating costs by partly engaging in coal swaps and gas oil swaps to reduce volatility in the coal business performance. A Commodity Risk Management Committee has been set up to manage risks from coal and oil prices of Banpu group. The committee also reviews the counterparty banks' risk status

on an annual basis. Sales and production in the short-and medium-term are constantly adjusted to alleviate negative impacts from increasing cost of production or decreasing of sales revenues. Banpu actively monitors and assesses the situation of the world's coal market and price trend to seek a right opportunity in settling sales price with customers. In addition, a ratio of coal sold on an index-linked and fixed price basis are constantly adjusted to suit the coal prices in the world market at the time.

## Economic Performance

### Financial Strength



Operational Results	Unit	2012	2011
Sales Revenues	THB million	117,337	112,404
Profit from Operation	THB million	21,348	35,361
Net Profit	THB million	9,293	20,060
Gross Profit Margin	%	38.19	43.99
Interest Coverage Ratio	times	9.13	13.08
Net Debt to Equity Ratio	times	0.83	0.74

### Economic Distributions



Stakeholders	2012 (THB million)	2011 (THB million)
Suppliers & Contractors*	61,475	51,583
Public Sector (Royalty Fee Tax**)	14,978	22,230
Shareholders (Dividends Paid)	11,169	6,840
Employee***	4,084	4,586
Financial Institutions (Interest Expense, Financial Expense)	3,881	3,396
Community, Society, Environment****	1,125	995

\* Estimated from Cost of Sales less Employee Expense, Depreciation and Amortization

\*\* Includes Corporate Income Tax, Local Maintenance Tax, Property Tax, Specific Business Tax and Other Taxes

\*\*\* Includes Salary, Wage, Welfare, Provident Fund Contribution and Employees Development Expense

\*\*\*\* Includes Expense for Community Development, Environment and Local Compensation

# GRI Content Index

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3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	► About This Report ► Boundary	7	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	► About This Report ► Boundary	7	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	► About This Report ► Boundary	7	



Indicator	Description	Reference/Remark	Page	
			Sustainability Report	Annual Report
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	► About This Report ► Boundary	7	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	No re-statement		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	No significant change		
3.12	Table identifying the location of the Standard Disclosures in the report.	► GRI Content Index	80-88	
3.13	Policy and current practice with regard to seeking external assurance for the report.	► About This Report ► Next Step	7	

#### 4. Governance, Commitments, and Engagement

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	► Business & Sustainability ► Corporate Governance for Sustainability ► Structure of the Board of Directors Annual Report 2012	10	26-30
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	► Business & Sustainability ► Corporate Governance for Sustainability ► Structure of the Board of Directors Annual Report 2012	10	26-30
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	► Business & Sustainability ► Corporate Governance for Sustainability ► Structure of the Board of Directors Annual Report 2012	10	26-30
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	► Business & Sustainability ► Corporate Governance for Sustainability ► Communication Channels	11-12	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	► Business & Sustainability ► Corporate Governance for Sustainability ► Compensation Management	10	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	► Business & Sustainability ► Corporate Governance for Sustainability ► Internal Control and Conflict of Interest	10-11	
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	► Business & Sustainability ► Corporate Governance for Sustainability ► Structure of the Board of Directors Annual Report 2012	10	26-30
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	► Vision & Mission ► Business & Sustainability ► Sustainable Development Policy ► Business & Sustainability ► Corporate Governance for Sustainability	3 18 8-12	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	► Business & Sustainability ► Corporate Governance for Sustainability Annual Report 2012	8-12	26-30
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	► Business & Sustainability ► Corporate Governance for Sustainability ► Compensation Management Annual Report 2012	10	26-30
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	► Business & Sustainability ► Corporate Governance for Sustainability ► Business & Sustainability ► Strategies for Sustainability	8-12 19-20	





Indicator	Description	Reference/Remark	Page	
			Sustainability Report	Annual Report
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	▶ Business & Sustainability ▶ Corporate Governance for Sustainability ▶ Banpu's Participation and Membership ▶ Occupational Health and Safety (OHS) ▶ Banpu's Participation and Membership	12 33	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	▶ Business & Sustainability ▶ Corporate Governance for Sustainability ▶ Banpu's Participation and Membership ▶ Occupational Health and Safety (OHS) ▶ Banpu's Participation and Membership ▶ Human Resources Sustainability ▶ Banpu's Participation and Membership ▶ Environmental Sustainability ▶ Banpu's Participation and Membership	12 33 47 74	
4.14	List of stakeholder groups engaged by the organization.	▶ Business & Sustainability ▶ Corporate Governance for Sustainability ▶ Stakeholder Engagement	15-17	
4.15	Basis for identification and selection of stakeholders with whom to engage.	▶ Business & Sustainability ▶ Corporate Governance for Sustainability ▶ Stakeholder Engagement	15-17	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	▶ Business & Sustainability ▶ Corporate Governance for Sustainability ▶ Stakeholder Engagement	15-17	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	▶ Business & Sustainability ▶ Corporate Governance for Sustainability ▶ Stakeholder Engagement	15-17	

## STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)

### DMA EC Disclosure on Management Approach EC

Aspects	Economic performance	▶ Economic Sustainability Annual Report 2012	76-78	31-40
	Market presence	▶ Business & Sustainability ▶ Products and Services ▶ Coal Business ▶ Business & Sustainability ▶ Products and Services ▶ Power Business	23-25 26-27	
	Indirect economic impacts	▶ Social Sustainability	48-54	

### DMA EN Disclosure on Management Approach EN

Aspects	Materials	▶ Environmental Sustainability	61-63, 71	
	Energy	▶ Environmental Sustainability	61-63	
	Water	▶ Environmental Sustainability	70-71	
	Biodiversity	▶ Environmental Sustainability	68-69	
	Emissions, effluents and waste <sub>COMM</sub>	▶ Environmental Sustainability	63-67, 71-73	
	Products and services	▶ Business & Sustainability ▶ Products and Services ▶ Coal Business ▶ Business & Sustainability ▶ Products and Services ▶ Power Business	23-25 26-27	
	Compliance	▶ Environmental Sustainability ▶ Compliance	73	
	Transport	▶ Environmental Sustainability ▶ Value Chain Management	73-74	
	Overall	▶ Environmental Sustainability ▶ Commitment	58	

### DMA LA Disclosure on Management Approach LA

Aspects	Employment <sub>COMM</sub>	▶ Human Resources Sustainability ▶ Human Resource Management ▶ Recruitment and Selection	38	
	Labor/management relations <sub>COMM</sub>	▶ Human Resources Sustainability ▶ The Challenge	36-37	
	Occupational health and safety <sub>COMM</sub>	▶ Occupational Health and Safety (OHS) ▶ Occupational Health and Safety Management	30-31	
	Training and education	▶ Human Resources Sustainability ▶ Human Resource Management ▶ Training and Development	39-40	
	Diversity and equal opportunity	▶ Human Resources Sustainability ▶ Human Resource Management	38-42	
	Equal remuneration for women and men	▶ Human Resources Sustainability ▶ Human Resource Management	38-42	

### DMA HR Disclosure on Management Approach HR

Aspects	Investment and procurement practices	▶ Human Resources Sustainability ▶ Human Resource Management	38-42	
	Non-discrimination	▶ Human Resources Sustainability ▶ Human Resource Management	38-42	



Indicator	Description	Reference/Remark	Page	
			Sustainability Report	Annual Report
	Freedom of association and collective bargaining	► Human Resources Sustainability ► Human Resource Management	38-42	
	Child labor	► Human Resources Sustainability ► Human Resource Management	38-42	
	Prevention of forced and compulsory labor	► Human Resources Sustainability ► Human Resource Management	38-42	
	Security practices	n/a		
	Indigenous rights <sub>COMM</sub>	► Social Sustainability ► Community Development in Indonesia ► Indigenous Peoples' Community Development	53	
	Assessment	► Human Resources Sustainability ► Human Resource Management ► Performance Management	38	
	Remediation	► Human Resources Sustainability ► Human Resource Management ► Welfare and Benefits	38	

#### DMA SO Disclosure on Management Approach SO

Aspects	Local communities	► Social Sustainability	48-54	
	Artisanal and small-scale mining	► Social Sustainability ► Community Development in Indonesia ► Artisanal Mining and Small-scale Mining	54	
	Resettlement	► Social Sustainability ► Community Development in Indonesia	50-51	
	Closure planning <sub>COMM</sub>	► Social Sustainability ► Community Development in Indonesia	50-51	
	Grievance mechanisms and procedures	► Social Sustainability ► Community Development in Indonesia	50-51	
	Emergency Preparedness <sub>COMM</sub>	n/a		
	Corruption	► Business & Sustainability ► Corporate Governance for Sustainability	8-12	
	Public policy	► Business & Sustainability ► Anti-Corruption	11	
	Anti-competitive behavior	n/a		
	Compliance	► Social Sustainability	48-54	

#### DMA PR Disclosure on Management Approach PR

Aspects	Materials stewardship	► Environmental Sustainability ► Value Chain Management	73-74	
	Customer health and safety	► Business & Sustainability ► Products and Services ► Coal Business ► Business & Sustainability ► Products and Services ► Power Business	23-25 26-27	
	Product and service labelling	► Business & Sustainability ► Products and Services ► Coal Business	23-25	
	Marketing communications	► Business & Sustainability ► Products and Services ► Coal Business ► Business & Sustainability ► Products and Services ► Power Business	23-25 26-27	
	Customer privacy	► Business & Sustainability ► Products and Services ► Coal Business ► Business & Sustainability ► Products and Services ► Power Business	23-25 26-27	
	Compliance	► Business & Sustainability ► Products and Services ► Coal Business ► Business & Sustainability ► Products and Services ► Power Business	23-25 26-27	

### STANDARD DISCLOSURES PART III: Performance Indicators

#### Economic

##### Economic Performance

EC1 <sub>COMM</sub>	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	► Economic Sustainability ► Economic Performance Annual Report 2012	79	45-46
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	► Environmental Sustainability ► Climate Change and Air Quality Management	63-66	
EC3	Coverage of the organization's defined benefit plan obligations.	n/a		
EC4	Significant financial assistance received from government.	n/a		



Indicator	Description	Reference/Remark	Page	
			Sustainability Report	Annual Report
Market Presence				
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Entry level wage of Banpu is higher than local minimum wage at significant locations of operation with an equal opportunity to employees regardless of gender		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	► Environmental Sustainability ► Value Chain Management	73-74	
EC7 <sub>COMM</sub>	Procedures for local hiring and proportion of senior management and workforce hired from the local community at significant locations of operation.	► Human Resources Sustainability ► Human Resource Management	38-42	
Indirect Economic Impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	► Social Sustainability	48-54	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	► Social Sustainability	48-54	
Environmental				
Materials				
EN1	Materials used by weight or volume.	► Environmental Sustainability ► Waste Management	71-73	
EN2 <sub>COMM</sub>	Percentage of materials used that are recycled input materials.	Not applicable - As a producer of raw materials, we do not use recycled input materials		
Energy				
EN3	Direct energy consumption by primary energy source.	► Environmental Sustainability ► Energy Management	61-63	
EN4	Indirect energy consumption by primary source.	► Environmental Sustainability ► Energy Management	61-63	
EN5	Energy saved due to conservation and efficiency improvements.	► Environmental Sustainability ► Climate Change and Air Quality Management	63-66	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	► Environmental Sustainability ► Energy Management	61-63	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	► Environmental Sustainability ► Energy Management	61-63	
Water				
EN8	Total water withdrawal by source.	► Environmental Sustainability ► Water Management	70-71	
EN9	Water sources significantly affected by withdrawal of water.	► Environmental Sustainability ► Water Management	70-71	
EN10	Percentage and total volume of water recycled and reused.	n/a		
Biodiversity				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	► Environmental Sustainability ► Biodiversity	68-69	
EN12 <sub>COMM</sub>	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	► Environmental Sustainability ► Biodiversity	68-69	
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	► Environmental Sustainability ► Land Use and Rehabilitation	68	
EN13 <sub>COMM</sub>	Habitats protected or restored.	► Environmental Sustainability ► Biodiversity	68-69	
EN14 <sub>COMM</sub>	Strategies, current actions, and future plans for managing impacts on biodiversity.	► Environmental Sustainability ► Biodiversity	68-69	
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.	► Environmental Sustainability ► Biodiversity	68-69	



Indicator	Description	Reference/Remark	Page	
			Sustainability Report	Annual Report
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	► Environmental Sustainability ► Biodiversity	68-69	
<b>Emissions, Effluents and Waste</b>				
EN16	Total direct and indirect greenhouse gas emissions by weight.	► Environmental Sustainability ► Climate Change and Air Quality Management	63-66	
EN17	Other relevant indirect greenhouse gas emissions by weight.	n/a		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	► Environmental Sustainability ► Climate Change and Air Quality Management	63-66	
EN19	Emissions of ozone-depleting substances by weight.	n/a		
EN20 <sub>COMM</sub>	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight.	► Environmental Sustainability ► Air Quality Standards	67	
EN21	Total water discharge by quality and destination.	n/a		
EN22 <sub>COMM</sub>	Total weight of waste by type and disposal method.	► Environmental Sustainability ► Waste Management	71-73	
MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks.	► Environmental Sustainability ► Waste Management	71-73	
EN23 <sub>COMM</sub>	Total number and volume of significant spills.	► Environmental Sustainability ► Compliance	73	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	► Environmental Sustainability ► Waste Management	71-73	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	n/a		
<b>Products and Services</b>				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	► Business & Sustainability ► Products and Services ► Coal Business ► Environmental Sustainability ► Value Chain Management	23-25 73-74	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	► Business & Sustainability ► Products and Services ► Coal Business	23-25	
<b>Compliance</b>				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	► Environmental Sustainability ► Compliance	73	
<b>Transport</b>				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	► Environmental Sustainability ► Value Chain Management	73-74	
<b>Overall</b>				
EN30	Total environmental protection expenditures and investments by type.	► Economic Sustainability ► Economic Distributions	79	
<b>Social: Labor Practices and Decent Work</b>				
<b>Employment</b>				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	► Human Resources Sustainability ► Data of BANPU People	45-46	
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	► Human Resources Sustainability ► Data of BANPU People	45-46	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	n/a		
LA15	Return to work and retention rates after parental leave, by gender.	n/a		





Indicator	Description	Reference/Remark	Page	
			Sustainability Report	Annual Report
Labor/Management Relations				
LA4	Percentage of employees covered by collective bargaining agreements.	▶ Human Resources Sustainability ▶ Human Resource Management ▶ Right and Welfare Protection	41	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	n/a		
MM4	Number of strikes and lock-outs exceeding one week's duration, by country.	▶ Human Resources Sustainability ▶ Human Resource Management ▶ Right and Welfare Protection	41	
Occupational Health and Safety				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	▶ Business & Sustainability ▶ Corporate Governance for Sustainability ▶ Stakeholder Engagement	16	
LA7 <sub>COMM</sub>	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	▶ Occupational Health and Safety (OHS) ▶ Performance	31-32	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	▶ Occupational Health and Safety (OHS) ▶ Occupational Health and Safety Management	30-31	
LA9	Health and safety topics covered in formal agreements with trade unions.	n/a		
Training and Education				
LA10	Average hours of training per year per employee by gender, and by employee category.	▶ Human Resources Sustainability ▶ Data of BANPU People	45-46	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	▶ Human Resources Sustainability ▶ Human Resource Management ▶ Training and Development	39-40	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	▶ Human Resources Sustainability ▶ Human Resource Management ▶ Performance Management ▶ Human Resources Sustainability ▶ Human Resource Management ▶ Training and Development	38 39-40	
Diversity and Equal Opportunity				
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	▶ Human Resources Sustainability ▶ Data of BANPU People	45-46	
Equal Remuneration for Women and Men				
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	n/a		
Social: Human Rights				
Investment and Procurement Practices				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	n/a		
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	All significant contractors are fully complied with the local labor laws.		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	n/a		
Non-discrimination				
HR4	Total number of incidents of discrimination and corrective actions taken.	There were no report on incidents of discrimination and corrective actions taken in this reporting period.		
Freedom of Association and Collective Bargaining				
HR5 <sub>COMM</sub>	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	▶ Human Resources Sustainability ▶ Human Resource Management ▶ Right and Welfare Protection	41	



Indicator	Description	Reference/Remark	Page	
			Sustainability Report	Annual Report
Child Labor				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	▸ Human Resources Sustainability ▸ Human Resource Management ▸ Prevention of Child Labor and Forced or Compulsory Labor	41	
Prevention of Forced and Compulsory Labor				
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	▸ Human Resources Sustainability ▸ Human Resource Management ▸ Prevention of Child Labor and Forced or Compulsory Labor	41	
Security Practices				
HR8	Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations.	All operational employees including security personnel are trained as part of company regulations. In addition, the human rights aspects are occasionally addressed in weekly safety talk.		
Indigenous Rights				
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.	▸ Social Sustainability ▸ Community Development in Indonesia ▸ Indigenous Peoples’ Community Development	53	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	There were no report on incidents of violations involving rights of indigenous people and actions taken in this reporting period.		
Assessment				
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	n/a		
Remediation				
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	n/a		
Social: Society				
Local Communities				
SO1 <sub>(MMSS)</sub>	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	▸ Social Sustainability ▸ Community Development in Indonesia ▸ Business & Sustainability ▸ Corporate Governance for Sustainability ▸ Stakeholder Engagement	50-51 15-17	
SO1(G3.1)	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	▸ Social Sustainability ▸ Community Development in Indonesia ▸ Business & Sustainability ▸ Corporate Governance for Sustainability ▸ Stakeholder Engagement	50-51 15-17	
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.	▸ Social Sustainability ▸ Community Development in Indonesia	50-51	
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.	▸ Social Sustainability ▸ Community Development in Indonesia	50-51	
Artisanal and Small-scale Mining				
MM8	Number (and percentage) or company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.	▸ Social Sustainability ▸ Community Development in Indonesia ▸ Artisanal Mining and Small-scale Mining	54	
Resettlement				
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	▸ Social Sustainability ▸ Community Development in Indonesia	50-51	
Closure Planning				
MM10	Number and percentage of operations with closure plans.	▸ Environmental Sustainability ▸ Land Use and Rehabilitation	68	
SO9	Operations with significant potential or actual negative impacts on local communities.	▸ Social Sustainability ▸ Community Development in Indonesia	50-51	



Indicator	Description	Reference/Remark	Page	
			Sustainability Report	Annual Report
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	► Social Sustainability ► Community Development in Indonesia	50-51	
<b>Corruption</b>				
SO2	Percentage and total number of business units analyzed for risks related to corruption.	n/a		
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	► Human Resources Sustainability ► Human Resource Management ► Training and Development	39-40	
SO4	Actions taken in response to incidents of corruption.	► Human Resources Sustainability ► Corporate Shared value: Banpu Sprit ► Transparency	44	
<b>Public Policy</b>				
SO5	Public policy positions and participation in public policy development and lobbying.	► Business & Sustainability ► Corporate Governance for Sustainability ► Banpu's Participation and Membership	12	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	n/a		
<b>Anti-competitive Behavior</b>				
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	n/a		
<b>Compliance</b>				
SO8 <sub>COMM</sub>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	No significant fine in this reporting period. Annual Report 2012		166-168
<b>Social: Product Responsibility</b>				
<b>Materials Stewardship</b>				
MM11	Programs and progress relating to materials stewardship.	► Environmental Sustainability ► Value Chain Management	73-74	
<b>Customer Health and Safety</b>				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	► Business & Sustainability ► Products and Services ► Coal Business ► Business & Sustainability ► Products and Services ► Power Business	23-25 26-27	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	► Business & Sustainability ► Products and Services ► Coal Business ► Business & Sustainability ► Products and Services ► Power Business	23-25 26-27	
<b>Product and Service Labelling</b>				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	► Business & Sustainability ► Products and Services ► Coal Business	23-25	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	► Business & Sustainability ► Products and Services ► Coal Business	23-25	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	► Business & Sustainability ► Products and Services ► Coal Business	23-25	
<b>Marketing Communications</b>				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Not applicable - Marketing communications are not material for a commodity business		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not applicable - Marketing communications are not material for a commodity business		
<b>Customer Privacy</b>				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	► Business & Sustainability ► Products and Services ► Coal Business ► Business & Sustainability ► Products and Services ► Power Business	23-25 26-27	
<b>Compliance</b>				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	► Business & Sustainability ► Products and Services ► Coal Business ► Business & Sustainability ► Products and Services ► Power Business	23-25 26-27	

\* COMM = Mining & Metals Sector Specific Commentary

For more information, feedback and comments, please contact

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